The 2020 media fantasy

A stable regulatory environment, digital transparency, the disappearance of Indian news television and better informed citizens

MEDIASCOPE

VANITA KOHLI-KHANDEKAR

There is a feeling of fear and uncertainty in the air. India's economy is on a downslide, its social fabric is in tatters. And it doesn't look like anyone in charge is doing anything to repair and rebuild.

That is true for India's ₹1,67,400 crore media and entertainment industry too. Therefore, my first and biggest wish for the industry that has been my home for so long is a stable regulatory environment. One which is about facilitating growth instead of becoming something the industry needs to work around in order to grow.

Take for example the New Tariff Order or NTO from the Telecom Regulatory Authority of India (Trai) which was implemented in February last year. It has brought transparency and method in a market where 60-70 per cent of the ₹43,500 crore collected on the ground doesn't always come back. But it also led to a rise in prices, complaints of complicated packages, a drop in sampling, a shift from cable to DTH or from TV to online options. None meet the stated objectives of the Trai, the biggest of which was giving viewers' choice. Nevertheless, in August, it released yet another consultation paper on tariff to howls of protest from across the industry. There is now talk of another paper with more recommendations.

Since 2004, when Trai became broadcast regulator, there have been 35 orders including amendments on tariff alone. There are scores of others on interconnection, quality of service, audience measurement. "There is a new regulation or direction, almost every month for the past five to 10 years. This makes the regulator's role intrusive and the industry's working unstable, unpredictable and contentious. The industry then tries to find loopholes in Trai's regulations which in turn leads to a patchwork of modified or new regulations. It is a vicious unending cat and mouse game," says Dinyar Contractor, editor and publisher, Satellite & Cable TV Magazine. Can we end this cat and mouse game in 2020?

While transparency has been creeping into the TV trade, it is far from present in digital which is next on my wishlist. Try getting a list of the top 10 OTTS or news sites in India without half a dozen qualifiers — it is not possible. Unlike the Broadcast Audience Research Council for TV or the Readership Studies Council of India for print, in digital there is no single independent body that offers a reliable metric to advertisers, media and the trade.

While most OTTs have their own analytics which offer figures on traffic, time spent and so on, these may or may not be comparable with the figures of others. The numbers comScore puts out are two to three times lower than those from the OTTs themselves. Much depends on what is included and what is not. Are they based on logins and single users across devices? Are they the sum of all devices without duplication? Are these visitors who have visited the site or app and not seen a video? Also, any list of OTTs will not have subscription-only services such as Netflix or Amazon Prime Video. Since these don't need ad revenues, their systems are not open to measurement.

Can digital firms get together to give us a robust metric to measure their business?

The third, arguably the most childish fantasy, is that Indian news channels disappear. Or at least change into proper news organisations overnight. Of all the things that have caused harm to the democratic fabric of India, TV news is the worst.

And my last, most ardent, wish is that we become a well-informed country that doesn't scream and shout at each other because of some rubbish from WhatsApp. That we become a country that has devastating but well-informed arguments devoid of personal abuse or mud-slinging.

Isn't that a good dream to sleep on? Happy New Year everyone.

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CHINESE WHISPERS

Inside job

Even as the Adityanath government was smarting from the rebellious protest by some Bharatiya Janata Party (BJP) legislators inside the Vidhan Sabha recently, a Member of Parliament from Lucknow has levelled charges of corruption against the Lucknow Police. The MP from the Mohanlalganj reserved constituency, Kaushal Kishore, blamed the unprofessional conduct of the police force for the spiralling crime graph in the state capital. Kishore claimed that police personnel were not acting appropriately in many cases, and that he has had to intervene with a request to expedite probes on several occasions. While his outburst has unsettled the state BJP unit, Opposition parties have lapped up his allegations to sharpen their attack on the state government.

Water-proof watch story

Bharatiya Janata Party national general secretary Ram Madhav (*pictured*) came up with an interesting analogy to explain how the opposition parties were impervious to reason. "In our school days, there was a fashion of waterproof watch. It is the type of watch in which water doesn't enter. Similarly, the mind of opposition leaders who are opposing the CAA is knowledge proof and information proof," he said. The Citizenship (Amendment) Act for the first time made religion the test of citizenship in India. The government said it would help minorities from three Muslim-dominated countries to get citizenship if they fled to India because of religious persecution. Critics say it was designed to discriminate against Muslims and violated the secular principals of the Constitution.

Prateek who?

