Power board lends steam to Enron row

Mumbai, April 29

RETALIATING TO Enron's stand that it was "not interested" in completing the $3 billion Dabhol Power Company project, Maharashtra State Electricity Board today said it would not hesitate to issue a termination notice to the DPC "if things go beyond control".

Enron's reluctance stems from the non-payment of dues by the MSEB and the Centre's refusal to honour the Rs 102 crore counter-guarantee.

At the company board meeting in London last week, MSEB chairman Vinay Bansal told DPC directors the board "could terminate the power purchase agreement if DPC did not comply its contractual agreements". Enron India Managing Director K Wade Cline and DPC President Neil McGregor made it clear that they were not keen to complete the project "as the management felt that the State Government and the Centre were undermining the gravity of their situation", a senior State Government official who attended the meeting said.

As per Section 17.3 B(i) clause of the power purchase agreement, MSEB can pull the rug from beneath DPC's feet in wake of the resolution passed by DPC shareholders for winding up the Dabhol project. At the meeting, Bansal put forth the loss-making MSEB's grievances, including DPC's refusal to even recognise, let alone pay, the Rs 401 crore penalty slapped on it for failing to supply power on demand.

Bansal and the Indian financial institutions' representative tried to convince the irked Enron members, GE and Bechtel, to resolve the issue across a negotiation table rather than taking such a harsh decision.

Bansal refused to divulge the details of the London meeting. "We tried our best, the ball is now in DPC's court." The Indian FI representative tried his best to convince Cline and McGregor not to take up the termination notice issue, but was defeated by one to seven votes.

The fate of DPC's 2,184 MW project, which is 92 per cent complete, hangs in balance since the Indian FIs led by IDBI have stopped funding the debt portion of the project. "If MSEB begins paying, we would go ahead with our funding," an IDBI official said.

PTI

THE HINDUSTAN T...

Tackling post-WTO regime biggest challenge: CII chief

Prerna K Mishra
New Delhi, April 29

SANJIV GOENKA, the incoming president of the Confederation of Indian Industry (CII) acknowledges that he has a hard task ahead in leading the industry through the times of transition. The impending challenges are many — the threats and opportunities of the post-WTO regime, the US slowdown, the incompetitiveness of the small scale sector, the fluidity of the markets. Tackling all this and more is written large on Goenka's agenda for the coming year.

Talking to the *Hindustan Times*, Goenka said, "The industry has to learn how to play the WTO game and that's where our biggest challenge lies. It has to play by the rules of quality, cost, technology, process control and whatever it takes to get more competitive."

In fact, for CII, rethinking has begun at home. "We already have the Boston Consulting Group reviewing our organisation and processes. They will submit their recommendations by May this year. The changes recommended will make us more relevant and efficient from within to meet challenges from without," says Goenka, vice-chairman, RPG Group.

While CII's main focus for the year will be on increasing the competitiveness of the Indian industry, it will devote special attention to infrastructure and regulatory reforms.

"We need to compete and yet we are saddled with policy-induced disadvantages that throttle our growth. What we'll be aiming at is not protectionism but removal of the cost disadvantages which have been introduced through various policies at the risk of making the Indian industry unviable and uncompetitive," he added.

To expand its sphere of operation, CII has also set up 'new look committees' including the ones on retailing, IT-enabled services, logistics, education and others.

THE HINDUSTAN TIMES

30 APR 2001

Enron threatens to pull out

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STATESMAN NEWS SERVICE

MUMBAI, April 26. — The Enron crisis deepened with the Board of Directors of the Dabhol Power Company deciding to authorise the managing director, Mr K Wade Cline, to serve a notice of termination on the contract for the first phase of the $2.9 billion power project.

The decision, which could lead to the cessation of Dabhol's power supply to the state, was taken at the meeting held yesterday in London according to reports quoting the chairman of the Maharashtra State Electricity Board, Mr Vinay Bansal.

While DPC officials refuse to comment on anything, it is learnt that MSEB was itself prepared to serve a legal notice of termination just two days before the meeting.

MSEB was said to have been dissuaded by the Nationalist Congress Party president, Mr Sharad Pawar, and union power minister Mr Suresh Prabhu, who had talks in New Delhi with the Maharashtra chief minister, Mr Vilasrao Deshmukh, and an MSEB delegation last Monday.

■ Editorial: The final catharsis, page 6

The state government has been served two arbitration notices while the Centre is ready to go for conciliation with the DPC for failing to honour its counter-guarantee.

Further, the DPC has already slapped a notice of political *force majeure* which protects itself against undeserved claims in the event of exigencies that force it to take an extreme step.

The union power minister, Mr Suresh Prabhu, contended in Delhi that since DPC contributed only 0.7 per cent of the total energy output of the country, its termination would not have such a phenomenal impact on the power situation.

However, if terminations proceedings go through, Enron Corp, a 65 per cent share-holder in the Dabhol Power Company, would stand to net a hefty amount in damages.

The union power secretary has been quoted as saying that termination of the DPC would cost the Centre Rs 1,800 crore, which is the total of one years' electricity bill and a termination fee of $300 million. According to an energy analyst, Mr Pradyumna Kaul, the total liability would not cross Rs 350 crore.

However Mr Prabhu said in the Lok Sabha today that the that scrapping of the agreement would cost the Centre Rs 2,840 crore.

It is learnt that on 20 April, Mr Deshmukh had given the go-ahead to the MSEB to prepare a legal notice to be issued to Enron during the meeting of

■ See ENRON: page 8

THE STATESMAN

28 APR 2001

APR 2001

THE FINAL CATHARSIS

Take a fresh hard look at Dabhol

TAKE the Dabhol project by the horns and shake it hard. Finally, it's here. The first and hopefully the last unadulterated and no-words-spared account of the controversial power project by the Godbole committee paints a frightening picture of the future, not just of the Maharashtra State Electricity Board but also of the state of Maharashtra. While some may dispute its veracity and others its ostensible lack of bias, there are few who can counter the marshalling of facts and counterfacts in this audit of the Enron's first and arguably the last power project in the country. It predicts that the Maharashtra board, which was one of the rare profit-making electricity boards in the country till recently, would have to pay Rs6,000 crores per annum to the Dabhol Power Company once both phases are online. With the first phase of 740 MW alone, the state board is finding it difficult to service its purchase obligations. While presenting the budget, the state finance minister Jayant Patil categorically asserted that the state's sinking finances had much to do with the mounting payment burden of the state board. Dabhol accounts for 21 per cent of the total power purchased and 37 per cent of the payments made, which means its power is priced 1.76 times higher than the average. It may be a bit late in the day to call off the project, but it's not too late to rewrite the script. Payment terms have to be favourable in rupee terms; tariff has to be benchmarked. And escrow accounts, an inexplicable concession to DPC, should be scrapped. Even if it be the third time now, a hard-nosed look at the power purchase agreement and hard bargaining alone can transform Dabhol from a state-sapping liability to a performance-enhancing asset. In a most crucial recommendation, the Godbole committee urges that all documents pertaining to the Dabhol project and all other independent power producers (IPPs) be made public. The country has had enough of fast-track power projects that are signed in the dark; let them now see the light of day. To date, the Dabhol Power Company has refused to respond to the report.

Rather, it is focussing on dispute resolution processes that are on. One is conciliation with the union government to snap out of the payment impasse - the DPC is yet to pay its dues for December and January. Two arbitration notices have also been sent to the Maharashtra government for failing to support the development of the project as promised. The buck should not stop here, it must go further to resolve the mess once and for all. The report can come handy as a ready reckoner to work out claims and counter-claims. Only, it has to be taken seriously first.

THE STATESMAN

27 APR 2001

Enron:

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(Continued from page 1)

the DPC's Board of Directors on Wednesday. At the meeting, the energy minister, Padamsinh Patil, energy secretary, Mr Vinay Mohan Lal and MSEB chairman Mr Vinay Bansal, were also present.

The notice was prepared over the past weekend and taken by the delegation when they called on Mr Prabhu on 24 April. However, the politicians convinced them that Enron would not get tough, given its huge stake in the project, and that such a notice would not be necessary. The meeting thus ended with the decision to renegotiate the power tariff, with Enron's consent.

Among those present at the London meeting were Mr Lal, Mr Bansal and MSEB technical director, Mr P Paunikar, in their capacity as directors. However, they abstained from voting since they were deemed an interested party. The only vote to go against the decision was that of the IDBI which is also represented on the board, it is learnt.

The chief minister, Mr Vilasrao Deshmukh, said the state was not in favour of terminating the project. This could mean that the latest manoeuvre to arm-twist the Indian authorities could achieve its immediate target of getting the arrears accumulated over the past three months cleared.

The MSEB owes Enron Rs 146.64 crore for March 2001 and Rs 229 crore for December 2000 and January 2001.

The Centre today put up a brave face on Enron's decision saying there would not be any adverse effect on foreign investment in power sector in the country, PTI reported from New Delhi.

"There will be no adverse impact as a result of any action by any domestic or foreign company. As far as we are concerned there will be no adverse impact on FDI in power sector," Power Minister Suresh Prabhu told reporters when asked about DPC's decision to authorise management to issue a termination notice to MSEB.

Emphasising that there would be no fallout of such decision, Prabhu said after the meeting of the Cabinet Committee on Economic Affairs "we are expecting cooperation from many Scandinavian countries as well as European nations in the power sector.

"In fact not only the Power Minister but also the Prime Minister of Norway was here to inaugurate a seminar on power and he promised lot of cooperation in the sector."

THE STATESMAN

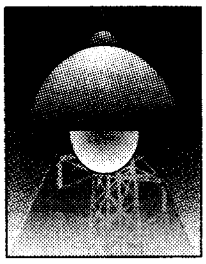
27 APR 2001

Enron decides to pull the plug on Dabhol project

Domestic lenders make a forceful plea for talks

Business Times Bureau

MUMBAI: The board of the Dabhol Power Company (DPC), which met in London on Wednesday, announced Enron's intention to withdraw from the controversial power project.



The board has authorised the company's management to issue a termination notice to the Maharashtra State Electricity Board (MSEB). However, the company is unlikely to issue the notice very soon as the lenders' meeting, which took place on Monday, had unanimously opposed a termination move and favoured renegotiation.

Sources present during both meetings said that although foreign lenders had supported Enron on the termination issue, domestic financial institutions, led by the Industrial Development Bank of India (IDBI), had prevailed on the members to oppose any drastic move.

The matter assumes significance as the lenders' consent is required for Enron to file a pre-termination notice for exiting from the project.

The decision to empower DPC chief Wade Cline to issue the termination notice was taken with six votes in favour of the move and one against—from the IDBI.

POWER-STRUCK

- **DPC chief Wade Cline authorised to issue termination notice to MSEB**
- **Foreign lenders back Enron's withdrawal plans**
- **Vilasrao Deshmukh says his govt. is not keen on terminating the PPA**

In another significant development, the financial institutions have made it clear that further funding of Phase II of the project will depend on an assurance from the Indian government about the payment mechanisms. The lenders are still to disburse about 30 per cent of the sanctioned package which is crucial for completion of the Phase II expansion project.

"The board has given powers to Wade Cline to issue the pre-termination notice. But the meeting unanimously felt that the need of the hour was not to terminate the project but to initiate a re-negotiation process," said MSEB chairman Vinay Bansal, who attended the board meeting. "The MSEB presented its views to the board members and it was understood by Enron, which included the Rs 401 crore penalty issue which is heading for arbitration. We have also made it clear that the tariff structure of Enron is quite high and a downward revision of tariffs is unavoidable," Mr Bansal added.

A top banker, who was present at the lenders' meeting, stated that Enron would not be able to issue the termination notice without the lenders' consent since "our exposure in the project is quite large and the lenders should approve any plans in that direction. There is a general consensus that the project must be completed and the proposal to terminate the PPA should be kept in abeyance", he added.

The global arrangers for DPC include ANZ Investment Bank, Credit Suisse First Boston, ABN-AMRO, Citibank and the State Bank of India, and all these parties conducted separate meetings with company officials. However, some section of bankers were of the view that even if one lender with a minimum five per cent exposure to the project favoured termination proceedings, the company could go ahead and file a termination notice.

Meanwhile, in a clear reversal of roles, Maharashtra chief minister Vilasrao Deshmukh said that the state government was not keen on terminating the PPA. "We will ask them to refrain from taking any such harsh steps since that would be bad news for all of us, including DPC," Mr Deshmukh said. Mr Deshmukh was echoing the views of Union minister of power Suresh Prabhu who has made it clear that the government wants an "amicable settlement" of the bitter payment row. However, he added that termination of the project would not hurt foreign investments, dismissing warnings by analysts that winding up the $2.9 billion project would be a blow to India's efforts to woo foreign investors.

DPC has already slapped one conciliation notice on the Centre and three arbitration notices on the state government over non-payment of dues amounting to Rs 213 crore plus interest towards the bills due for the months of December 2000 and January 2001.

Meanwhile, MSEB officials said in Mumbai that the March bills for Rs 134 crore were paid on Thursday as protest payment despite the dispute over the amount.

When asked about the future course of action, Mr Bansal said that it was now up to DPC to take action.

THE TIMES OF INDIA

27 APR 2001

Modifications in direct, indirect tax proposals

NEW DELHI, APRIL 25. The Union Finance Minister, Mr. Yashwant Sinha, today announced modifications in the direct and indirect tax proposals in the budget. Following are the highlights:

Direct taxes

- Standard deduction raised to Rs. 30,000 for those with income up to Rs. 1.5 lakh; to Rs. 25,000 for persons with income between Rs. 1.5 lakh and Rs. 3 lakhs.
- No change in the Rs. 20,000 standard deduction for those with income between Rs. 3 lakhs and Rs. 5 lakhs.
- Limit for TDS on interest income raised to Rs. 5,000, from Rs. 2,500 proposed in the budget.
- Tax exemption on interest income under Section 80L raised to Rs. 12,000, from Rs. 9,000 proposed in the budget. The additional Rs. 3,000 exemption will be in respect of interest on Government securities. Rs 1,000 crores loss of revenue due to relief in direct taxes.
- Exporters to be taxed 30 per cent of their profits in the current financial year, down from 40 per cent. Percentage of taxable income increase to 50, 70 and 100 in the next three years.
- Charitable trusts and funds to publish accounts only if annual receipts exceed Rs. 1 crore, against Rs. 10 lakhs proposed earlier.
- Transfer of assets not liable for capital gains taxes to facilitate de-mutualisation and corporatisation of stock exchanges.
- Transfer pricing provision modified.

Indirect taxes

- Basic customs duty on CBUs of cars and two-wheelers raised from 35 per cent to 60 per cent. 32 specified IT items relating to machines and equipment allowed low five per cent basic customs duty.
- Five per cent customs duty on ships abolished.
- Concessional rate of 55 per cent customs duty on crude palm oil import for sick vanaspati units abolished.
- Sixteen per cent excise duty extended to unbranded garments as well. Clothing accessories, raincoats and undergarments exempt from new levy.
- Small-scale excise duty exemption available to garments also. Modified scheme effective from May 1, 2001.
- CVD of 16 per cent on 12 critical items of textile machinery abolished.
- Plastic footwear costing the customer up to Rs. 125 exempted from four per cent excise levy. — UNI

THE HINDU

26 APR 2001

United colours ensure total bandh

By The Times Team

MUMBAI: The city responded voluntarily, ensuring a total success for the bandh called by a consortium of the Shiv Sena and Left parties on Wednesday to protest against the economic policies of the BJP-led government at the Centre. The bandh was a success in other parts of the state also.

Barring a few sporadic incidents, the bandh, which was called off at 6 p.m., was peaceful. Industrial workers, however, observed a 24-hour bandh. With the unprecedented alliance of groups as diverse as teachers and hawkers, political parties as polarised as saffron and red, for once, Sena strongholds like Dadar and Muslim-dominated mohallas of Behndi Bazaar shared the same deserted look. "The scale and spontaneity of the response showed the extent to which the people are unhappy and angry with the Centre's economic policies," said Sena leader Uddhav Thackeray.

A.V. Nachane of the pro-CPI All India Insurance Employees' Federation said the bandh reflected the working class' determination to combat the "onslaught of globalisation, privatisation, liberalisation."

Most people preferred to stay indoors and watch Hindi potboilers and soaps on the tube. The adventurous few who did try to reach their work places were dissuaded by rasta rokos at Jogeshwari and Kherwadi and rail rokos at Mulund, Vikhroli, Bhandup, Dahisar, Jogeshwari, Malad, Goregaon, Vile Parle, Cotton Green, Byculla and Elphinstone Road.

The rail roko at Mulund was led by Sena MLC Shishir Shinde. The protesters stopped two local trains bound for CST and Badlapur. Most of the commuters in these locals were families which had to reach stations to board outstation trains. But nothing could move the agitators who chanted slogans like *"Nahin chalegi, nahin chalegi, videshi samaan nahin chalegi"* and *"Shuru karo, bandh karkhana, shuru karo."*

Sena MLA Vinayak Raut led a demonstration near Jogeshwari station at 10.25 a.m. When he and his associates refused to clear the tracks, the police removed them forcibly. Commissioner M.N. Singh said the protesters pelted stones at the police, injuring many police personnel, including DCP Jaijeet Singh.

The Sena alleged that the police had lathi-charged its workers. But Mr Singh denied this.

Central Railway (CR) suburban services were reduced by 50 per cent from the normal 1,095 services to 450. The Western Railway ran up to 75 per cent of its services, but occupancy was very poor. A CR spokesperson said most of the rail rokos were held in the morning hours and lasted between 30 and 45 minutes, after which the services "stabilised". There was an attempt to set on fire an abandoned coach at Badlapur, but the fire brigade doused the flames in time.

Although departures and arrivals were delayed by 30 minutes to an hour, no outstation train had to be cancelled or rescheduled.

But the going was not as good for BEST, which ran only ten buses from its daily fleet of 3,200 during the bandh hours. Even these buses were pelted with stones, and eight of them had their tyres deflated. At the Mumbai Central state transport depot, only 70 of the 197 outstation buses arrived. At the Nehru Nagar depot, there were three departures and 17 arrivals. The Parel depot saw no bus coming or leaving.

Indian Airlines operated 26 of its 38 flights. A spokesperson said the average passenger load on most flights was normal at 70 per cent. With the Air Corporations Employees' Union (ACEU) joining in the bandh, flights were operated with the help of managers and casual workers. While Jet Airways operated 33 of its 56 flights, all the Air Sahara flights were on schedule. So were the seven Air-India (AI) flights.

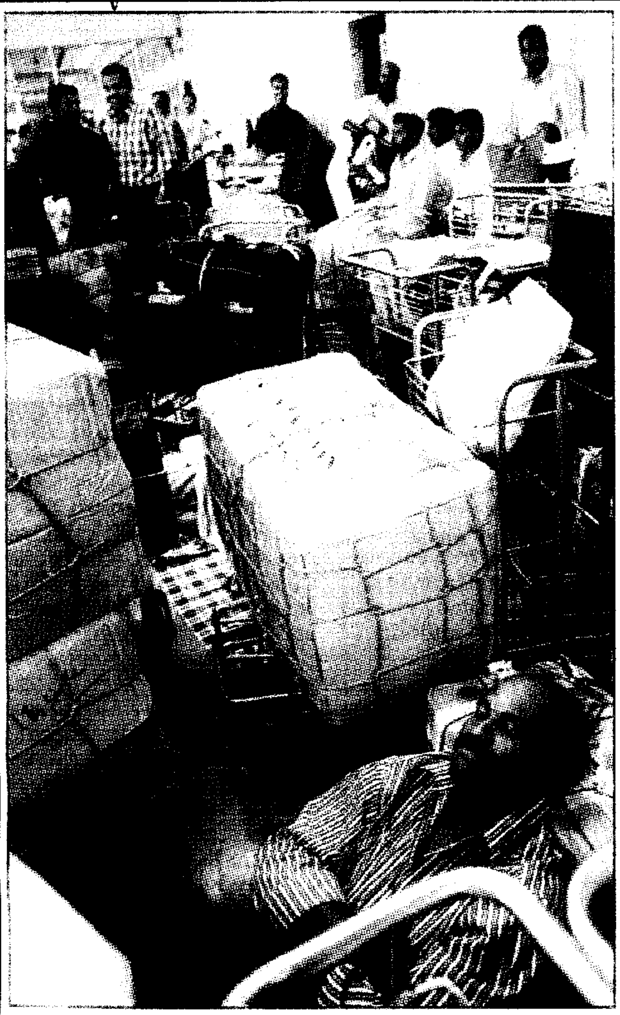
Activists of the Lok Janshakti Party (LJP) held demonstrations at Dadar, Worli, Chembur, Bhandup and Mulund. Mohan Adsul, an activist, said the outfit wanted the government to withdraw the new economic policy, stop disinvestment and guarantee employment.

▶ Milk supply hit, Page 3

▶ More pictures on pages 3 & 5

Hemant Shirodkar/Sanjay Hadkar

DOWN AND OUT



It was passengers who mainly bore the brunt of Mumbai's shutdown on Wednesday. A traveller snatches forty winks at the Sahar international airport (left) while a local train is held up by Shiv Sena activists at Mulund station.

Trade unions to take bandh to other states

By A Staff Reporter

MUMBAI: The striking labour unions, some of them affiliated to ruling parties at the Centre and the state, jointly declared that after the near-total Maharashtra bandh they would meet on May 2 to decide the future course of action which includes similar bandhs in other states. The finale will be a mammoth rally at New Delhi.

