Uniform is not just a dress but an ethos

Careful thought has to be given by the decision-makers on the needs of those serving in the police force

PREMVIR DAS

Three incidents in recent months have brought the uniform into focus. In one of them, we saw an ugly confrontation between two agencies, both pivotal for the maintenance of law and order in our country which led to one of them, the Delhi Police, agitating outside the headquarters and actually heckling the commissioner when he came out to assuage their feelings. And last month, we saw an amazing sight of two "marshals" standing on either side of the chairman of Rajya Sabha, looking more like military men with caps and braids resembling those worn by our Generals; this dress code is now being "revisited" and, hopefully, will be undone. Most recently, we have seen visuals of agitating JNU students being chased by the police with lathis. All these incidents raise some important questions on what exactly uniform means.

There are three uniformed forces in India, namely, the military, the para military and the police, each with its own distinct and clearly defined responsibility. The first essentially exists to safeguard the territorial integrity of the country, the second to provide a second line of defence and to protect internal security, and the third, to supervise law and order. Clearly, the first comes into contact with the public the least and the third the most. This has a bearing on the pulls and pressures each is subjected to, the police being the most affected, and consequently, the responses, but in the discharge of their duties runs a common thread. While individual grievances may be voiced and will always be attended to, group agitation is not acceptable.

Just before India became independent, there was the Naval Mutiny of 1946 in which hundreds of ratings (sailors) besieged naval barracks and held officers (both British and Indian) captive for some time. The offenders were soon neutralised and many "mutineers" were either summarily dismissed or faced trial in courts. Then there was a group protest in the Navy in 1968 by sailors of the erstwhile Topass branch whose duty was to clean bathrooms and toilets on board ships. In the British Navy, from which the Indian Navy drew its ethos, these duties were shared equally by sailors of all branches and our hierarchy felt that by following the same practice we could optimise the size of the ship's crew, an important need given the space constraints. An order to this effect, palpably unsuited to the Indian environment, was passed. It was disobeyed collectively but not violently by a large majority of sailors who considered the tasks demeaning. The directive was withdrawn but a large number of those who protested were dismissed from service.

In 1973, the Navy saw yet another group protest, albeit limited. In the then flagship of the Navy, INS Mysore, the entire crew refused to eat lunch. The ship was at sea and it was not clear if the collective act was localised or widespread and if the former, the reason thereof. Enquiries with shore headquarters revealed that it was limited to the flagship only. The ship's officers including the Admiral tried to ascertain the reason for this group representation of grievance but none was forthcoming. The sailors went about their duties quietly and had their evening meal normally. Subsequent enquiries revealed that there was a general feeling among the crew that focus on discipline was over-emphasised in the ship by a new Captain whose reputation as a strict disciplinarian had preceded him. Once again regardless of what led to this episode, the act of silent agitation was not allowed to pass muster and over a hundred sailors, suspected to be motivators or instigators, were discharged from service.

In 1984, one saw an act of group protest in the Army following military intervention in the haloed Golden Temple at Amritsar. A contingent of soldiers belonging to a regiment stationed at Ramgarh in Bihar began to move towards Delhi. They were soon neutralised and confined to barracks. There was no instance of violence but a large number of these soldiers were discharged or otherwise punished. These are some of the better known examples of collective protests in the military and how they were handled; there may well have been some more on a smaller scale and not so visible. The bottom line is that all of them were seen as unacceptable conduct and dealt with accordingly even as the grievances were recognised and mostly rectified.

This is the context in which we should view the recent incidents. The tasks of the police are so much more complex and difficult than those of other counterparts in uniform in view of their proximity and close interface with the civilian community and, indeed, the very nature of their responsibilities. Some interventions by them which may be seen as unduly harsh are inescapable. Whether, in response, a collective approach, bordering on agitation, is tolerable is a moot point but it is indisputable that criteria relevant to the military and para military cannot be strictly applied; some different norms have to be worked out. It is not as if this was the first such group representation of grievance in the police and various corrective actions must have been taken. There are also exhaustive reports on police reforms that have been in the public domain for some time without implementation; they merit urgent attention as highlighted by several former senior police officers. In this case, some preemptive measures by the hierarchy might have helped. Very careful thought has to be given by the decision- makers on what needs to be done to safeguard the interests of those serving in the police force as well as of the ethos of uniforms that they wear. Sadly, statements of the kind made by the IAS and IPS Officers Associations in the recent instance were neither necessary nor conducive to the desired end result.

The writer is a former Commander in Chief of the Eastern Naval Command. He has also been member of the National Security Advisory Board

CHINESE WHISPERS

What's brewing?

A lot is happening at the Madhya Pradesh unit of the Congress party. After Gandhi siblings Rahul and Priyanka did not wish state Chief Minister Kamal Nath on his birthday, party general secretary Jyotiraditya Scindia (*pictured*) was found to have removed the party's name from his Twitter bio. Then, more than 30 Congress MLAs reportedly went missing. While some party leaders said they had not been able to establish contact with these MLAs for the past week or so, Scindia rejected such reports and said he could call them up for proof. These MLAs are said to be the ones who had been demanding Nath be replaced as the Madhya Pradesh chief minister with Scindia.

