

योजना आयोग
भारत सरकार
Planning Commission
GOVERNMENT OF INDIA

Wednesday, 18th June 2014
Communication, IT & Information Division
Phone # 2525

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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

- **Centre in a hurry, but Governors won't quit:** With several Congress appointees in no hurry to step down as Governors, the NDA government's attempts to have its own nominees in Raj Bhavans could lead to a full blown confrontation with the principal Opposition party. Uttar Pradesh Governor B.L. Joshi on Tuesday resigned taking the hint from the Union government, but Governors of Kerala (Sheila Dikshit), Assam (J.B. Patnaik) and Karnataka (H.R. Bhardwaj) made it clear that they would not quit. Mr. Patnaik and Mr. Bhardwaj, who met President Pranab Mukherjee, asserted that they were not resigning. "If there is a rumour about my resignation, I cannot help it," Mr. Patnaik said. Uttarakhand Governor Aziz Qureshi has been given additional charge of Uttar Pradesh. On Tuesday, Rajasthan Governor Margaret Alva called on Prime Minister Narendra Modi and later met the President. Her term ends in August. The PMO described the meeting as a "courtesy call." Though there was no official word, Home Ministry sources said other Governors who may face the axe include M.K. Narayanan (West Bengal) and Kamla Beniwal (Gujarat). Delhi's Lt. Governor Najib Jung may be transferred. Sources said Union Home Secretary Anil Goswami had called up some Governors and conveyed the government's desire that they step down. The Congress said that the NDA government was indulging in "political vendetta" by asking Governors appointed by the UPA government to resign. (The Hindu).

Economy

- **Fighting inflation tops RBI agenda:** Reserve Bank of India governor Raghuram Rajan on Tuesday said he will focus on fighting inflation in the coming months, hinting the central bank may not cut policy rates anytime soon. "For the next few quarters, we will be engaged in fighting inflation," Rajan said on the sidelines of the SBI banking and economics conclave. The governor said food prices have had an effect in the last couple of months and hoped that with appropriate food management, prices will come down. "Both the government and RBI have to be vigilant on that," explained Rajan. Rajan said RBI is also watching how the violence unfolds in Iraq and its impact on oil prices, adding India has enough foreign exchange reserves. "Oil resources in Iraq are in the south, still not directly affected by the fighting. However, it is an issue we are watching," said Rajan. Allaying fears of the Iraq situation affecting India, Rajan said that on external front, India is in a much-better position than last year. "We have sufficient reserves; the current account deficit (CAD) is low and I think one should not worry so much about the external situation," added Rajan. Even though the economy has had some relief in the form of inflation on the consumer price index (CPI) falling to 8.28% in May this year from a high of 8.59% in April, the wholesale price index touched a five-month high of 6.01% in May 2014. In the June monetary policy, RBI had kept the repo rate and cash reserve ratio (CRR) at 8% and 4%, respectively, and said if inflation eases more than expected, there would be room for policy easing. (The Financial Express).

Planning

- **Sops for electronics production in 8 cities:** In a bid to boost electronics manufacturing, Communications and Information Technology Minister Ravi Shankar Prasad on Tuesday said incentives would be given to companies that set up greenfield factories in eight cities. The Government has identified Ghaziabad, Vadodara, Gandhinagar, Ahmedabad, Nagpur, Nashik, Aurangabad and Thane as the cities. The scheme, called Modified Special Incentive Subsidy Scheme (M-SIPS), was launched by the UPA Government in 2012. It provides refunds for investments in capital expenditure – 20 per cent in SEZs and 25 per cent in non-SEZs. It also provides for reimbursement of countervailing duty/excise for capital equipment in the non-SEZ units. Central taxes and duties are also reimbursed for high technology and high capital investment units such as fabs. The incentives are available for investments made in a project within 10 years from the date of approval. Prasad also announced the setting up of greenfield electronic manufacturing clusters in Bhopal, Bhubaneswar, Hyderabad, Maheshwaram, Bhiwadi, Jabalpur, Hosur and Kakkanad. The Electronic Manufacturing Cluster Scheme, also notified in 2012, offers financial assistance through aid grants. For greenfield clusters, the assistance is 50 per cent of the project cost, subject to a ceiling of Rs. 50 crore for every 100 acres of land. (Business Line).

