

योजना आयोग  
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*"No matter how carefully you plan your goals, they will never be more than pipe dreams unless you pursue them with gusto"*

*W. Clement stone*

## Polity

- **Trinamul-TDP face off over Houseroom:** The Mamata Banerjee-led Trinamul Congress and the Chandrababu Naidu-headed TDP are locked in a face-off over accommodation for their party office at Parliament House, with each side staking claim to the same room. Both sides had a brief exchange of heated words on the issue outside Parliament today. The TDP is not willing to vacate room no 5, allotted now to the Trinamul, which is on the ground floor of Parliament House. The TDP has maintained that it has been occupying the room since 1984 and has an "emotional connection" with it. The Trinamul camp's contention is, however, that the Lok Sabha Secretariat has now allotted room no. 5 to their party. "The Lok Sabha Secretariat wrote to our Parliamentary Party on 6th August informing us that they have allotted room no. 5 to us," said the Trinamul's Lok Sabha leader, Mr Sudip Bandopadhyay. "We went to take possession of this room only today, nearly a week later," he added. Making changes in allotment of rooms to political parties, which were earlier done on 25 June at the behest of the Speaker Mrs Sumitra Mahajan, the Lok Sabha Secretariat has now allotted room nos. 135 and 136 to the TDP, sources said. The matter came to a flash point when Trinamul leaders like Mr Bandopadhyay and Mr Sultan Ahmed visited room no. 5 this afternoon to take possession of it. The nameplates of the TDP and its leaders outside the room were also allegedly removed. (The Statesman).

## Economy

- **Industrial growth slows to 3.4% in June:** Factory output growth remained in positive territory for the third consecutive month in June, lending some credence to recent optimism that the Indian economy was on the cusp of a recovery. However, the Index of Industrial Production (IIP) for June came in at a lower-than-expected 3.7 per cent as against the revised May 2014 level of 5 per cent (from 4.7 per cent). The mining sector's growth remained largely flat at 4.3 per cent in June, but manufacturing disappointed at 1.8 per cent. Electricity generation grew by a robust 15.7 per cent. Given the good performance by the core sector, some upside was expected in the June IIP numbers. But the 23.4 per cent contraction in consumer durables (use-based classification) weighed on the overall IIP even as capital goods rose 23 per cent. While the latest IIP data is below expectations, the overall first-quarter performance has been positive, with a growth rate of 3.9 per cent. Factory output had contracted 1 per cent in the first quarter of the last fiscal year. Reacting to the IIP numbers, Confederation of Indian Industry (CII) Director-General Chandrajit Banerjee said industrial production, which had been on the rise for the last two months, declined in June on the back of a sluggish performance by the manufacturing sector. "However, we would like to see this as an aberration, as CII's own Business Outlook Survey and the ASCON survey are showing early signs of an industrial turnaround," he said. (Business Line).

## Planning

- **Budget airports may transport you to an era long lost:** Flying today is inconceivable without body scans, x-rayed baggage, conveyor belts, aerobridges and interminable waits. But a crop of budget airports India is planning to build in small towns will transport flyers to a more graceful era where you could walk into an airport minutes before a flight, check in your own luggage, and walk on to the tarmac to board a turboprop. The Airports Authority of India has a plan for 50 airports across 11 states that includes barbed wire, not boundary walls; people handling baggage, and not machines; a shorter check-in time to keep lounges small; and local cops instead of the more expensive Central Industrial Security Force. And, no food kiosks. "Traffic is unlikely to be heavy at these airports. The purpose is to create the minimum facilities for aircraft to operate without compromising on safety and security," said an official, confirming the plans had been frozen. Air-conditioning-hungry steel-and-glass structures are out. The terminals will be lean so that passengers can directly step out of the airport on arrival. Clean drinking water and toilets figure in the plans, though. All these bring down costs by 50 per cent. A terminal can be built for as little as Rs 50 crore. Its modular framework can be added to, if traffic grows. Amber Dubey, partner and India head of aerospace and defence at KPMG, says: "The no-frills airport should be on a 'railway station plus' model, without compromising on safety and security. (Business Standard).