Indian music lovers on Twitter were left overjoyed on Tuesday when they, rather unexpectedly, found a familiar name, Prateek Kuhad and his song Cold/Mess, on a list of favourite music numbers shared by former United States President Barack Obama. Obama's post read: "From hip-hop to country to The Boss, here are my songs of the year. If you're looking for something to keep you company on a long drive or help you turn up a workout, I hope there's a track or two in here that does the trick." So while users back home were lauding Kuhad and his music, many of those in the US and elsewhere went on a Google search spree with the singer's name. Kuhad himself expressed excitement on the social media platform: "This just happened and I don't think I'll sleep tonight..." he said, retweeting Obama's list.

Why Tiruppur is fraying at the edges

GST glitches are crimping working capital supply and adding to the difficulties of competing against nimble, low-cost competitors in other countries

T E NARASIMHAN

The hiring signs outside Tiruppur's garment factories, until recently a source of prosperity, have been replaced by ones saying "To let" and "Up for sale", leaving no doubt about the distress in this once-thriving export hub of Tamil Nadu.

Trouble in the state's garment industry, brewing for years because of competition from Bangladesh and Vietnam, has worsened owing to technical and policy on refund problems with the goods and services tax (GST) and the inability of manufacturers to innovate.

Exports have been on a steady decline in recent years. They dropped to ₹24,000 crore in 2017-18 from ₹26,000 crore in 2016-17. In 2018-19, exports grew marginally to ₹26,000 crore helped by a stronger rupee, but are expected to remain flat in 2019-20.

Smaller players who have traditionally been dependent on a cluster model — where bigger players outsource part of their work to them — have been the worst hit. Orders have nearly dried up because many of the bigger players are opting for vertical integration to cut costs instead of outsourcing work.

And cost has become a central concern because of duty disadvantages with competing nations. Raja M Shanmugham, president, Tiruppur Exporters Association (TEA), says exporters are unable to compete with Bangladesh, Sri Lanka, Cambodia and now Vietnam, which will get duty free status from the European Union from January 2020. Duty alone for India-made products is 9.6 per cent. Add to this high borrowing costs, labour cost, raw material prices and so on, he says, and the pressures have only multiplied.

A leading exporter with business worth around ₹600 crore annually recently attended a vendor meet in Europe and was surprised to see the top 20 vendors out of 75 were either from Bangladesh, or from Vietnam and Cambodia.

India has also not been able to take advantage of the opportunities presented by the space vacated by China, whose share has reduced by 5 per cent to 31 per cent in the global garment market. It could increase its market by only 0.5 per cent with the remaining going to other Asian countries.

A big problem has been the delay in refunds under GST. Although exporters say GST has been a good idea, glitches in its implementation have had severe consequences for their cash flow.

First and foremost, there is the issue of pending rebate of state levies (ROSL) worth 1.7 per cent of freight on board value of garments. Dues of ₹425 crore from January to December 2019 have not been cleared by the Centre.

Then there is the January 2019 announcement of an additional 2 per cent rebate on state and centre taxes and levies (ROSCTL). The scheme that was to come into effect from March 7, 2019 and remain valid till March 3, 2020, however, is still to be implemented. In anticipation of the rebate, many exporters slashed prices by 2 per cent, but now are saddled by this additional burden which has added to their costs.

A 'to-let' sign outside a closed garment manufacturing unit in Tiruppur. Such signages are now very common in this once bustling textile hub

Similarly, another ₹750 crore is pending with the Centre under the Merchandise Exports from India Scheme. GST refunds, too, have stopped from August 1.

A new problem has also arisen with the government classifying 225 units as "Risky Exporters" and stopping IGST and drawback refunds worth ₹200 crore to them from June 2019.

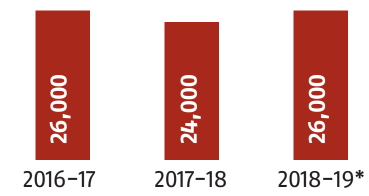
"The complex system does not provide any mechanism to the exporting units concerned to provide clarifications, so these units do not know what criteria has been used to identify them as Risky Exporters. There was no show cause notice issued or reasons given to identify them as Risky Exporters," said Shanmugam.

Besides blocked refunds, which cause a working capital crisis, units in the Risky Exporters' list have to undergo 100 per cent inspection at the port against the usual practice of random inspection. This not only delays consignments but also damages the garments in the process of inspection, causing problems for exporters. Meanwhile, banks are turning down their requests for fresh capital because many of the units are unable to service loans due to pending claims.

T Thirukumaran, managing director, Esstee Exports, one of the leading exporters, says unless the government comes forward and extends support, it will be difficult for the industry to sustain itself in the current scenario.

STEADY DECLINE

Garment exports from Tiruppur have been falling in recent years (₹ cr)



*Helped mainly by a stronger rupee

Besides issues related to refund, he wants the government to sign free trade agreements with European and other countries to buffer demand and create a more level playing field for them.

