CHANAKYA
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Ahmedabad 10-02-2016 Wednesday

TRAI strikes down Free Basics

The telecom regulator on Monday struck down differential pricing for internet services offered by telecom players to mobile users, in a bid to uphold the principles of net neutrality.

This will be a big blow to Facebook's Free Basics — and other zero-rated platforms such as Airtel Zero — for which the social media giant had launched an aggressive campaign in December last year.

Bharti Airtel had launched Airtel Zero last year in April, but withdrew it after criticism, while Free Basics, earlier named internet.org, is operational in 19 countries, including some in Africa.

"Telecom service providers will be prohibited from offering different/discriminatory tariffs based on content, service, application or any other data which the user is accessing or transmitting on the internet," Telecom Regulatory Authority of India (Trai) said.

However, providing limited free data that enables users to access the entire internet will be allowed. In emergency situations, such as floods and earthquakes, operators will be allowed to offer free data plans.

Violation of rules fixed by Trai will attract hefty fines — financial disincentive of Rs 50,000 for each day of contravention, subject to a maximum Rs 50 lakh. Trai's views came after two months of deliberations on the issue.

"Differential pricing is not in the interest of the consumers, the growth of the internet, and open and non-discriminatory internet," said Trai Chairman R S Sharma.

Differential pricing means charging customers different prices for access to different websites and services. Zero-rating platforms are services — developed by telcos in partnership with internet service providers (ISPs)/app makers come — give free access to customers for certain applications/ websites.

"Our goal with Free Basics is to bring more people online with an open, non-exclusive and free platform. While disappointed with the outcome, we will continue our efforts to eliminate barriers and give the unconnected an easier path to the internet and the opportunities it brings," said a Facebook spokesperson.

The social media giant had entered into a tie-up with Reliance Communications in India to launch Free Basics. But, Trai had asked RCom to suspend the commercial launch of the product till its approval.

Telecom operators association, Cellular Operators' Association of India (COAI), also expressed its displeasure over the Trai's rules.

Rajan Mathews, director-general, COAI, said: "The telecom sector is disappointed with Trai's decision to rule out differential pricing. Allowing price differentiation would have taken us closer to connecting the one billion unconnected citizens, apart from improving economic efficiency, increase in broadband penetration, and reduction in customer costs.

For now, operators cannot enter into any arrangement based on discriminatory pricing and would be fined if they do so. These rules do not apply to closed electronic communications network, where data is neither received nor transmitted over the internet.

The regulator had asked Facebook to ask its users to specifically answer the queries in the paper.

Experts had a mixed reaction to Trai's proposals.

Hemant Joshi, partner, Deloitte Haskins & Sells LLP, said: "Differential pricing for different level of services is a well-accepted principle across all industries — energy, railways, and airlines. The concept of differential pricing inherently recognises the economic principle of paying differently for different levels of service. In the telecom sector, there are virtual highways that need to follow the same principle."

He added that the European Union was considering allowing "specialised services" with a few priority services having in the fast-lane internet. "More awareness and education is needed about the economics of differential pricing and its long term implications on the sector and the consumers."

Arpita Pal Agrawal, leader, telecom, PwC India, said, "What remains to be done is to find innovative ways to actually get all citizens access to internet as India's ranking in universal broadband access is abysmally poor and the digital divide continues to widen."

But, IT industry body Nasscom came out in the support of Trai's regulations saying it is balanced for retaining the provision to allow for reduced tariffs for public emergency.

"Our submission highlighted the importance of net neutrality principles, non-discriminatory access and transparent business models aligned to the goal of enhancing internet penetration in the country," R Chandrashekhar, president, Nasscom, said.

"The decision is fully in line with the BJP-led NDA government's vision of open and fair Internet and support to net neutrality," said Communications and Information Technology Minister Ravi Shankar Prasad

Coastal shipping: Improve capacities to save Rs 30,000 cr: Study

A study by global consultants McKinsey & Co and AECOM for the Union ministry of shipping says optimising the logistics flow for key commodities by 2025 could save Rs 30,000-40,000 crore.

It recommends creation of more capacity at major ports and a logistics aggregator company to consolidate the shipping supply chain.

The report says coastal shipping capacity can handle 150-250 million tonnes annually of cargo comprising coal, cement, iron and steel, foodgrain and fertiliser. There is a potential here to save Rs 10,000-20,000 crore by 2025. And, by setting up new coastal capacities for bulk commodities (steel and cement) for 100-120 mt annually, the saving would be Rs 6,000-8,000 crore. Further, by reducing the time to export containers by five days, another Rs 10,000-12,000 crore).

Raising the railways' share in container traffic from the current 18 per cent would lead to annual saving of Rs 3,000-6,000 crore. Indian ports handled 857 mt of bulk cargo in 2013-14.