## Editorial

- **The Javelin challenge:** The irony in India-United States relations is that all the right things are said about them, and all the wrong things done. So while the two countries are said to be bound by virtue of being "the world's largest democracy and the world's oldest democracy," a line unfailingly included in the speech of every visiting dignitary from the U.S., the reality is a big drift in bilateral ties. As the time nears for Prime Minister Narendra Modi's visit to the White House in September, there is an apparent effort to ensure that his talks with President Barack Obama are productive. The pressure has grown on Washington to show it wants to take bilateral ties forward under Prime Minister Modi, who it had blacklisted while he was Gujarat Chief Minister over the 2002 riots. The latest endeavour came from U.S. Defense Secretary Chuck Hagel, who arrived in New Delhi shortly after Secretary of State John Kerry. After his meetings with Mr. Modi, External Affairs Minister Sushma Swaraj and Finance and Defence Minister Arun Jaitley, Mr. Hagel pronounced himself convinced that the two sides "can transform our potential into results." The main focus of his meetings was cooperation in the defence sector. India is the world's largest importer of arms, and also among the biggest buyers of U.S. materiel. Since 2008, New Delhi has bought U.S. defence equipment worth nearly \$10 billion and has been pushing for transfer of technology to manufacture those weapons here. Mr. Hagel appeared to concur, saying the way to transform defence ties would be to move "from simply buying and selling to co-production, co-development, and freer exchange of technology." (The Hindu)

# Modi hits out at Pak for proxy war against India

Leh/Kargil, Aug 12

**I**N a strong attack on Pakistan, Prime Minister Narendra Modi on Tuesday accused it of continuing proxy war of terrorism against India, saying it has lost the strength to fight a conventional war.

"The neighbouring country has lost the strength to fight a conventional war, but continues to engage in the proxy war of terrorism," he

said while addressing troops of Army and the Indian Air Force on his maiden trip to Leh and Ladakh.

This is the first sharp attack on Pakistan by Modi after assuming office over two months back and comes in the midst of his peace initiatives. Modi had invited Pakistan Prime Minister Nawaz Sharif and other SAARC leaders for his swearing-in on May 26.

His remarks came close on the heels of India's mounting

concerns over repeated ceasefire violations by Pakistan and increasing number of militant attacks in Kashmir; the latest carried out last night on a BSF convoy at Pampore in South Kashmir's Pulwama district, leaving eight personnel including an officer injured.

The Prime Minister said the Indian armed forces were suffering more casualties from terrorism than from war. Noting that this is a global problem, the Prime Minister said

all humanitarian forces of the world should unite to fight it.

"India is committed to strengthening and uniting these humanitarian forces," he said.

Modi, who is on a second trip to Jammu and Kashmir in two months, said India was committed to strong armed forces, well-equipped with modern arms and technology.

The Prime Minister later flew to Kargil where he held out the assurance that his gov-

ernment was committed to the welfare of displaced Kashmiri Pandits, refugees from West Pakistan and kin of those killed in terrorist violence.

"See the condition of Jammu and Kashmir where 20% of the population is displaced. We want to settle these displaced people and give them opportunity of their livelihood," Modi said while inaugurating the 44 MW Chutak hydropower project.

The Prime Minister said

the Centre was committed to include this 20% population becoming a party in changing the destiny of Jammu and Kashmir:

"More than 2 lakh displaced are refugees from West Pakistan, over one lakh displaced are... more than 4 lakh are Kashmiri Pandits over eight to ten lakh are those who lost their families in terrorist attacks. These are also our brothers and sisters and we have to think about them," he said. *PTI*

# Govt to start e-health care service soon

STATESMAN NEWS SERVICE  
New Delhi, 12 August

The Ministry of Health and Family Welfare will soon start an "e-health care service" that will intensify health awareness in rural India, an official said here today.