The upshot of these multiple problems is that companies are expanding outside Tiruppur. Companies such as KPR, Best Corporation and Jay Jay Mills are setting up factories in Ethiopia where they believe significantly lower manufacturing costs will help them compete more effectively with Bangladesh, Cambodia, Mynamar, Sri Lanka and others. European brands are also urging their India vendors to set up plants in Vietnam, which enjoys duty benefits from European countries and from the US.

But there is more the industry will have to do to thrive and compete effectively with nimble Asian neighbours. Best Corporation's Managing Director Rajkumar points out that the industry is still heavily dependent on cotton, whereas nearly 60 per cent of the demand today globally is for man-made fibre.

INSIGHT

A blueprint for fiscal management & development

The Delhi government has focused its spends on essential services

ATISHI & AANCHAL BAJPAI

In the recently released *State Finances Audit Report* of the CAG for Delhi, it has been highlighted that Delhi has performed exceptionally well in managing its fiscal deficit and public debt. Many had earlier alleged that the state has been populist in its outlook by giving free water, free electricity and now free bus rides for women. The state has also devoted a large portion of its Budget to high quality public education and health care. It has been seen across the world that any government spending heavily on government services, that are available to citizens free of cost, ends up having high levels of fiscal deficit and public debt. But the Delhi government still manages to roll out these schemes while maintaining fiscal prudence. So how does Delhi manage to do that? And what are the lessons for other governments?

A closer look at the current macroeconomic situation of India will tell us that it is not easy for any government to increase its expenditure considerably and yet maintain fiscal deficit and public debt at the stipulated levels. The fall of India's GDP growth rate to 4.5 per cent in the second quarter of 2019-20, the lowest in last six years, has once again triggered the debate on the government's role in the economic growth of the country. It is quite an opportune time for the discussion as the GDP growth for the July-September quarter was largely driven by government expenditure, which grew by 15.64 per cent. The non-government part of the economy, which tends to form nearly 90 per cent of the total economy, grew by a meagre 3.05 per cent. The situation is indeed grim.

The question is: Can government expenditure be the only way to induce growth in the economy? There is a limit to what the government can spend given its constraints under the Fiscal Responsibility and Budget Management Act, 2003, which has a target of reducing fiscal deficit to 3 per cent of GDP in the years up to March 2020. Simply put, fiscal deficit is the difference of total expenditure and total revenue (except borrowings). Fiscal prudence means that government should spend largely within its total income, and not more than that. While this is a principle we all apply to our household budgets, governments routinely spend much more than their revenue and put the government in debt. In Budget 2017, the then Union finance minister deferred the fiscal deficit target of 3 per cent and chose a target of 3.2 per cent. The target was again revised to 3.3 per cent in Budget 2019. With the economic slowdown and reduced GST collections, the target is slated to be breached for the next year as well.

In the wake of the present economic and fiscal situation in the country, there is a glimmer of hope shown by the fiscal prudence and development model of the government of Delhi. The recent CAG report for Delhi highlights that fiscal deficit, which was ₹3,942 crore in 2013-14, was turned to a fiscal surplus of ₹113 crore during 2017-18. This is no mean achievement, as the total expenditure increased by nearly 20 per cent during the same period from ₹32,000 crore to ₹40,000 crore. The sustained increase in expenditure and the fiscal deficit was managed despite the decrease of ₹641 crore of grant-in-aid from the government of India from 2016-17 to 2017-18.

Another achievement, which has been largely missed, is the efficient public debt management by the Delhi government. Public debt, essentially, is the total liability of the government. During the period 2013-14 to 2017-18, the percentage of public debt to GSDP (gross state domestic product) for Delhi, reduced from 7.23 per cent to 4.89 per cent, with no part of debt receipts being used for meeting the revenue expenditure. Moreover, the borrowed funds were exclusively used for capital expenditure and repayment of the principal debt. This assumes greater significance following a recent red flag by the Reserve Bank of India in its report *State Finances: A Study of Budgets of 2019-20*, describing the state's rising public debt as a potential medium-term challenge. The debt-to-GSDP ratio of at least 20 states has crossed the threshold of 25 per cent, with Punjab and Uttar Pradesh having the highest debt-to-GSDP ratio of 39.9 per cent and 38.1 per cent respectively. In light of this, Delhi, having consistently reduced its debt-to-GSDP ratio, can provide a guiding framework for other states to emulate.

Across the world, any government spending heavily on government services, that are available to citizens free of cost, ends up having high levels of fiscal deficit and public debt

But how has Delhi managed to do that while other states find it difficult? The answer lies in what development economists, including Nobel Laureate Prof Amartya Sen, have been saying for ages. The investment in building human capital through interventions in essential areas like health care, education, nutrition, water etc. would have a high multiplier effect on the economy. This has been proved by the model Delhi followed. A close look at the Budget spending in Delhi shows that it has focused extensively on the priority areas of health care, education, water, nutrition among others. The share of social services (which includes all of the above) in the total expenditure is whopping 53.96 per cent, as per the CAG report. The trend in the last five years shows a steep increase in spending in these areas.