Cong elders' jibe

After Rahul Gandhi (*pictured*) relinquished the Congress president's post following the Lok Sabha election debacle, the old guard in the Uttar Pradesh unit had been feeling sidelined. Their disenchantment only grew stronger once Priyanka Gandhi Vadra took over the reigns of the state's party unit completely. Following their continuing verbal diatribe against the new party setup, 10 Congress elders, including AICC member Santosh Singh and former UP legislator Siraj Mehndi, were served notices, and subsequently expelled from the party for six years. Digging in their heels, the defiant old guard has observed that the grand old party was being run as a "private limited company" by a few leaders in utter disregard of the past contribution of the seniors.

Who will it be?

The Aam Aadmi Party on Monday claimed that "strong infighting" within the Delhi Bharatiya Janata Party (BJP) forced Union minister Hardeep Singh Puri to clarify that they have not finalised the chief ministerial candidate for the Assembly elections due early next year. Puri had on Sunday said that the BJP will fight the assembly election under the leadership of party's Delhi unit chief Manoj Tiwari and ensure that he becomes the Chief Minister, only to backtrack hours later. Seeking to play down his earlier statement, Puri, Union minister for housing and urban affairs, said he meant that the BJP would win under the leadership of Tiwari. The BJP has not formally announced a chief ministerial candidate for the upcoming polls in the national capital. The AAP claimed BJP leaders Vijender Gupta and Vijay Goel along with Tiwari were all competing to be seen as the party's chief ministerial candidate.

Auto sector's second life

As traditional car sellers reel under the slowdown, auto-tech startups are showing them a new road to growth

T E NARASIMHAN

The sentiment in the sector has been gloomy for over a year now. Several factors including the overall growth slowdown, new emission norms, and the weakening consumer confidence have forced several original equipment manufacturers to intermittently close production or cut jobs.

But some companies are surprisingly on a growth path. Auto-tech startups, which sell or rent old and new vehicles have seen their sales boom, and investors are queuing up to fund them. Many of these are online car sellers and some offer a range of after-sales service from tech support to insurance.

The crucial difference it seems is the marketing model. Most of these companies are primarily online. So, though the Society of Indian Automobile Manufacturers data showed sales of cars and vans falling by 27.02 per cent during April-October 2019 period, most of these tech-driven auto companies reported healthy growth.

CarDekho, an auto-tech start-up was based in Jaipur, has reported a 92 per cent jump in revenue in the first half of 2019-20, to $28 million. Its new auto business rose by 30 per cent during the year. Besides selling new and old cars, the company conducts inspections for old vehicles, offers financial services, insurance and warranty services. Insurance and warranty grew by 523 per cent year-on-year, while used car business saw a growth of 118 per cent and financial services grew 135 per cent, according to the company.

Online automobile marketplace Droom, promoted by Sandeep Aggarwal and headquartered in Gurgaon, is targeting a gross merchandise value (GMV) of $2 billion and a net revenue of $55 million by end of 2019. Loans and insurance is one of the company's fastest growing businesses. Droom also offers enterprise solutions such as fleet management and bulk insurance.

TAKE TWO
ANALYSIS BEHIND THE HEADLINES

Similarly, Cars24, another online venture started by former co-founder of FabFurnish Vikram Chopra, posted a two-fold increase in revenues to ₹1,687.7 crore in FY 2019, from ₹670 crore a year ago. The Chennai-based startup sells 13,500 cars a month, on an average, across India. Its business model differs from peers as it focuses more on the supply side. It allows car owners to sell their vehicles, paying them almost instantly, post the necessary vehicular inspection. In October, the company closed a $100 million Series D fund. The money is likely to be used to scale the business from 50 cities to 200 by 2020.

The list of non-traditional car companies doing well is a long one. Chennai-based CarPal, an online new car selling platform, has seen 6-8 per cent growth this year. It sells multiple brands, unlike the brick-and-mortar dealers who have to stick to just one brand per showroom. The start-up has been seeing a double-digit growth year-on-year since 2017, when it pivoted its model to identifying a car model based on the personalised requirements of a customer from just selling cars.

The revenues of car rental companies are soaring too. Avis India, which offers all types of car rentals —self-driven, chauffeur-driven and long-term rentals— has said that its consumer business has seen a revenue growth to the tune of 20 per cent in the domestic segment and nearly 50 per cent in the international segment, mainly attributed to its tech-backed value proposition.

The Indian car rental industry has grown at a CAGR of 24.6 per cent during 2015-2019 as new-age millennial consumers prefer experiences over ownership.

"The fact that customers can drive the vehicles of their choice without having to worry about factors like car maintenance and making huge down payments is what drives the trend of car rentals customers," said Sunil Gupta, MD & CEO, Avis India, which reported 20 per cent growth in the domestic market.

One thing that is helping these companies is their massive reach. These companies say that the whole consumer journey has moved to digital. Today, of the 26 steps in the journey of a customer from the time he decides to buy to delivery, nearly 22 points are now done through mobile and laptop, right from discovering and identifying a vehicle to making a choice.