"The Ministry has already prepared the white paper of the "e-health care service" which will be a boost to raise awareness among the people in the country, who remain completely deprived of the health services initiated by the government,"

Dr Jagdish Prasad, director general (DG) health services, Ministry of Health and Family Welfare said speaking at the Northern Region Conclave on NextGen Health care organised by the Confederation of Indian Industry (CII).

He said the e-health care system, which basically will be a web portal, will help the government to address the people about every health-related programme and the various schemes that enable them to get free medical treatment. "The private health care institutions have failed

to extend their services in the rural parts of the country despite the citizens being one of the most needy for health care facilities," said Dr Prasad.

According to the Health ministry, over 39 million people in India remain deprived of health care services, leading to their death.

Dr Prasad said to intensify health care services to the rural parts of the country, Indian industries need to come forward and fund the government. "The situation today is as such that due to lack of health

awareness in the rural parts of the country, 70 per cent of women of India do not know the essentials of breastfeeding, due to which their child suffers from several health issues and hardly get medical care," he said. "The government will also make efforts to use the services of ayurvedic doctors, who can bridge the gap in the areas where health institutions are not able to extend their health services," said Dr Prasad, adding that there is a need in the country to integrate the services of allopathic and ayurvedic health services.

# Fertiliser Ministry to set up task force for draft policy

To focus on bio-fertilisers, organic products and micro nutrients

## OUR BUREAU

Hyderabad, August 12

The Ministry of Chemicals and Fertilisers will set up a task force in the next two to three weeks to work out the draft for a new national fertiliser policy.

The Union Minister for Chemicals and Fertilisers Ananth Kumar said the fertilisers policy will be focussing on bio-fertilisers, organic products and micro nutrients.

## Positive response

Without mentioning any specific time frame for the fi-

nalisation of the new policy, the Minister added that it would, for the first time, address concerns of deteriorating soil health and other issues.

On gas supply to urea plants, he said the Petroleum Ministry had responded favourably to his ministry's request for higher allocation of domestic natural gas to the urea sector.

"We have put before the (Petroleum) Ministry that we are not even getting the allocated supply of 31.6 mmscmd of gas for the urea

sector. "At present, we are getting just about 28-29 mmscmd. We have sought an increase to 46 mmscmd," he said on the sidelines of the international plastic exposition.

Ananth Kumar said the Minister for Petroleum had agreed to immediately increase the gas supply to the allocated level of 31.6 mmscmd, with a promise to consider the additional hike later.

## Import factor

The Fertiliser Ministry has sought the increase in domestic natural gas allocation to urea plants to replace the costly imported LNG being used as feedstock.

It would save ₹15,000 crore in subsidies. Also, he said he would take it up with the Centre to include Telangana as the fifth state for setting up of a plastic park, as Hyderabad is a major centre for production of plastics products.

He also sanctioned ₹50 crore for a new campus for the Central Institute for Plastic Engineering and Technology in Hyderabad.

"We will purchase the land and ensure that the new campus comes up in two years' time," he said.

The four-day exposition, with about 250 exhibitors from India and overseas, is likely to have had business worth \$100 million.

# Government may extend monsoon session to clear key Bills

Accuses Congress of 'obstructionism'

## OUR BUREAU

New Delhi, August 12

Accusing the Congress of "obstructionism", the BJP on Tuesday indicated that the Government may extend the monsoon session if that is what is required to ensure the passage of pending legislations.

Addressing the BJP Parliamentary Party meeting at the Central Hall of Parliament here, Parliamentary Affairs Minister Venkaiah Naidu reportedly said the Government is committed to pass important legislations and would extend the current session if the Congress adopts "ob-



**"They (Congress) are blocking even legislations that they had envisaged."**

**RAJIV PRATAP RUDY**  
BJP MP

structionist" measures. Naidu charged the Congress with "running away" from passing Bills.

He also asked the party MPs to

ensure their presence in both the Houses.