Editorial

- **Sequencing reform:** The energy sector badly needs reform. India has notoriously poor electricity supply, which has hampered the growth of the manufacturing sector. Meanwhile, energy costs for consumers are not noticeably low, in spite of huge government subsidies on fuel and on electricity - which are largely responsible for high deficits. Policy mismanagement and pricing distortions across the energy space are responsible in large measure for this situation. At the retail end of the chain, prices of diesel, compressed natural gas, liquefied petroleum gas and kerosene are controlled, and so are power tariffs. However, India imports 80 per cent of its crude and 30 per cent of its natural gas. It is also among the world's largest coal importers. The high international prices of these commodities are not passed on to end-users. Hence, companies supplying electricity and retailing petroleum products suffer losses. Not coincidentally, these companies are owned by the government, since private players are unwilling to enter this space. A complex subsidy mechanism is applied to oil refining and marketing. The oil and gas subsidy came to about Rs 1.45 lakh crore in the last fiscal year. It was shared between oil-producing public sector undertakings and the central government. Meanwhile, power sector losses run at about Rs 60,000 crore per annum. Cash-strapped state-owned power distribution companies cannot repay loans, or even settle with suppliers such as Coal India and National Thermal Power Corporation, the country's largest power producer. (Business Standard)

Sops for electronics production in 8 cities

Continuation of a 2012 UPA scheme, will refund capex investments

OUR BUREAU

New Delhi, June 17

In a bid to boost electronics manufacturing, Communications and Information Technology Minister Ravi Shankar Prasad on Tuesday said incentives would be given to companies that set up greenfield factories in eight cities.

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for capital equipment in the non-SEZ units.

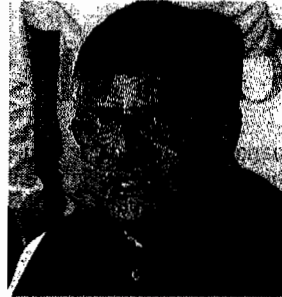
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Manufacturing clusters

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Ravi Shankar Prasad

cent of the project cost, subject to a ceiling of ₹50 crore for every 100 acres of land.

"These are important for semiconductor fabrication in the country as otherwise the import of electronics (more than \$400 billion) would be more than our oil imports by 2020. Second, such hubs will also create 2.80 crore jobs by then," Prasad said.

Two more clusters — one brownfield and one greenfield — will come up in Bangalore and Odisha.

Prasad said the Government has decided to set up an Electronic Development Fund, to part-finance projects, thereby attracting a good number of venture funds into electronics manufacturing.

The Manufacturers Association of Information Technology has hailed the Government's announcement. "It's a welcome decision by the Government as it will encourage local manufacturing," said Amar Babu, President, MAIT.

Telecom Issues

Turning to telecom matters, the minister said full mobile number portability has been approved in-principle and will be rolled out soon.

Prasad ratified decisions taken by the Telecom Commission related to the National Optical Fibre Network to connect 100,000 gram panchayats in 2014-15 and another 100,000 in 2016-17.

Bill in Budget session to amend Forward Contract Regulation Act

Amendments to give more teeth to regulator, introduce new products

SHISHIR SINHA

New Delhi, June 17

The Finance Ministry is considering tabling amendments to the Forward Contract Regulation Act, 1952, in the next session of Parliament, slated to be held in the second week of July.

The amendments seek to not just give more power to the commodity market regulator, the Forward Market Commission (FMC), but also pave the way for introduction of new products, such as options, in the market. There is also a move to allow banks and foreign institutional investors (FIIs) to take part in the commodity markets.

However, this will require an amendment in the Banking Regulation Act and the SEBI Act.

The Bill for amendments was tabled during the 15th Lok Sabha, but could not get passed even af-

ter the Standing Committee submitted its report. The Bill lapsed with the dissolution of the House.