"Our opposition to the anti-labour policies of the Centre and the state would not remain a one-day affair," the leaders said at a joint press conference here on Wednesday. The Bharatiya Mazdoor Sangh, affiliated to the ruling BJP, appealed to the NDA government to pull out of the World Trade Organisation according to which the central government was required to resort to anti-labour policies.

Balco breather for govt

CL MANOJ
STATESMAN NEWS SERVICE

NEW DELHI, April 24. – The law ministry has virtually cleared the legal standing of the Balco deal, setting aside doubts created by the Securities and Exchange Board of India's blacklisting of Sterlite Industries.

However, the ministry's advice on the feasibility of involving blacklisted firms in the disinvestment process may not work as a cushion for the Indian Airlines divestment plan involving Videocon or getting "smooth" access for these tainted firms to the capital market.

The disinvestment minister, Mr Arun Shourie, today said he was told about the law ministry's advice, which he sought a few days ago in view of the Sebi ruling.

The minister said according to the advice he received Sebi's barring these firms will not be applied to the deals that have already been signed with these companies.

This means the government deal on Balco with Sterlite stands as the deal was entered into before the Sebi ruling.

But, as the IA divestment process is still in progress, Videocon's bid stands blocked.

On barring of the accessibility of Sterlite, Videocon and BPL into the capital market, the advice to Mr Shourie is that though their direct entry stands barred, they could enter the capital market through subsidiaries (for example Sterlite could make an entry through its subsidiaries, like Balco now).

As per the law, however, it will be mandatory on the part of these subsidiaries, while accessing the capital market, to give a list to potential investors on the "blacklisting of their parent companies" as risk factors.

Mr Shourie also agreed that subsidiaries with such "risk-factors" may find it difficult to win investors and mobilise funds.

So, blacklisted firms' capacity to mobilise funds through the capital market is in question despite the "rider-based" clarification from the law ministry.

This will, in turn, affect Sterlite's bidding plans on other public sector units, even if it tries through subsidiaries.

THE STATESMAN

Maharashtra, Centre to renegotiate Enron deal

By Our Special Correspondent

NEW DELHI, APRIL 23. Faced with the prospect of the Enron corporation pulling out of the Dabhol power project, the Centre and the Maharashtra Government today decided to renegotiate the power purchase agreement (PPA) with the Dabhol Power Company (DPC). The Centre also agreed to take out the surplus power, a long standing demand of the State.

These decisions came at an emergency meeting between the Maharashtra Chief Minister, Mr. Vilasrao Deshmukh, and the Finance Minister, Mr. Yashwant Sinha, here. The Union Minister for Power, Mr. Suresh Prabhu, and the former Chief Minister and Nationalist Congress Party chief, Mr. Sharad Pawar, were also present.

The meeting, ahead of the DPC board meeting in London on April 25, decided to constitute a committee to re-negotiate the PPA. The committee will have a Central Government representative and will have two issues on its agenda — the cost of power and the use of power.

Later, Mr. Sinha told reporters that the price at which power would be bought from the DPC would be re-negotiated which basically means re-negotiating the PPA while the use of power would include the extent of the State's requirement, how much surplus power would have to be wheeled out of the State and who would buy it. Maharashtra has been requesting the Centre to buy the surplus power from the DPC and put it in the national grid so that the high cost the power can be evened out in the combined pool.

He chose to disregard the possibility of Enron pulling out of the project saying, "we will cross the bridge when we come to it. Let Enron tell the negotiating committee that it wants to pull out." However, he added, "we hope to engage the DPC in negotiations and hope it will respond positively and not take any precipitative steps in the meanwhile." The delegation's interaction with Mr. Sinha was preceded by a meeting with the Power Minister earlier in the day. These two meetings took stock of the reports that Enron was contemplating pulling out of the 2,184 MW power project, the second phase of which is nearing completion. In London today, Enron officials met the company's lenders who were becoming sceptical of the DPC's future.

The setting up of the negotiating committee is expected to take about a week, Mr. Deshmukh said. Asked about the price at which it would like to buy power, he said ideally the price should be between 2.80 and 2.90 paise a unit. "But that is a technical issue."

THE HINDU

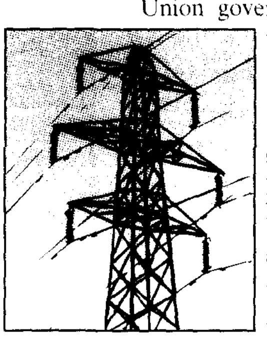
24 APR 2001

Centre, state govt. agree to renegotiate Dabhol PPA

The Times of India News Service

NEW DELHI: Faced with Enron's threat to pull out of the troubled Dabhol Power Company (DPC), the Centre and the Maharashtra government on Monday decided to open up the entire power purchase deal between DPC and the Maharashtra State Electricity Board (MSEB) for renegotiation.

Enron began meeting representatives of DPC's lenders in London on Monday, ahead of a board meeting there on Wednesday, exploring the possibility of a pull-out from the project. It is not certain whether Enron will take the government's offer for renegotiation of the power purchase agreement (PPA). The Centre and the Maharashtra government are, however, hoping that Enron will come to the negotiating table to find a solution to the problems of payment dues and the high cost of Dabhol power.



The decision to renegotiate the PPA was taken here at a meeting of Maharashtra chief minister Vilasrao Deshmukh with finance minister Yashwant Sinha and power minister Suresh Prabhu. Former Maharashtra chief minister Sharad Pawar, whose Nationalist Congress Party is a ruling coalition partner with the Congress, and senior officials of the two governments were also present.

Mr Pawar did not speak to reporters, but Mr Prabhu said the former participated in the meeting as a "delegate from Maharashtra state". The Maharashtra government had first signed the PPA when Mr Pawar was the chief minister.

Mr Sinha told reporters that the state government would constitute a "negotiation committee to renegotiate with DPC on two issues—the cost of power and the use of power from the project". He clarified that the PPA would be renegotiated and the report of the Godbole committee which went into the cost of DPC power could form a "valuable input".

Mr Sinha also announced that the Centre would nominate a representative on the negotiation committee. Mr Deshmukh welcomed this decision. The Maharashtra government has been seeking the Centre's intervention to sort out the issue of the high cost of DPC power supplied to MSEB, but the Centre has so far kept out of the row. While the Union government had made it clear that it would honour the central counter-guarantee issued to DPC against any failure of the state government to pay for the power purchased by it, it had advised DPC and the state to seek reconciliation.

Asked about Enron's threat to pull out of the project and the U.S. energy company's meeting with DPC lenders in London on Monday, Mr Sinha retorted, "Let them say so in the negotiation committee." He expressed the hope that "DPC would not take any precipitate action now that the second phase of the project is in an advanced stage of completion".

Mr Sinha said in addition to the cost of power, the negotiation would involve the question of who would use the power—"how much power can Maharashtra use and how much can be wheeled out of the state."

Mr Deshmukh said the negotiation committee would be at the official level and it would be constituted in "a week or so". "The DPC board is scheduled to meet in London on April 25. Let us see what happens there," he added.

THE TIMES OF INDIA

Strategies for development — I

By Nirupam Bajpai

IN HIS address to the nation from the ramparts of the Red Fort, the Prime Minister, Mr. Atal Behari Vajpayee, announced on August 15, 2000, that the Government had set a target of doubling India's per capita income by 2010. This is an ambitious target, but certainly achievable. For this, India needs growth in GDP per capita of 7 per cent a year over the next ten years. And to achieve this growth rate on a sustained basis, India needs a well-focussed growth strategy. While India made substantial progress in market reforms during 1991-2000, much remains to be accomplished in the months and years ahead.

Economic growth is primarily based on three main factors: (1) accumulation of the factors of production, including both human and physical capital; (2) efficient allocation of resources within the economy; and (3) improvements in technology over time. In current economic jargon, the poorer countries can expect to "converge" with the richer countries in per capita income levels. Convergence occurs mainly because of the first and third factors in growth. But convergence can be achieved only when there are effective economic and governmental institutions supporting rapid capital accumulation, efficient allocation of resources, and rapid diffusion of technology from the more advanced economies.

Perhaps the most critical feature of fast-growing economies has been the rapid rise of manufacturing exports. This has been supported by trade policies that have allowed manufacturing exporters to operate at (nearly) world prices, both for inputs of capital and intermediate goods, and for the sale on world markets. All fast-growing economies, for example, avoid trade policies that undermine the capacity of manufacturing exporters to obtain necessary inputs at world prices, or that penalise exporters through heavy taxation (effective taxation of exports can arise through: tariffs and quotas on inputs, inconvertibility of the currency, state monopolisation of exports on unfavourable terms for exporters, or explicit taxation of exports).

The exact form of the trading regime has differed across countries, but the following elements have been common features in most of the fast-growing economies: (1) convertibility of currency for current account transactions; (2) zero or low tariffs (and the absence of licensing) for capital goods and intermediate inputs, and modest tariffs for most consumer goods; (3) implicit or explicit subsidisation of exports; and (4) other institutions supportive of manufacturing exports (e.g. export processing zones, state guarantees on export credits). High growth economies have been quite open to trade both for imports and exports, especially in comparison with other developing countries. Industrial policies, where they exist, have supported manufacturers not mainly through the protection of the home market, but through the subsidisation of export activities.

Openness, and the orientation to manufacturing exports, has made several contributions to growth. First, it has helped ensure the efficient allocation of resources, through specialisation, comparative advantage, and dynamic learning by doing. Second, openness has promoted domestic competition by limiting the market power of domestic firms, and by providing a rigorous international yardstick of performance. Third, openness has promoted the rapid accumulation of capital through foreign borrowing and foreign direct investment, which is then serviced by the rapid expansion of exports. Fourth, openness has promoted the rapid improvement of technology through the import of foreign technologies. Technology may be imported directly through merchandise trade (e.g. in the form of machinery embodying a new technology), or it may come via FDI. In either case, openness has greatly enhanced the domestic economy's awareness of, and access to, technological advances in the rest of the world.

India's average tariff rate of 27 per cent vastly exceeds the average tariff rates of the other economies. India also displays continuing high barriers to FDI in contrast to most of the fast-growing Asian economies. It is true that not all of East Asia relied heavily on FDI to achieve rapid growth: Japan and Korea are the two main exceptions. But most of the region, especially in South East Asia, has relied heavily on FDI, and the East Asian countries tend to have much simpler rules for FDI approvals than are now in place in India.

Perhaps the most critical feature of fast-growing economies has been the rapid rise of manufacturing exports.

Common features, such as currency convertibility, moderate tariffs, strong private sector orientation — rather than specific industrial policies — are behind the widespread successes in the fast growing economies. While high performing economies have differed widely in the scope and ambition of industrial policy, a few institutions of industrial policy have been widely applied, and deserve a sympathetic look. Most importantly, virtually all of the East Asian countries have used export-processing zones (EPZs) or other special economic zones (SEZs), to help attract foreign investment and to initiate the process of manufacturing export-led growth.

These zones have not aimed to pick "winners" in the classic sense of industrial policy. Rather, they have attempted to carve out a geographical zone in which export-businesses can conduct profitable activities, exempt from costly regulations, tax laws, and labour standards that apply within the country. More generally, the relatively successful industrial policies have had a few common characteristics: (1) they have aimed to promote exports, rather than to protect the domestic market; (2) they have provided subsidies on the basis of successful performance (e.g. the growth of exports) rather than to cover losses; and (3) they have been temporary rather than permanent subsidies (e.g. a five-year tax holiday for new export firms).

The Chinese experience could hold lessons for India. While the non-state Chinese economy operates without many of the legal underpinnings of a more advanced market economy, it is at least subject to strong market forces, international trade, and low taxation that are the hallmarks of the fast-growing market economies. Despite appearances, India is probably less market oriented than China at this point, though China's state sector is somewhat larger than India's. Measured by output, the share of state-owned enterprises (SOEs) in the Chinese economy has declined, from 75 per cent in the late 1970s to about 28 per cent in 1999, but SOEs still account for some 44 per cent of the economy's urban employment, and for as much as 70 per cent of Government revenues. Virtually all of China's heavy industry is in the hands of SOEs, which use up most of China's stock of capital, but more importantly produce little in return.

In China, the non-state sector is relatively unconstrained by Government regulation while in India, the non-state sector or the private sector continues to be tied down by extensive regulations that hinder dynamic development. Deregulation of India's private sector is the key if India is to attain and sustain high rates of economic growth. The Government of India announced two major reform initiatives in the budget for 2001/02. These are de-reservation of 14 products having export potential, such as leather, toys and shoes from the list of products reserved for the small-scale industry and reform of labour laws, that is, the Industrial Disputes Act. It remains to be seen, however, whether the Government is successful in implementing them.

(The writer is a Research Fellow at the Center for International Development, Kennedy School of Government, Harvard University, and the Director of the Harvard India Program)

Talks fail to end Balco deadlock

5.8 16/4

STATESMAN NEWS SERVICE

NEW DELHI, April 15. – The Union minister for mines, Mr Sunderlal Patwa had said the Centre was inching towards the end of Balco imbroglio. The trade union leaders are, however, "adamant' on any compromise over the privatisation of Balco with its new management.

The trade union leaders, who were present in the tripartite talks between the Centre and state government, kept pressing for reversal of Centre's decision. Mr Patwa said he was "hopeful" about a logical conclusion of the talks. Mr Patwa was entrusted the task to lead a tripartite talks to resolve the imbroglio.

The two-hour talks, which began at 4 p m at Mr Patwa's residence, was attended by seven labour unions – Intuc, Aituc, BEU, HMS, BMS, Citu, and Joint Action Committee of Balco – representatives and Chhattisgarh industry minister, Mr Mahendra Karma. The talks remained inconclusive. "We will meet again tomorrow to discuss the issues," Mr Patwa told reporters.

"We have not yet started discussions on major issues including the control of the management and parleys were mainly to understand the points of view of all parties," he said.

On the stand taken by the Chhattisgarh chief minister, Mr Ajit Jogi and the state government on allegations of kickbacks involving a top PMO official, Mr Karma said, "We have come here leaving behind all the controversies." Asked why the management representatives were not invited for the discussion, Mr Patwa said, "The meeting was held without Sterlite representatives on the request of workers and the Chhattisgarh government," Mr Patwa said.

Mr Patwa declined to give details of the discussion and the stand taken by each side. "We have not touched on any specific issue. It's not proper for me to divulge details of the discussion as it would affect the talks. We are here to explore various options to break the deadlock."

Earlier, Mr Madan Lal, Balco employees union president, said they were not ready to compromise on the management issue. "We don't want to be managed and controlled by any outside company. Balco is a government undertaking and either the state government or the Centre should take responsibility," he said.

Expressing his faith in the judiciary, Mr Brahma Singh, the Bhartiya Mazdoor Sangh general secretary, said, "We do not accept Sterlite as the new owners. We are a PSU and want to remain the same – either with the state government or the Centre – and this has been communicated to Mr Patwa."

THE STATESMAN

16 APR 2001

MONDAY, APRIL 16, 2001

PROCEED WITH CAUTION

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THE LINK BETWEEN the country's banking system and its stock market has been tenuous in the best of times and is far more complicated than what is apparent. Moreover, as everyone knows, the interface between the two has not always produced the most desirable of results from a policy perspective. The disappointment here, so spectacularly demonstrated by the recent market crisis is due to some misplaced belief and short-sighted policies. From the point of the macro-economy it is still a question of not being able to comprehend both the potential and the limitations of the stock market. Forcing the pace of integration between the two important facets of the financial system has thus proved costly once again. To the extent the latest crisis raises serious questions over the regulatory roles and harps back — so far without evidence — to a broker-banker nexus, there is a danger of the reform process getting derailed.

At the start of the reform era in the early 1990s there was considerable hope that steadily integrating financial markets, coupled with structural reforms, will unlock the tremendous potential that was always available. Since then, integration within the financial sector has taken place aided by some well-conceived policy measures. And with the opening up of the insurance sector albeit with considerable delay, it is now possible to use the market mechanism in a fuller sense for both testing and measuring macro-economic policies. Interestingly, since integration cannot happen only within India, there is a growing connection with the rest of the world, not just in the matter of exchange rates or foreign trade but in capital and portfolio flows as well.

A decade after the start of the reforms, it should therefore surprise no one that the Indian stock markets look towards the American technology exchange, the Nasdaq, for direction. Or for that matter the (unjustified) clamour to emulate the U.S. Federal Reserve in effecting bank rate cuts. Within the country too there is a belief that the better integrated financial markets would be adequate for transmitting policy changes, whether monetary or those relating to the budget. Recent events however suggest that such high hopes are more often misplaced. The acute disappointment over the stock market collapse even after a friendly budget has once again raised serious questions over the sustainability of the stock market model for an economy like ours. More specifically was it wise to direct banks to lend more to the stock market?

1614

That question is relevant for two major reasons: only last October the RBI allowed the banks to increase their capital market exposure substantially. A SEBI-RBI expert group had found merit in that course. Dispassionate observers, however, felt that it was premature and illogical. After all, banker-broker collusion was sighted as one of the principal causes of the scam nine years ago. Very little has changed since then. Therefore, even though the latest RBI figures conclusively show that at least the government-owned banks have kept away, there is a loud talk of a broker-banker nexus all over again. It looks certain that the credit policy to be announced soon will reverse the October decision and impose stringent safeguards on banks' investment in shares. Last week the RBI and the SEBI prescribed tough guidelines. That will not be a bad thing but it should be accompanied by a correct diagnosis of what perpetually ails the banker-capital market connection. Ten years ago the foreign banks and today the new private banks have taken huge exposures to the market. The largely government-owned banks should not be asked to follow their leads. Maybe specialised outfits within them can take on market exposures and that too gradually.

BALCO unions refuse to relent

By Our Special Correspondent

NEW DELHI, APRIL 15. The aim of tripartite talks between the Centre, the Chattisgarh Government and trade unions of the Bharat Aluminium Company Limited is to understand each other's point of view and arrive at a solution, the Mines Minister, Mr. Sunderlal Patwa, said today.

Briefing the media after two hours of inconclusive talks to end the deadlock following the public sector unit's privatisation, the Minister said all the parties had presented their points of view and further progress would be made tomorrow, when another round of discussions would be held.

"Some give or take may be achieved in the negotiations tomorrow by taking a few steps forward or backwards to reach a solution."

However, with the unions adamant on reversal of privatisation, prospects for any resolution in the short run look grim. The union leaders insisted today that they would not backtrack on the stand that BALCO be handed over to the State Government instead of being run by the new owners, Sterlite Industries Limited. They stressed that they were not prepared to negotiate with Sterlite.

Mr. Patwa declined to comment on their view that the BALCO employees still considered themselves to be working for a public sector unit and did not recognise Sterlite. Cryptic in his comments, he said "Sterlite is not being involved today in the talks" but did not rule out their involvement in future.

The new management had not been represented in the talks following a request by the Chattisgarh Government and workers.

The Chattisgarh Industry Minister, Mr. Mahendra Karma, along with representatives of seven unions including INTUC, AITUC, CITU, BMS and HMS took part in the negotiations which were held at Mr. Patwa's residence.

Replying to a question on the stance taken by the Chief Minister, Mr. Ajit Jogi, on allegations of kickbacks involving the Prime Minister's Office, Mr. Karma said all controversies had been left behind during the talks.

Though the talks seem to have ended in an impasse, this was the first time the three parties agreed to hold any kind of negotiation.

Even so, these would have little meaning without the participation of Sterlite Industries which bought the company's majority stake for Rs. 552 crores.

Trade union leaders are already on record as having said that they consider the talks an "eyewash" but the State Government appears keen on resolving the six-week long deadlock. Much will depend, however, on the stance taken by the unions tomorrow.

THE HINDU

16 APR 2001

Panel slams State and Centre on Dabhol project

Mumbai, April 13

IN A strongly worded 198-page report, the Godbole Review Committee has pulled up the State as well as the Central Governments for "inexcusable failure" in governance from 1992 to 1999 while dealing with Enron-promoted Dabhol Power Company.

The committee, set up to review DPC's controversial 2,184 MW power project at Dabhol, said it was surprised at the "breadth of governance failure, which occurred across time, across governments and across agencies from 1992 to 1999".

Governments, both at the Centre and State, appear to have been "remiss" in the discharge of their functions, it said.

"Every assertion relating to benefits from the project and effectiveness of tariff have proven to be false and were indeed based, at the time of the assertions, on extremely questionable assumptions."

Two committee members, Godbole and Sarma, observed that prima facie, the manner in which each and every opportunity was exploited by those favouring the entry of Dabhol Power Company at different points of time against the interest of Maharashtra State Electricity Board and the consumers, raises doubts about a concerted effort to exercise undue influence at every stage of the project.

The State Government had chosen consciously to enter into negotiations instead of following the competitive bidding route. It justified this course of action and insisted that it had conducted intense exercise before signing the contract, the report said.

"Both this justification and the quality of these negotiations are suspect," the committee said, adding that the State Government's depiction of DPC as an investment with no obligation on either itself or any public authority to purchase services was an error.

Expressing surprise over the quality of negotiations, the committee said the very first document was signed by MSEB with Enron and GE within five days of the foreigners' coming to India and within three days of coming to Mumbai.