Their growth has not unnoticed and dealers are tying up with online players,to complete their offerings. "Original Equipment Manufacturers also need the new wave of communication like digital to engage with their consumer and the online platform offers the engagement solutions to these companies," said Ranjit Yadav, president and mentor at CarDekho.

"We see a lot more OEMs are working and engaging with us and a lot more dealers are doing the same as well. The consumer is now online. From an outlook point of view, we expect this momentum to grow strongly" he added.

These online players make buying or selling a car more flexible by filling in the gaps in certain areas like inspection of vehicles. There is a lot of demand for inspection services or loans, which is difficult to organise in the used car segment.

CarPal is another such company that is built along the same lines of making car buying easy and more consumer-friendly. "Despite the slowdown in the market, we have been posting a growth in our business in the recent past. We deal with multiple brands and models unlike a dealer who can have only one brand in a store," said Vignesh Ramakrishnan, CEO, CarPal.

He says customers in the age group of 30-45 would hit the internet first when they look to buy a car and this the group the company is targeting. It also brings the test vehicle to a consumer's doorstep, which is more convenient for them. Currently serving Bengaluru and Chennai, CarPal is now planning to expand to tier II and III cities.

For now, these start-ups seem to be garnering a lot of interest from investors. According to Venture Intelligence, five online vehicle marketplaces such as CarDekho and Cars24 have raised around $178 million in 2019 from January to year-to-date, compared to $175 million in eight deals in 2018. (See chart) Vehicle tracking systems firms have shown investments going up to $41 million in four deals during this year compared to $6 million in two deals last year. For the traditional car dealer, change clearly seems to be on the horizon.

TOP VC INVESTMENTS IN AUTOTECH COMPANIES (2019 YTD)

Company	Investors	Amount ($M)	Date
Ola Electric Mobility	SoftBank Corp	250	July
BlackBuck	Light Street Capital, B Capital Group, Wellington Management, Sands Capital, Accel USA, Sequoia Capital India, IFC, Goldman Sachs	150	March
Cars24	Unbound, DST Global, Sequoia Capital India, Others	100	September
Bounce	B Capital Group, Falcon Edge Capital, Accel USA, Omidyar Network, Maverick Capital, Qualcomm Ventures, Accel India, Chiratae Ventures, Sequoia Capital India, Others	73	June
Rivigo	KB Investment, Warburg Pincus, SAIF	70	February

Source: Venture Intelligence

ON THE JOB

Wages vs profits

The fall in profits growth requires enterprises to grow employment and wages through bigger investments

MAHESH VYAS

How do wages to labour compare with profits to entrepreneurs? This question has been of interest to economists and policy makers and industry associations and trade unions alike since Adam Smith and Karl Marx.

Wages and profits are the two major sources of national income, the other two being interest paid to capital and rent paid to land. In India, the official statistical machinery does not produce the complete break-up of the national income by these factors of production. The reason for this is that a large part of the Indian economy is in the unorganised sector where it is difficult to allocate the creation of national income to any of these unambiguously.

Your friendly tea-stall at the end of the street is operated using the labour of the owner on land that is not accounted for. The owner understands that the profits are his but he finds it unnecessary to recognise the distinction between wages he needs to pay himself and the profits that may be left after that. If he re-invests a part of the profits into his business he will find it equally unnecessary to account for the interest on the capital thus employed before counting his profits. Most enterprises in India are self-owned, self-operated and self-funded that defy the theoretical constructs of national accounts that are based on double-entry accounts. Tea-stall owners like farmers, small traders, small consultants and small businesses in general do not maintain accounts.

But larger business units do maintain accounts and even get them audited by independent professional accountants. While an individual account can be suspect of manipulation, collectively, they tell a pretty compelling story and sometimes a startling one. The relative shares of wages and profits as seen in the accounts of listed companies are worth a look for the story it tells us.

We observe the aggregate wage bill and aggregate profit before tax of all listed companies that have been providing their quarterly financial statements. Both, wages and profits are before taxes paid by their respective claimants. This is a time-series of 20 years with 80 quarterly observations.

The first observation from this time-series is that wages tend to rise steadily over time. The year-to-year variations are small and the rise seems to be independent of any major business cycle variations. If there have been business cycles since the end of the last millennium then at least the series of aggregate wages do not seem to reflect it.

Profits, on the other hand, are a lot more volatile. Year-on-year variations are larger, particularly in recent years. More importantly, unlike wages, its trend is not secularly rising in time. Further, the relative shares of wages and profits have been changing over time. And finally, the recent change in relative shares are a significant break from the past.

Through much of the two decades since the turn of the millennium, profits have been growing at a much faster and volatile rate than wages. Quarter-on-quarter wage growth rates averaged at less than 4 per cent while profits grew at 6.5 per cent. The standard deviation of wage increases was 6.3 per cent while that of profits was 32.6 per cent. The coefficient of variation of profits at 5 was more than thrice that of wages, which was 1.6.

Evidently, entrepreneurs have been getting higher though riskier returns compared to labour that is benefitting from slower but steadier growth in wages.