With the new Government, led by Narendra Modi, already kicking off the process to introduce the Bill in Parliament, it is clear that at least for the time being FMC will not be merged with SEBI.

Last week, Finance Secretary Arvind Mayaram had said, "We are hopeful that very soon we should have a new statute in place which will provide greater regulatory authority to FMC."

An autonomous independent regulator is absolutely critical to providing strength and depth to the commodities market, he added.

The new Bill is also likely to include suggestions given by the DS Kolamkar Committee, mainly

The proposals

- Increase in FMC members to 9 from 4
- Empower FMC for levying fees
- Give Centre the power to issue directions
- Corporatisation, demutualisation of existing commexes

on facilitating frictionless arbitrage between the spot and futures market, which is key to fulfilling the objectives of price discovery and hedging.

The committee was set up in wake of the ₹5,600 crore NSEL scam, following which the commodity market and FMC were transferred to the Finance Ministry from the Consumer Affairs Ministry in September 2013.

The committee focussed on reduction of trading costs and suggested that one way to reduce

the capital cost for a commodities trader was to make banks and other financial institutions an integral part of trading. It also suggested that foreign financial firms (intermediaries and end-users) should be permitted to participate in commodity futures trading.

The existing system of limits on open interest and risk management provides adequate safeguards against the risk of allowing foreign participation in Indian markets, it said.

The committee also recommended that the Government exempt arbitrageurs from restrictions on holding inventory under the Essential Commodities Act, 1955.

To assist the development of organisational capability of firms operating in the commodity futures ecosystem, the Government should stop the suspension of trading in an abrupt and unreasoned manner, it suggested.

RBI not in favour of two structures for regulations

Raghuram Rajan calls for flexibility and freedom to regulate

OUR BUREAU

Mumbai, June 17

Taking over from where his predecessor D Subbarao left off, Reserve Bank of India Governor Raghuram Rajan on Tuesday said regulators must be given the flexibility and freedom to regulate.

He cautioned that "too much of checks and balances could completely vitiate the flexibility afforded."

What this statement could mean is that the central bank is not in favour of creating two structures for regulations. Rajan was speaking at the State Bank Banking and Economics Conclave in Mumbai.

The Financial Sector Legislative Reforms Committee (FSLRC) report has suggested that almost ev-

erything the regulator does should be subject to legal appeal. It has suggested the creation of a Financial Sector Appellate Tribunal.

Strongly disagreeing with the setting up of any such tribunal, Rajan argued that there is already a redressal mechanism available to challenge any regulatory decision by filing a writ petition in the High Court.

He further said that if the regulator does something blatantly wrong, then there are enough checks and balances to rectify that.

Rajan clarified that he is not arguing that checks and balances were not needed.

"So long as the tribunal only questions administrative decisions such as the size and proportionality of penalties, I do not see a problem. But if it goes beyond, and starts entertaining questions about policy, the functioning of a regulator such as the RBI, which



Raghuram Rajan, Governor, RBI

has to constantly make judgments intended to minimise systemic risk, will be greatly impaired," he said.

His predecessor, D Subbarao, had also strongly opposed setting up such a structure where the decisions of the regulator would be brought into question. The previous government was strongly in favour of implementing the FSLRC recommendation.

The FSLRC also suggested the

merging of all regulations pertaining to trading under a new Unified Financial Agency, citing synergies that can be exploited by bringing all trading activities under one platform.

To this, Rajan said he believes that such a view is "too extreme."

"Silos within a large bureaucratic regulator may prevent synergies from being exploited, while frequent inter-regulatory meetings can allow regulators to capture many of the available synergies between their activities," he said.

He said it would be a good idea if regulators get together more frequently to discuss and resolve issues proposed in the FSLRC recommendations.

Rajan said there are, however, a few areas where the RBI could give up its powers.

"For instance, if the government wants to manage its own debt, there is no reason for the RBI to stand in the way," he said.