"The committee is of the opinion that MSEB and the State Government erred seriously, based on information available at that time, in proceeding with DPC as a base load project, even when its capacity was reduced to 695 MW," the report said.

On the 'techno-economic clearance' from the Central Electricity Authority, the committee said it was a "controversial issue". The minutes of this meeting, it said, were not available to the committee.

The committee said it was curious that the letter did not mention the word 'techno-economic' anywhere, compared to a clearance given to a similar independent power project at the same time.

It also opined that given the non-availability of any official record of a crucial June 24 1994 meeting, "it was doubtful whether the economic aspects of DPC were discussed at all".

Moreover, the committee said it found that while initial demand projections for DPC were flawed and the State ignored different load-type projections on basis of the project's phase II, it was based on patently untenable assumptions which have since proved to be "completely unjustified".

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Jogi puts Balco onus on Centre

14/4

HT-9

New Delhi, April 13

IN A fresh hope to break the ic between the unions and the nev management of Balco, th Chhattisgarh Government ha asked the Centre to make effort to bring the warring factions t the table, saying it had no role t play in resolving the impasse.

"Balco is under the charge c Mining Ministry of the Unio Government. Therefore, you ca consider playing a formal role i resolving the problem on th request of workers," State Chie Minister Ajit Jogi said in a lette to Union Mines Minister Sunder lal Patwa yesterday.

This is the second communication between Jogi and Patwa since April 3, when the Chief Minister had written that his Government had made every possible effort to resolve the problem and now "the onus for finding a solution is with the Centre".

Jogi was replying to Patwa's letter wherein the Minister had extended all help to facilitate a solution to the complex issue "keeping the ground realities in mind". Patwa, however, said the solution could be found only if the new management, the workers and the State Government sit across the table. The Centre would make all possible efforts to bring them together.

"At present there appears to be a deadlock. One cannot say tha Jogi's letter brings any break through," he said.

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THE HINDUSTAN TIMES

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The spectre of deindustrialisation, especially in the small-scale sector, is haunting a post-QR India

Imports and being earnest

BY PREM SHANKAR JHA

TEHELKA'S EXPOSURE of corruption in defence deals, and the NDA's continued championship of George Fernandes, has caused one defection from the alliance and made other partners distance themselves from the BJP. This has weakened Vajpayee's government to the point where its capacity to pass the Budget next week without giving assurances that will wreck the structural reform of the Indian economy, is in grave doubt.

But Tehelka has had another side effect which could prove equally, if not more, catastrophic. It has drawn the government's attention away from the threat of deindustrialisation that hangs over the country since the lifting of all remaining curbs on imports on April 1.

At first sight this observation may appear preposterous. Has the government not used a variety of pretexts to continue quantitative restrictions on several hundred items? Has it also not promised to keep a close eye on the impact of liberalisation on the import of 300 sensitive items and to publish data every month on these imports?

SHOP, BUT ONLY TILL YOU DROP: A garments outlet in Faridabad, Haryana

True, but virtually all the safeguards the government has announced have to do with agricultural products and selected sectors like automobiles. As was pointed out by the secretary of the federation of small and medium enterprises, the export-import policy has almost completely ignored the small-scale sector. This is the sector that is most seriously threatened by the import liberalisation that has now taken place.

Government economists are sceptical of this claim. In *Business Standard*, N.L. Lakhanpal, the director general of imports and exports said, "whenever any protection is removed from any industry, there will be some apprehensions... but the available data do not justify these apprehensions... in the current year the worry is about a fall in non-oil imports at a rate as high as 8 per cent".

Lakhanpal's statement reflects the analytical weakness that afflicts the government's thinking. First, it projects trends in past data to forecast the future. But, by definition, trend analysis presupposes continuity of policy or at best only incremental changes in it. It is useless for predicting the impact of one-time, discreet changes, especially those of this magnitude.

Second, industrial growth was decelerating rapidly. So the decline in non-oil imports was caused by macro-economic factors that lie totally outside the sphere of foreign trade. What actually happened was that a small increase in the import of consumer goods was dwarfed by a far larger decline in the import of industrial raw materials and components.

Even in a normal year, overall import data tell little about what liberalisation is doing to the economy. This is because as imports displace domestic production, the rise in import of finished consumer goods will be partly offset by a decline in the import of components and raw materials that were being used by domestic manufacturers.

The threat to which the government seems utterly oblivious is not what the end of QRs will do to the trade and external payments balance but what it will do to employment. The waters have, admittedly, been muddied by exaggerated warnings of imminent devastation by spokesmen for various industries. For instance, spokesmen of the domestic 'foreign' liquor industry have been warning that Scotch whisky reconstituted in East Europe will become available at Rs 250 a bottle, and omitting to mention that for this it would have to be imported at Rs 7 a bottle.

In the same way, the threat that India will be overwhelmed by imports of chicken legs and fruit is greatly overdrawn. At most, these will meet a small portion of the annual increase in demand within the country, and that too only so long as the 'craze for *phoren*' lasts.

But the danger is nonetheless real. This should be obvious from the flood of advertising that foreign manufacturers have unleashed upon television viewers in the last three or four months. This is not goodwill advertising. Nor are these companies altruists. What they obviously hope to do is capture the high end of the market for these products.

But they could do more, for the duty on these finished products is seldom more than 35 per cent. This will not be sufficient to offset the higher cost of manufacture in India that results from small volumes, high interest rates and power tariffs and a plethora of local taxes and exactions from the 'inspector raj'.

The government may well be right when it says that these imports will at best capture the top end of the fast moving consumer goods (FMCG) market which accounts for a mere 2 per cent of consumers. But the threat comes not from them directly. It comes from what the fear of competition from imports is making Indian manufacturers do to defend themselves.

There is now abundant evidence that to stay competitive they are shifting their procurement base from India to China and other countries in southeast Asia. What is worse, in sharp contrast to the American FMCG industry — which waged a long and protracted battle against imports from Latin America and Asia — our manufacturers are rolling over, belly up, overnight. The reason is that our so-called manufacturers of consumer durables are not manufacturers at all, but traders who have little or nothing to lose from the change and, in particular, no investment to protect.

The blame for this terrifying vulnerability rests with past government policies that overprotected the consumer goods industries and suffocated the growth of small industry. The main culprit is the reservation of more than 800 products for the small-scale sector. Over four decades, this has created a fracture between the making and the marketing of consumer goods that is virtually unique to India.

Those who put their logos on the products and sell them are not the manufacturers. Those who actually make the products have no logos and no marketing networks or expertise. Today, when the marketing houses are turning to east Asia for their supplies, the Indian small-scale manufacturers are being abandoned. The trouble is that they employ three quarters of the industrial workers in the country.

Not everyone will be affected the same way. According to a study by Neela Mukherjee, there were over 3.1 million small and medium sized units in the country, with a total output of Rs 527,510 crore. These exported almost 10 per cent of their output, and accounted for 35 per cent of India's total exports. They directly employed 17.16 million workers, but taking into account forward and backward linkages probably gave work to 150 million workers — the vast majority of the non-agricultural working class.

The export sector is obviously already competitive in global terms and will therefore remain largely unaffected. It is the remaining 15 million direct workers, whose products cater to the domestic market, who remain a cause of anxiety.

An examination of the composition of small and medium sized unit exports shows that most sectors are already exporting a part of their output. Thus if the SSIs can be helped to survive the transition to an open economy, many of the firms now catering to the home market will be able to change their product mix, produce the goods that are already being exported and spearhead India's thrust into the global market.

Unfortunately, the almost complete separation of production from marketing could make the producers lose their home markets — not gradually, but suddenly. They, therefore, run the grave risk of being deprived of the time they need to make the transition.

The constant monitoring of sensitive products that the government has begun and may very well enlarge, is no answer to this problem. Because, by definition any action it takes will come after the damage is revealed. By then the SMEs will be so seriously enfeebled that few will retain the capacity to make the transition that is required of them. In particular few, if any, will remain creditworthy.

The only measure that can give the SMEs some added protection — and thus the time to change — is a substantial devaluation of the rupee. The government's economists consider a forced devaluation (for instance, by the RBI aggressively buying dollars in the market) unnecessary. If imports rise, they say, the rupee will automatically come down. This, too, is an outmoded theory.

In the age of globalisation, high domestic interest rates of the kind India has, can ensure that money keeps flowing into the capital account while it is running out on the trade account. But even if the rupee does fall, this will happen only after the damage has already been done. What is needed is pre-emptive action to ward off a possible worst case scenario from unfolding. Of that need, the government has not even an inkling.

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Weaver suicides spark powerloom strike

HT Correspondent
Hyderabad, April 12

ALL THE powerlooms in Andhra Pradesh downed their shutters as part of a statewide bandh on Thursday in protest against the indifferent attitude of the State Government in tackling the problems of powerloom and handloom weavers.

The bandh was organised by the AP State Powerloom Weavers Association, which demanded, among other things, payment of ex-gratia of Rs 200,000 to each of the families of the powerloom and handloom weavers, who committed suicide owing to heavy debts and unemployment, or died due to starvation. The death toll in the State has reached 75 since January last year, with eight suicide and starvation deaths reported during the first week of the current month. As many as 36 suicides were reported from Sircilla and 20 from Dubbak, which have huge concentration of powerlooms and handlooms.

APSPWA president Uppala Narasaiah said of the 45,000 powerlooms in the State (located mainly in Karimnagar, Nalgonda, Rangareddy, Hyderabad, Chittoor and Anantapur districts), as many as 15,000 powerlooms had closed down in recent months. The figure includes 5,000 powerlooms which are being sold off as "scrap" he added.

The Association blamed the Government for "forcing" 40 powerloom weavers to commit suicide and contended that the present regime was not taking up measures for upgrading the technology of powerlooms to help them compete with foreign products in the wake of removal of import restrictions as part of WTO agreement.

Neighbouring States Maharashtra and Tamil Nadu have launched modernisation schemes and the Central government too earmarked Rs 25 crores for technology upgradation. There was no marketing support for handloom and powerloom sector either, after the State-owned AP State Textile Development Corporation was wound up, they charged. The crisis-ridden powerloom sector in the State is further crippled by the steep hike in power tariff, from Rs 4.75 to Rs 5.50 per kWh, for powerlooms, which use 5-HP motors. The AP Transco has served notices on the powerlooms on the proposed hike, at a time when the powerlooms are unable to pay the present tariff of Rs 1.75 per unit. In Maharashtra, the powerlooms are required to pay Rs 180 per unit per annum.

The power tariff hike pushed up the cost of production of powerloom cloth in Andhra Pradesh by 80 paise to one rupee per metre and this would force the closure of the remaining powerlooms and prompt more workers to commit suicide.

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Foodgrain output likely to be lower this year

By Our Special Correspondent

Estimates of All-India Production of Foodgrains and Commercial crops 2000-01 (in million tonnes)

Crops	1999-2000	2000-2001 (As estimated in April 2001)
Rice	89.5	85.5
Wheat	75.6	68.5
Coarse cereals	30.5	30.3
Pulses	13.4	11.7
Foodgrains	208.9	196.1
Kharif	104.9	102.3
Rabi	104.0	93.8
Groundnut	5.3	6.6
Rapeseed & Mustard	6.0	4.3
Soyabean	6.8	4.9
Total Nine Oilseeds	20.9	18.7
Cotton*	11.6	11.5
Jute & Mesta**	10.5	10.3
Sugarcane	299.2	301.4

* Million bales of 170 kg each ** Million bales of 180 kg each.

NEW DELHI, APRIL 12. Drought conditions in several States and lower acreage in wheat, rice and pulses will have an adverse impact on foodgrains production in 2000-01, estimated at 196.14 million tonnes, as against 208.87 million tonnes last year.

This emerged at a two-day National Council on Agriculture for Kharif Campaign 2001, here to formulate strategies for next year's production and arrive at estimates on this year's output based on the inputs provided by the State Agricultural Production Commissioners, Agriculture Secretaries, Vice-Chancellors of Agriculture Universities and senior officers of the Union Ministry of Agriculture.

The Conference noted that the monsoon was deficient by 8 per cent during 2000-01, accentuated by lowering of ground water table in subsequent seasons. The western part of Rajasthan, Gujarat and Madhya Pradesh faced acute rainfall deficiency as a result of which large areas came under drought conditions, affecting farm output.

The worst hit is wheat output which has declined by about 7 million tonnes owing to a 3.5 million hectare decline in acreage mostly in Madhya Pradesh, Rajasthan and Maharashtra.

The total rice production is also likely to be about 4 million tonnes lower than last year mainly on account of decline in acreage in West Bengal due to moisture stress at the time of sowing. Production of pulses is also expected to be lower by 2.7 million tonnes over last year mainly on account of fall in production in Rajasthan and M.P. The total coarse cereals output at 30.36 million tonnes would only be marginally lower than last year.

In oilseeds, the output of soyabean is likely to be down by 1.9 million tonnes and rapeseed and mustard by about 1.7 million tonnes again due to adverse weather conditions in M.P., Rajasthan and Gujarat. However, groundnut production is likely to be up by 1.3 million tonnes this year.

Sugarcane production is estimated to be 301 million tonnes over 309 million tonnes last year.

The conference, chaired by the Agriculture Secretary, Mr. J.N.L. Srivastava, emphasised on larger coverage of high yielding varieties including hybrid seeds during the oncoming kharif 2001. Experts stressed on timely supply of inputs like seeds, fertilisers and regular surveillance of pest and diseases. They also called for effective transfer of new technologies developed by the Indian Council of Agriculture Research systems and noted that the availability of fertilisers and seeds was "satisfactory."

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TIME FOR NEGOTIATIONS

14/4

THE CYCLE OF claims and counter-claims between the Maharashtra State Electricity Board (MSEB) and the Dabhol Power Company (DPC) has reached a point where the only way the imbroglio can be resolved is by renegotiations. The process of both parties slapping claims on each other helps neither even as it leaves unaddressed the basic problems in the project. The conciliation and arbitration process that has begun is also unlikely to provide any answers to the larger questions because it is about a specific issue — the decision of the Central Government not to honour a counter-guarantee on a demand of Rs. 102 crores by the DPC because the MSEB's own claim of Rs. 400 crores has not been settled — rather than about the deep flaws in the power purchase agreement itself. With the Godbole Committee calling for renegotiation to bring down the cost of Dabhol power, the Government of Maharashtra will now have to shed its ambivalence about where it stands on the project.

While DPC has always been aggressive in asserting its rights, it cannot but be aware that it will be impossible for it to do business in the face of hostile public opinion and the increasingly ambivalent attitudes of the State and Central Governments as well. Given that in the U.S. the Enron Corporation itself has begun to exit from the energy production business and focus on the more profitable activity of energy trading this should be an additional factor working in favour of a renegotiated contract. But the question is how much such renegotiations will yield, for the fundamental problems of the Dabhol project were and still are about a very high capital cost, dollar-denominated tariffs and a contract for supply of liquefied natural gas (LNG) which will (after the implementation of the second phase) make DPC power all the more expensive if the plant were to operate at less than 80 per cent capacity. The Godbole Committee has not recommended scrapping the larger and more expensive Phase-II of the project and more disappointing for the State Government is that it has refused to bear the responsibility of renegotiations. It could not have been otherwise for a review committee can only provide the broad contours of a solution. When new negotiations begin with the DPC, as they now must lest the State and Central Government opt for the more dangerous course of arbitration, the MSEB and the Government of Maharashtra have to walk a tightrope. If the DPC were to be pushed too far it could choose arbitration and an arbitration panel based in London is more than likely to rule on the basis of narrow commercial considerations than on grounds of public policy, which is what the controversies in the Enron power project have all been about. On the other hand, renegotiations with a velvet glove are unlikely to do more than tinker with the contract.

Fortunately for the State and the Centre, worries about what the global investing community will feel about India exerting pressure on the DPC to modify the contract are now acknowledged as being mistaken. Globally, the flaws in the PPA have become so well-known that a Government that does not re-open the agreement is less likely to command respect than one that drives a new bargain in a transparent manner. In the process of looking afresh at the Enron project it does not help if issues such as the poor finances of the MSEB and the subsidies that it provides are brought into the picture. These are issues that do need to be addressed but they are distinct from the problems caused by expensive DPC power. Even if the failings of the MSEB are dealt with it would not lighten the burden that the DPC now imposes on the two Governments, the economy of Maharashtra and eventually on the national economy as well.

Dabhol project a burden on state: panel

STATESMAN NEWS SERVICE

MUMBAI, April 12. — The Dabhol power project will be an unaffordable burden on the state unless the tariff is reworked, said the Madhav Godbole committee, appointed by the Maharashtra government to review the project.

The report's first part, which dealt with the two phases of the Dabhol Power Company, was tabled in the Assembly today. The energy minister, Dr Padmasinh Patil, said second part would be submitted by 10 May.

The panel said the DPC would be a further drag on the state electricity board which is already in financial distress. The DPC's burden is about Rs 6,000 crore per annum, larger than the entire budgetable plan expenditure.

The panel also felt the renegotiation group, which worked out the project's two phases in 1995, could have been misinformed about the impact of its recommendations on the tariff.

The committee also found fault with the way governments presented their case before the courts.

"Every one of the assertions relating to benefits from the project ... have proved to be false and, indeed, were based ... on extremely questionable assumptions."

It said "failure of governance" characterised almost every step of the decision making process at all levels — state or Centre, administrative as well as political.

The state government's idea that the Centre should buy power from the DPC and sell it to states doesn't find favour with the committee.

If the power is costly for Maharashtra, it would be so for the rest of the country, the panel argued.

However, it said the state should be permitted to sell power.

It felt the terms of the PPA would have to be changed and tariff will have to reduced considerably. The DPC is not closed to the idea, it said.

The panel has suggested that all dollar denominations be removed in the tariff's fixed charge component and the escrow agreement be cancelled. It also recommended that all documents relating to independent power producers be made public within two months.

While two committee members — Mr Godbole and Mr EAS Sarma — have recommended setting up of an inquiry commission to probe the matter further, the other three members felt it was not within the their purview to make the recommendation.

The committee has recommended that all new IPPs and PPAs should be examined by the Maharashtra Electricity Regulation Commission.

The phase I is a high cost plant "with inappropriate fuel and benefits that are in no way commensurate with its costs."

It has also recommended restructuring and renegotiation of the project.

Giving an idea of the burden the project has become for the state, it has pointed out that the subsidy claim had decreased from Rs 630 crore in 1995-96 to Rs 355 crore in 1998-99, but shot up six-fold in 1999-2000 to Rs 2,084 crore because of the increase in the gap between revenue and cost of supply by 26 paise per unit.

After the first phase was commissioned, DPC power cost Rs 1,617 crore.

To absorb this power, the DPC reduced its purchases from cheaper producers such as the TEC and the NTPC.

Because of this the state electricity board has suffered losses, the report said.

THE STATESMAN

13 APR 2001

Endless Enron

Bring Dabhol to the negotiating table to end the impasse

MAHARASHTRA'S chief minister did what all governments do in sticky situations. Caught between politically and financially unacceptable costs and the obligations of a commercial contract, he set up a committee. The process buys time and, with luck, some good ideas which can be followed. More usually, however, once the committee's report is handed in there is a new dilemma involving implementation of its recommendations. That is precisely where Chief Minister Vilasrao Deshmukh stands just now vis a vis the Enron controversy. A committee headed by Madhav Godbole, which was set up at the height of a political row over the cost of power to review the Dabhol power project, seems to have offered sensible but not-easy-to-follow advice. According to preliminary news reports, two key courses of action are indicated, one in specific terms, the other tangentially. Renegotiate the terms of the agreement with the Dabhol Power Company, it says. Predictable as this advice is, it is easier said than done. The Maharashtra government is very willing to renegotiate but the other party is ambivalent. Enron sometimes appears to favour talks and at others a quick resolution of the dispute before an international arbitrator. In sum, the Godbole committee may arm Deshmukh with sound arguments for reopening the agreement and single out the terms that need changing but Deshmukh still has to find a way of bringing Enron to the table. From here on it is a matter for lawyers or arm-twisting, a process both sides are engaged in already.

The second line of action that the Godbole report allegedly favours is a closer examination of the role politicians played in the existing agreement. Regardless of whether the committee actually recommends it or not, it is important to find out how terms which Maharashtra now finds highly odious and onerous came to be accepted. Even if such an inquiry is germane to a renegotiation of the Enron contract, the two tracks should run independently to avoid complications. The primary reason for a political investigation is to extract lessons for the future. Only by discovering precisely what went wrong during two sets of negotiations will there be hope of limiting political interference and increasing transparency in commercial deals. But with politicians from both sides of the House involved, the chances of a proper investigation and an early report are slim. Unfortunately, heightened and empty political rhetoric is more likely and it will make renegotiation twice as complicated.

Enron and the state and central governments have mounted an escalator of aggravation — MSEB delays payment, Enron invokes counter-guarantees, MSEB demands penalties, Enron shields itself behind force majeure clause and talks of going directly to arbitration; government officials bridle at Enron's language. All this could lead to an unpredictable outcome. Everyone should step back a bit and consider other scenarios among them the proposal for selling Enron power to the central grid and the shift of Enron's focus to a revived market for power back in the US. Informal talks may yield some sensible answers.

INDIAN EXPRESS

Election Commission wants State borders sealed

HT Correspondent
Kolkata, April 14

THE ELECTION Commission, alarmed about increasing violence in parts of Bengal and a sudden spurt in the flow of illegal arms from neighbouring States, has asked the State to seal borders with Bihar, Jharkhand and Orissa immediately.