This is in stark contrast to India's expenditure on health, which is merely 1.4 per cent of GDP, while the same on education is 4.6 per cent. This is abysmally low, in comparison to Western countries and the global benchmark stipulated by experts. Health care spending by the US is 16.9 per cent of GDP. Countries like Switzerland, Germany, France etc spend more than 10 per cent of GDP on health care. The WHO recommends a minimum of 5 per cent (of GDP) spend on health care.

In the area of education, the US spends 7.3 per cent of its GDP towards it, and the OECD countries spend 6.3 per cent of GDP on an average. In the *Strategy for New India @ 75* report, the NITI Aayog recommends a 6 per cent spend on education by India. Needless to say, India is far away from these targets. An immediate focus on these areas is needed; otherwise, India will not be able to reap the benefits of its demographic dividend.

Clearly, there is a lesson to be learnt from Delhi on the focus areas for the Union and different state governments, and on ways to manage financial resources prudently. As Prof Amartya Sen rightly said, "Economic growth without investment in human development is unsustainable and unethical". Therefore, investments in human capital, which is the biggest asset of a nation, is the way forward.

Atishi is the national spokesperson for the Aam Aadmi Party and former advisor to the education minister of the government of NCT of Delhi; Bajpai is a New Delhi-based media researcher

LETTERS

The three missing As

The editorial "Who's afraid of NPR?" (December 31) rightly sums up the possible misgivings and actual pitfalls that might arise from the implementation of the National Population Register (NPR). This is because the present government has again ignored the three "As" which should be followed before implementing a controversial and seemingly unpopular strategy. One, it should make people "aware" about the need for introducing such a strategy. Two, it should use various communication channels and forums to seek public opinion and allay any doubts so that people "accept" the new move. Once creating awareness and getting acceptance are out of the way, it should be followed by the third "A" that is "action" after incorporating the feedback received.

The government's decision may be well-intended and even necessary, but it will not serve the purpose if it is taken with undue haste. It should learn from its recent experience. The decision to make Jammu and Kashmir an integral part of India did not yield the desired results. It created more fear about the government's intentions and the expected warmth has become a chill. Key leaders were under detention. The Pakistan army has become more active along the border. No one is certain whether people there have accepted the action whole-heartedly. Similarly, the Citizenship Amendment Act, though well intentioned, has been introduced after just two days of Parliamentary debate. This gave the Opposition parties an opportunity to play up the negative emotions of the minority community resulting in violent protests.

Now the government should prepare the right environment before going for NPR and making it citizen-friendly instead of an unnerving experience. I am 84 now and my father died when I was nine. And I do not know his exact date and place of birth.

Y G Chouksey, Pune

Calm the nerves

This refers to "Who is afraid of NPR?". Indeed there is huge confusion over the linkage between the National Population Register and the National Register of Citizens and whether the latter will follow the NPR or not. A lot of damage was done after the passage of the Citizenship Amendment Act (CAA). It is better to clearly communicate the issues involved to not only the Opposition parties but to the general public as well. Merely saying that the NPR was initially proposed by the Congress won't do any good. If the present government wants to go ahead with it, it must clearly communicate the objectives to the people.

Bal Govind, Noida

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The 2020 vision

Without economic growth, Mr Modi will struggle to fulfil his agenda

India's economic growth has been slowing steadily over the past several quarters and forecasts suggest there is little reason to believe it will pick up in the foreseeable future. In this same period, Prime Minister Narendra Modi's headline actions have been focused on fulfilling the social agenda that delivered two massive majorities in Parliament. But his party's shrinking footprint in the states ought to offer him a timely pointer to the perils of prioritising the Hindutva manifesto at the expense of the economy. The fact that the Bharatiya Janata Party's (BJP's) footprint has shrunk from 71 per cent of India's land-mass to 35 per cent after the loss of Jharkhand, plumb in the middle of the uproar over the Citizenship Amendment Act (CAA), is the most potent indicator of this dichotomy. He and Home Minister Amit Shah's campaign in Jharkhand demonstrated an oblique understanding of this tribal electorate. Growing joblessness and the Naxalite menace are the chief concerns here; Mr Shah spoke instead of building a "sky-kissing" mandir in four months in Ayodhya. Earlier, in Maharashtra, home to India's financial capital, the party lost seats and failed to win a decisive majority on its own in spite of a booming stock market, enabling smaller rival parties, led by its own disgruntled pre-poll ally, to form a government despite the BJP's attempts to dilute constitutional proprieties.