According to BJP MP Rajiv Pratap Rudy, the Congress's attitude is "negative" and directed at blocking legislative business.

"First they said that there is no business. Now they are blocking even those legislations that they had envisaged.

"That is not constructive. But we are determined to complete the business even if it requires extending the session," Rudy told *BusinessLine*.

Finance Minister Arun Jaitley listed out the purpose behind bringing the Bill on judicial reforms and said it should not be construed as "government versus judiciary" or "Parliament versus judiciary."

# Revised gas prices could raise cost of power and urea generation

SUDHEER PAL SINGH  
New Delhi, 12 August

The newly proposed gas price framework could increase power and urea prices by raising their cost of generation. Analysts estimate the new price of \$6-6.5 a million British thermal units (MBtu), if finalised, would raise the cost of power generation by up to 26 per cent.

"At \$6.5 a mBtu, the cost of power production will increase from ₹4.2 a unit to ₹5.3 a unit. The cost would rise to at least ₹5.05 a unit if a price of \$6 an mBtu is finalised," said Salil Garg, director, India Ratings. In absolute terms, an additional ₹7,800 crore burden on distribution companies, he added.

The earlier government had in January notified a formula for pricing natural gas but the decision was put on hold due to the coming general election.

This formula could have increased the price far more, to \$8.4 an mBtu, from the current \$4.2. Gas-based power plants account for nine per cent or 22,000 Mw of India's total installed power generation capacity of 249,000 Mw.

The country produced 97 million standard cubic metres a day (mscmd) of gas in 2013-14. This translated to 26 billion cubic metres (bcm) from national oil companies Oil and Natural Gas Corporation and Oil India, and 9.5 bcm from private joint venture companies.

The power sector received almost nil gas supply from the private KG-D6 block operated by Reliance Industries, while the priority fertiliser sector received 13 mscmd last year. The government is working on a revised price to make several new discoveries viable and



- **26%** Increase in cost of power generation if the new gas price of \$6-6.5 a MBtu comes into force
- **₹7,800 crore** Additional burden on distribution companies as a result of the new price
- **249,000 Mw** India's total installed power generation capacity
- **9% or 22,000 Mw** Share of gas-based power plants in India
- **97 mscmd** gas produced by India in 2013-14
- **44p** Rise in cost of power generation in India for every \$1 increase in the gas price (if \$1=₹60)
- **47 mscmd** Gas requirement at the domestic urea industry
- **₹3,100 crore** Increase in cost of urea production for every \$1 increase in gas price
- **₹67,971 crore** Total fertiliser subsidy in 2013-14, a rise from ₹18,460 crore in 2006

resolve disputes in the exploration sector. According to ratings agency ICRA, every \$1 increase in the gas price raises the cost of power generation by 44p, assuming the rupee remains at 60 against the dollar, as

gas contracts are dollar-denominated. "The impact on cost of power purchase for the utilities would be relatively more in the case of states in the southern and western region, which account for about 35 per cent and 40 per cent of the gas-based capacity (both operational and under implementation), respectively," ICRA said in a recent report.

The increase in cost of gas will also impact the cost of urea production and increase the subsidy requirements for the industry and working capital requirements. Urea accounts for 60 per cent of total fertiliser production. The domestic urea industry has a gas requirement of 47 mscmd at present, in addition to 9 mscmd required for conversion of naphtha or fuel oil-based units into gas.

Every \$1 increase in gas price raises the cost of urea production by ₹3,100 crore. The additional cost would increase the subsidy payable to that extent and, correspondingly, the working capital requirements of the urea players in case of delays in payment of subsidy, as observed in the recent past, entailing additional interest costs.

"The gas prices are not pass-through in the subsidy for urea sales above the cut-off quantity. Thus, the operating profits of urea manufacturers could take a hit once the higher gas prices kick in," India Ratings said in a recent report.