The State Governments should also request its counterparts in these three States to close all checkposts at their ends till the elections are over, CEO Sabyasachi Sen said today.

Assam, which also shares a border with West Bengal, has already taken necessary measures. The State goes to polls simultaneously with Bengal on May 10.

Sabyasachi Sen today met district magistrates and superintendents of police to discuss election preparations and the law-and-order situation. Later, he told reporters, "Police have by and large acted effectively so far. But certain incidents and developments are causing serious concern."

He referred to the PWG's vote boycott call and to the sudden spurt in its activities. "We won't allow anyone to intimidate voters," he said.

The State Chief Secretary, Home Secretary, Director General of Police and IG (Law and Order) were present at today's meeting.

With the PWG intensifying operations, district magistrates and superintendents of police of Bankura, Midnapore and Hooghly are paying special attention to security. The EC has also decided to increase the number of police camps in these districts.

Communication facilities will be improved in all districts and the Election Commission plans to instal satellite phone facility at the district magistrate's office in Bankura.

Paramilitary forces will be deployed in all districts. Regular patrols and 'route marches' are being planned to send the "right message" to troublemakers, Sen said.

A large section of the paramilitary forces allocated for the State would comprise BSF contingents. Since most of them are presently deployed on the State borders, the CEO plans to seek additional contingents of the Border Security Force so that vigilance on the borders does not suffer.

Today's meeting took serious note of the situation in Darjeeling, where the GNLF bandh was into its sixth day. The Darjeeling district magistrate will tomorrow write to GNLF supremo Subash Ghisingh, asking him to cooperate with the election process

The bandh should end immediately, Sen said, with nominations scheduled to start on April 16. "I will give a full report to the EC, explaining the whole situation there," he said.

SUBHANKAR CHAKRABORTY/HT PHOTO

The Chief Electoral Officer at a meeting with the State Chief Secretary, DMs and SPs in Kolkata on Saturday.

THE HINDUSTAN TIMES
15 APR 2001

PETITIONS FOR SUSPENSION OF CONVICTION DISMISSED BUT...

There may not be disqualification on Jayalalitha, says judge

HD-1

By Our Special Correspondent

CHENNAI, APRIL 11. Even while dismissing the petitions of the AIADMK general secretary, Ms. Jayalalitha, seeking suspension of her conviction in the TANSI land deal case, Mr. Justice Malai Subramanian in the Madras High Court today observed that, "in my view there may not be any disqualification for the petitioner to contest in the election."

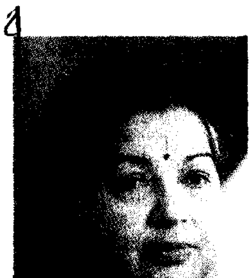
Interpreting the Criminal Procedure Code that conviction and sentence were inseparable twins, the judge said that if the sentence of imprisonment was suspended, as in the case of Ms. Jayalalitha, "I do not think that there may be any disqualification for a person to contest the election."

However, since the conviction against Ms. Jayalalitha was also for an offence under the Prevention of Corruption Act, the court, going by earlier Supreme Court rulings, was unable to exercise its discretion in her favour, he said.

The judge's observations on the "disqualification" issue, combined with his refusal to suspend the conviction, gave rise to various interpretations on the question whether Ms. Jayalalitha could contest an election. When counsel for both sides sought clarification, the judge posted the matter for Thursday.

Ms. Jayalalitha had been convicted in two TANSI land deal cases and sentenced to two years and three years imprisonment. Admitting her appeal, the High Court suspended the sentence. Ms. Jayalalitha filed petitions seeking suspension of the conviction to enable her contest the polls.

The judge said the Cr.P.C did not specifically speak on suspension or stay of conviction anywhere. Interpreting the code, he said it was abundantly clear that conviction included sentence. "It can be safely held that the conviction and sentence are inseparable twins in the eyes of the law. The moment the sentence is suspended, conviction is deemed to have been suspended or otherwise, the framers of the Code would have taken care to provide for the stay of conviction or suspension of conviction also," the judge said. This position had been clarified by the Supreme Court in the 'Ram Narag' case.



The judge referred to the submission that Ms. Jayalalitha's appeal against her conviction by the trial court was pending and appeal being a continuation of trial proceedings, conviction might not operate as a disqualification. Also, it was submitted that the presumption of innocence of an accused continued till being held guilty by the appeal court and that presumption was neither strengthened by an acquittal nor weakened by a conviction in a trial court. This, the Judge said, might be a point that had to be raised before the Election Commission which might decide whether a person was entitled to contest in the elections pending appeals against his or her conviction.

Under Section 8 (2) and Section 8 (3) of the Representation of the People Act, the emphasis was only on sentence and not on conviction. The disqualification arose only where a person was sentenced to imprisonment for not less than two years as per Sec.8 (3) of the Act. "It is the sentence that is disqualified, not the offence," Mr. Justice Malai Subramanian said. Even in the case of *ipso facto* disqualification, it did not directly relate to the offence, but to the period of sentence of imprisonment. If Ms. Jayalalitha had been convicted and sentenced to imprisonment for less than two years, there would be no disqualification on her contesting the election.

On the main question of suspending the conviction, the judge said the Supreme Court had consistently held that in cases involving offences under the Prevention of Corruption Act, conviction should not be suspended. Even in two cases where High Courts granted suspension of sentences, the Supreme Court held that High Courts were not justified in granting the plea.

Referring to the petitioner's apprehensions that if she was disqualified from the contest, her statutory right would be affected, the judge said all these aspects had to be raised before the Election Commission and not before the High Court. Of course, the judge noted, the reason given by Ms. Jayalalitha for suspension of conviction on the ground that she might be permitted to exercise the statutory right of contesting the election was no doubt valid, because she was leading a large political party in the election and a front consisting of many political parties. If the conviction should have been under Section 409 of the IPC (criminal breach of trust), the court would have no hesitation in suspending the conviction, if necessary.

But since the conviction was also for an offence under Sec. 13 (1) (c) and (d) read with Sec. 13 (2) of the Prevention of Corruption Act, "this court is unable to exercise its discretion in her favour," the judge said dismissing the pleas.

THE HINDU

12 APR 2001

Balco backlash spreads within BJP alliance

FROM RADHIKA RAMASESHAN

New Delhi, Feb. 27: As cracks appeared in the BJP over the sale of Bharat Aluminium Company Ltd (Balco), more coalition partners stepped up the offensive against the government on the divestment deal.

While the Telugu Desam, which had been subdued after its initial burst of criticism, today relaunched its assault on the government, the Shiv Sena joined the Opposition chorus in questioning the sell-off. "It (the sale) does not look all right. The figures speak for themselves," Sena chief Bal Thackeray said in Mumbai.

Adding to the Centre's woes, former law minister Ram Jethmalani described as "indefensible" the decision to sell Balco to Sterlite Industries for Rs 551.5 crore.

BJP sources said disinvestment minister Arun Shourie was confronted with a volley of questions at the parliamentary party meeting this morning. Rajya Sabha member Sangh Priya Gautam wanted an explanation on why Balco, which has cash reserves of over Rs 400 crore and "tremendous back-up assets", was "auctioned away". The sources said enough "hints" were dropped on the "unseemly haste" with which the transfer was executed. "For instance, I wonder if assets like the housing colony for 7,000 workers was taken into account in the final valuation. I doubt it was," said an MP from Chhattisgarh, where Balco is located.

Shourie, assisted by law minister Arun Jaitley, tried to allay the MPs' fears. "He (Shourie) said the conventional mechanism of assessing assets is flawed and cited the example of a software giant, which has no assets but is still worth a billion dollars," said an MP.

Jaitley reportedly argued that the longer the deal is deferred, the more the chances of the unit getting undervalued.

However, some MPs privately felt that although the two Aruns spoke "logic", their explanation did not cut ice. "The logic was convincing but facts speak otherwise. The charge of gross undervaluation will continue to stick," the sources said.

A senior BJP functionary said the deal "smelt fishy". "How can the value of a PSU behemoth be evaluated in just eight days? There's something fishy," he said.

The uproar in Parliament continued with the Desam lending voice to the Opposition's cry for an investigation by a joint parliamentary committee. Desam MP C. Ramachandraiah said: "On the face of it, the apprehension of the Opposition members is justified. Maybe in good faith, but there has genuinely been an undervaluation of Balco."

Shourie rejected the demand. "There is no need for a JPC on the issue and the government has got a good price on the Balco disinvestment. Do not give them (Sterlite Industries) an excuse to walk away from it," he said.

Despite Thackeray's strong words, Shourie received support from Sena minister Manohar Joshi. "I don't think there is any question about transparency in the deal. It is all right," Joshi said.

Faced with mounting criticism from its allies, the BJP floor-managers scrambled to stall a discussion under Rule 184 — which allows voting — in the Lok Sabha on Thursday. The CPM is pressing for a discussion under the censure motion.

THE TELEGRAPH

28 FEB 2001

Starving the poor — II

By Jean Dreze

AS THE effects of prolonged drought intensify across the country, there is an obvious case for using idle food stocks for income-generation purposes. Aside from helping the poor in drought-affected areas, income-generation programmes would give farmers elsewhere some protection against a price crash later in the year, mitigate the problem of escalating food stocks, and earn the Government some credit for supporting the people during this crisis. There are, in principle, good prospects of broad-based support for such an initiative.

Why, then, is so little being done to use food stocks for drought relief purposes? There appear to be three basic constraints, concerned respectively with political, financial and structural factors. The political constraint is simply that drought relief is not (at least not yet) a priority in the corridors of power. The poor have never counted for much in India's lopsided democracy, and with the growing orientation of economic policy towards the (so-called) middle class, their concerns have been further marginalised. Drought, for instance, hardly figures in ongoing discussions of the upcoming budget.

This political invisibility of drought-related issues struck me after a recent visit to Rajasthan's State Secretariat in Jaipur. While some able and public-spirited administrators were hard at work, the dominant mood was one of complacency and abdication. The most common attitude was to downplay the drought, if not blame the victims for their own predicament. One official assured me that the drought was "media hype", and that people were doing just fine. Another explained to me how he had learnt from Amartya Sen's work that the first sign of a famine is food scarcity and a rise in prices, neither of which could be observed in Rajasthan today. (It is hard to think of a more radical inversion of Sen's analysis.) Asked about the possibility of curbing electricity consumption in Jaipur during the drought period, the Chief Minister proudly told us (P. Sainath and myself) that he had already done it. As he spoke, the lights of Jaipur's lavish wedding parties and glittering avenues were glowing across the evening sky. A similar feedback emerges from New Delhi's various bhawans (Yojana Bhawan, Krishi Bhawan, etc.). A senior official at the Finance Ministry, for instance, assured me that "people do not have the capacity to absorb more food" [sic].

Initially, I took it that all these good people were trying to pull wool over my eyes. It gradually became clear, however, that they actually believed what they were saying. And to be fair to them, there is little in Jaipur (let alone Delhi) to remind the middle classes that they live in the capital of a drought-affected State. The atmosphere there is one of economic boom and unprecedented opulence, with plenty of internet cafs, smart restaurants and fashionable boutiques. The "social distance" between Government officials and drought-affected people further enhances the political invisibility of the latter's predicament.

Food-for-work programmes would help the poor in drought-affected areas and also give farmers elsewhere some protection against a price crash later.

The second constraint is financial. The coffers of State Governments are empty, making it difficult for them to bear the cash costs of income-generation programmes (e.g. the non-wage component of food-for- work schemes). At the State Secretariat in Jaipur, "paise naheen hai" was a constant refrain. The Government of Rajasthan is caught in a debt trap, whereby larger and larger sums of money need to be borrowed simply to cope with interest payments on outstanding debt. Finding money to pay the salaries of Government employees is the top priority of the finance wizards, if not the single priority. Rumour has it that all kinds of development schemes have been halted, downsized or postponed for that purpose. Even widow pensions, I was told, have not been paid for eight months for lack of funds.

The financial constraint is exacerbated by the tendency of different parts of the public sector (e.g. the Food Corporation of India, the State Governments, different Ministries) to protect their own budgets and "pass the buck". State Governments, for instance, currently have to buy food from the Central Government at the "BPL price". Thus, the low social cost of food at this time of bulging stocks is not reflected in public accounting practices.

The thought arises, of course, that part of the food stocks could be sold on the market to generate the required cash resources. This brings us to the third issue — the structural constraint. This constraint derives from the primacy of the price-support objective, discussed in the first part of this article. If food stocks are released on the market, food prices will fall. This would undermine the Central Government's commitment to sustain a "minimum support price" (MSP). In other words, whatever food the Government may sell to generate cash resources will, in effect, have to be bought again to sustain the official MSP.

This problem, incidentally, applies not only in relation to the "overheads" involved in organising (say) employment programmes, but also to wage payments themselves. If wages are paid fully in kind, market demand for food is bound to decline, compelling the Government to procure more food if the MSP is to be sustained. In short, the Government cannot have its cake and eat it: either it has to generate independent cash resources for drought-relief programmes, or it has to adopt a lower MSP.

To these three basic constraints, one has to add further impediments of a more routine nature: bureaucratic inertia, infrastructural bottlenecks, lack of communication between Ministries, and so on. The "blame game" between the Central and State Governments is another stumbling block. State Governments, for instance, complain of inadequate food allotments from the Centre. The Centre, for its part, blames State Governments for failing to make full use of their existing allotments. Constructive efforts to resolve these differences are few and far between.

In overcoming these constraints, the first step is to ensure that the welfare of drought-affected people becomes a major political priority. That, in turn, is unlikely to happen unless drought-affected people are able to build countervailing power and alter the prevailing biases of public policy. As it happens, a redeeming feature of droughts in contemporary India is that they tend to be periods of intensified political action and popular mobilisation. The 1970-73 drought in Maharashtra led to growing social awareness of the right to work, later enshrined in the State's pioneering "employment guarantee scheme". The 1987 drought in Rajasthan gave birth to a powerful movement for the "people's right to information". Even the Naxalite movement has important roots in the devastating droughts of the mid-1960s.

This year, similar processes have already begun in some drought- affected States. On February 18, for instance, more than 1,000 farmers and labourers from drought-affected districts of Rajasthan held a public meeting near the State Secretariat in Jaipur, in a spirited attempt to make their voices heard. Their startling testimonies exposed the self-satisfied claims of the administration. In one village of Pali district, people have to fetch drinking water from a distance of 20 km. In Rajsamand, the district's largest lake has dried up for the first time in 300 years. In Udaipur district, two starvation deaths have already been reported. In tribal areas of Chittaurgarh, drought-affected families are selling their meagre assets to buy food. In some villages, children are withdrawn from school by impoverished parents. Distress migration and cattle deaths are widespread. As for relief programmes, they are virtually non-existent as things stand: the coverage of relief works is negligible, and even the public distribution system does not function in many areas.

This meeting was a major wake-up call for the State Government (and there are early signs of a positive response). Gatherings of this kind also give a sharp sense of the latent political power of the underprivileged. The paradox of mounting food stocks amidst widespread hunger provides a natural rallying point for popular mobilisation across the country. Therein lies the hope not only of resolving that paradox but also of achieving more lasting changes in the balance of political power.

(Concluded)

THE HINDU

27 FEB 2001

HD-15 2712

Many challenges ahead on the track

The following are excerpts from the speech of Ms. Mamata Banerjee, while presenting the Railway Budget in Parliament on February 26:

Mr. Speaker, Sir,

I rise to present the Budget Estimates for the year 2001-2002 for the Indian Railways.

Sir, last sixteen months have been a period of intense experiences for me. During this period, I have seen Indian Railways from close quarters. I have seen millions of Railway family members, working round the clock, to run more than 13500 trains across 7000 stations everyday, cutting across almost all the States. I have seen Railways spontaneously rushing into the interiors of Orissa, Bengal and Gujarat with a helping hand when unfortunate natural calamities struck them. I have also seen Railways ferrying water and fodder to the drought hit states to save precious lives. Posterity will not forget the sight of hundreds of trains trailing into Allahabad, day after day, carrying millions of countrymen on the occasion of Mahakumbh.

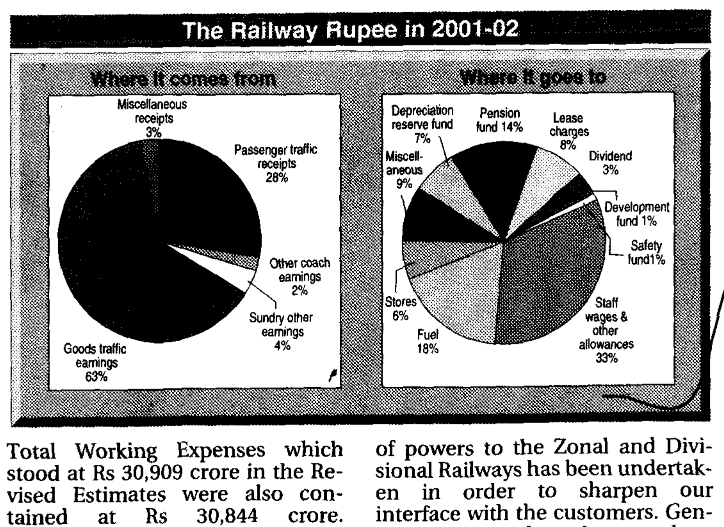
Sir, there are large number of challenges which Railways face today. The dual roles of Railways as public utility and a commercial undertaking are at times conflicting while the sources for funding these two diverse activities are the same. Railways also do not receive compensation for social service obligations. Technological modernisation of Railways is critically required, but low investment over the last two decades has almost stopped this process. Unfortunately, the support from General Exchequer also has been taking a downward trend right from fifth Plan till Eighth Plan, dropping from 75% to 18%.

This is pushing railways on to borrowings at high rate of interest causing permanent damage to its finances. Internal resources of railways have also suffered a severe and permanent jolt immediately after implementation of Fifth Pay Commission recommendations. Railways have 16 lakh employees which is 40% of the entire central government strength. In the coming year, pension alone is likely to cost Rs. 5,800 crore which Railways have to bear themselves. Otherwise, Pension liabilities of other Government employees are borne by General Exchequer.

Brief review of financial performance in 1999-00

Sir, Hon'ble Members are aware that the year 1999-2000 was an extremely difficult year, as the Railways had to face the impact of recession on earnings coupled with soaring increase in the working expenses as a result of implementation of the Fifth Central Pay Commission.

Despite all these difficulties, gross earnings increased from Rs 33,021 crore in Revised Estimates to Rs. 33,125 crore in the actuals. Total Working Expenses which stood at Rs 30,909 crore in the Revised Estimates were also contained at Rs 30,844 crore. Pensionary liabilities, budgeted at Rs. 4,094 crore in the Revised Estimates finally came down to Rs. 4,022 crore. The plan expenditure stood at Rs. 9,057 crore as against Rs. 8,965 crore in the Revised Estimates. The market borrowings however, were reduced from Rs 3,000 crore in the Revised Estimates to Rs 2,919 crore.



Sir, the House will recall that a target of 475 million tonnes was fixed for loading of revenue earning freight traffic for the year 2000-01. Indian Railways have already loaded about 390 million tonnes of revenue earning freight traffic during the period from April, 2000 to January, 2001 which is 18.48 million tonnes more than the loading achieved in the corresponding period of last year. Keeping the trend in view, the freight-loading target of 475 million tonnes would definitely be achieved. In the current year, positive growth has been witnessed in loading of coal, iron ore for export, POL, iron and steel, cement and other goods.

I am happy to inform the House that there has been a historically high growth in passenger earnings, which reached about Rs 8,552 crore by end of January 2001. This marks an increase of Rs 740 crore over previous years earnings during the corresponding period. Other Coaching and Sundry earnings also have been quite encouraging compared to previous years performance.

Non-traditional sources of earnings

Sir, the House would recall that the Railways had, for the first time, set for themselves the task of mobilising the resources from non-traditional sources such as leasing of right of way for laying Optic Fibre Cables, commercial utilisation of land and air space and commercial publicity on rolling stock and station buildings. A target of Rs 750 crore was kept for 2000-01.

I am happy to inform the House that RailTel Corporation of India has already started functioning to build a nation-wide broad band and multimedia network by laying Optical Fibre Cable along 62,800 route kms of railway track by utilising Railways right of way.

Safety

Sir, I would like to assure the House that within our limited means, Railways are committed to accord highest priority to safety. Despite the financial constraints being faced by the Indian Railways, we are trying to ensure that the level of outlay on safety related works is maintained. Track renewal works must receive priority. I, therefore, propose to enhance the outlay for this crucial activity taking it to Rs 2,050 crore, marking an increase of almost 26% over the revised outlay for the current year. Induction of modern technology into our signalling and telecommunication system is equally important. This has the added benefit of progressively reducing dependence on human intervention, thus leading, to an improved safety environment.

That is why, Sir, I have decided to enhance the outlay on signalling and telecom in the next financial year by as much as 25% over the revised outlay in the current financial year.

Sir, in order to ensure that safety requirements are strictly followed at all levels, I have already made the Chairman, Railway Board in charge of safety on Indian Railways. This would facilitate better co-ordination on all safety related activities at the highest official level.

Security

Sir, the general perception is that the Railways are responsible for providing security to passengers and their belongings. But the fact remains that policing on the Railways is the responsibility of the State Governments. Unfortunately, the law and order situation in certain States has not been conducive to smooth working of rail operations.