The study estimates that in 2025, bulk traffic will increase to 1,850 mt. Export-import bulk will increase four per cent annually, to reach 1,100 mt. Coastal bulk traffic will grow at 22 per cent yearly, to reach 750 mt by 2025.

All this would require dedicated coastal capacities at specific ports. Also, require storage, bunkering and ship repair facilities, for coastal shipping. A logistics aggregator company could provide end-to-end services.

In containerised cargo, Indian ports handled 10.7 million TEU (Twenty Foot Equivalent Unit, the measure here) in 2013-14. This traffic has grown eight per cent annually over the past decade. The study estimates this will grow at 6.5 per cent yearly under normal business consitions and reach 21.5 mn TEU by 2025. Including the impact of programmes such as Make in India and the development of industrial corridors, the traffic could also grow to 24-25 mn TEU.

To handle this, it says, there is need to develop a trans-shipment port at the country's southern tip, with capacity of 10-12 mn TEU. And, capacity at the Gujarat and Maharashtra port clusters to be increased by 2-2.5 mn TEU, beside new feeder ports at central Andhra and West Bengal, with capacity of 1-1.5 mn TEU.

An aggregator is needed, it says, to consolidate the coastal shipping supply chain, since the market for such shipping is marked by low liquidity and small parcel size for industries other than coal.

The ministry of shipping could take the lead here.

It also suggests existing and new ports align their capacity expansion plans in line with the projected increase in coastal shipping volumes. Also, planning for adequate storage at origin-destination ports, bunkering facilities and reduced taxes, to encourage ships to bunker within Indian waters, and adequate repair facilities.

Govt to take buyback route to tap Rs 78k cr

The government has asked state-run companies to buy back shares, people with knowledge of the matter said, as Prime Minister Narendra Modi looks to narrow Asia's widest Budget deficit without cutting stimulus spending.

The boards of Coal India, MOIL, National Mineral Development Corporation (NMDC), National Aluminium Co (Nalco), India Renewable Energy Development Agency (Ireda) are among those that will have to decide on valuations, the people said, asking not to be identified, as the talks are private. These companies had about Rs 78,450 crore in cash and marketable securities last year - according to data compiled by Bloomberg - more than double Modi's social welfare budget.

A revenue boost is crucial as back-to-back years of weak rainfall compel Modi to spur demand in rural areas even as pressure mounts to avoid runaway spending. The rupee, sovereign bonds and stocks had their worst January since 2011, weighed down by the global slowdown and as concerns about fiscal slippage mount. While weak global demand denies companies adequate returns on their investment, falling share prices offer them a good chance to consolidate ownership, the people said. About 50 listed state-run companies had a total Rs 2 lakh crore in cash and marketable securities in 2015.

"The Finance Ministry has written to us about a 25 per cent share buyback by Nalco," Mines Secretary Balvinder Kumar said last week, referring to National Aluminium. While the department was expecting Rs 1,300 crore from a 10 per cent stake, it can't say for sure how much it will receive, he added.

Ireda Chairman K S Popli said the government's decision is a "good move" that will improve companies' valuations and earnings per share.

Coal India Chairman Sutirtha Bhattacharya and NMDC spokesman Rafique Ahmed didn't immediately answer multiple calls seeking comment. An e-mail to Neeraj Dutt Pandey, MOIL's company secretary wasn't immediately answered. Finance Ministry spokesman D S Malik said he couldn't immediately comment.

Govt to take buyback route to tap Rs 78k cr of public sector firms' cash The government had earlier asked state companies to invest their surplus cash or pay dividends of at least 30 per cent on net profits.

While the government will probably meet its deficit goal of 3.9 per cent of gross domestic product for the year through March, investors including Standard Chartered Plc and Morgan Stanley predict it will deviate from its 3.5 per cent aim next year when it presents its Budget on February 29.

Missing fiscal targets could push up bond yields and erode the government's credibility, Reserve Bank of India Governor Raghuram Rajan had said last month.

Jet Airways reduces debt

Jet Airways managed to reduce debt by Rs 500 crore in the October-December 2015 quarter, the airline's management told analysts on Monday.

The carrier posted a record consolidated net profit of Rs 467 crore for the third quarter of FY15, triggering the stock to gain nearly four per cent on Monday to close at Rs 593.50 on the BSE.

The airline had total debt of Rs 12,077 crore as of September, it brought it down to Rs 11,547 crore by December 2015. The airline repaid debt of around Rs 860 crore in the third quarter, but also availed of some fresh borrowings.

Eighty-three per cent of the debt is dollar-denominated and the net debt amount was also impacted by the six per cent depreciation of the rupee.

"We will use cash flows for debt reduction. That is our focus," Chief Financial Officer Amit Agarwal told analysts in a conference call.

Jet said it would focus on improving productivity and reducing costs. It was able to save Rs 60 crore on distribution expenses by increasing its own web sales and renegotiation of agents' productivity bonuses and credit card commission.

"We believe there is more room for productivity improvement and we are working to improve our network and fleet utiliation," said Cramer Ball, chief executive.