Save for a few initial years, profits were systematically and significantly higher than wages in corporate India. At its peak in the quarter ended September 2007, profits were 2.2 times wages. This is odd for a labour-surplus country like India.

In the European Union, wages were 50 per cent higher than profits and in the US they were twice as high as profits. In contrast, in India, wages were mostly significantly lower than profits.

Between 2002 and 2014, on an average wages were only 63 per cent of profits.

Since 2016, profits of listed companies have stopped growing. But wages, have continued to grow. Profits started losing steam in 2015 and by 2017, they fell below wages. Given the very high volatility in profits in recent years, a trailing four-quarter average is more revealing than the quarterly data. This average shows a clear drop in profits below wages for the first time in nearly two decades.

But this is not good for labour. The lower share of wages is a structural phenomenon, possibly peculiar to India. The fall in profits growth could have adverse implications on employment and wage growth. It requires enterprise to grow employment and wages through greater investments. With falling profits, it will not have sufficient incentive to invest, to the detriment of labour.

The author is the MD & CEO of CMIE

LETTERS

A new low

As things stand, there is no semblance of morality left in Maharashtra politics with mainstream parties displaying utter disregard to constitutional propriety and established democratic conventions in their unseemly pursuit of power. When the Shiv Sena, NCP-(Nationalist Congress Party) and Congress combination came together by keeping their ideological differences at bay to form the government in Maharashtra, it was termed as a big disrespect to the mandate of the people of the state.

But the Saturday midnight coup with the NCP legislature party leader Ajit Pawar joining hands with the Bharatiya Janata Party (BJP) and letting it form the government with the support lent by the governor of the state is nothing but a new low in the otherwise murky state of affairs afflicting the Indian political landscape. With the Supreme Court taking cognisance of the way in which the government was formed in Maharashtra, one hopes the higher judiciary will help restore some semblance of constitutional propriety.

M Jeyaram Tamil Nadu

United we stand

The article "Who's afraid of bank trade unions? (November 25, 2019)" by Tamal Bandyopadhyay made an apt analysis of the role of bank unions particularly in negotiating the wage pact for the employees of public sector banks (PSBs). As correctly outlined by the writer, the efficiency bank unions has diminished over the decades. The writer suggests there should be bank-specific negotiations rather than the current system of bank unions representing the employees of all PSBs. One is not sure whether such bank-specific negotiation will enable employees of strong PSBs to get deserving wages, but it will certainly affect the maneuverability and the strength, as well as solidarity of bank unions. By and large, the working culture of almost all PSBs is similar and hence bargaining jointly can certainly give them an edge. Moreover, in case a stronger bank wants to offer something more apart from the salary, it can do so by offering better perks/allowances separately for its employees as per the capacity of the individual bank. Bank-specific wage negotiation for each of PSB may undermine the interest of employees rather than promote the same.

Yatiksha J Chauhan Ahmedabad

Unbankable unions

Tamal Bandyopadhyay's column "Who's afraid of bank trade unions?" (November 25) highlights the inadequacies of the negotiation process between the banking industry and its unions. This is arguably the only industry in which officers and staff join hands to bargain; generally there are separate unions in other public sector undertakings. The negotiations continue for so long that by the time the new agreement is effective, the existing one comes to an end. Since they are with retrospective effect, unions prolong the talks without any apprehension of loss of pay, and to reap the harvest of lump sum payment. Realistically, a long delayed new agreement should take effect from a prospective date and payments must continue as per existing rates till then.

The Indian Banks Association (IBA) has been trying to link pay with performance for the last so many years. It is uncertain whether the unions would agree to the proposed performance linked incentive of 4 per cent of pay. It should be done at least in the case of officers. As rightly pointed out it is unrealistic to load all banks with the same enhancement of pay, more so when it is delinked with performance.

Lastly, IBA should bring up the issue of holidays for bank employees. They probably enjoy the highest number of annual holidays in Indian industry. Still, they also managed to add two Saturdays off every month in the last agreement. It is to be remembered that the facility of ATMs and net banking covers a limited number of customers and those in the rural and semi rural areas suffer a lot. It is time the Negotiable Instruments Act was also updated.

YY Chouksey Pune

Letters can be mailed, faxed or e-mailed to:
The Editor, Business Standard
Nehru House, 4 Bahadur Shah Zafar Marg
New Delhi 110 002
Fax: (011) 23720201 • E-mail: letters@bsmail.in
All letters must have a postal address and telephone number

HAMBONE

Business Standard
Volume XXIV Number 73
MUMBAI | TUESDAY, 26 NOVEMBER 2019

A step forward

There is no substitute for an overall change in labour laws

The Union Cabinet last week gave its assent to the Industrial Relations Code Bill, 2019, which will now be laid before Parliament for deliberation. The Bill is partly a product of a years-long effort at the Union labour ministry to codify and simplify the maze of relevant regulations across many laws, several antiquated, governing the treatment of workers in India. Three other codes are planned; one, on wages and pensions, has been passed into law, while another, on working conditions is being discussed in Parliament. The fourth will be on social security, and will be closely watched for its fiscal implications. But this particular code, on industrial relations, has been among the most anticipated. It has been a long standing demand of both employers and economists that the laws be amended to allow for greater flexibility in the labour market. India has among the most restrictive regulations regarding retrenchment in the world, which has been argued to be a significant disincentive against capital investment in manufacturing. The hope was that the new code would go some way towards rectifying this situation.