Railways have now commenced a process of streamlining the functioning of RPF to make it more effective. The measures taken include modernisation of communications, security gadgets and weaponry, provision of adequate transportation, computerisation, upgrading of training facilities etc.

Sir, the House is aware that I had setup a High Level Task Force on security on Indian Railways. The Task Force has recently submitted their report, which is under examination. Sir, the solution lies in either the State Governments becoming proactive in improving policing on railway systems. Alternatively, Sir, I seek the guidance of this House on how to grant more powers within the framework of the Constitution to RPF to provide adequate security cover to rail users.

Freight: new initiatives

Sir, freight revenue constitutes two- thirds of our total revenues. In order to regain the freight market share which Railways have lost in recent decades and to take it to the level of 50% in the current decade, I propose to initiate various measures in the next year. Some of the major steps proposed to be taken are:

☛ A comprehensive delegation of powers to the Zonal and Divisional Railways has been undertaken in order to sharpen our interface with the customers. General Managers have been authorised to devise appropriate marketing strategies at local level to capture additional freight traffic.

☛ A Congested Route Development Charge for those routes on Indian Railways which have become heavily saturated is being introduced to enable Indian Railways to plan traffic facility works to remove the bottlenecks.

☛ Volume Discount Scheme is being continued for the third consecutive year.

☛ Special lumpsum rates for movement in Merry-Go-Round (MGR) circuits over short stretches have been developed for attracting bulk movement of coal and minerals at pit-head Power Houses/ Mines. This package will target short-lead bulk traffic for rail movement.

☛ Roll-on-Roll-off (RORO) packages which had been experimented on the Konkan Railway are now being extended to Ahmedabad-Nabha and Chennai-Sankrail (Kolkata) circuits.

☛ Surplus railway land at stations and more than 1,500 unutilised Goods Sheds at roadside stations are being offered for development of warehousing capacity and, thereby generate additional traffic on the railways on the one hand and supplement revenues on the other.

☛ We want to modernise our freight operations by using the state of the art technology for real time monitoring. In this direction, project for computerised monitoring of Freight Operations (FOIS) is expected to cover the entire network of Indian Railways by June 2001.

Passenger amenities

I plan to give a major thrust to improvement in the passenger amenities at the Stations. I am happy to announce that the outlay for Passenger Amenities will be further increased by 39% over the revised estimate to cover many new areas of improvement. Following steps are being initiated for this purpose:

☛ Ticket refunds are being fully computerised on all zonal Railways.

☛ Automatic Teller Machines (ATMs) are being installed at various important stations and will be later used for issue of tickets also.

☛ For providing quicker information to public, on-line train running position will be available through Cable TV / Internet and on Cellular Phones by connecting National Train Enquiry System to these systems.

☛ To reduce congestion on ticket counters, proposal to use Internet kiosks for ticket retailing is under consideration.

☛ Computerised information on reservation availability status and train movement status will be available on all A class stations.

☛ In our Customer Care Institute, various training programmes have been initiated to train the front-line staff for better customer service.

☛ Top priority would be accorded to provision of drinking water, platform shelters, increasing the length of the platform to accommodate longest train, raising the platform heights and ensure adequate seating arrangements.

☛ To improve sanitation at stations, a large number of Pay and Use toilets will be provided and mechanised cleaning will be undertaken.

We have undertaken a large-scale exercise in modernisation of customer service by bringing up more and more stations as model stations. 210 stations have already been selected. I now propose to develop another 74 stations as model stations in the next year.

Sir, as a major step to provide access to computerised reservation facility, I have decided to include another 71 locations throughout the country within the ambit of computerised Passenger Reservation System (PRS). Hon'ble Members are aware that PRS facility is already available at 670 locations in the country.

In order to improve the quality of service in long distance trains and to provide better amenities to the travelling public, certain amenities on the lines of Rajdhani Express trains have been introduced on 30 trains.

Tourism

Sir, I have given special attention to promote rail tourism. In my Budget speech last year, I had announced that a new "Palace on Wheels" type of train would be introduced between Maharashtra and Goa touching several places of tourist interest, as a joint effort between the Railways and the Government of Maharashtra. I am happy to inform the House that a Memorandum of Understanding has been signed between the Railways and the Government of Maharashtra recently. All other arrangements to ensure the introduction of the train will be firmed up shortly.

I am also happy to announce that another proposal to run a tourist train for the pilgrimage tourism on Secunderabad- Dharmavaram (Puttaparthy)-Tirupati-Guntur-Nadikude-Secunderabad circuit in Andhra Pradesh is being considered. Andhra Pradesh Government has also proposed a Palace-on-Wheels type of train for which modalities are being discussed.

Sir, I am also happy to announce that the Government of Karnataka has proposed to jointly run a Palace-on-Wheel type of train on Bangalore-Hospet-Hubli-Goa-Mangalore-Hassan-Mysore- Bangalore circuit. Modalities in this regard are being worked out.

Orissa Government has sent a proposal for running a steam safari train on a route attractive for local tourism. Modalities in this regard are being worked out. Railways will welcome such proposals of tourism interest from any other State Government.

Relief measures

Sir, this year the country has witnessed a large number of natural calamities. Apart from the most recent and most devastating of them all i.e. earthquake in Gujarat, there have been floods in State of West Bengal, cyclonic rains in Andhra Pradesh and drought in Gujarat. As always, Railways have provided all possible assistance including free movement of fodder and water to various states in order to mitigate the sufferings.

Metropolitan projects

I am happy to inform the House that doubling of Belapur-Panvel line has been commissioned for commuter traffic from April 2000. Fifth line between Santacruz and Andheri as part of 5th line project between Santacruz and Borivali has also been commissioned.

Works on the projects for extension of Kolkata Metro Railway from Tollygunge to Garia, extension of Circular Railway from Princepghat to Majerhat and provision of connection with Circular Railway from Dum Dum to the airport as well as electrification of the existing Circular Railway from Tala to Princepghat are continuing. Dum Dum-Tala section on Circular Railway has already been electrified. Electrification of Ranaghat-Gede has also been completed and Ranaghat-Bongaon will be completed within this financial year. This will facilitate running of EMU services in these sections also. Electrification of Barasat-Hasanabad is also progressing satisfactorily.

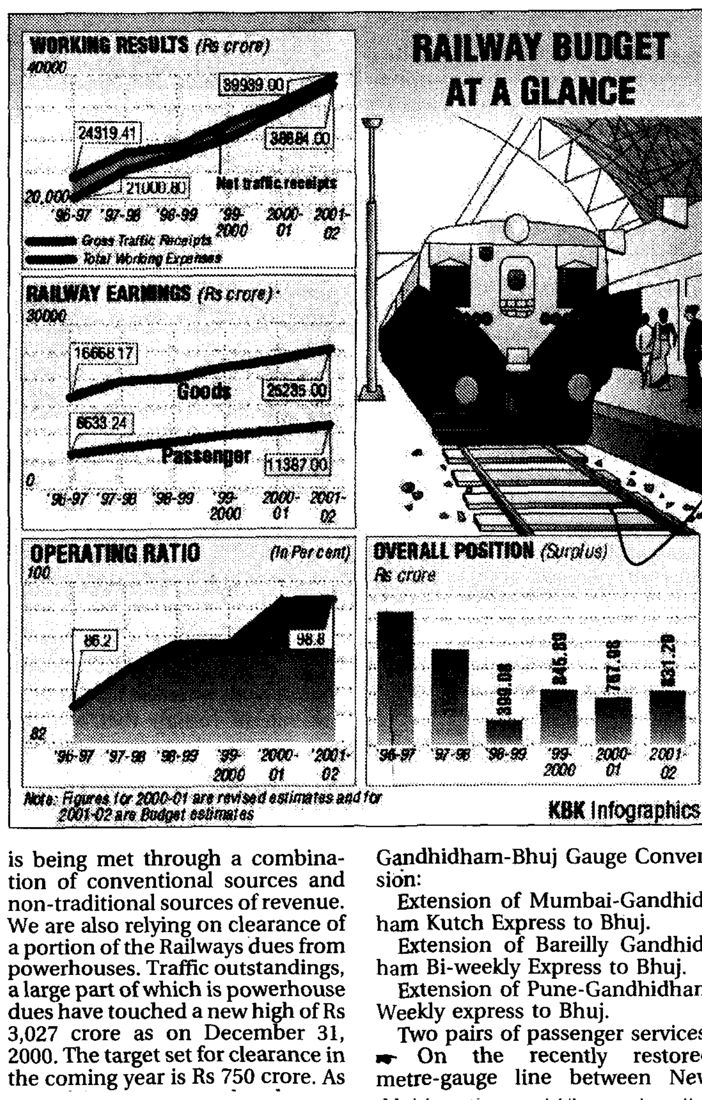
Hon'ble Members will be happy to know that the work of Phase II of Mass Rapid Transit System in Chennai from Tirumalai to Velacheri is progressing at a good pace. To ensure its timely completion requisite funds are being provided in the year 2001- 02. Work on gauge conversion of Chennai Beach-Tambaram- Chengalpattu suburban section has also picked up speed and is progressing well.

Hon'ble Members will be happy to know that based on the proposal submitted by Government of Andhra Pradesh, a Memorandum of Understanding has been signed between the Government of Andhra Pradesh and Indian Railways for strengthening the existing suburban infrastructure and services in the city of Hyderabad and its suburbs for making certain sections in the city fit for commuter train operation.

Annual Plan 2001-02

Sir, when I sat down to compile budget estimates for 2001-02, I was certain that there will be some growth in the Budgetary Support from the General Exchequer. I was also hopeful that to tide over the safety-related requirements, a separate grant would be available. However, none of these materialised. But, Sir, I am happy to announce that even with all these constraints, we have been able to keep the Plan outlay for 2001-02 at Rs 11,090 crore, which is 11 per cent higher than the revised estimates of the current year.

Capital support from the General Exchequer continues to be Rs 3,540 crore, as in the current year. It is proposed to go in for market borrowings to the extent of Rs 4,000 crore. The balance of Rs 3,550 crore is being met through a combination of conventional sources and non-traditional sources of revenue. We are also relying on clearance of a portion of the Railways dues from powerhouses. Traffic outstandings, a large part of which is powerhouse dues have touched a new high of Rs 3,027 crore as on December 31, 2000. The target set for clearance in the coming year is Rs 750 crore. As part of this, we expect that the outstanding dues of at least Rs 500 crore from Badarpur Thermal Power Station would be realised by us in the next year, as promised by the then Power Minister last year.



Sir, in the current year, we had received a budgetary support of Rs 3,540 crore which was about Rs 1,000 crore higher than 1999-2000. Simultaneously, Government had also agreed for a dividend deferment of Rs 1,500 crore, so that our net payout of dividend was reduced to only Rs 615 crore. Next year, Sir, there has been no growth of Budgetary Support while the Railways will also have to pay Rs 1,352 crore to the General Exchequer by way of dividend, as the dividend deferral permitted is reduced to Rs 1,000 crore only.

Sir, while safety continues to be our core focus in the Annual Plan 2001-02, I have also decided to give major thrust to the completion of new line projects which are pending for long time. Safety is being further strengthened with the allocation for Track Renewals being enhanced from Rs 1,633 crore in the Revised Estimates to Rs 2,050 crore, an increase of 26 per cent. In our continuing drive to improve user services, allocation for passenger amenities is going up to Rs 200 crore marking an increase of 39 per cent over the revised estimates for the current year.

Austerity is a major area engaging my concern. It would be recollected that in the previous year, austerity and economy drive had resulted in net saving of Rs 850 crore. This year again, the target for savings through economy and austerity measures has been set at Rs 865 crore. I would like to assure the House that in the next year also, austerity and economy will receive high priority.

Increase in frequency

Sealdah-New Delhi Rajdhani Express from 2 days to 4 days a week.

Gorakhpur-Dehradun Express from 2 to 3 days a week.

Rajkot-Ernakulam Express from one to 2 days and extension up to Okha.

Jabalpur-Rajkot Express from 2 to 4 days by extending Rajkot-Bhopal Express to Jabalpur on 2 days.

Sealdah-Darbhanga Ganga Sagar Express from 4 days to daily.

Visakhapatnam-Bilaspur Express from 4 days to daily and extension up to Korba.

Secunderabad-Rajkot Express from weekly to 2 days.

Nizamuddin-Bilaspur Gondwana Express from 3 to 5 days by extending Nizamuddin Nagpur Express to Bilaspur.

Indore-Jaipur Express from weekly to 2 days.

Extensions

Surat-Patna Bi-weekly Express from Patna up to Bhagalpur.

Pune-Varanasi Express to Darbhanga on one day.

New Delhi Guwahati Rajdhani Bi-weekly express to Dibrugarh Town from one day to two days.

Chennai-Guwahati Bi-weekly Express to Dibrugarh Town on one day.

Jodhpur-Jaipur Inter-city Express to Sawai Madhopur.

Guwahati-Lumding Express to Dimapur.

Kacheguda-Palasa Express to Bhubaneshwar.

Jodhpur-Jammu Tawi Express to Ahmedabad.

Howrah-Gorakhpur weekly Express via Barauni, Ballia and Indara to provide a direct service between Ballia and Howrah.

Service introduced/to be introduced on completion of Gauge conversion/ New lines/Restoration

☛ Upon completion of Peddapally Karimnagar New Line, two pairs of passenger services have just been introduced from February 14, 2001.

Following services will be introduced on the recently completed Gandhidham-Bhuj Gauge Conversion:

Extension of Mumbai-Gandhidham Kutch Express to Bhuj.

Extension of Bareilly Gandhidham Bi-weekly Express to Bhuj.

Extension of Pune-Gandhidham Weekly express to Bhuj.

Two pairs of passenger services.

☛ On the recently restored metre-gauge line between New Mal Junction and Changrabandha, one pair passenger service will be introduced between Siliguri and Changrabandha via New Mal junction.

☛ One pair of passenger service will be introduced between Eklakhi and Gazol and extended up to Balurghat upon completion of the new line.

☛ An express train from Howrah to Digha will be introduced on completion of the new line. In the interim period, a DMU service will be run on the 16 kilometre completed portion between Tamluk and Bajkul.

☛ Two pairs of broad gauge service will be introduced upon completion of gauge conversion of Pandharpur- Kurduwadi section.

MEMU/EMU service

Kazipet-Dornakal-Vijayawada
Purulia-Adra
Bilaspur-Nagpur
Kanpur-Shikohabad
Bilaspur-Raigarh
Bally-Bandel (2 pairs)

DMU service

Kharagpur-Jaleshwar-Bhubaneshwar
Jalandhar-Hoshiarpur
Kotkapura-Fazilka
Samastipur-Darbhanga

New lines

Sir, the House is aware that Railways have a large shelf of new line projects costing about Rs 20,000 crore, of gauge conversion projects costing about Rs 9,100 crore, and of doubling projects amounting to Rs 3,300 crore which have been duly sanctioned by the Parliament over the last five decades and are awaiting completion.

On-going new lines, which have either been completed recently or would be completed before March 2001 are:

Puttaparthi-Penukonda section of Dharmavaram- Penukonda project.

Kashinagar-Kakdweep section of Lakshmikantapur- Namkhana project.

Kapadvanj-Modasa project.

Eklakhi-Gazol section of Eklakhi-Balurghat project.

Jaruri-Banspani section of Daitari-Banspani project.

Bargachia-Munshirhat section of Howrah-Amta project.

Tamluk-Bajkul section of Tamluk-Digha line.

The new lines targeted to be completed in 2001- 02 are:

Gazol- Buniadpur of Eklakhi-Balurghat project.

Dharmavaram-Penukonda, completing the Dharmavaram- Penukonda project.

Dewas-Maksi new line section.

Bajkul to Digha of Tamluk-Digha project.

Gauge conversion

The sections of which gauge conversion has either been completed or would be completed before March, 2001 are:

Nonera-Seoni section of Guna-Etawah project
Raxaul-Birganj section
Gandhidham-Bhuj section

During 2001-02, Railways plan to complete the gauge conversion of the following sections:

Seoni-Bhind
Amguri-Tuli
Makum-Dangri
Laxmanthirtha bridge
Gooty-Pendakallu
Dhrangadara-Kuda
Wankaner-Morbi

Doubling

During the current year about 200 km of doubling would be completed, while in the next financial year a target of 300 km has been proposed. Sir, keeping in view the critical need to augment line capacity in certain saturated sections, you will be happy to know that the following new doubling works are being included in the budget.

Ernakulam-Mulanturutti section on Ernakulam- Kottayam-Kayankulam line.

Bandel-Jirat section on Bandel-Katwa line.

Baruipur to Magraghat.

Harishchandrapur-Kumarganj section on Malda-Kumedpur line.

Gooty-Renigunta section-Doubling of remaining single line sections.

Sir, it gives me pleasure to inform the House that we have decided to extend the following works as part of some of the on-going projects.

☛ Extension of Sultanganj-Deogarh new line project with a new link from Banka to Barahat.

☛ Extension of BDR gauge conversion project by a new link from Bowai-Chandi to Khana to connect Midnapur, Bankura and Purulia.

☛ Extension of Mansi-Saharsa Gauge Conversion project up to Dauram-Madhepur.

☛ Gauge conversion from Krishnanagar- Shantipur as an extension to the sanctioned doubling from Kalinarayanpur to Krishnanagar.

☛ Extension of Fatua-Islampur- Dhaniawan- Biharsharif new railway line project to Barbhigha.

☛ Extension of sanctioned doubling project from Kalinarayanpur to Krishnanagar by providing a new link from Krishnanagar to Charatala on the Krishnagar-Karimpur.

☛ Extension to Rajkot Veraval GC project by taking up gauge conversion from Wansjalia to Jetalsar.

☛ Extension of Eklakhi-Balurghat project by a new link from Gazol to Itahar as Phase-I of Gazol-Raiganj.

☛ Extension of Rewari-Sadulpur gauge conversion project to Hissar.

☛ Extension of Kanpur-Mathura-Kasganj- Bareilly gauge conversion project to Lalkuan.

☛ Extension of Lumding-Badarpur-Silchar gauge conversion project from Badarpur to Baraigram.

☛ Extension of sanctioned GC from Ajmer- Chhitaurgarh-Udaipur project to Umra.

☛ New line from Banka-Bhitiah Road as extension to Sultanganj-Deogarh new line project.

Considering the long standing demand of the people of Murshidabad and the need for development in this area, I am happy to announce that restoration work of Nasipur (Azimganj) Jiaganj Railway line will be taken up during the year 2001-2002. Separately a survey work for construction of a bridge over Bhagirathi to connect these two will also be undertaken.

Restoration of Teesta Valley narrow gauge line from Sevok to Gillkhola has been a long standing demand of the people of Sikkim and North Bengal. I have also decided to take up the restoration of this important railway line during 2001-2002.

Another significant rail link needing urgent restoration is Mogra-Tarakeshwar line. This also has been a long standing demand of the people and accordingly, I have decided to start the work on its restoration in 2001-2002.

Sir, it would be recollected that in the last budget I had announced a new line project for facilitating better connectivity of North Eastern states. This New Moinaguri- Jogighopa line will be routed through Changrabandha to facilitate better communication links with neighbouring states.

Surveys

On the basis of requests received from the Honourable Members and State Governments, I have decided to take up several surveys during the next financial year. These are:

Bhagirathi Bridge to connect Nasipur and Jiaganj Railway line
Donakonda to Vedareva
Mysore to Mangalore via Madikere
Latur Road to Mudkhed
Ferozpur Cantt. to Taran Taran
Halem to Itanagar
Kharghoda to Santalpur
Bulb line at Shoranur
Rotegaon to Punthamba
Sahnewal to Ladowal
Madurai to Tuticorin
Vaikam to Vaikam Road
Kumbhakonam to Namakal via Jayakondam, Ariyadur, Perambdur and Thuraiyur
Shahganj to Amethi via Sultanpur
Kazipet to Nalgonda
Jiribam-Imphal
Jhajha to Giridih via Sonuchakai
Updating survey for Ernakulam-Punalur-Trivandrum
Jaypore-Malkangiri
Howrah-Sealdah 3rd line between Belangar-Bally and additional loop at Dumdum, Baranagar and Bally
Budge Budge to Uluberia including a rail-cum-road bridge.
2nd coaching terminal at Trivandrum
Byepass at Bandel and Naihati
Ranjitpura to Yeshwantnagar
Development of infrastructure in Kakinada area
Thanjavur to Chennai Egmore via Adiyalur

Gauge conversion surveys

Virudnagar to Manamadurai

Doubling surveys

Ujjain to Indore
Patratu Chandil via Barkhakana
Gooty-Renigunta section of remaining single line section

Electrification

In the current year, electrification of 425 route kilometres is envisaged and the following sections are planned to be completed before March 2001:

Sirhind-Nangaldam-Una
Ranaghat-Gede
Ranaghat-Bongaon

Some of the important routes to be completed in the next year are:

East Coast line from Visakhapatnam to Kharagpur. With this, the entire Calcutta-Chennai route will stand electrified.

Main line of Eastern Railway, (Sitarampur-Mughalsarai) providing alternative electrified route on Asansol-Mughalsarai section.

Udhna-Jalgaon section linking two important electrified main trunk routes of Delhi-Mumbai via. Western and Central Railways will be electrified.