The government's total fertiliser subsidy has jumped from ₹18,460 crore in 2006 to ₹67,971 crore in 2013-14. The proposal for gas price revision comes at a time when the Fertilizer Association of India has said it would agree to a price decided by the government.

# Industrial growth slows to 3.4% in June

Pulled down by consumer durables sector; retail inflation inches up to 8%

**OUR BUREAU**

New Delhi, August 12

Factory output growth remained in positive territory for the third consecutive month in June, lending some credence to recent optimism that the Indian economy was on the cusp of a recovery.

However, the Index of Industrial Production (IIP) for June came in at a lower-than-expected 3.7 per cent as against the revised May 2014 level of 5 per cent (from 4.7 per cent).

The mining sector's growth remained largely flat at 4.3 per cent in June, but manufacturing disappointed at 1.8 per cent.

Electricity generation grew by a robust 15.7 per cent. Given the good performance by the core sector,

some upside was expected in the June IIP numbers.

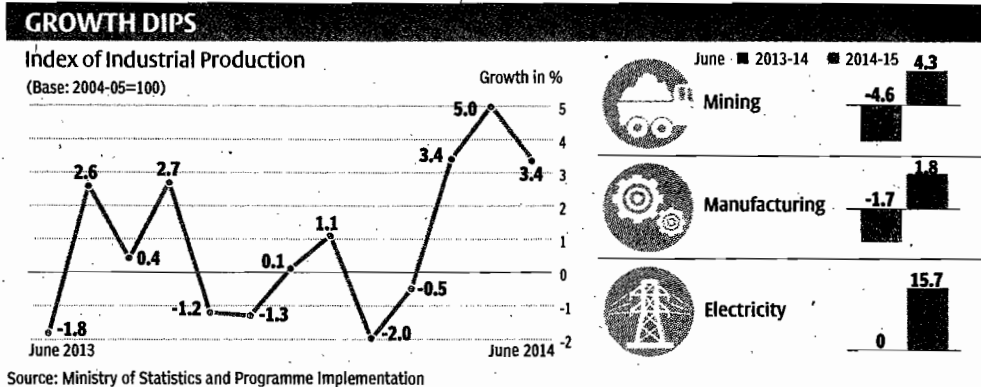
But the 23.4 per cent contraction in consumer durables (use-based classification) weighed on the overall IIP even as capital goods rose 23 per cent.

While the latest IIP data is below expectations, the overall first-quarter performance has been positive, with a growth rate of 3.9 per cent.

Factory output had contracted 1 per cent in the first quarter of the last fiscal year.

**Industry view**

Reacting to the IIP numbers, Confederation of Indian Industry (CII) Director-General Chandrajit Banerjee said industrial production,



which had been on the rise for the last two months, declined in June on the back of a sluggish performance by the manufacturing sector.

"However, we would like to see this as an aberration, as CII's own Business Outlook Survey and the ASCON survey are showing early signs of an industrial turn-

around," he said. With proper interventions in the areas of land, labour and environment norms, manufacturing can post a quick revival, he said.

**Retail inflation**

Retail inflation continued to be a picture of worry, with the spike in

fruit and vegetable prices leading to July CPI (Consumer Price Index) inflation rising to 7.96 per cent against 7.46 per cent in June 2014.

Rural CPI inflation for the month under review stood at 8.45 per cent and urban inflation, at 7.96 per cent.

But the latest CPI-based infla-

tion is much lower than the 9.64 per cent level recorded in the same month last fiscal year.

**High food prices**

Vegetable prices were up 16.88 per cent in July 2014 on a year-on-year basis, while fruit prices had shot up 22.48 per cent.

Overall food inflation in July came in at 9.36 per cent, higher than the 8.05 per cent in the previous month. It was, however, lower than the 11.22 per cent recorded in July 2013.

Commenting on the latest CPI inflation print, Anis Chakravarty, Senior Director of Deloitte in India, said this was expected owing to the delayed onset of the monsoon.

He also said the targeted nominal CPI anchor, at 6 per cent, may be difficult to achieve given that current supply-side issues are expected to continue.