Both recent losses question Mr Modi's understanding of the difference between national and state elections. It is possible for the former to be fought on the relatively abstract big ideas. But state elections typically involve bread-and-butter issues. This was already in evidence in Goa in 2017, and an engineered floor crossing in Karnataka. The party's loss in the big three heartland states of Madhya Pradesh, Chhattisgarh and Rajasthan in December 2018 should have been a wake-up call, since the critical issue in all three was deepening rural distress induced in part by the 2016 demonetisation and the hurried implementation of the goods and services tax in 2017.

Apart from announcing an ephemeral farm income support scheme just before the code of conduct for 2019 Lok Sabha elections kicked in, Mr Modi had not absorbed the message from the ground. Instead, he embarked on a high-stakes gamble in sending the Indian Air Force into Pakistan and chose to interpret his commanding second parliamentary majority as a *carte blanche* for bigger, bolder Hindutva — reading down Article 370, turning Jammu & Kashmir into Union Territories, pushing through the CAA and announcing the National Population Register (NPR) exercise. As the pushback from non-BJP states and now even BJP allies to the CAA/NPR combo has shown, Mr Modi's Hindutva project remains hostage to the states. His experience as chief minister of Gujarat should tell him that no social agenda can be achieved without setting the ground-work for economic success. He squandered the opportunity afforded by his party's powerful grip on Indian states to push through the tough economic reforms (such as on land and labour laws) needed to offer India a sustainable growth momentum. Now, by extending the "strong India" agenda to the economy — raising tariff barriers, for instance — he is doing the economy a lot of harm. Rising unemployment in a country as young as India represents both the dangers and the challenges Mr Modi faces going into 2020.

Let's get real

Navy's plan to build 24 subs is too ambitious

There is a worrying disconnect between the Indian Navy's budget and its spending plans. On the one hand, the navy has told a parliamentary panel on defence that it plans to build 24 new submarines, including six nuclear attack submarines (SSNs). On the other hand, the navy chief, Admiral Karambir Singh, has publicly lamented that, with the navy's share of the overall defence budget having shrunk from 18 per cent in 2012-13 to just 13 per cent this year, it will have to make do with just 175 warships in 2027 instead of the 200 envisioned in the Maritime Capability Perspective Plan.

So dire is the navy's fund shortfall that the defence ministry has been putting off sanctioning a second indigenous aircraft carrier (IAC-2), which will cost more than ₹75,000 crore, including the cost of its aircraft. There is similar vacillation in green-lighting Project 75-I, which involves spending ₹45,000 crore on six conventional submarines with air-independent propulsion. There is the continuing liability of some ₹90,000 crore on six nuclear-propelled submarines armed with nuclear-tipped missiles (SSBNs), of which only two have been completed. While such programmes are paid for over at least a decade, they still require the navy to pay over ₹20,000 crore from its capital budget each year. The SSN project would load another ₹10,000 crore of annual liability on the navy. Sanctioning these four projects will require the navy to more than double its capital budget, which stands at ₹25,656 crore for this financial year. The current budget is already stretched in paying for the 50 warships currently under construction, and for another 41 ships and 61 helicopters that are sanctioned in principle and likely to be contracted. Major capability upgrades such as IAC-2, Project 75-I, SSBNs and SSNs require significantly higher allocations, but those are not realistically forthcoming, given the sharp economic slowdown and the fact that defence modernisation already accounts for more than one-third of the central government's overall capital budget.

Until the economic climate changes, the military, including the navy, will need to heed then prime minister Manmohan Singh's November 2013 exhortation to "cut our coat according to our cloth." The navy is already taking in its belt with the decision to overhaul its aging submarines — 12 of its 15 conventional submarines have already served more than a quarter century — so as to keep them in service for another decade. Steps must also be taken to fill capability gaps in other warships, such as the shortfall in torpedoes and active sonar systems. And the clear and evident shortfall of specialist ships like minesweepers and anti-submarine vessels must be filled on priority. The navy chief has already underlined the need to focus on maximising warship capabilities instead of bemoaning the shortage of numbers. In modern warfare, better maritime domain awareness through satellites and aerial reconnaissance aircraft translates into battle-winning operational advantages. Similarly, improved networking and command systems, along with more lethal on-board weaponry, allow fewer warships to deliver greater battlefield effects.

Finally, India must tighten its international maritime partnerships in fulfilling the role of being the primary "net security provider" in the Indian Ocean. Currently, the navy is overstretched with continuous anti-piracy patrols, mission-based deployments from West Asia to the Strait of Malacca and joint exercises with every major world navy. Given the magnitude of these tasks, India should harness its diplomatic goodwill to share the burden.