Reforms and restructuring

Sir, If I may be permitted to use a Railway metaphor, I would say that the Indian railways are today standing at a junction station. One track takes them to reforms, revival and rejuvenation. The other track will lead them to a nowhere land of crisis and chaos. Sir, we must make the right choice, sooner, rather than later. We have already set in motion various reform measures. Efforts are underway to generate resources through non-traditional sources.

We recognise this task is not going to be easy at all and it cannot be done overnight as well. A system which remained largely unchanged during five decades will need some amount of time, continuity and perseverance with the full support of not only the Central Government but the State Governments as well. Sir, we also feel that in any reform exercise, our employees will be our strength. We feel that no reforms can be successful without full involvement of the people. I would like to assure this House that Railways shall not be privatised.

The House is aware that a Railways expert group was set up in 1998. The group has submitted an Interim Executive Summary of its report recently, which is under examination. The detailed report is awaited.

Sir, we all know that Railways urgently need modernisation. However, we need to select appropriate technology. We also have to find innovative means of funding this process of modernisation. I am happy to inform the House that I have set up an Advisory Committee under the Chairmanship of Mr Sam Pitroda for suggesting ways and means of initiating comprehensive modernisation of Indian Railways with the application of appropriate technologies.

International co-operation

In our continuing efforts to promote international co-operation among the neighbouring countries, I am happy to inform the House that the rail link between Petrapole in India and Benapole in Bangladesh has recently been restored and opened for goods traffic. This will pave the way for running of passenger services also.

Budget estimates

Sir, I shall now deal with the Budget Estimates for 2001-02.

A general recession has been observed in the economy since 1998-99, as we all know. Consequently, the infrastructure sector has also shown a downward trend in the recent years. Despite this, Indian Railways have shown remarkable resilience and performed quite well for last two years in terms of freight loading etc. In 2001-02, Railways showed a moderate and somewhat subdued growth in freight traffic mainly due to slowing down of economy. It would be recollected that Railways had performed very well and had achieved a growth of 8.43 per cent in freight traffic in 1999-2000. In the current year, mainly due to improved supply of coal to powerhouses, the goods traffic to end January 2001, at 389.40 million is 4.98 per cent higher than the level achieved in the corresponding period of last year. The freight traffic target for the budget year 2001-02 has been fixed at 500 million tonnes, an increment of 25 million tonnes over the current year's target of 475 million tonnes.

In this context, I am happy to announce that to facilitate adequate availability of rolling stock for freight movement, for the second year in succession, wagon procurement target has been projected at the level of 23,000 for the next year. This will give further fillip to the wagon industry in general. For passenger traffic, nine per cent increase has been provided in keeping with the long-term growth in passenger traffic. With these projections, the goods earnings are assessed at Rs 24,735 crore and passenger earnings at Rs 11,387 crore.

Ordinary Working Expenses at Rs 30,190 crore provide for a minimal increase over the current year, resulting in a total variation of 8.53 per cent over the Revised Estimates, for 2000-01. Appropriation to Pension Fund is placed at Rs 5,790 crore and Depreciation Reserve Fund has been provided at Rs 2,704 crore based upon the actual requirement for plan resources.

The total Working Expenses will, thus, amount to Rs 38,684 crore leading to Net Traffic Receipts of Rs 755 crore. Net Miscellaneous Receipts are estimated at Rs 928 crore. This also takes into account Rs 300 crore proposed to be received from General Revenues for Railway Safety Works. Thus, the Net Revenue works out to Rs 1,683 crore.

Sir, last year I had not increased the freight rates for essential commodities. This year also, I do not propose to increase the freight rates of essential commodities such as edible salt, grains and pulses, sugar, fruits and vegetables, urea, edible oils, kerosene and LPG. These commodities are used by every one and constitute a significant part of the housewives budget. I have no intention to upset the domestic budget and therefore I am exempting these commodities from any hike.

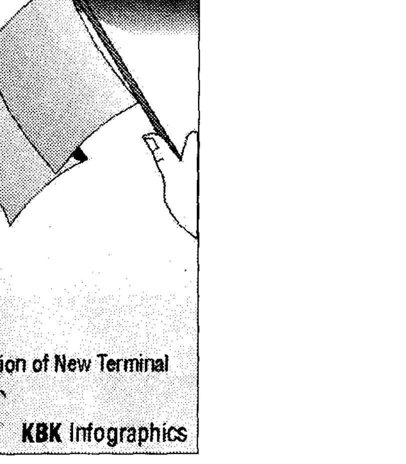
Sir, I am aware that an increase in freight rates has some direct or indirect effect on the economy. It must, however, be recognised that Railways are also being subjected to similar inflationary pressure. As was done in the previous year, the Railways will continue to absorb some part of the increase in the cost of inputs, but the circumstances demand that freight rates have to be adjusted by a small margin. As such I propose a nominal three per cent (three per cent) increase in rates of all commodities except those essential commodities mentioned before or those proposed to be charged differently as under. Keeping in view the request made by major industries, I have decided that freight rates for Coal (not meant for household consumption) and Iron & Steel (Division A, B, and C) is also proposed to be increased by only two per cent (two per cent).

Certain sections of the Railway network have become saturated, yet the demand on these sections is still growing. As is normal in the pricing policy in various transport sectors, I propose to charge a premium for carriage of traffic over these sections.

In view of the increase of seven per cent (seven per cent) in Parcel rate made in last budget, I propose to exempt Parcel and Luggage rates from any increase next year. This exemption will also be applicable to newspaper, magazines and medicines etc.

New Trains to be introduced

- New Delhi-Raipur-Bilaspur weekly Rajdhani Express
- New Delhi-Ranchi-Hatia weekly Rajdhani Express
- Bi-weekly express between Gorakhpur and New Delhi
- Bangalore-Vasco bi-weekly express
- Pune-Ernakulam weekly express via Londa and Madgaon
- Asansol-New Jalpaiguri weekly Express
- Secunderabad-Dharmavaram Express
- Sealdah-New Jalpaiguri bi-weekly Express
- Jaipur-Ernakulam weekly Superfast Express
- Dhanbad-Hatia intercity Express
- Howrah-Yashwantpur (Bangalore) bi-weekly Express
- Indore-Gandhinagar (Ahmedabad) Express
- Howrah-Trivandrum-Nagercoil weekly Express
- Kurla-Bhubaneshwar (via Sambhalpur) weekly Express
- Valsad-Patna weekly Express serving Surat area
- Haldia-Asansol Express
- Jodhpur-Chennai weekly Express
- Solapur-Pune Intercity Express
- Jodhpur-Hardwar Link Express
- Palghat-Trivandrum Express
- Bhubaneshwar-Palasa Intercity Service
- Asansol-Jhajha-Amritsar weekly Express
- Weekly Rajdhani Express to Secunderbad upon completion of New Terminal works at Hazrat Nizamuddin
- Rampurhat-Howrah Intercity Express



Source: Railway Budget 2001-02 documents
KBK Infographics

Sir, I am happy to announce that concessional MST (Monthly Season Ticket) scheme meant for the people below the poverty line which was approved last year will continue.

Sir, in the concessions granted to various categories of handicapped persons, there has been certain grievance from those who are visually handicapped or mentally handicapped. Sir, in order to ensure uniformity in availing the concessional facilities by all categories of handicapped persons, I am happy to announce that the visually handicapped and mentally handicapped persons shall also be entitled to the same benefits which are otherwise available to orthopaedically handicapped and paraplegic persons.

I would like to bring to your notice Sir, that despite there being no increase in passenger fares, the earnings from passenger traffic are poised to exceed the budgeted level. Till December, 2000 there has been an increase of 10 per cent (10 per cent) compared to the same period last year. I attribute this to various efforts being made by the Railways to augment passenger traffic and the general improvement in the services and amenities offered to the travelling public. I am hopeful that this buoyancy would continue in the coming year as well. I do not, therefore, propose to increase the passenger fares of any category or class of trains.

In the end, I wish to express my gratitude to the respected Prime Minister for his encouragement and support. My sincere thanks are also due to all the railwaymen for their hard work and dedication to duty, which has helped the Railways in achieving their task successfully. I am also thankful to the rail users whose cooperation we have been getting always.

Sir, with these words I commend the Railway Budget 2001-02 to the House.

Copy of Budget presented in RS

NEW DELHI, FEB. 26. The Railway Minister, Ms. Mamata Banerjee, today presented a copy of the 2001-02 Railway Budget in the Rajya Sabha.

Soon after presenting the budgetary proposals in the Lok Sabha, the Minister came to the Rajya Sabha and placed all the documents on the table. — PTI

BALCO share transfer not till March 1

By Our Special Correspondent

NEW DELHI, FEB. 26. The BALCO issue cropped up in Parliament once again today leading to a short adjournment of the Lok Sabha, while the Government announced in the Rajya Sabha that transfer of shares would not be effected till March 1.

With Parliament slated to discuss the Rs. 551-crore BALCO-Sterlite deal this week, Opposition members led by the Congress sought to know how the Prime Minister, Mr. Atal Behari Vajpayee, could make a statement ahead of the debate.

Raising the issue after question hour in the Rajya Sabha, the Congress Chief Whip, Mr. Pranab Mukherjee, said it was not expected of the Prime Minister to commit an "impropriety", making a statement outside when Parliament was in session. Other members including Mr. Nilotpal Basu and Mr. Jibon Roy of the CPI(M) stood up in support while Mr. Narendra Mohan (BJP), and others sought to counter them.

The Parliamentary Affairs Minister, Mr. Pramod Mahajan, defended Mr. Vajpayee's remarks at a function on Saturday saying the latter did not make any formal statement but only responded to queries from reporters.

In his opinion, Mr. Vajpayee had not committed any impropriety since the agreement to sell off government equity was cleared at a Cabinet meeting chaired by the Prime Minister. Responding to an assurance sought by the Opposition, Mr. Mahajan said the transfer of shares would not take place till March 1. The Rajya Sabha would discuss the deal tomorrow while the Lok Sabha would take it up on March 1.

In the Lok Sabha, the Congress Chief Whip, Mr. Priyaranjan Dasmunshi, lodged the protest and soon found support from the Opposition benches with some raising slogans. As repeated requests did not pacify the agitated members, the Speaker, Mr. G. M. C. Balayogi, adjourned the House till noon, when the Railway Budget was presented.

Court won't intervene: Page 13

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Balco transfer after 1 March: Centre

558
2912

STATESMAN NEWS SERVICE

NEW DELHI, Feb. 26. – The Centre today announced that Balco's shares would not be transferred before 1 March. Rajya Sabha is slated to discuss the issue tomorrow and Lok Sabha on 1 March.

The Union parliamentary affairs minister, Mr Pramod Mahajan, however, denied that the transfer of shares had been rescheduled because of the heat it had generated in Parliament. "When the government does this kind of disinvestment, it takes time to transfer the shares...It will not transfer the shares before 1 March."

Asserting there was "nothing wrong" and "nothing to hide" in the Rs 551.5 crore deal, Mr Mahajan said the government was ready to discussion the matter in accordance with the rules.

He brushed aside Opposition's charges that the Prime Minister had committed parliamentary impropriety by seeking to defend the deal outside the House. The Prime Minister, he said, only told journalists that the deal was a "good one". "What else could he possibly say?"

In Lok Sabha, the Speaker accepted an Opposition motion under Rule 184 on Balco divestment. Even before the House could resume question hour, Opposition members raised slogans and barged into the well pleading with the Speaker to direct the government to make a statement.

The Speaker, however, expunged the remarks of the members who refused to listen to his pleas to let the question hour proceed.

The Lok Sabha was adjourned till noon after the din which lasted more than 10 minutes.

THE STATESMAN

THE STATESMAN

27 FEB 2001

No hike in passenger fares

STATESMAN NEWS SERVICE 5/1 27/2

NEW DELHI, Feb. 26 — When Miss Mamata Banerjee stood up in Parliament today, she became the first woman railway minister to present more than one railway budget. As she finished her speech, she had notched up two more for the record books: The first railway minister to present two consecutive budgets with no hikes in passenger fares. And the first railway minister to present a budget with not a single new project, though 24 new trains have been announced.

The hard political bargaining and economic surrender inherent in this cash-strapped populism had led by the evening to furious speculation about a supplementary rail budget after the Assembly polls. Or at least, a post-election fare rationalisation.

At a post-budget press conference, senior officials of the rail board did not dismiss these possibilities with the firmness they could have, saying the Railways "will monitor progress and decide whether or not to revise fares".

On a pointed question about a supplementary budget, the rail board chairman, Mr Ashok Kumar, said: "I don't predict the future, therefore no comments."

There were some indications, too, that freight rates could be changed after elections. Rates for congested routes may be the target. But the budget itself saw some selective changes in freight rates. Rates have been hiked for commodities like steel and coal, by three per cent. Most household items have been spared.

The seven new trains for West Bengal led many MPs to accuse Miss Banerjee of neglecting their states, and stormed the Well of the House. NDA partner BJD staged a walkout. Mamata pleaded: "Listen, I have given enough for all of you. Don't shout, please understand my limitations also."

Her other protestations included the vigorous defence of maintaining the status quo on passenger fares: "Last year there was a 10 per cent increase in passenger earnings. Why should I then burden passengers? I won't."

She claimed the around three per cent hike in some freight rates wouldn't affect average household budgets or have an inflationary impact. "It will have no impact on the common man because household items have been spared," she said, cheered by Trinamul members.

Freight rates for essential commodities like sugar, edible salt, grains and pulse, edible oil, kerosene, fruit, vegetables and LPG are unchanged. But a 2 per cent increase has been made for coal (not meant for household consumption), iron and steel (division A, B & C), and a 1 per cent increase on furnace oil.

■ Editorial: Rich landlady, page 6
■ Stories, photograph on pages 8 and 10

A 3 per cent hike has been announced for all other commodities. The increase in freight charges is expected to fetch an additional revenue of Rs 600 crore. The freight traffic target has been fixed at 500 million tonnes, an increase of 25 million tonnes.

With an eye on the Left benches, Mamata said, "Somnath*dada*, I have taken care of your constituency also with a new train service," while the Marxist veteran nodded as if he saw through the gameplan.

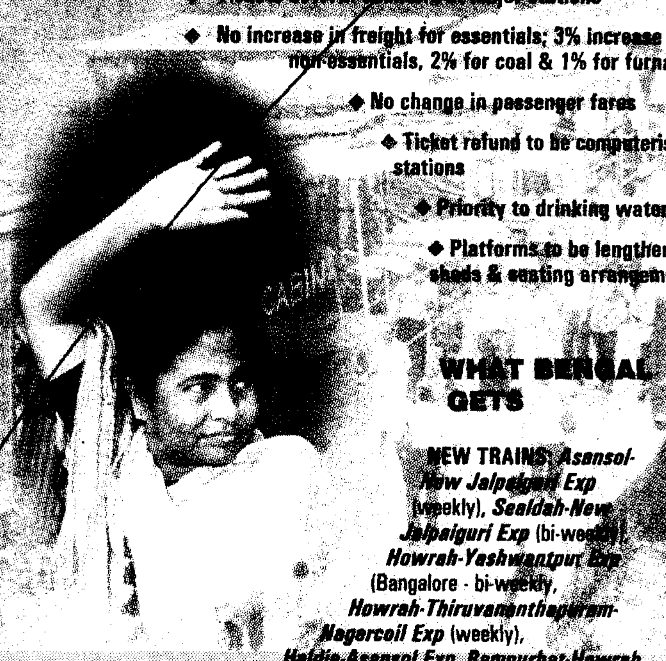
Precarious rail finances meant that budgetary outlays could only be tinkered with. The only significant change from last year's figures is in market borrowing, to go up by Rs 500 crore. Plan outlay, at Rs 11,090 crore is 11 per cent higher. Budgetary support remains the same, at Rs 3,540 crore, while Rs 3,540 crore will be raised through internal generation.

While not hiking passenger fares, the Railways hope to increase earnings on this front by enlarging 'capacities' — efforts will be on to run 24-compartment trains and increase the length of platforms. Passenger fare earnings have been projected at Rs 302 crore.

The budget rolled out a series of "unconventional methods"

■ See RAIL, page 8

RAILWAY BUDGET 2001-2002



RELIEF FOR THE COMMON MAN

- Tickets at ATM counters at major stations
- No increase in freight for essentials; 3% increase in freight for non-essentials, 2% for coal & 1% for furnace oil
- No change in passenger fares
- Ticket refund to be computerised at zonal stations
- Priority to drinking water & sanitation
- Platforms to be lengthened, with more sheds & seating arrangements

PLAN ALLOCATION

- Annual plan pegged at Rs 11,090 cr, 11% increase over last year's Rs 10,002 cr
- Funds for new lines up from Rs 702 cr to Rs 1,015 cr
- Passenger amenities' provision up from Rs 144 cr to Rs 200 cr
- Rs 2,050 cr for tracks renewal, up from Rs 1,833 cr
- Budget support at last year's level of Rs 3,540 cr. Market borrowings placed at Rs 4,000 cr
- Balance to be met through internal resources, non-traditional revenue generation and general revenue from safety works

WHAT BENGAL GETS

NEW TRAINS: *Asansol-New Jalpaiguri Exp* (weekly), *Sealdah-New Jalpaiguri Exp* (bi-weekly), *Howrah-Yashwantpur Exp* (Bangalore - bi-weekly, *Howrah-Thiruvananthapuram-Nagercoil Exp* (weekly), *Haldia-Asansol Exp, Rampurhat-Howrah Intercity Exp, Asansol-Jha Jha-Amritsar Exp* (weekly)

Sealdah-Rajdhani Exp to run 4 days, instead of 2 a week

Sealdah-Darbhanga Ganga Sagar Exp to run daily instead of 4 days a week

Matrubhumi Exp on Howrah-Delhi & Howrah-Dehradun routes to have only Second Class coaches during peak seasons

New lines to be completed: *Gazol-Buniadpur* of Eklakhi-Balurghat project; *Bajkul-Digha* of Digha-Tamluk project

Bandel-Jirhat, Harishchandrapur-Kumarganj, Baruipur-Mograhat and *Kalinarayanpur-Krishnagar* tracks to be doubled

Moinaguri-Jogoghopa line to be routed through Changrabandha

Restoration projects: *Nasipur (Azimganj)-Jiaganj* line; *Teesta Valley Narrow Gauge* line from Sevoke to Gillikhola; Mogra to Tarakeswar.

MONDAY, FEBRUARY 26, 2001

A DIFFICULT EXERCISE

IF THE ANNOUNCEMENT regarding the Bharat Aluminium Company (BALCO) on Thursday came as a pleasant surprise to those who were unhappy with the pace of the disinvestment programme, the sharp criticism — both in and out of Parliament — the next day was entirely predictable. The official policy on sale of public sector enterprises, which commenced during 1991-92, has been controversial. During the past decade political parties of different hues have formed the Government at the Centre. Disinvestment came to be accepted as an official plank, though obviously the emphasis has varied in the implementation. Stringent criticism, not necessarily well informed, has bedevilled the process of sale, no matter what methodologies have been used in each instance. Not surprising therefore that securing a reasonable consensus takes precedence over the attainment of certain goals of divestment. One lesson learnt over the past decade is that it is the procedural parts of the public sector sale, rather than the concept proper, which are contentious.

The above come into sharp focus now even as the Government prepares to transfer 51 per cent of its stake in BALCO to Sterlite for a little over Rs. 550 crores. While the Government takes credit for another Rs. 244 crores and claims that there cannot be a better price, most of the opposition alleges opaqueness in methodology and short-changing of the exchequer. The Government says the price for handing over its majority stake has been determined through an independent and time-tested valuation exercise adopted by its global advisers and that what Sterlite is paying for is much higher than the reserve price fixed, the book value of BALCO and the competing bids. The transparency and openness built into the process by the Minister of State, Mr. Arun Shourie, is indeed commendable.

Given that highly emotive points are involved, with the divergent sides unlikely to arrive at a meeting ground anytime soon, the BALCO sale might well pass off as yet another unhappy disinvestment experience, with little to contribute by way of healthy precedents. That will be most unfortunate. BALCO's has been only the second strategic sale that has come so close to completion, the first concluded one being the sale of Modern Foods a year ago. There have been high expectations from this method which involves a transfer of management control along with a chunk of equity. Theoretically, it has advantages over the piecemeal processes adopted earlier. The buyer would pay more and lift the value of the enterprise. Technical support and managerial decision-making skills will be built into the process of selection of the strategic buyer. All stakeholders of the company — employees, existing government-shareholder as well as new shareholders — ought to benefit over the term. In practice though as the BALCO experiment demonstrates, the strategic route much more than the earlier rounds of disinvestment can be controversial to a point where even at the final stages it can get derailed or postponed.

At a time when more high-profile privatisation programmes involving the two airlines and VSNL are in the early stages any setback will be injurious to the macroeconomic policy at large. The BALCO announcement, coming as it did, barely a few days before the budget can be a shot in the arm for the disinvestment programme. In fiscal terms its contribution is just about 5 per cent of the amount budgeted for disinvestment proceeds for this year, but still very significant because no other divestment has taken place. But there will be even more tangible gains if the Government and the opposition reach a meeting ground so that future decision-making in this vital area is not imperilled.