In the end, the Bill falls short in certain significant respects. It is, in fact, a restatement of the status quo. The central question of whether "hire and fire" is to be made easier for large employers has not been directly addressed. Companies with over 100 employees can still not lay off regular workers without government permission. However, the code permits this threshold, of 100 workers, to be changed by notification. This is in keeping with the current approach, which is to allow states to make piecemeal changes to the labour law that are then given presidential assent. However, there is no real substitute for an overall, national-level change to the labour law that will significantly raise the ease of doing business over India.

One consequence of the difficulty in laying off regular workers is the rise of contract labour. In many factories in India, regular employees work alongside contract employees doing the same work — but the latter have far fewer benefits and privileges. This situation persists in spite of court judgments against the practice. The Code has regularised the use of contract labour, as long as these employees are also given statutory benefits like insurance and leave encashment. This will raise the relative cost of employing contract labour. The question is whether the producer response will be to reduce overall employment or increase the number of employees who are regularised. Importantly, companies will be able to hire these employees themselves directly, removing the need for a go-between or contractor.

One outstanding issue is the question of compensation for retrenchment. It is only just that if there is greater flexibility in the labour market, it be matched by higher compensation for workers who are laid off. In this respect, the new Code falls short. But, in spite of its flaws, it is an important step forward. It is to be hoped that, given that once the Bill is passed, changing the threshold at which government permission is required for retrenchment can be done at the stroke of a pen, and the executive will swiftly make the requisite all-India changes.

Andhra's wrong turn

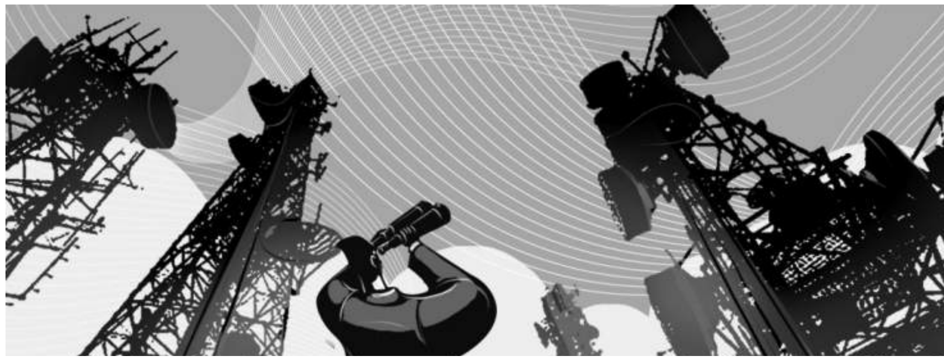
Why prohibition is the wrong road to follow

Andhra Pradesh Chief Minister Y S Jagan Mohan Reddy is testing the state's avowed ambition of becoming the next big destination for investment by demonstrating an unexpected level of capriciousness. Having arbitrarily cancelled clean energy projects awarded by the previous regime on the specious grounds of faulty bidding — a move that could draw the state into expensive international arbitration— its decision on Friday to cancel all bar licences marks another step in the wrong direction. The arbitrary cancellation of bar licences is the first step in a new bar policy that will come into force in January 2020, and be in effect for two years ahead of complete prohibition.

As with Bihar in 2016, the motive for this move is unexceptionable: To reduce alcoholism, crime and alcohol-related deaths. As with other states, the impulse comes from women, who are, admittedly, the chief victims of alcoholism. In terms of gender politics, however, prohibition has proven a blunt instrument. With the jails filling up with offenders and the courts complaining of being overburdened with alcohol-ban related cases, Bihar has been forced to ease the penalties for flouting prohibition. It is unclear whether the state has been able to make good on the revenue forfeited from liquor sales. In Kerala, a ban imposed by the United Democratic Front in 2014 was reversed by the incoming Left government in 2017 after the state's tourism-based economy suffered. In Haryana, the Bansi Lal-led Haryana Vikas Party's (HVP's) experiment with prohibition proved so disastrous that the administration was forced to reverse the order in less than two years. To compensate for revenue losses on liquor sales, the state raised power tariffs, bus fares and petrol sales tax. With smuggling flourishing (from nearby Delhi and Punjab), deaths from illicit hooch burgeoning and the hospitality business in the IT and foreign investment boomtown of Gurgaon (now Gurugram) all but moribund, the HVP found itself suffering severe electoral reversals in the 1998 Lok Sabha elections. This experience should stand as a cautionary tale for Andhra Pradesh. The state is expected to derive about ₹7,358 crore through liquor sales (which remains outside the purview of the goods and services tax) from its own revenue of ₹65, 535 crore. This is a large amount to sacrifice.