ILLUSTRATION: BINAY SINHA

Without fear or favour

The exchange between Rahul Bajaj and Amit Shah is of great value to the country

The star performer at a recent ET Awards function was Rahul Bajaj. Speaking to an audience of India's leading industrialists with three ministers (home, finance, and commerce and industry) on the stage, he said people had the freedom to critique the United Progressive Alliance (UPA) government but that the current regime has created an environment of fear and uncertainty. "During UPA-II, we could abuse anyone. You are doing good work, but if we want to openly criticise you, there is no confidence you will appreciate that. I may be wrong but everyone feels that". Home Minister Amit Shah responded by saying: "About fear I can say that nobody needs to be afraid.... But still, you are saying that an atmosphere [of alleged intolerance] has been created and we too will have to work to improve that. But I want to reiterate that nobody needs to be afraid."

INDIA'S WORLD?

NAUSHAD FORBES

This exchange — a powerful and courageous statement from Mr Bajaj responded to positively and openly by Mr Shah — is of great value: It opens space for discussion and debate. Three propositions to trigger discussion and debate on this first day of the New Year:

Our key priority is the economy: Many of us view with dismay the events unfolding since the passage of the Citizenship Amendment Act (CAA). Our key concern should be that the CAA and the protests it has prompted are diverting us from what must be paramount: Our moribund economy.

"Moribund" is a strong word: The dictionary defines it as "in terminal decline; lacking vitality and vigour". The only debate is over how fast the decline is. Official government figures say our growth rate has fallen consistently to 4.5 per cent now. The former chief economic advisor, Arvind Subramanian, says all real indicators point to even slower growth — the lowest in 29 years. Our consumer goods firms report major stress in rural demand — growing, for the first time in decades, at a lower rate than urban demand. Employment is stressed, with unemployment at a 45-year high. The construction sector, which accounted for much of our recent employment growth, has been losing jobs. Exports have stagnated for six years. Both domestic output and imports of capital goods have dropped by over 10 per cent this year, reflecting falling investment. Electricity output is flat for the first time in decades. All this demands attention without diversion by any alphabet — CAB, CAA, NRC or NPR. Future generations will not forgive us if we neglect our single collective priority. A public acknowledgement of the deep challenges the economy faces would enable the government to use its considerable political capital to drive the necessary changes we need. I have written separately of how the government could use the Budget to kick-start the economy (*Business Standard*, December 19, 2019). Massive public investment in construction — in rural roads, water infrastructure, highways, low-income housing, ports — would do more to revive the economy than any tax cut or attempt to stimulate consumption.

Debate and independent institutions are to India what strong government and state leadership is to China: On almost any Confederation of Indian Industry mission to the US, we hear an India-China comparison. The complaint is typically about contradictory policies being pursued by the Centre and states (the Centre plans the NPR, some states say they won't implement it), or a reversal of policy by a new government (Amravati, the Bullet train), or outlandish or shameful words used by a politician (termites, *chowkidar chor hai, pappu, tukde tukde* gang). The contrast is always China — where no one contradicts anyone, the provinces (at least officially) toe Beijing's line, and policy is consistent to the point of boredom. My response is that the US should not expect India to be like China, but expect it to be like, well, the US. The present administration in Washington takes the US out of the Paris Accord on Climate Change — and California passes a resolution saying it will pursue it. It withdraws from the Iran nuclear deal — and other supposedly binding and sacrosanct agreements. And Donald Trump is surely a world-champion of political invective!

The point is that China is an authoritarian state; debate ends when the boss says so, and action follows his words. India — and the US — are noisy democracies. We do not work in a coordinated, planned manner, following the dictates of any one leader, however strong, however popular. The protests against the CAA must be seen in this light. So fundamental a change requires widespread support across the population, and not only a parliamentary majority.

So how do noisy democracies progress? By checks and balances from autonomous and independent institutions such as universities, election commissions, courts, independent media, and an effective opposition. Instead of a strong leader determining what's right, independent institutions frame the rules. And these rules are built on a foundation of distinctive, balanced values. Our leaders must be able to compromise, listen, tolerate, include, and balance as much (or even more) as they are strong, decisive, visionary and courageous. Leaders who wish to leave a permanent positive legacy on vibrant democracies must set aside things that divide and make people fearful, and focus on things that unify and inspire. When democracies progress they do so because millions of animal spirits are liberated, and not just the spirit of one state animal. The process may be messier and less efficient than in an authoritarian state, but it is much more powerful.

Without fear means without favour: Let me come back to Mr Bajaj and industry. We cannot speak truth to power if we plead for favours and special privileges. For too many years, Indian industry has looked to the government for help — for protection from imports, for tax relief to help boost demand, for concessions and incentives to boost investment, for a word put in with a bank to renew a loan, and — in the bad old days of the 1970s — a licence to manufacture a particular product. It is time to shed this culture of supplication, of deference, of vassaldom. Let us deal with the government as equals —praising where praise is due, but criticising when criticism is called for.