25-year wait for wages in MP mills continues

As many as 10,000 former workers and other staff of two textile mills, Hukumchand Mill and Binod Mill, in the Malwa region are struggling to get their back wages for more than two decades. Established in the pre-independence era, Hukumchand Mill has been reduced to rubble while Binod Mill still has some concrete remains.

According to the Madhya Pradesh labour department, the two mills shut down in 1991, rendering 5,500 workers in Hukumchand Mill, Indore and 4,500 workers in Binod Mill, Ujjain, jobless.

The legal battle for ownership between the creditors of the mills and the state government has subsided but it was a long wait for over a thousand workers who have died. The surviving workers are not sure if they will ever receive their wages.

"The state cabinet decided recently to sell the land of Binod Mills. Earlier, it decided to sell the land of Hukumchand Mill to settle the dues of workers," K C Gupta, Madhya Pradesh's labour commissioner, said. "According to our records, Rs 217 crore is to be paid to workers of Hukumchand Mill and Rs 57 crore to workers of Binod Mill," he added.

"The state cabinet recently okayed a plan to sell Binod Mill's land to be used for the Ujjain Smart City project. The special purpose vehicle created for the Ujjain Smart City project will sell the land and pay creditors and workers," Narottam Mishra, a cabinet minister, said.

Tamil Nadu objects to GAIL's Rs 3,000-cr project

Tamil Nadu once again raised concerns over GAIL's Rs 3,300 crore pipeline project stating that it will result in irreparable damage to thousands of farmers. The state also wants amendment in the Petroleum and Minerals Pipelines (Acquisition of Right of User in Land) Act, 1962.

Chief Minister J Jayalalithaa on Monday wrote a letter to the Prime Minister, asking for his intervention in the matter and asked GAIL to be part of the Expert Committee constituted by the State for the purpose of exploring possibility of laying pipes alongside the National Highways.

"This is a sensitive issue which has huge implications for the farmers and the common people of Tamil Nadu. It can be resolved through a joint constructive and accommodative approach and a solution can be arrived at to lay the pipelines along the National Highways," she said.

Last Tuesday, the Apex Court allowed GAIL to continue the project, which was stopped by Tamil Nadu in 2013 following farmers protest in seven districts of the state

Cash squeeze could hurt autonomous bodies

Autonomous institutions set up by the hundreds by various ministries could soon face a cash squeeze. The central government is planning to make them cut back on their cash reserves, simultaneously creating tough oversight rules to control their investments.

This could be like a lightning from the blue for these institutions, ranging from big ones like the University Grants Commission and Council of Scientific and Industrial Research to myriad small ones like Export Inspection Council of India. The proposal is a simple one.

The annual budgets of most of these organisations are rather simple. Their current expense is largely for salary and office management, financed by the ministries.

On the capital side, they have few liabilities but large assets, including land and cash reserves, which are deployed mostly as investments in pension funds.

Currently, the ministries, under which each of them is housed, transfer them money for salary and operating expenditure twice a year from the annual Budget of the government.

Instead the government's cash managers are considering making the transfers happen when the money is actually to be spent by these institutions, say the day before the disbursement of salaries or when they raise bill for capital expenditure nearer to the point of execution.

At that point, the sum needed by the particular institution will be transferred from the government treasury to its accounts cutting out the float.

Since the cash management of the government is now run on tech platforms, this will not be a problem at all.

Drought blamed for negative farm growth

India's agriculture growth, measured in terms of gross value added at constant prices, slipped into negative territory in the October-December quarter (first time in FY16) because of a low kharif harvest.

However, on full-year basis, the government estimates gross value added in agriculture and allied activities would rise 1.1 per cent, from negative 0.2 per cent in 2014-15, on account of good performance of livestock, horticulture, fisheries and dairy sector.

But experts question projection of recovery in agriculture and allied activities based on livestock and horticulture. "Even if you take 1.1 per cent as agriculture and allied activities growth in 2015-16, it would mean that in the first two years of the Narendra Modi government, India's farm sector grew by 0.45 per cent on an average, which is less than average annual population growth of 1.3-

1.4 per cent," said Ashok Gulati, former chairman of Commission for Agriculture Costs and Prices. He said lower average agriculture GDP growth than population growth also means that per capita income in rural areas is falling while almost 55 per cent of India's rural workforce is dependent on agriculture.

Drought blamed for negative farm growth According to the first advanced estimate of foodgrains production by the department of agriculture, output in 2015-16 kharif season is expected to be around 124.05 million tonnes, around 4 million tonnes more than the first advanced estimate of 2014-15. This, however, is less than the final output of the same year.

This is second consecutive year of drought. The southwest monsoon in 2015 was almost 14 per cent less than normal, registering its worst performance since 2009. Due to poor monsoon, this is the first back-to-back drought year for India in three decades, and only the fourth in more than a century.