# Petrol prices may come down on Independence Day eve, IOC Q1 profit at ₹2,523 cr

PNS ■ NEW DELHI

Indian Oil Corporation (IOC) has hinted at a possible reduction in petrol prices after the fortnightly review of the global crude price baskets on August 14 is conducted, as there are "positive indications" coming from the international pricing pattern.

The country's largest retailer meanwhile has reported a net profit of ₹2,523 crore in the first quarter of the current fiscal after State-owned and upstream firms made recorded good benefits from their fuel sales. The company had reported a net loss of ₹3,093.23 crore in the corresponding period of the previous fiscal due to delays in payment of Government subsidy.

Speaking to media persons while announcing the company's first quarter results, IOC's newly appointed Chairman B Ashok



Indian Oil Corporation Chairman B Ashok announces company's June quarterly result in New Delhi along with other IOC officials  
Alwin Singh/ Pioneer

did not give a clear reply when asked whether there would be any downward revision in petrol prices when they come up for fortnightly review on August 14. However, at the same time he

accepted that there was a positive indication in pricing patterns of global crude price baskets.

On the company's profit earned during Q1 of FY15,

Ashok said, "the net profit was mainly because of a foreign exchange gain of ₹128 crore in Q1 as compared to a foreign exchange loss of ₹4,024 crore."

Also IOC gained ₹745 crore from RBI currency swap window, ₹348 crore from writeback on trust receivables and ₹556 crore on savings in interest outgo on borrowing, he said adding that these gains were partially offset by ₹1,028 crore provision for tax versus nil in Q1 last fiscal.

IOC lost ₹15,328.34 crore on selling diesel, domestic LPG and kerosene at government controlled rates in April-June this year.

The Government made good about 40 per cent of this by way of cash subsidy of ₹6,076 crore. It got another ₹8,107.21 crore from upstream firms like ONGC.

# Disinvestment panel on lines of disbanded EGoM in offing

**Arup Roychoudhury**  
New Delhi, Aug 12

**P**RIME Minister Narendra Modi may have disbanded the empowered groups of ministers (EGoM) set up by the UPA government, but a panel with similar powers, led by finance minister Arun Jaitley, will soon be formed for matters relating to disinvestment.

Apart from Jaitley, the panel will comprise transport minister Nitin Gadkari and the minister dealing with the central public sector enterprise (CPSE) concerned in each case. For example, if ONGC's stake sale is being considered, then the MoS (in-

**The first meeting of the panel is likely to take place in September, and it may be for either SAIL or Coal India**

dependent charge) for petroleum and natural gas, Dharmendra Pradhan, will be on the panel.

Government sources told *FE* that the functions of the new panel and the procedure by which disinvestment proposals will be taken up by it will be similar to that of EGoMs under UPA rule.

"Once we approach the cabinet regarding stake sale of any CPSE, the cabinet will delegate the task to this panel. The panel will finalise the price, date and size of the stake to be sold. The company in

question will then notify the exchange and the stake sale will proceed," a senior finance ministry official said.

The first meeting of the panel is likely to take place in September, and it may be for either SAIL or Coal India, the official added.

The FY15 Budget targets ₹43,425 crore from stake sale in 11 CPSEs, including Coal India, ONGC, SAIL, Concor, PFC and REC, among others. The two biggest disinvestments, Coal India (10% stake-sale for about ₹23,700 crore) and ONGC (5% for about ₹17,550 crore) are expected to garner more than ₹41,000 crore in total. As reported by *FE* earlier, the disinvestment department's internal estimates suggest the CPSE stake-sale target could be exceeded by ₹13,000-15,000 crore given the market conditions.

The disinvestment road map includes three initial public offerings of namely, Hindustan Aeronautics, Rashtriya Ispat Nigam and THDC. Combined, the three market debuts can garner about ₹6,000 crore. Additionally, the Centre expects to mop up ₹15,000 crore from the residual stake it holds in Anil Agarwal promoted Hindustan Zinc and Balco.