Navin under Opp fire for Balco deal

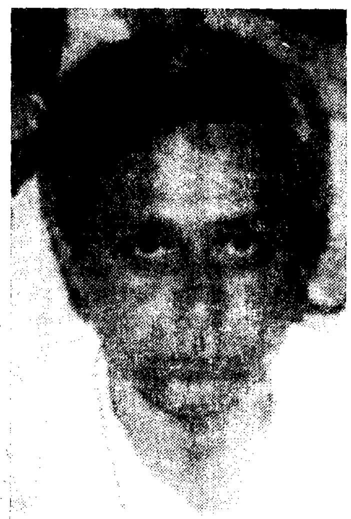
Slo Afo

ST-8 261

STATESMAN NEWS SERVICE

BHUBANESWAR, Feb. 25. – The state government today said Balco will continue to be "responsible for setting up an alumina plant in Orissa".

Disinvestment or sale of the company will not change the situation. Setting up an alumina plant was one of the conditions laid down when the mining lease was recommended in Balco's favour, sources said here.



Mr Navin Patnaik

The controversy over proposed disinvestment of Balco has had its effect in Orissa. Opposition parties have alleged the state government had recommended grant of mining lease to the company knowing fully well that it was going to be privatised.

The Janata Dal (S) today said sanction of mining lease on the eve of such a controversial privatisation implies the state government perhaps wanted to make the sale more attractive and beneficial to the private bidder.

The party has demanded a Central Bureau of India probe into the grant of bauxite mining lease.

The JD (S) general secretary, Mr Krushna Chandra Patra, said the government should immediately withdraw the lease provided to Balco.

Officials, however, have denied such charges. The government's decision to grant lease has not been influenced in any way by the eventual successful bidder of Balco, they said.

The government had recommended the lease to Balco much before the Centre decided to privatise the company, officials said.

Balco was an applicant for the Sasubohumali and Pansangamali mines area, officials said. The Centre had requested the state government to grant the lease to Balco.

The Centre had also informed the state it was contemplating reservation of this entire area for Balco by invoking provisions under Section 17 of the MMRD Act officials added. Under this provision, the Centre needed only to 'consult' the state government and 'concurrence' is not mandatory.

The state government had considered the entire matter and recommended grant of lease to Balco on condition that it would set up an alumina plant in Orissa. The state had also suggested this should be one of the conditions.

The Centre had agreed to this condition, officials said here.

THE STATESMAN

26 FEB 2001

Sonia accuses govt. of ignoring farmers

The Times of India News Service

NEW DELHI: Setting a politically aggressive tone, the Congress on Sunday challenged the Vajpayee government to change the direction of its economic policy and tilt the forthcoming Union budget in favour of the farm sector.

An uncharacteristically aggressive Sonia Gandhi led the charge, accusing the Centre of corruption and poor administration. "They do not have the temperament to rule. Misrule and corruption are their religion," she said in a bristling 20-minute speech at a farmers' rally organised by her party at the Ramlila grounds here. The Congress president dared the government to negate the adverse impact of the quantitative restrictions by raising a steep wall of duties on farm imports. She said by imposing high duties on agricultural imports in the budget, the government should try to protect the interests of farmers.

FIELDING FOR SUPPORT

Congress president Sonia Gandhi at a kisan rally in New Delhi on Sunday.

In what seemed to be a significant departure from Manmohanomics, Ms Gandhi served a notice on the government, making it clear that her party would pitch for farmers and play the swadeshi card. Alleging that farmers had never been treated so shabbily since independence, she said a tragic proof of their suffering was the spate of suicides by farmers in several parts of the country in recent times. Refuting the NDA government's charge that signing of the WTO agreement by the erstwhile Congress government was responsible for the problems faced by farmers, she stated that the problem lay in the failure of the Vajpayee government in raising import duties to protect farmers.

THE TIMES OF INDIA

26 FEB 2001

HD-8

BJP defends BALCO disinvestment

By Our Special Correspondent

NEW DELHI, FEB. 24. The Bharatiya Janata Party (BJP) today defended the Centre's decision to sell off 51 per cent equity in the Bharat Aluminium Company (BALCO) to the Sterlite group while rejecting the suggestion by the Telugu Desam Party (TDP) for a Joint Parliamentary Committee on disinvestment.

The senior party leader, Mr. J.P. Mathur, told presspersons here that there was no opposition within the party on the issue but there were differences among some constituents of the Sangh Parivar. However, the differences within the Parivar, especially with the Swadeshi Jagran Manch, were "not in principle" on the disinvestment policy but on the quantum of disinvestment and the choice of industry. Even the Jana Sangh had advocated that public sector undertakings should be run on profit.

On the charge that the BJP-led NDA Government had agreed to sell at a lower price, Mr. Mathur claimed the valuation was done as per norms. He rejected the demand by the TDP MP, Mr. C. Ramachandraiah, for a Joint Parliamentary Committee to go into the issue, saying there was no need since the Disinvestment Commission was entrusted with the task.

Meanwhile, the Communist Party of India (Marxist- Leninist) joined issue with the Government demanding immediate rollback of the decision and scrapping of the Disinvestment Commission and Ministry.

It charged that the NDA Government was "playing havoc with the national economy and the lives and livelihood of millions of people. The Economic Survey, which foretells doom for the economy, serves a show cause notice on the incompetent Government."

Industry supports move

By Our Special Correspondent

NEW DELHI, FEB. 24. Industry has frowned at the opposition to the Union Cabinet's decision to sell 51 per cent of BALCO's equity and urged the Government to remain firm on its decision.

Strongly supporting the deal, asserting that it was driven by market principles and that it conformed to the due process, it asked the Government to resist the pressure for a rollback of its decision since global opinion about the reforms process was at stake.

Industry also took exception to the reported statement of the Chattisgarh Chief Minister, Mr. Ajit Jogi, threatening cancellation of BALCO's bauxite mining lease if the Centre went ahead with its plan. Describing such pressure tactics as "unwarranted", the Associated Chambers of Commerce and Industry President (Assocham), Mr. Ragu Mody, warned that the disinvestment process would be halted if the Government succumbed to pressure on the issue.

The Federation of Indian Chambers of Commerce and Industry (FICCI) president, Mr. Chirayu Amin, said, "Any disinvestment process must meet the established benchmarks of transparency, observation of the due process, opportunity for everyone to bid, no hint of outside trading or sleight of hand, and the process must be driven by open market norms."

The chamber concurred with the Disinvestment Minister, Mr. Arun Shourie's assertion that the decision was taken via a detailed and painstaking route. The final bidding price was arrived at after a prolonged process of evaluation and examination of seven bids.

The fact that the second highest bid was reportedly lower from the first by over Rs. 250 crores indicated that there was no sleight of hand or insider trading. "Had there been collusion or insider trading, the price differential would have been marginal," he contended. Based on the analysis of the available facts, FICCI urged the Government not to call off the deal since "any such action will detract from its credibility in the market place and affect the global opinion on the country's reform agenda".

THE HINDU

25 FEB 2001

'REFORMS PROGRAMME TO BENEFIT ALL SECTIONS'

BALCO deal as planned: PM

By Our Special Correspondent

NEW DELHI, FEB. 24. The Prime Minister, Mr. Atal Behari Vajpayee, today defended the Government's disinvestment policy and said there was no confusion over the course of action taken in the case of the Bharat Aluminium Company (BALCO).

Talking to reporters after a book release function at his residence, Mr. Vajpayee expressed confidence that the BALCO deal would go through as planned once the matter was discussed in Parliament, and the Government presented the facts to the House. It was a good agreement which Parliament would surely endorse, he added.

Earlier, after presenting the prestigious Shram Awards for 1999, Mr. Vajpayee sought to dispel doubts being expressed in certain quarters about the economic reforms.

The reforms programme was meant to help all sections of workers especially those in the unorganised sectors.

"We have begun to reform the economic process to create more employment opportunities. India can benefit from dramatic changes in technology to compete successfully in the global market," he said adding "we must gear up to meet the international competition in our own domestic market."

Mr. Vajpayee said some perennially loss-making units might have to be shut down even as efforts would continue for restructuring public sector undertakings through disinvestment but workers interests would be fully protected.

Workers' interests

"Protection and promotion of workers' interests are an integral part of our reform strategy," as the Government believed that workers' welfare went beyond the implementation of legal rights and was taking effective steps to extend the reach of social security through innovative insurance schemes such as the "Janashree Bima Yojana".

Also the two existing organisations — the Employees' State Insurance Corporation and the Employees' Provident Fund Organisation — were being revamped to make them deliver better services, the Prime Minister said.

The Government would quickly implement all accepted recommendations of the second National Commission on Labour which was expected to submit its report by October.

Pointing out that agricultural labourers today received neither legal protection nor social security, he said the Labour Ministry was working on a comprehensive social- security scheme for them.'I would like the details of this scheme to be finalised quickly, in consultation with other ministries and the State Governments."

Global challenge

Lauding the role of labour in nation-building, Mr. Vajpayee said he was often disappointed that some "votaries" of economic reforms debated issues on development without any reference to workers' welfare.

"And when they do refer to workers, it is by showing them as a liability, rather than as a valuable productive asset," he said adding the Government's programme of economic reforms was meant to help workers and not hurt them.

"Our objective is to promote the well-being of all sections of workers, especially those in the unorganised sector, who comprise 90 per cent of our total workforce of 354 million."

The Labour Minister, Dr. Satyanarayan Jatiya, called for a serious effort in upgrading workers' skills to enable the industry face the challenges of the global competition. The employers should offer incentives to the workers for the upgradation of their skills as it would ultimately help the industry.

In all 26 workers were honoured with the Shram awards. They included two women.

Three directors asked to go

NEW DELHI, FEB. 24. The Government has sought the resignations of the three functional directors of the Bharat Aluminium Company (BALCO) as part of the pre-signing formalities for sale of 51 per cent stake to Sterlite industries for Rs. 551.5 crores even as the issue is hanging fire in Parliament.

"The formalities will be completed in less than a week's time," sources said but declined to comment as to when the formal agreement between government and the new partner would be signed and money would be transacted to the exchequer.

A top functionary of BALCO said the Government was in fact withdrawing the functional directors and the process would be completed along with the signing of the deal with the Sterlite. — PTI

THE HINDU

25 FEB 2001

The Telegraph

SATURDAY 24 FEBRUARY 2001 VOL. XIX NO. 230

POVERTY FIGURES

Since reforms started in 1991, there has been debate about the correlation between reforms and poverty. The correlation between growth and poverty reduction is fairly robust and has been empirically established, both in India and abroad. To the extent reforms stimulated growth, and this is not in doubt, poverty should have declined. The problem is paucity of data. The National Council of Applied Economic Research collects data, but these are not usually used. The standard source is data on expenditure collected by the National Sample Survey, used to compute the percentage of population below the poverty line, or the head count ratio. The poverty line is itself computed on the basis of calorie norms that evolved in the early Sixties and there are criticisms that these are outdated, appropriate price deflators are not used and NSS underestimates expenditure, as compared to overall expenditure figures obtained by the Central Statistical Organization. The more serious problem is that the NSS undertakes large samples only at infrequent intervals and the last large sample was in 1993-94. To expect reforms begun in 1991 to impact on poverty ratios in 1993-94 is unrealistic, apart from the fact that many reforms that alleviate poverty (delivery of primary education, rural roads, rural health care, drinking water, sanitation) haven't yet happened. Consequently, the favourable impact of reforms on poverty has solely been through growth, the much-maligned trickle down effect.

However, the debate on the link between reforms and poverty has continued, despite poverty of data. Since 1993-94, the NSS has undertaken thin samples, but these are notoriously unreliable. So there were great expectations about what the NSS large sample of 1999-2000 would reveal. But a fresh controversy arose out of the 30-day and seven-day debate. Historically, the NSS has collected data on a 30-day basis. Respondents have been asked what the household expenditure was during the preceding 30-day period. This is felt to be unreliable, since no one remembers expenditure incurred 30 days ago. In seven-day recall, households are asked about expenditure during the preceding seven days.

In the 1999-2000 sample round, the NSS sought information on both the 30-day and seven-day bases. Households were to be asked about 30-day expenditure first and about seven-day expenditure subsequently. Otherwise, households would simply multiply the seven-day figure by four to obtain the 30-day figure. So ran the argument. The 1999-2000 round consisted of four sub-rounds and in 10 per cent of cases in the first sub-round the proper sequence was not followed. Why households should be able to multiply and not divide, of course, goes unanswered. On the basis of seven-day figures, the all-India poverty ratio was 23 per cent, while on the basis of 30-day figures, the ratio was 26 per cent. Some refuse to believe that poverty can decline. There were reports that since the proper sequence was not followed in 10 per cent of cases in the first sub-round, the planning commission (which calculates head count ratios on the basis of NSS data) was going to junk the 1999-2000 survey and commission a fresh sample. Thankfully, better sense prevailed and the commission has gone public with 30-day figures. This conclusively establishes that poverty has indeed declined to 26 per cent from 36 per cent in 1993-94, with 27 per cent below the poverty line in rural areas and 23.6 per cent below in urban areas.

> Empirical evidence clearly shows that to the extent that reforms stimulate growth, they help reduce poverty

More interesting than the all-India figure are the state-level head count ratios. Goa, Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab and Delhi have head count ratios below 10 per cent. Conversely, Assam, Bihar, Madhya Pradesh and Orissa have head count ratios above 35 per cent, with West Bengal at 27 per cent. The conventional identification of poverty with BIMARU is no longer valid. Rajasthan, for example, has a head count ratio of only 15 per cent and Madhya Pradesh is also climbing out of the BIMARU fold. States that do well, exhibit growth beyond a minimum threshold. That is the simple message. To the extent reforms stimulate growth, they do help poverty reduction. This proposition now has empirical support.

SCRIPSI

Literature is a conscious mythology: as society develops, its mythical stories become structural principles of story-telling, its mythical concepts, sun-gods and the like become habits of metaphoric thought. In a fully mature literary tradition the writer enters into a structure of traditional stories and images. — NORTHROP FRYE

Get tough to stem slowdown: Pre-Budget Economic Survey

HT Correspondent
New Delhi, February 23

WITH ECONOMIC growth sliding down this fiscal to 6 per cent as against 6.4 per cent in 1999-2000, the pre-Budget Economic Survey has suggested a slew of measures to restore fiscal balance and revive the sluggish industrial and agricultural sectors.

Firm indicators about how Finance Minister Yashwant Sinha plans to revive the economy and reverse the deceleration in industrial and agriculture growth are available in the survey, which was presented in the Lok Sabha today.

If one were to go by the survey, largescale fine-tuning of the Vajpayee Government's economic policies seems to be in the offing. It is expected to be in line with the strategy outlined in the Prime Minister's Office (PMO) document targeting a 9 per cent annual growth rate.

The survey indicates that the Finance Minister may depend heavily on cutting food and fertiliser subsidies to significantly bring down non-development expenditure, borrowings and thereby fiscal deficit. But, this hike may only be modest, given the fact that five States are to go for Assembly polls in April-May.

The survey also proposes a complete decontrol of fertiliser, coal, sugar, petroleum sectors and the lifting of price controls in these areas. It may have an inflationary impact on essential items.

As for coal, private investments would be allowed for the first time. This was also indicated in the President's address to both Houses of Parliament earlier this week.

For the first time, this vital document of the Finance Ministry talks about food economy management that could lift impediments on production, storage and transport of agriculture products.

The Economic Survey favours total decontrol of the processing of agricultural products. To this end, firm steps to implement the new agriculture policy appear to be in the offing in Sinha's Budget. The survey specifically seeks to immediately end the monopoly of the Food Corporation of India (FCI), thereby providing scope for the creation of private silos.

The survey also points to a radical shift in the Centre's PSUs privatisation programme. Barring defence, the Survey suggests that Government sell the majority of its equity shares in all PSUs to the public at large.

The 325-page annual document hints at across the board cut in interest rates on provident fund, pension funds, small savings. This is expected to be followed by a second round of slash in banks interest rates after the presentation of the Union budget on February 28.

An important area where reform is sought to be initiated is education. The Survey suggests education be treated as another commercial service with proposed involvement of corporates, NRIs and OCBs. Education, henceforth, may be treated on par with Internet service providers (ISPs), basic and cellular service providers.

An area that has wide implications for the working class and the new economy is the proposed new contract labour Act as part of labour reforms sought to be initiated. The survey said the new law would encourage outsourcing of services, especially in areas such as telecom, infotech and entertainment.

WHAT TO EXPECT IN THE BUDGET

- Cut in PF, pension, small savings and bank rates.
- Education to be treated as commercial service.
- Govt to withdraw from all production units, will sell shares of PSUs in the open market.
- Food and fertilizer subsidy to be pruned.
- Complete decontrol of fertilizers, coal, sugar, petroleum.
- Internet telephony to be opened up.
- Customs duty to be cut to Asian levels.
- Contracts labour law proposed.
- Irrigation to be handled over to cooperatives.
- Reduction of Government workforce.

THE HINDUSTAN TIMES

24 FEB 2001

STRESS ON TOTAL PRIVATISATION OF PUBLIC SECTOR

Reforms must go full steam: Survey

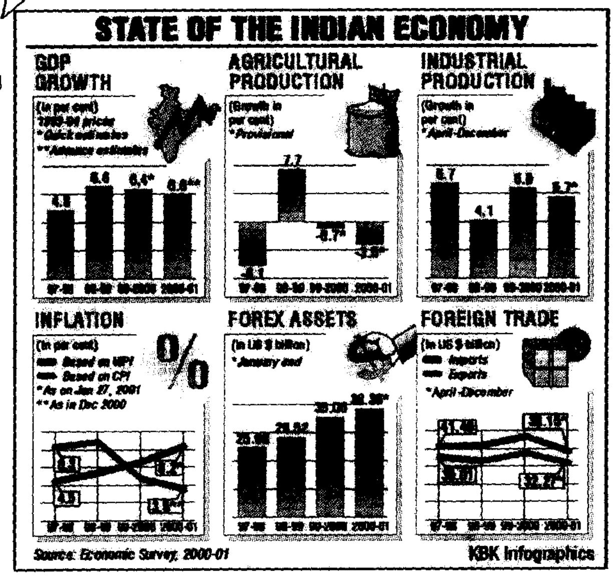
By Our Special Correspondent

NEW DELHI, FEB. 23. The 2000-2001 Economic Survey presented to Parliament today by the Finance Minister, Mr. Yashwant Sinha, called for "full-steam ahead" reforms including total privatisation of the public sector, reduction in interest on small savings, pension and provident funds, deregulation of the coal, petroleum and sugar industries, disbanding of the retention price system for fertilizers and ending the monopoly role of the Food Corporation of India.

The Survey is an elaboration of the note put up earlier by the Finance Ministry to the Prime Minister's Office on the likely route of future reforms. Hence, there are suggestions that the Departmental Public Enterprises be converted into companies and be subjected to market incentives and competitive pressures, that the service tax net be widened to cover more items, that a modern bankruptcy law be incorporated to facilitate closure of sick industries and a modern contract labour law be enacted to provide flexibility in the labour market.

Other recommendations are for scrapping the Rent Control Acts by the States, complete dereservation of the small-scale sector to make it more competitive and the creation of a special task force to push power sector reforms with the State Governments.

Practically pin-pointing the high fiscal deficit of the Centre and the States as the one major factor responsible for the ills of the economy, the Survey tailored most of its recommendations towards reducing this deficit. "The key problem affecting the economy is the persistence of high fiscal deficit... and this has reflected itself in an increasing share of debt services in the expenditure budgets of both the Centre and the States. Consequently, the Government's ability at any level to undertake significant public investment has been seriously eroded, and this has led to a decline in demand for Indian industrial goods. The lack of public investment has also slowed down private investment in infrastructure and the continued high borrowing, as a result of the high fiscal deficit, has also kept real interest rates high. Thus, the industry faces interest rates of 8 to 10 per cent, which would be among the highest in the world."



The administered interest rates on pension and provident funds must take into account inflation rates, the effective term of deposits and available tax exemptions. "This will ensure that the after-tax real rate of interest paid on these borrowings reflects the market rates and is consistent with the overall demand and supply conditions in the debt market. The interest rates paid on small savings instruments must be benchmarked against equivalent market instruments."

On the public sector, the Survey says, "privatisation will allow the Government's capital expenditure to be allocated to public goods and basic infrastructure that is not commercially viable. A significant portion of Central capital expenditure could be reallocated this way, of all public sector units producing private goods are sold to the public. The funds received from privatisation would also help in reducing public debt incurred for setting up these units and will put the debt-GDP ratio on a sustainable path."

'Reduce subsidies'

Significantly, the Survey has slightly altered the privatisation proposal by suggesting that the public sector units be sold to the general public and not necessarily to strategic partners as is being tried now. The move has attracted strong opposition from political parties. "The identification of public sector with state monopoly needs to be replaced by a public sector that is owned by the people/public. Shares of these companies would be eventually sold to the public while retaining majority only in companies producing major defence systems."

On subsidies, the prescription is the familiar one that there is a need to reduce subsidies, target remaining subsidies on the poor and search for more efficient mechanisms for protecting the poor. Food subsidies could be either channeled into guaranteed unskilled manual employment that is self- selecting or into food or income supplement system for the poor, using the latest smart card technology, including its inputs.

On fertilizer subsidy, the Survey said the retention price system was one of the most anachronistic and should be disbanded. On the other hand, to minimise the effect on farmers, the prices of fertilizer and natural gas should be at par with international prices, through appropriate customs and excise duties, the Survey said adding that as the current price to farmers was close to the landed cost of urea, this was the appropriate time for aggressive action in this direction.