IAF aircraft on standby for Iraq mission

Evacuation can begin at short notice, Air Force waits for request

MANU PUBBY

NEW DELHI, JUNE 17

AS THE security situation in Iraq continues to deteriorate, the Indian Air Force has kept large and medium transport aircraft on standby for deployment at short notice.

South Block has been in close touch with Indian diplomats and the government in Baghdad, working out contingency plans to evacuate scores of citizens stranded in fighting zones.

"Depending on the number of people to be evacuated, we can send in either the large C17 transporters or the medium lift C130 J aircraft. We have kept the planes on standby and are ready to fly out," a senior officer said.

The IAF is, however, yet to receive a formal request to carry out an evacuation mission.

New Delhi has issued an advisory to citizens in Iraq to leave at the earliest, using commercial means of transport. Baghdad airport remains open, and the rebel forces are still some distance away from the Iraqi capital. The IAF has a commendable record of conducting humanitarian and evacuation missions.

The Ministry of External Affairs is at the moment more worried about the 86 Indians — mostly nurses — stranded in the cities of Tikrit and Mosul that have already fallen into rebel hands. Evacuation from these cities is currently not feasible,

as roads are believed to be unsafe.

The ministry on Tuesday set up a 24-hour control room in Delhi "in view of the prevailing security situation in Iraq", after External Affairs Minister Sushma Swaraj, asked the MEA's Secretary (East) Anil Wadhwa to chair a crisis management team to "review all aspects of assistance that can be provided to the Indian nationals in the affected area". Swaraj has been reviewing the situation on a regular basis.

"Wadhwa has met the Iraqi Ambassador in India who apprised him of the situation and also, they discussed possibilities of ground-level cooperation and assistance in assisting Indian nationals who are in the affected area," the MEA spokesperson said.

The government has decided to monitor the security situation on an hourly basis with the Indian Embassy in Baghdad providing updates on contacts with Indian nationals in the affected areas. The Baghdad mission is also in touch with the UN Assistance Mission in Iraq (UNAMI). On India's request, an International Red Crescent team contacted the nurses in Tikrit, and has since reported that they are doing well.

India has strongly condemned the takeover of the two cities by Sunni rebels as a "direct threat to the security and territorial integrity" of Iraq, and has said that it stands by the Iraqi people in their fight against international terrorism.

In manufacturing push, govt lists eight electronics hubs

ENS ECONOMIC BUREAU

NEW DELHI, JUNE 17

THE NDA government has selected eight cities as potential electronics manufacturing hub. Companies would be eligible for incentives, including subsidy for setting up such facilities in these cities.

Telecom and information technology minister Ravi Shankar Prasad announced these as part of the first batch of measures by the new government to revive manufacturing in the country.

These would be at Ghaziabad in Uttar Pradesh, Vadodara and Gandhinagar in Gujarat and four cities in Maharashtra: Nagpur, Nasik, Aurangabad and Thane. Maharashtra, incidentally, will elect its state assembly later this year.

The modified Special Incentive Package scheme for the sector notified in July 2012 offers refunds on capital expenditure for new units or for expansion of more than 25 per cent of existing capacity.

'DoT to examine Vodafone report on interception request'

NEW DELHI: Telecom minister Ravi Shankar Prasad on Tuesday said he has asked the Department of Telecommunications (DoT) to look into Vodafone's disclosure that India was among the 29 nations seeking access to its network to intercept calls, text messages and e-mails.

"I asked my department to examine the whole issue in consultation with them (Vodafone) and thereafter whatever appropriate follow up has to be taken," Prasad told reporters here.

Vodafone in its Law Enforcement Disclosure report has said India was among the 29 nations that sought access to its network to intercept calls, text messages and e-mails last year, the UK-based group said.

The company, however, did not mention the number of requests made by India as Indian laws don't allow disclosure of information on interception and communications data.

The report also did not mention if Vodafone complied with all the requests made by the Indian government. PTI

The scheme covers production of products across the value chain from raw material to research and development.

Addressing his first press conference, the minister also said seven greenfield electronic manufacturing clusters will also be set up. "Electronic manufacturing shall be a key area of priority for this govern-

ment. This sector has the potential to give employment to 28 million persons."