Although the finance ministry has already received cabinet approvals for HAL, RINL and SAIL, these will still go to the Jaitley-led panel as the issue of pricing is yet to be decided. Even HZL-Balco, for which cabinet approval has been given, may go to the panel after the valuers come out with their final assessment of the centre's residual stake in the two companies.

# Moody's pegs India growth at 5% this year

**New Delhi, Aug 12:** Projecting better growth for India, rating agency Moody's on Tuesday said the country's GDP will grow 5% this year and speed up further in 2015.

"Growth is more robust for India and Indonesia. We forecast GDP growth of around 5% this year; rising to around 5.5%-6% in 2015," Moody's said in its report 'Global Macro Outlook 2014-15: Summer Lull: Subdued, But Less Risky Global Growth Likely'.

The higher growth projection for India comes against the backdrop of a new government coming to power with single majority for the first time in three decades.

However, the rating agency said India's growth estimates are still way low-

er than the levels seen before global crisis.

"For India in particular, the projected growth rates are still significantly below pre-crisis and well short of the new government's target to raise growth to 7-8 per cent by 2017-18," the report said.

Moody's also said that India and Indonesia would see "more resilient GDP growth".

Global slowdown along with sluggish domestic economic activities, high interest rates and stubborn inflation pulled down India's growth to sub-5% in the last two years.

Indian economy is likely to expand in the range of 5.4% to 5.9% this fiscal, as per government estimates.

*PTI*

# Budget airports may transport you to an era long lost plan

Get ready to walk into an airport minutes before a flight, check in your own luggage, walk on to the tarmac to board a plane

**SHARMISTHA MUKHERJEE**  
New Delhi, 12 August

Flying today is inconceivable without body scans, x-rayed baggage, conveyor belts, aerobridges and interminable waits. But a crop of budget airports India is planning to build in small towns will transport flyers to a more graceful era where you could walk into an airport minutes before a flight, check in your own luggage, and walk on to the tarmac to board a turboprop.

The Airports Authority of India has a plan for 50 airports across 11 states that includes barbed wire, not boundary walls; people handling baggage, and not machines; a shorter check-in time to keep lounges small; and local cops instead of the more expen-

sive Central Industrial Security Force. And, no food kiosks.

"Traffic is unlikely to be heavy at these airports. The purpose is to create the minimum facilities for aircraft to operate without compromising on safety and security," said an official, confirming the plans had been frozen.

Air-conditioning-hungry steel-and-glass structures are out. The terminals will be lean so that passengers can directly step out of the airport on arrival. Clean drinking water and toilets figure in the plans, though.

All these bring down costs by 50 per cent. A terminal can be built for as little as ₹50 crore. Its modular framework can be added to, if traffic grows.

Amber Dubey, partner and India head of aerospace and defence at KPMG, says: "The no-frills airport should be on a 'railway station plus' model, without com-

promising on safety and security. The focus should shift from security of the airport to security of the aircraft. The approach has to change from visible security to smart security, using CCTV and a small quick-reaction security team. There is no need for costly air-navigation equipment; that can be provided remotely by larger airports."

"We have to take inspiration from the US, where only 5,000 of the 15,000 airports have paved runways. It manages to keep the costs low without compromising on safety and security. The district authorities in the US use the airport as a facilitator of local business and not as business itself," Dubey adds.

A few weeks ago secretaries of key infrastructure ministries met Prime Minister Narendra Modi. One of the decisions taken was that the Airports

Authority of India would begin building five no-frills airports before next March.

The Bharatiya Janata Party's election manifesto talks of the "potential for (developing) inland air transportation to various remote and local locations in the country. Such air strips will be developed so that low-cost air travelling becomes possible within the country."

The United Progressive Alliance had last year identified 50 new airports in Andhra Pradesh, Jharkhand, Bihar, Punjab, Uttar Pradesh, Arunachal Pradesh, Assam, Madhya Pradesh, Odisha, Rajasthan and Maharashtra. Five of these will be taken up as a pilot project by the aviation ministry.