The irony is that the state's prohibition phase-in programme offers some pointers to how the administration could tackle the social problems associated with alcohol consumption. It would be more practical to raise, as it proposes to do, retail and bar licence fees and impose punitive taxes on alcohol, as is done for tobacco, which has the virtue of carrying a deterrent value. Statutory health warnings on alcohol bottles and an effective anti-drinking campaign could spread awareness just as well. As for the problem of women coping with drunken spouses on payday, the Welsh mining industry solved this problem a century ago by simply paying the men's wages to their womenfolk instead. To be sure, this is unlikely to deter determined topers — just as anti-tobacco laws do not discourage cigarette addicts. But it will prove less costly to the state exchequer and save countless deaths from illicit hooch that prohibition is bound to impose.

ILLUSTRATION: AJAY MOHANTY



How the telecom mess got messier

Is there a way out? First and foremost, recognise that we are dealing with issues of solvency

Telecom was already neck-deep in a crisis. The Supreme Court's (SC) judgment on gross revenue (GR) has brought the sector to its knees. The SC's judgment is based on: (i) the licence agreement (LA) is a contract; (ii) the definition of GR, a contractual term, is binding; (iii) the parties entered into the contract willingly; (iv) res judicata bars continued litigation of settled issues.

The Court ruled that the dispute could not be termed "bona fide". The telcos merely raised "frivolous" objections. The payment of "interest, penalty and interest on penalty" was upheld because: (i) "it was as per the agreement"; (ii) the " contract.... is voluntary on both sides and binding and cannot be termed to be unfair" (iii) the terms were fair (not "oppressive") because the government was not "in a dominant position or possessed wholly disproportionate and unequal bargaining power". Further, the transition from a fixed licence fee (LF) to a revenue sharing arrangement was a great "financial booster" and "extremely beneficial" to the licensees.

Did the telcos have any choice regarding the LA (contract) in 1999? Not really. The fixed LF was too large and could not be paid. And, if they did not migrate to the new regime, the thousands of crores invested would be totally lost. Did the parties to the contract have comparable negotiating power? Not by a mile. The fact is that the Department of Telecommunications (DoT) had the telcos over a barrel; ask anyone familiar with the history. So was the contact "voluntary" and were the terms not "oppressive"? Seriously doubtful.

RAHUL KHULLAR

The long-running litigation dates to 2003 barely 18 months after the government finalised the concept of GR. The industry never accepted this as fair. An expert body, the Telecom Regulatory Authority of India (TRAI), has consistently found merit in the telcos' claims. The Telecom Disputes Settlement and Appellate Tribunal (TDSAT), headed by eminent SC judges, has also repeatedly ruled in favour of the telcos, even after the SC's 2011 ruling. This lends credence to the claim: (a) there was a genuine dispute; (b) exclusion of certain elements from GR was the fair thing to do.

Final comment: Till 2011, the SC perceived this as a bona fide dispute. So, if penalty and interest on penalty have to be paid, should they not be limited to amounts due from 2011?

The draft on telcos' revenues has been a long-standing issue. Consider the following: The levies in India — LF and SUC or spectrum usage charge— are the highest in the world and no other country levies a SUC. The government gained hugely from the revenue-sharing arrangement; estimates suggest that the net present value of the LF/SUC exceed the fixed LF abandoned in 1999. The National Telecom Policy 2012 stated that the LF/SUC regime would be "rationalised" — a euphemism for a reduction in the rates. Sadly, nothing has been done in all of eight years. In 2013, TRAI specifically recommended a reduction of the SUC; again, no relief for the sector. The licensor changed the "contract": Spectrum was to be auctioned, and LF/SUC still had to be paid. Did the licensee have any choice but to sign the new contract? In the changed circumstances — auction of spectrum, financial stress, growing indebtedness — TRAI (2015) sent recommendations to the government on how to redefine GR. To ensure easy verifiability (with minimal discretion) a positive list was drawn up of those categories of revenue that would be excluded from GR. Five years on, there is no decision from the government, neither rejection nor acceptance.

Finally, the judgment raises some troublesome questions. How to recover dues from firms that have exited or are now in bankruptcy? If not, would it be fair to recover dues only from those in business? Or, drive them into bankruptcy? To further complicate matters, demands now have to be raised against Delhi Metro, GAIL, Power Grid and Oil India. Dues now have to be determined on the basis of their GR. Should a gas distribution company's total revenues be used to determine its telecom dues? This is precisely the problem that the TRAI report of 2015 sought to pre-empt. If dues from these companies (₹2 trillion by reported estimates) are to be waived, is that not a "presumptive loss"? And, if they are collected, do these companies also go bankrupt?

The government's fiscal greed and policy inaction have brought India to this pass. LF/SUC revenues were the highest inflow under non-tax revenues (till the Reserve Bank of India surplus/reserves took over). Universal Service Obligation Fund (USOF) money was never used for universal service; most of it was used to fill a huge budgetary hole. The controversial SC judgment of 2012 (the 2G scam) led to decision paralysis in the DoT. Officers were and are scared silly. Despite all the warning signs, the response was stoic inaction.