The clusters are identified at Bhopal, Bhubaneswar, Hyderabad, Maheshwaram, Bhiwadi, Jabalpur, Hosur and Kakkhanada.

Prasad also said his ministry will promote semiconductor fabrication facilities.

PM may induct warship INS Kolkata in Mumbai soon

PNS ■ NEW DELHI

After dedicating aircraft carrier INS Vikramaditya to the nation last week, Prime Minister Narendra Modi is likely to induct country's largest indigenously-built warship INS Kolkata in Mumbai and P-8 I long range maritime reconnaissance aircraft in the next few weeks.

INS Kolkata is the largest indigenously-built warship designed by Navy's design bureau and constructed by the Mazagon Dockyards Limited, Mumbai, and Modi has already invited to dedicate it, officials said here on Tuesday.

The 6,800-ton warship, which is over three years behind schedule, is a technology demonstrator and will showcase a giant leap in shipbuilding technology in the country, officials

said. INS Kolkata will be a part of the Kolkata Class destroyers of the Indian Navy which will include follow-on ships by the name of INS Kochin and INS Chennai respectively.

The keel of the warship was laid in September 2003 and the ship was launched in 2006. Its original commissioning was planned in 2010, but was delayed due to some project related issues. The ship had also suffered a mishap during the trial phase when a Navy officer lost his life during an incident in the fire-fighting equipment of the vessel.

Modi is also likely to dedicate P-8 I planes based in Tamil Nadu. At present, the Navy has four planes manufactured by Boeing and bought through Foreign Military sale (FMS) route from the US, and plans to induct four more aircraft in the next two to three years.

Railways Await PM's Nod for Fare Hike

PRESS TRUST OF INDIA
NEW DELHI

Railways is waiting for Prime Minister Narendra Modi's nod to go ahead with the proposed hike in passenger fare and freight rate.

"I will discuss the fare issue with the Prime Minister. A decision will be taken after discussion with the PM," Railway Minister D V Sadanand Gowda said today after meeting Finance Minister Arun Jaitley here.

Seeking a significant rise in gross budgetary support, Gowda, along with Minister of State for Railways Manoj Sinha and senior railway officials, met Jaitley as part of the pre-budget discussion. Asked when he would meet the PM, Gowda said "shortly". The national transporter, facing a loss of about ₹ 900 crore per month in passenger segment, had on May 16 announced a hike in both passenger fares and freight rates by 14.2% and 6.5% respectively from May 20. However,

Railways was aiming to garner ₹8,000 crore through the increase in passenger and freight charges last month

the hike notification was put on hold later in the day leaving the decision to the next Railway Minister. Railways was aiming to garner ₹8,000 crore through the increase in passenger and freight charges last month.

About the pre-budget discussion with Jaitley, the Railway Minister said, "It was a fruitful meeting with the Finance Minister who suggested some measures which will be reflected in the rail budget."

Gowda said, "We have sought more budgetary support. There is a need for more funds for national projects." Gowda also discussed various ways for getting funds for rail projects like Foreign Direct Investment (FDI), public-private partnership (PPP) or bonds.

Asked about the possibility of creating a separate safety fund, Gowda said, "This is the need of the hour as our chief concern is safety of passengers." On 100-day target, he, however, said, "Our focus is for five years and not just 100 days. We may be taking certain steps internally but our focus will be for five-year programme." He also said there will be a review of all projects for prioritising while all ongoing projects will be given priority in the budget. Gowda has written to all Chief Ministers to become partners in rail projects. "I have written to all CMs seeking state partnership in sharing 50% of cost beside giving land for the project," he said.

New PPP Platform in the Works for Infra Push

DEEPSHIKHA SIKARWAR
NEW DELHI

The government is mulling a special platform to allow infrastructure players to renegotiate already bid public-private partnership (PPP) projects, a move aimed at giving a big push to infrastructure development in the country.

Discussions have begun on creating a 'resolution panel' in line with global practices as the government looks to breathe new life into PPP implementation.