Let industry shed its fear and speak truth to power, as Mr Bajaj did, and stop asking the government for things. Let the government respond by trusting industry to do right. And let industry repay that trust. A new relationship — as tough, demanding, and unforgiving as it is mutually respectful — between government and industry can take India forward and make 2020 a truly Happy New Year.

The writer is co-Chairman Forbes Marshall, past president CII, chairman of Centre for Technology Innovation and Economic Research and Ananta Aspen Centre; ndforbes@forbesmarshall.com

What may lie ahead in 2020

With 2019 having ended on a depressing note, a lot of hope rests on 2020. Will the new year usher in a revival in the Indian economy? And will the Narendra Modi government, which in 2019 was mostly focused on achieving its political agenda, pay more attention to the economy in 2020?

Nobody can anticipate, let alone predict, what Mr Modi will do in 2020. But what one can safely do is to list out the possible key economic issues that might figure in the new year. Here are three such issues or developments that you need to be prepared for in the next 12 months.

NEW DELHI DIARY

A K BHATTACHARYA

Air India may be history: Air India, the state-owned airline, may not exist after June 2020, if government officials are to be believed. The Modi government is trying hard to see if it could be sold to a private airline. But it appears there are no takers. If no buyer comes forward by June, the government would close down Air India. Its pilots have already sent a letter to the civil aviation ministry urging it to clear their wage arrears and other dues before Air India is shut down.

The closure of Air India will mark the end of a saga in India's civil aviation industry. It was an airline that was floated by the Tatas and run efficiently as a private airline for quite some time before India's first prime minister decided to nationalise it. Since then, successive prime ministers have allowed Air India to operate as a public sector enterprise, lose market share, become more inefficient and incur losses. Air India's financial dependence on the central exchequer has kept rising over the years.

It was only sometime in the middle of 2017 that the Modi government decided to privatise Air India. However, the procedures adopted for its sale were such that the privatisation exercise was doomed to failure right from day one. In its second term, the Modi government has once again tried to privatise Air India, but so far with little success. Hence, there is now talk of its closure in June, if no buyer is found for the airline. If that indeed happens, it would reflect how governments over the years have neglected Air India and allowed a slow destruction of an asset. If the privatisation move had been initiated earlier and with a greater sense of realism by making the norms more attractive, Air India could have escaped the ignominious fate that it would face after June 2020. There is a lesson in this for many other such assets that the Union government still owns.

Budget 2020 may reveal the true state of government finances: Just about a month later, Finance Minister Nirmala Sitharaman will unveil the Union Budget for 2020-21. Understandably, the Budget will give a clear indication of the government's approach to how it wishes to tackle slowing economic growth. Whether it would do so by increasing expenditure on infrastructure projects or by cutting taxes or by a mix of both types of measures keeping in mind the need for fiscal consolidation, the Budget will reveal it all.

However, the more important revelation of Budget 2020 will pertain to the true state of government finances. It has to acknowledge, for the first time, that the actual gross tax revenue collections in 2018-19 were substantially lower than what the revised numbers indicated when the last Budget was presented in July 2019. It may also have to indicate the true extent of the government's off-Budget borrowings, which it has resorted to in the past to help meet its expenditure, without adversely affecting its headline fiscal deficit number. It will be interesting to see if Budget 2020 presents a more realistic fiscal deficit number that is arrived at without seeking recourse to off-Budget borrowings or imaginative accounting.

GST Council meetings will become contentious: The last meeting of the Goods and Services Tax (GST) Council held in New Delhi last month provided an early indication of how contentious its deliberations in the coming months will become. The 38th meeting of the Council had to decide on the fixation of rates for lotteries through a voting, the first time a decision was taken on the basis of voting since the Council was set up more than three years ago. All decisions in the past were taken on the basis of consensus.

Now, the politics of the country has undergone a significant change. The Bharatiya Janata Party (BJP) at present rules in only 17 states. In the GST Council, 29 states and the two Union Territories of Delhi and Puducherry have a vote each that can be exercised when consensus becomes elusive. But each vote of the states and the Union Territories has a weight of 2.1. A decision can be taken only when it receives approval from three-fourths of those present and voting. The Centre has a weight of 33 or one-third of the total.

Of course, the Centre can count on the 17 BJP-ruled states for their support at the GST Council meetings. But that would give them a total weight of 69, including 33 of the Centre and 36 of the 17 states. This, however, will be six votes fewer than what will be required to get a decision approved at the GST Council. In other words, the Centre will not only have to count on all the 17 BJP-ruled states, but also get at least three more states to support its proposals at any voting during the Council's deliberations. In short, GST Council meetings in 2020 will become more contentious and the Centre will have to embrace the principles of cooperative federalism not just in letter but also in spirit.