The government intends to rope in the private sector to build these airports. Rules will have to be changed for this and the aviation watchdog will need more teeth.



BINAY

# Service tax dept may spoil your grand party

Central Board of Excise & Customs directs its officers to check for tax evasion by keeping an eye on events which receive wide media coverage

VRISHTI BENIWAL  
New Delhi, 12 August

The next time you organise a grand function, be ready to face the taxman. The Central Board of Excise & Customs (CBEC) has directed its officers to check for tax evasion by keeping an eye on events which receive wide media coverage, such as an ostentatious wedding or other such functions.

Usually, the service provider pays the tax and recovers the amount from the recipient. So, if somebody hires an event manager for a function, the service receiver should pay tax to the service provider, along with the payment of his fee. Even services such as setting up *pandals* and *shamianas* are taxable.

"The tax department is perfectly capable of disrupting the wedding. They will keep a tab on the event manager and approach him at the most opportune moment to make him pay the past dues," said a tax expert with a leading consultancy firm, asking not to be named.

Taking a cue from declarations made in the amnesty scheme for service tax last year, it also identified construction, real estate and work contracts, renting of immovable property, business support services, personnel supply and security services, and goods transport operators as sectors prone to evasion.

"The basic exercise which should be done in such cases is to see whether the person is a service tax assessee, whether he has been paying duty and filing returns regularly, Cenvat utilisation profile and details



## SERVICE TAX SCANNER

- Grand weddings or any other functions coming to the taxman's notice through media coverage or otherwise
- Sectors prone to evasion such as construction, realty and works contract, renting of immovable property
- Business support services, manpower supply and security services, goods transport operators
- Govt bodies such as the railways, postal department, police, municipalities and cantonment boards
- Mutual funds and insurance companies, goods transport agencies and foreign service providers
- Importing services or those having a higher payment through Cenvat credit instead of cash payment
- Top 100 service tax assesseees and top 10 services in their areas to be the focus of every commissioner

of pending cases," says the CBEC Action Plan for 2014-15.

Assessing officers were also asked to closely monitor service tax payments by government bodies such as the railways, postal department, police, municipalities and cantonment boards. Instructions were given that the goal was to ensure payment, not merely issuance of show-cause notices for non-payment.

"Government bodies provide various services which are taxable, such as security by the police. The tax department wants to make sure tax dues are collected from the people receiving these services and deposited by service providers," said Prashant Deshpande, senior director, Deloitte.

Assesseees taxed under a reverse charge mecha-

nism, importing services or having a higher payment through Cenvat credit instead of cash payment will be on the radar, too.

In the reverse charge mechanism, a receiver of service is responsible for the payment of service tax. The category comprises mutual fund and insurance companies, goods transport agencies and foreign service providers.

"Deterrent action such as arrest and prosecution will be resorted to where applicable. The publicity arising out of such action enhances the deterrent effect of the provisions," CBEC said. Also, that officers should do provisional attachment of a tax defaulter's property wherever possible, and insist on recovery of dues while opposing bail applications in case of arrests.

In the anti-evasion efforts, high-value cases will be given priority. The officers were asked to concentrate on the top 100 service tax assesseees and top 10 services in their areas.

The strategy for augmenting tax revenue was unveiled at the two-day annual conference of CBEC's chief commissioners and directors general, which concluded on Tuesday. Some of the measures were also discussed with Finance Minister Arun Jaitley, who inaugurated the event on Monday.

The indirect tax collection target for this year is ₹6.24 lakh crore, about 26 per cent higher than the ₹4.96 crore collected in 2013-14. This will be led by service tax collections, projected to rise 40 per cent to ₹2.15 lakh crore, against ₹1.54 lakh crore last year. Growth in Customs and excise duty collections is pegged at 17 per cent and 22 per cent, respectively, in 2014-15.