"A number of issues keep cropping up in PPP... Allowing renegotiation after a project is bid out

has emerged as a crucial challenge in most infrastructure sectors," said an official at an infrastructure ministry, who is privy to deliberations on the issue.

Most countries have a provision for renegotiation of contracts under the PPP mode. For example, South Africa's PPP unit is empowered to approve changes in conditions. Similar models are followed in many other countries.

In India, renegotiation of contracts has been done very selectively. C Rangarajan, who was chairman of the Prime Minister's Economic Advisory Council until last month, was asked to look at re-

setting of premia for road projects when a number of projects got stuck in the economic downturn.

The finance ministry had recently called a meeting to discuss what needs to be done for the PPP framework to support the new government's big infra push.

Industry experts say PPP contracts need to recognise 'Black Swan' events.

"Renegotiation is necessary in PPP... It happens all over the world and is needed... It is humanly impossible to make accurate forecast for 30-40 years," said Vinayak Chatterjee, chairman, Feedback Infra Pvt Ltd.

A number of private players had bid aggressively for road projects but then sought reset of premia as economic growth fell.

The issue has also been taken up by industry bodies including CII with the government time and again.

The official said the general view in the government is that a special resolution body should be put in place that would renegotiate contracts. "The government can spell out parameters on which these contracts can be renegotiated... But a mechanism is the call of the hour for the sector," said the official.

In War Against Inflation, PMO Mulls Real-time Price Watch

Feels better coordination between agencies, states could help monitor prices on a proactive basis

VIKASDHOO
NEW DELHI

With inflation resurging as a headache after the Wholesale Price Index (WPI) spiked to 6% in May, its highest level in five months, the Narendra Modi government is considering a proposal to create a real-time data monitoring system to keep track of food production, stocks and prices across the country.

The Prime Minister's Office (PMO) is mulling such a system as it could help coordinate more effectively with official agencies and state governments to try and balance supplies and moderate prices on a proactive basis.

Finance minister Arun Jaitley on Monday blamed hoarders and the poor monsoon for the spike in wholesale price inflation to over 6% in May, inviting criticism from the Congress which said the same arguments were made by UPA ministers to explain why inflation was difficult to tame.

Inflation, along with corruption, was one of the biggest planks of the recent Lok Sabha campaign, with the BJP flagging the UPA government's inability to curb price rise over the past decade. The Modi government has said "containing food inflation will be its top-most priority."

The prime minister has said it is time for tough decisions to revive the economy, but high inflation could limit the space for some of the difficult policy choices to be made such as rationalising subsidies. With wholesale prices touching a five-month high in May and a below-normal monsoon on the

How Food Prices are Monitored

Data Source	Commodities	Periodicity	Time Lag
Office of Economic Adviser, DIPP	676	Weekly: Primary, fuel & power, Monthly: Mfg, all commodities	2 weeks/ One month
Labour Bureau	120-130	Monthly	1 month
CSO	1114*	Monthly	1 month
Directorate of Marketing & Inspection	300	Daily	Same day
Directorate of Economic Statistics	45	Weekly	2 weeks
Price Monitoring Cell, Consumer Affairs	22	Daily	Same day

*Price Quotations



cards - a 'business-as-usual' approach may not be enough to tackle the price rise monster.

"Good, timely data is critical for the government to mitigate food inflation and for that, a better price monitoring system is imperative. Though some agencies like the price monitoring unit in the consumer affairs ministry monitor prices on a daily basis, it only involves 22 commodities and the data is not robust," said a senior official aware of the development.

Under the present system, nine different official agencies, including the Intelligence Bureau (IB), track price data with each using a different methodology and report-

ing format.

The IB tracks retail prices, as does the price monitoring cell in the consumer affairs ministry and the directorate of economics and statistics (DES) in the department of agriculture and cooperation.

The consumer affairs ministry cell tracks wholesale and retail prices of 22 essential food items, spot and future prices of eight commodities traded on the exchanges, and weekly *mandi* prices of 20 items.