The above three issues or developments in 2020 are only a few examples of how the new year would pose new challenges for the Indian economy as also the polity. If the right lessons from these developments are learnt early enough by the government, one can expect 2020 to end on a less depressing note than 2019 did.

The business of eating out

BOOK REVIEW

RAAJ SANGHVI

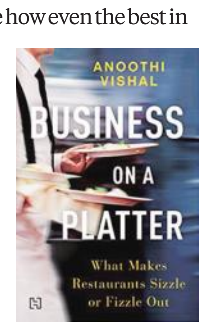
"The mismatch between what the restaurant is offering and who it is reaching out to is really what causes most restaurants to fail," says food writer Anoothi Vishal in her book *Business On A Platter: What Makes Restaurants Sizzle Or Fizzle Out*.

Ms Vishal, founder of the 'Great Delhi Pop-Up', examines the food and beverage (F&B) industry not only through the lens of an independent commentator but also as a stakeholder: "I see the business both from a consumer point of view and also from the other side, from an insider, entrepreneurial side," she explains.

Her book delves into the less glamorous aspects of restaurants: Their commercial viability, business models and success to failure ratios. Her research is intended as a comprehensive guide into the Indian restaurant universe, for those who are considering the thought of entering this "fickle and tricky business" as she describes it.

She traces the advent of "eating out" as we know it in India and covers important phases that helped shape the sector; including the domination of Punjabi cuisine led by restaurants such as Moti Mahal and Kwality in New Delhi, to the arrival of the Indo-Chinese era in the 1980s popularised by pioneering restaurants such as Nanking, China Garden and House of Ming. Along the way, she cites examples of evolving consumer trends and other factors that shaped the Indian F&B industry.

Her book offers a glimpse of the turbulent careers of a handful of successful contemporary restaurateurs such as A D Singh, Riyaaz Amlani and Rahul Akerkar. Ms Vishal uses their examples to illustrate how even the best in the business have struggled and made mistakes. These case studies buttress her larger point: That all too often, naive entrepreneurs are seduced by this sector without spending time on market research or understanding nuanced consumer trends and other market constraints.



BUSINESS ON A PLATTER: What Makes Restaurants Sizzle Or Fizzle Out

Author: Anoothi Vishal

Publisher: Hachette

Price: ₹550

Pages: 272

Her book features other insightful profiles, such as that of restaurateur Rohit Khattar, who is most famous for being the owner of "Indian Accent", India's most successful fine-dining restaurant. Others examples — such as that of chef-turned-restaurateur Ritu Dalmia, who oversees the "Diva" brand of restaurants around India (and now abroad) as well as a profitable catering business — showcase how chefs with no prior business acumen or training can become successful restaurant owners.

But for every successful owner, there are an equal number who failed. "The restaurant business everywhere now seems to be struggling across segments," writes Ms Vishal "Rising costs — rents, wages and food — are also coupled with what many restaurateurs describe as erratic and changing demand of millennial consumers, making the restaurant business riskier than it was deemed to be."

The Indian restaurant environment is characterised by red-tapism and throws up its own challenges: "High cost of rentals, long gestation periods for restaurants, a lack of financing, unclear policies such as multiple clearances and high taxes, heavy import duties, different excise policies for different states and multiplicity and publication of licensing at central and state levels."

And although the disposable income of the Indian middle class continues to rise, price is still the most important factor when Indians dine out. "A majority of consumers are reluctant to spend money on dishes and ingredients that they eat at home, however trendy these may get on Instagram".

As a result, even if a restaurant takes the trouble to source the highest quality ingredients, their efforts are rarely appreciated "Restaurants like The Table and Indian Accent often complain how rich Indians are ready to drop $300-400 on meals abroad but don't want to spend that kind of money within India," Ms Vishal writes.

Interestingly, she also points out that not all restaurateurs are motivated by the bottom-line but by what she calls "creative hubris". Her point about hubris is exemplified by some restaurants that feature on the World's 50 best list. And even in India, this can be the case; "a restaurant like Masque in Mumbai, is an example of a restaurant run for other reasons than profit", she writes.

Ms Vishal also dwells on the relatively recent influx of private equity (PE) money in the sector, which sometimes poses another kind of challenge for restaurateurs. "Not all restaurants funded by PE investments are healthy and profitable." Her case is that PE and VC firms often don't share the philosophy of the restaurant's founders and are in it, "to grow valuations and typically exit in three to five years, many funds allegedly put pressure on restaurant companies to go on adding outlets. And some companies do this without paying adequate attention to their bottom line and store profitability."

In her concluding chapter, Ms Vishal cautions budding restaurateurs, "Shed those visions of glamour, sit down, learn from examples of those who have trod this space before you."