So, is there a way out? First and foremost, recognise that we are dealing with issues of solvency. AGR dues of ₹1.47 trillion are a huge burden. Tinkering will not do. Merely staggering spectrum dues comes nowhere near solving the problem. Here's a to-do list. First, accept TRAI's recommendations of January 2015; use the positive list of exclusions to ensure ease of use and verifiability. Second, reduce the rate of LF and SUC to 5 per cent and 2 per cent, respectively. Third, waive the penalty and interest on penalty; for reasons explained above this levy is plain unfair. If not, at least limit it to dues from 2011 onwards only. Fourth, the reckless price war in the industry must end. TRAI should have never allowed things to go this far; put in place a floor price for calls and data.

When a decision has such far-reaching implications for the economy — the sector, banking, foreign investment — perhaps the SC could suo motu review its decision. In this author's humble opinion, many points brought up here have not adequately been presented to the Court, else it may have ruled differently.

Recall Walter De La Mare: "Oh pity the poor glutton/ Whose troubles all begin/ In struggling on and on to turn/ What's out into what's in".

The writer is former chairman, Telecom Regulatory Authority of India

Green economy to the economy's rescue

Can the green economy save India's economy? For the first time since Q4 of 2012-13, real GDP growth might slip below 5 per cent for Q2 of 2019-20. Growth can stem from government spending, infrastructure investment or consumer expenditure. Government spending is constrained by fiscal responsibility rules. The economy needs $1.4 trillion as infrastructure investment to reach $5 trillion by 2024. But outstanding payments for infrastructure and lack of dedicated financing facilities make it harder to sustain investments. Consumer spending has dropped 6.5 per cent between Q1 and Q2 of 2019-20.

Against this macroeconomic malaise, anything "green" is instinctively presumed to be an added cost. Many believed this when a decade ago the first generation of green economy policies were put into effect. Since then, however, India has scored successes in industrial energy efficiency, lowered costs of super-efficient appliances, expanded green buildings, enacted fossil fuel subsidy reforms, pushed big on renewables (especially since 2015), lowered tariffs to record levels, and demonstrated international leadership.

INFLEXION POINTS

ARUNABHA GHOSH

Now momentum has slowed — for the economy and the green economy. In September, the prime minister announced in New York an aim for renewable energy capacity of 450 gigawatts (GW). The original goal of 175 GW by 2022 flounders due to delays in contracting or threats to cancel power purchase agreements. While impressive, mere target-setting no longer suffices to excite investors.

India's economy needs a renewed boost of structural reforms, just when a second generation of green policies is also needed. For the two to go together, certain conditions are necessary: Untapped growth markets; reduced operating expenses to compensate for upfront capital investment; indigenisation to ensure net value addition; and social and equity considerations. I outline four levers for the decade ahead.

First, distributed energy is largely an untapped opportunity. Installed rooftop solar photovoltaic capacity is about 4.3 GW, far lower than the 40 GW target or much higher overall potential. Commercial and industrial consumers have the bulk of installations and five states (Maharashtra, Rajasthan, Tamil Nadu, Gujarat and Karnataka) make up 45 per cent of capacity. There is much scope for expanding to residential consumers and to other states. Rooftop renewables reduce transmission and distribution losses, save land, and have low opex. But residential consumers have struggled to get loans. CEEW has developed new business models to align power distribution companies with consumers and facilitate on-bill financing via savings in power costs. And rooftop projects create seven times more jobs per megawatt-hour than utility-scale solar.

Second, the mobility transition offers new possibilities. According to the Rocky Mountain Institute and NITI Aayog, vehicular stock in India will grow 3.4-3.8 times during 2015-30 and electric vehicles (EVs) could dominate three-wheelers and commercial cars/jeeps by 2030. CEEW researchers estimate that if EVs hit cost parity with internal combustion engine vehicles by 2030, India would have 27 million EV four-wheelers by then. Our studies indicate that CO2 emissions per electric car would be 2 per cent to 16 per cent lower in 2030 (depending on renewable energy penetration). Another CEEW survey found that nearly 37 per cent of respondents used buses, trains (suburban or metro) or other forms of public transport. Most walked 1.4 kilometres, on average, to access public transport. Quality of infrastructure and frequency of service are leading barriers. There is potential to simultaneously shift to more equitable and more sustainable mobility through the EV transition.

Distributed generation and sustainable mobility solutions would make more sense if we paid heed to the need for indigenisation. India's automotive sector could have 5.7 per cent higher value addition with 30 per cent EV sales in 2030 — as long as both the powertrain and battery pack are largely (90 per cent) manufactured at home. Without domestic manufacturing, the sector's value-add drops by 8 per cent compared to business-as-usual.

Remarkable progress in battery technologies presents a timely chance. Lithium-ion battery prices have dropped 85 per cent since 2010 but Korean, Chinese and Japanese manufacturers dominate the market. Meanwhile, in India, ISRO, Indian Oil and Tata Chemicals are among the innovators and manufacturers experimenting with new battery tech (low-cost Li-ion, or ultra-light metal batteries) and seeking joint ventures to increase production. Further, stationary storage applications could rise from 24 gigawatt-hour in 2018 to 270-365 GWh in 2025, offering another opportunity to develop a manufacturing base.