The DES in the agriculture ministry collects wholesale and retail prices along with production, area coverage and weather forecast on a weekly basis. It collects prices from

state marketing boards with an intent to provide advance assessments regarding demand-supply gaps to the Centre. Besides, the DES also tracks farm gate prices, which do not include transport and storage costs, and publishes them at an interval of three to four years.

"Almost all the price data received by government suffers from a huge time lag. Though the price monitoring cell gets retail and wholesale prices on the same day, the data is often not accurate as states don't update their inputs in earnestness," the official said.

Separately, the directorate of marketing and inspection under the same ministry collects wholesale prices of farm products on a daily basis, with prices uploaded online by agricultural produce market committees or APMCs.

Capturing price trends into a headline measure of inflation is done by three other departments. For instance, the WPI is generated by the economic adviser in the department of industrial policy and promotion. The index is used for macroeconomic policies and monetary policies.

To capture price movements at the ground level, which citizens are concerned about, the Labour Bureau under the labour and employment ministry, generates consumer price indices for industrial workers, farm and rural labourers, separately. The Central Statistical Organisation also compiles consumer price indices for urban and rural areas with the purpose of providing a general measure of inflation encompassing all sections of the population.

DoT Refutes CAG Allegations on Merger of Service Areas

CAG had accused telecom department of taking a decision that benefitted certain telecom operators as it bypassed regulator, telecom commission and finance ministry

ANANDITA SINGH MANKOTIA
NEW DELHI

The telecom department has said that the merger of the Tamil Nadu and Chennai service areas in 2005 was well thought out, rejecting the national auditor's claim that it was a hasty decision that cost the exchequer ₹2,400 crore.

The Comptroller and Auditor General (CAG) has accused the department of telecommunications (DoT) of taking a decision which appears to benefit certain telecom operators, as it bypassed the telecom regulator, the Telecom Commission and the finance ministry. It has picked faults in "DoT's arbitrary decision to allow the licence tenure of the merged entity be the later date of the two circles".

In its reply to the CAG, the DoT has said it had proposals to merge UP East and UP West, Mumbai and Maharashtra, Kolkata and West Bengal, but couldn't proceed due to non-availability of

spectrum and certain issues pertaining to entry fee.

"However, the telecom department instantly abolished the roaming charge within the remaining licensed service areas, thus benefitting the public at large," the DoT has said in its draft document, a copy of which was seen by ET.

The DoT has said it was unable to trace the pertinent file on the matter but had answered the CAG's question based on other records.

The department has also said that policy decision pertaining to extension of licences was not unprecedented. "The government has changed the licence period from 10 to 20 years in 1998-99," it has said, later highlighting that policy decisions of the government cannot be linked to financial advantage and disadvantage to any group of service providers as the matter is administrative in nature.

The telecom minister at that time was Dayanidhi Maran, who is currently facing a CBI probe

for his role in alleged irregularities in the Aircel-Maxis deal. According to the CAG, the move had benefitted Bharti Airtel and Aircel. Maran, however, has denied any wrongdoing.

DoT defends its decision saying telcos had to pay higher of the two spectrum usage charges on combined revenue earned by telos in the two circles

Nadu service area for Bharti became September 2021, "without any additional financial cost" for the company, the note said, pointing out that the move has resulted in a significant undue benefit to Bharti. However, the country's

largest carrier, has denied any wrongdoing.

According to the auditor, the move resulted in non-auctioning of 12.4 Mhz spectrum in the 900 Mhz band in the February auctions. These airwaves were related to the Chennai licences that would have come up for renewal in 2014.

The telecom department has defended its decision saying operators had to pay the higher of the two spectrum usage charges on the combined revenue earned by the telecom operator in the two circles irrespective. It has then said that this matter was administrative in nature and did not require to be sent to the regulator.

The DoT has also rejected the auditor's claims that the legal advisor then had highlighted the need to follow the same procedure for the other two service areas of West Bengal and Kolkata and Mumbai and Maharashtra. "In a letter dated August 16, 2005, he had cautioned against political ramification," the telecom department said.