Integration of clean tech applications is the fourth lever. Significant energy demand will come not only for distributed infrastructure and electric transportation but also cooling needs. By 2038, refrigeration and air conditioning in residential, mobile and commercial settings will increase eight-fold. Synergies across these sectors could attract far more investment. When the sun shines, residential energy demand might be low, so the load could be balanced with EV charging or for cooling applications in retail establishments. Such applications reduce payback periods for capital investment.

In rural areas, efficient motors powered by distributed energy could energise income-generating enterprises. The market is estimated at $53 billion. Distributed energy firms have already created more than 300,000 direct (formal and informal) jobs. Solar-based irrigation, another growing sector, can become sustainable if systems were integrated, so that surplus power could be fed to other rural consumers or into the grid. This would give farmers additional income and reduce over-abstraction of groundwater.

Distributed energy, sustainability mobility, indigenisation (particularly battery manufacturing), and integrating clean tech applications are new drivers for a green economy. Each lever attracts additional investment, reduces opex and payback periods, contributes to net value addition, increases consumer spending, and creates additional jobs. Rather than a burden, green reforms 2.0 could be just the rescue that the economy needs.

The writer is CEO, Council on Energy, Environment and Water (http://ceew.in). Follow @GhoshArunabha @CEEWIndia

Doing business in China

BOOK REVIEW

SUBHOMOY BHATTACHARJEE

For students of international relations, China and India's inability to get along in at least the first half of 21st century has been something of a puzzle. It is not about just being neighbours with a broken fence, though there is that too. There is no doubt that the two countries' economic heft is asymmetrical, India being far smaller than China. But it has not helped that China has been as touchy about India on several counts, possibly more than India has been about its northern neighbour.

Commentators have often tried to analyse this puzzle through political and strategic prisms. Saibal Dasgupta has moved to explore this most fascinating sliver of global engagement on economic terms instead. *Running with the Dragon* is a story that eschews politics and gets to a bare bones engagement with the less famous cases of India and Chinese business collaborations. He tells it well and this is the chief strength of the book. "For those who think Chinese digital media is replete with local cultural nuances and a foreigner venturing in it would be lost in the forest of confusion here is a story…two young [Indian] men with no family background in business who borrowed $40,000 from friends and relatives has grown over fifty times in net worth today".

Mr Dasgupta explains that Ravi Shankar Bose and Ranjit Singh came to Shanghai as employees of Contests2Win, an Indian joint venture with SoftBank and Siemens Mobile in 2000. "The two founded Fugu Mobile, a name they chose as an inspiration from the fugu puffer fish, a highly poisonous delicacy in Japan which required trained chefs to serve it. …A Japanese connotation to their own company would no doubt add a sense of semantic credibility in a way that was similar to Sony, an American sounding Japanese company…[and] to address the staffing challenge, Bose and Singh when to NIIT… with a bit of effort aided by a stroke of luck, Fugu managed to bag Mercedes AMG as their first client…." They are now looking at opportunities to expand to other countries from China. It is a remarkable story for the business press in India that reaches reflexively towards the few wellknown stories of Dr Reddy's or Sun Pharma and Tata Motors whenever China is mentioned.

RUNNING WITH THE DRAGON: How India Should Do Business With China
Author: Saibal Dasgupta
Publisher: Portfolio Penguin
Price: ₹599

The Fugu Mobile story is among the seven case studies Mr Dasgupta has set out to illustrate the variety of India and China's business engagement. Each of them, besides the vignettes that Mr Dasgupta draws from his notebooks, make a persuasive case for a larger business engagement between the two nations. His thesis is that it is possible for businesspeople from both nations to engage each other and they have been doing so, despite the obvious differences in culture, especially food. The late Indian dinner at past eight in the evening has apparently often caused misery for visiting Chinese business people. "This is a unique relationship that defies negative vibes from official machinery and the media. It is likely to grow with the expansion of cross-country tourism. Politicians and the media will have little opportunities but to respond positively to this unique friendship, and thus make business interactions more rewarding".

He is also scathing about the weak support Indian diplomats provide to the Indian business people, in contrast with what China offers. "They must ask themselves if they have done enough to lobby in China and build on the massive cultural influence that India has had on the Chinese people for generations". This is rather true as one also found out in recent engagements with Beijing-based institutions.

Despite the deep dive into the nature of the business connections and references to shared history, the rough edges of the relationships are still visible. The cases are often evocative but they do not address why belligerence clouds resolving of mutual issues like IPR and non-trade barriers. The author himself suggests some of those in his summary of the Belt and Road Initiative. Although he appears to suggest a halfway house is possible in India's engagement with China in this project of projects, doing so would be difficult. As the Regional Comprehensive Economic Partnership (RCEP) negotiations also show, China will be most keen to highlight India's support but is unlikely to make any move to lessen India's concerns about the building up of the China-Pakistan Economic Corridor over disputed territory in Jammu and Kashmir. We are not even referring to the flashpoints in the Indian Ocean and of South China Sea.

The possibilities of cooperation as the author says are immense, but the differences between the two nations instead of remaining a historical legacy have acquired recent reasons for confrontation. It is evident in RCEP, it was also evident in Doklam. Often, this is the reason economic engagement is also postured on military terms between the two, despite both China and India making deeper inroads into each other's business.