More reports on Pages 14, 15

HD-1 24/2

BALCO deal put on hold

Corruption

By Our Special Correspondent

NEW DELHI, FEB. 23. Fierce opposition to the BALCO-Sterlite deal today forced the Government to agree to put off finalising the sale agreement till the matter was discussed in Parliament. For the second day the issue rocked Parliament forcing adjournments in both the Houses.

A determined Opposition raised its voice against the Government's decision to sell its 51 per cent equity in BALCO to Sterlite for Rs. 550 crores, charging that the profit-making public sector firm was being sold cheap. The treasury benches were not allowed to have their say, and had to defend themselves outside the House.

Relenting to sustained pressure with some Opposition members moving a motion for discussion in both Houses under rules which entail voting, the Government said the discussion in the Rajya Sabha would be on Tuesday and in the Lok Sabha on March 1.

Immediately after question hour, members were on their feet in both the Houses demanding that the sale agreement be kept in abeyance till the House discussed it. The Congress, the Left, and the RJD members were the most vocal.

The pleas of the LoK Sabha Speaker, the Rajya Sabha Chairman and Ministers fell on deaf ears and no one was willing to even listen to the Government's view. Later, the business advisory committees of the two Houses decided the dates for discussion.

Charges refuted

At a press conference later, the Disinvestment Minister, Mr. Arun Shourie, rebutted the charges against the Government and regretted the lack of opportunity to present his case in Parliament. Seeking to set the record straight, Mr. Shourie, said the Cabinet's decision was in consonance with the recommendations of the Disinvestment Commission. The Government would submit all documents to the Comptroller and Accountant General once the agreement was finalised.

Throwing down the gauntlet, Mr. Shourie challenged the critics of the deal to get a better offer and "we will find a way to cancel this" and give BALCO's equity to the higher bidder. Giving copious details on the process followed to privatise BALCO, the Minister, however, ruled out a white paper. In an indirect broadside at the Congress, he commended the disinvestment process in Maharashtra, Karnataka and Madhya Pradesh, ruled by the Congress.

He also indicated that while Parliament could discuss the matter, the Government was not ready to give up its "executive privilege". The agreement, which was to be finalised on February 26, would now be put on hold till the discussion in Parliament.

Mr. Shourie promised a full statement in Parliament "when given a chance" and said a "think paper" was being prepared.

The Congress spokesperson, Mr. S. Jaipal Reddy, said the party's opposition was confined to short-selling a profit- making PSU. "The Government is in a devilish hurry to receive the cheque from Sterlite for reasons best known to it." Mr. Reddy said an internal assessment by the Finance Ministry had assessed BALCO's worth at Rs. 2,000 crores in 1998 and pointed out that the firm had a 280 MW captive power plant worth Rs. 2,000 crores.

In a related development, the BJP spokesperson, Mr. V. K. Malhotra, took exception to the threat by the Chattisgarh Chief Minister, Mr. Ajit Jogi, to cancel all mining leases granted to BALCO if the deal was hurried through. "If he insists, there are Constitutional remedies," he hinted terming the threat an "attack on the federal character of the Constitution".

PIL filed in HC

PTI reports:

Meanwhile, a public interest litigation filed in the Delhi High Court by advocate Mr. B. L. Wadhera, challenged the Government's decision to sell 51 per cent of its stake in BALCO to the Mumbai-based Sterlite industries. The matter is likely to come up for hearing on Monday.

THE HINDU

24 FEB 2001

Stiff dose to cure growth gloom

FROM OUR SPECIAL CORRESPONDENT

New Delhi, Feb. 23: This time it's a triple whammy: industry has trundled into the slow lane, foodgrain production has slumped 4.7 per cent, and inflation has raised its hydra head once again.

The upshot: the economy is sputtering with growth down to 6 per cent from 6.4 per cent a year ago.

The Economic Survey for 2000-01, which was presented by finance minister Yashwant Sinha in the Lok Sabha today, paints a pretty sordid picture with industrial growth decelerating to 5.7 per cent in the first nine months of 2000 from 6.5 per cent in the year-ago period, foodgrain production tumbling to 199 million tonnes from 208.9 million tonnes, and inflation running at 8.2 per cent against 6.5 per cent a year ago.

To top it all, growth in organised sector employment has shrunk from 1.44 per cent in 1991 to a sliver of 0.04 per cent in 1999.

Bite the bullet

But there's hope yet, says the Survey, and advises the government to bite the bullet. It has set out a tough agenda that calls for aggressive privatisation, intensive reforms of labour laws, sharp downsizing of the government, widening of the tax net, a clampdown on subsidies, and dereservation of the items that have been earmarked for the small-scale sector.

It also sought drastic measures in the upcoming budget to cut fiscal deficit, hasten reforms, widen the scope of service tax, phase out tax exemptions, and bring down import tariffs to Asian levels.

The Survey also wanted the government to bring prices of fertilisers and natural gas at par with international prices.

According to the Survey, many of the ills of the economy can be cured if all public sector units producing private goods are sold to the public. Governments, the Survey says, with their elaborate bureaucratic structures, multiple layers of accountability and complex cross-checks, are unsuited to the demands of commercial production in a competitive, fast-growing economy. Privatisation will allow government's capital expenditure to be allocated to public goods and basic infrastructure.

"Identification of the public sector with state monopoly needs to be replaced by a public sector that is owned by the public," it said, adding that shares of newly-formed companies could be sold to the public while retaining a majority only in those companies that produce defence systems.

Stressing the need to reduce the high 8-10 per cent real interest rates to reverse the industrial slowdown, the survey hints at lowering of interest rates on small savings by benchmarking them against equivalent market instruments.

Although direct tax collections had been buoyant, some shortfall is expected in the indirect tax collections due to slowdown in industrial growth and negative growth rate in non-oil imports.

Although major industries of Gujarat had escaped the worst effects of the earthquake, the im-

THE TELEGRAPH

24 FEB 2001

Allies cry halt, Opp steps up attack over Balco

HT 24 ✓

HT Correspondent
New Delhi, February 23

THE GOVERNMENT'S proposal to disinvest in Balco has snowballed into a major political controversy. Even as a determined Opposition kept alive the issue by forcing adjournments in Parliament today, a section of the NDA allies lent force to their campaign by airing similar apprehensions about the multi-crore deal.

Acting in concert with the Left parties and other non-NDA formations, the Congress geared itself for another ding-dong battle by insisting that the issue be debated under rules entailing votes in both Houses.

The Opposition's no-holds-barred offensive got a big boost when the TDP and Trinamool Congress endorsed the Opposition's demand that the deal be put on hold till discussed threadbare in Parliament.

In a quick rearguard action, the Treasury side agreed to debate the sale. But it did not say whether it was agreeable to post-debate votes.

To allay the BJP allies' fears, Finance Minister Yashwant Sinha and Minister of State for Disinvestment Arun Shourie reached out to the TDP-Trinamool combine with details of the planned transaction. But the 'friendly' parties emerged unconvinced from the specially-arranged ministerial briefing.

In what amounted to an endorsement of the Opposition stand, the TDP-Trinamool sceptics articulated the commonly-shared perception that Balco was being undersold.

On its part, the Congress led the Opposition charge in the Lok Sabha — its Deputy Leader, Madhavrao Scindia, making a forceful case against the deal which, among other things, would throw its 7000-strong workforce on the streets. In similar vein, party spokesman Jaipal Reddy questioned the Government's "devilish hurry" to disinvest in Balco, a 'mini ratna' PSU.

Related reports on Page 9

Survey presents grim economic outlook

STATESMAN NEWS SERVICE

NEW DELHI, Feb 23 — Even without the impact of the devastating Gujarat earthquake, and despite official claims of 42 "major" economic reform initiatives, the economic outlook is grim. This was frankly laid out in the Economic Survey tabled by the finance minister, Mr Yashwant Sinha, today in Parliament. The survey clearly shows that most targets set earlier in the financial year are unlikely to be met.

Acknowledging that the economy is at a difficult stage, the survey, traditionally presented a few days before the annual budget, openly warns of a continued decline in the growth rate in the coming fiscal year, and outlines severe measures needed in the forthcoming budget to cut the burgeoning fiscal deficit, and hasten reforms.

Projecting a low six per cent GDP growth rate this year, the survey blames poor agriculture, industrial and service sector performances for the slowdown. The absence of the feel good factor is also apparent when it says "sentiment for new investment has not improved".

On page 6:
- **Miles to go before we reform**
- **Survey: less foodgrain but nothing to worry**

The key problem afflicting the Indian economy is the persistence of high fiscal deficit at both the central and state levels, reflecting itself in an increasing share of debt service in the expenditure budget. Consequently, the ability of government at any level to undertake significant public investment has been seriously eroded. The lack of public investment has also slowed down private investment in infrastructure.

The gross fiscal deficit is more than 10 per cent of the gross domestic product (GDP), while the central fiscal deficit rose in 1999-2000 to 5.5 per cent. The revenue deficit at 3.5 per cent is also higher. Interest payments have risen to 4.7 per cent of GDP in 1999-2000, up from 3.8 per cent of GDP in 1990—91, when the economic reforms agenda got under way.

The Economic Survey 2000-2001's prescription is along the lines of the Prime Minister's Economic Advisory Council's advice; a drastic cut in subsidies and hastening the dereservation of small scale industry and privatisation of public sector undertakings. The survey urges government to reverse the unsustainably high fiscal deficit, rationalisation of Central value added tax and bringing down of import tariffs to Asian levels. It suggests corporatisation of bureaucratic departmental enterprises to meet commercial challenges, and deepening and broadening of the government securities market.

Among major legislation it suggests to push reforms is the introduction of modern bankruptcy provisions, amendment of labour laws, repeal of land ceiling laws at state levels and review of SSI reservation.

Expenditure management, it says, is a major plank of second generation reforms, and, to make a viable impact, government must move out of production and concentrate solely on facilitating economic

■ See SURVEY: page 6

has a very large food stock of more than 43 million tonnes.

The low rainfall is likely to affect the standing rabi output.

clubbed with related utilities to make the project more attractive.

SURVEY:

(Continued from page 1)

enterprise and providing public utilities by privatising public units producing private goods. Subsidies need to be reduced in number and better targeted, it says, and government should be downsized to reduce bureaucratic controls.

Another major area of concern is the increasing rate of inflation, now hovering at around eight per cent, the survey says, and warns that administered interest rates on pension and provident funds remain invariant with inflation due to high real interest rates on government debt.

On the positive side, exports have improved significantly, reaching a growth rate of around 20 per cent at present, the survey says, adding that foreign exchange reserves had accumulated to 41.1 billion dollars in January this year. The initiation of reforms at the beginning of the last decade had allowed the economy to acquire a resilience that enabled it to escape the East Asian financial meltdown of the late 1990s.

The survey says sentiment for new investment has not improved because of the generalised sluggish growth in the industrial sector, and this problem has been com...ounded by the persistence of high inte...national crude oil prices, and a perceived downturn in the American economy.

While m...ajor industries in Gujarat had fortunatel...y escaped the worst effects of the rece...nt massive earthquake, the impact of...the dislocation it caused on the growth p...rocess could not be ignored, the survey sa...ys.

"It is therefore essential that the unfolding economic situation be watched carefully and measures needed to be taken to instil confidence in the economy so that growth momentum of the 1990s be improved upon," the survey says.

THE STATESMAN
24 FEB 200

Govt. hired land valuer to assess BALCO's worth

By Rajesh Ramachandran
The Times of India News Service

NEW DELHI: With the Union cabinet's decision on the privatisation of the public sector Bharat Aluminium Company Ltd (BALCO), former chairman of the Disinvestment Commission G.V. Ramakrishna has questioned the process of BALCO's evaluation.

Coming as it does barely a week after the contention of former economic affairs secretary E.A.S. Sarma that there is no cogent disinvestment policy, Mr Ramakrishna's criticism suggests that the government's sale of PSUs is arbitrary.

The valuation of BALCO's assets is mandatory since the government plans to sell 51 per cent of its equity to a company of its choice (strategic partner). This is in violation of Mr Ramakrishna's recommendation since the commission had insisted that only 40 per cent equity be sold to a strategic partner.

The inside story of the disinvestment of BALCO unravels when one traces BALCO's valuer. P.V. Rao, a retired civil engineer with no previous experience in metallurgical engineering and licensed only to assess land and buildings, was made the valuer. He roped in an associate, qualified to assess plant and machinery. Both visited BALCO's main plant in Korba on January 31 and spent four days there. On February 4, they left for Bidhan Bagh unit in West Bengal for a two-day visit. On February 7, they left Kolkata for Delhi. Five days later, Mr Rao submitted his valuation report.

When contacted, Mr Ramakrishna told *The Times of India*, "Valuation of this kind is not relevant for a going concern like BALCO. This is done when you are selling a closed company. For a going concern, evaluation should be done with reference to market share, potential earning capacity and international competition."

THE TIMES OF INDIA

22 FEB 2001

Patient Rights

An explosive cocktail could leave western pharmaceutical companies both shaken and stirred. Indian drugmaker Cipla has offered to supply French doctors group Medecins Sans Frontiers a triple-therapy AIDS cocktail at $350 per year per patient, to be distributed free of cost in Africa. Cipla will lose about $150 per yearly dose, but plans to supply as many as it is asked for. This is unlikely to go down well with Western pharma giants, which sell the cocktail at $10,000 to $15,000. A year ago, five drug multinationals had offered to reduce prices for poor nations. But the initiative covers only three countries so far, and the typical cost of the cocktail there is $1,000 a year. Activists charge pharma MNCs with overpricing and using patent rights to block cheaper alternatives. The MNCs would doubtless deny that, but they certainly take their patent rights seriously. Last year, Glaxo-Wellcome had threatened to sue Cipla when it tried to sell a generic version of a Glaxo anti-AIDS drug combination in Ghana. Even though the African regional patent authority ruled against Glaxo, Cipla stopped selling the combination. Similar efforts may be made this year, since each of the ingredients of Cipla's cocktail is said to have been patented by Western firms. Cipla has, presumably, done its legal homework so there shouldn't be a problem. Still, the entire episode raises a disturbing question: patent rights are undoubtedly important, but should companies be allowed to use them to literally make a killing?

Opponents of globalisation would argue that this is exactly what is going to happen under the Trade Related Aspects of Intellectual Property Rights (TRIPS) regime. Actually, the agreement is a lot more liberal than most people realise. It clearly states that intellectual property protection should enhance economic and social welfare. Patents can be refused for diagnostic, therapeutic and surgical methods of treatment. Even the rights conferred by patents already granted can be modified under special circumstances. In an ideal world, drug manufacturers would realise that it makes little business sense to deprive themselves of a mass market. However, a compelling case exists for modifying the patent regime if they refuse to play ball. India should take the lead in demanding that a separate set of rules be created for life-saving drugs. Twenty-year patents are all right for lifestyle drugs like Viagra. But if someone files a patent for, say, a cure for cancer or AIDS, the application should be subjected to rigorous financial and social auditing. The manufacturer's entire research and development cost should be considered, sales volumes projected and a price set that would enable him to make a reasonable profit within five years. Thereafter, the patent should lapse. Shorter patent spans would also have a positive side-effect: they would encourage intensified R&D since companies would not have the luxury of living off one discovery for 20 years. Western governments and companies may see this as a simple case of patent rights vs patient rights. But efforts should be made to convince them that the full potential of globalisation will never be realised if vast sections of the world's population are deprived of its benefits. After all, where would we have been if Prometheus had patented fire?

THE TIMES OF INDIA

13 FEB 2001

Poverty graph dips by nearly 10 per cent

The Times of India News Service

NEW DELHI: The number of persons living below the poverty line in the country has come down to 26.10 per cent, according to estimates for 1999-2000. This means a substantial drop of nearly ten per cent from the poverty estimates for 1993-'94 which were pegged at 36 per cent.

The latest estimates, released on Thursday by the Planning Commission, are based on a sample survey data on consumer expenditure compiled by the National Sample Survey Organisation (NSSO) between July 1999 and June 2000.

Significantly, the latest poverty estimate has been made on a 30-day recall basis. However, the NSSO has also released the consumer expenditure data based on a seven-day recall period for food items although its says its governing council has not yet decided to switch to this methodology.

The latest figures also reveal that the number of those below the poverty line continues to remain higher in rural areas where their percentage is pegged at 27.09. In urban areas, the percentage of those living below the poverty line is 23.62. In terms of numbers, it means that nearly 19.32 crore of the rural population comes under the below poverty line category, while in urban areas their number is roughly 6.70 crore.

Among the states, in percentage terms, Orissa has the dubious distinction of having the highest per cent (47.15) of its population living below the poverty line. It is followed by Bihar, which has 42.60 per cent of its population categorised as poor. In third place is Madhya Pradesh, with 37.43 per cent, followed by Sikkim (36.55 per cent) and Tripura (34.44 per cent).

But in terms of actual population of the poor, it is Uttar Pradesh which tops the list, with about 5.3 crore people in the state lying below the poverty line. Bihar, with approximately 4.3 crore of the country's poor occupies second place, followed by Madhya Pradesh (3 crore), Maharashtra (2.2 crore), West Bengal (2.1 crore), Orissa (1.7 crore) and Andhra Pradesh (1.2 crore).

Jammu and Kashmir has a small number of poor people estimated at 3.46 lakhs. Himachal Pradesh has merely 5.12 lakh poor people.

Speaking to the press after the release of the latest figures, Planning Commission deputy chairman K.C. Pant said while a ten per cent decrease was seen in poverty estimates, it fell short of the targeted 16 per cent in the Ninth Five Year Plan. Even the mid-term appraisal of the Plan released by the Planning Commission in October last year had noted, "Recent estimates suggest that the projections on reduction of proportion and number of people below the poverty line made in the Ninth Plan have not been realised in the first two years (1997-'99) of the Plan period."

THE TIMES OF INDIA

23 FEB 2001

Govt gets the best price for Balco sell-off

Rajiv Goel & Swaminathan S. Anklesaria Aiyar

NEW DELHI 22 FEBRUARY

THE GOVERNMENT seems to have got an excellent deal in the Bharat Aluminium (Balco) sell-off. Sterlite's Rs 551.5-crore "winning" bid for 51 per cent in Balco was double that of its nearest competitor, Hindalco (Rs 275 crore). Usually, the winning bid is merely a small percentage above the next one.

The best independent yardstick for judging the Balco deal is to see how much Hindalco paid for Indian Aluminium (Indal), last year. Key indicators suggest that Sterlite paid comparatively more for Balco, than Hindalco did for Indal.

The price earnings ratio measures how high the price of a company is in relation to its net earnings per share. Based on data for the last four quarters, the P/E ratio is 9.2 for Hindalco, 6.6 for Sterlite Industries, and 5.1 for National Aluminium Company (Nalco), the biggest producer in India, which is also likely to be privatised in future.

Last year, Balco had posted a net profit of Rs 56 crore. But the Sterlite bid values the company at Rs 1081 crore, giving a P/E of 19.3. It will be more than 40 if the government's estimate of a Rs 23-crore net profit, comes true this year.

Hindalco paid 9.6 times the earnings before depreciation, interest, tax and amortisation (EBDITA), for Indal. Sterlite paid 9.7 times the EBDITA for Balco, going by the data for 1999-2000.

TALE OF TWO BIDS

Parameters	Sterlite	Hindalco
Valuation/Sales	1.3	1.7
Valuation/EBIDTA	9.7	9.6
PE Multiple	6.6	9.2
Bid Value (Rs Crore)	551.5	275

According to government sources, the net profit of Balco could drop in the current year to Rs 23 crore, from Rs 56 crore last year. If so, the multiple paid by Sterlite would be correspondingly higher.

The bidder's valuation-sales ratio, in case of the Balco bid was 1.34. In case of Indal it was 1.70.

Bidders typically estimate the cash flow of a takeover target, in the years ahead, and discount it to arrive at a current valuation. According to reliable sources, Sterlite evaluated Balco's current worth on a discounted cash flow basis, at around Rs 800 crore. But since a company is typically willing to pay a premium for management control, Sterlite's bid valued Balco at Rs 1,081 crore.

Balco has long-term debts of Rs 255 crore and liquid assets of Rs 310 crore, and if these adjustments are made then the valuation works out to Rs 1,025 crore.

How much higher was Sterlite's bid, over that of rival Hindalco? Sources in the Birla group indicate its bid was around Rs 275 crore.

According to the disinvestment advisor, Mr Roddy Sale, managing director, J.P. Morgan, Sterlite's bid was quite a bit higher than Hindalco's. This should be a matter of satisfaction for the government. And Hindalco will feel its competitor has paid too much.

How transparent was the deal? According to Mr Sale, the deal was concluded under "the highest international standards of transparency." The sealed bids of the bidders were opened and certified in their presence. Anybody in the world was allowed to bid. All three interested bidders —Sterlite, Hindalco and Alcoa — were given full access to the accounts of the company so that they could carry out due-diligence analyses, and, thus, have an informed, reliable basis for making their bids. Ultimately Alcoa decided not to bid, so there remained two bidders, of whom Sterlite was the highest.

What about reports of shoddiness in valuing the physical assets of Balco? Mr Sale declares that this is totally irrelevant to the bidding process. The government might have its own reasons for a physical valuation, but no bidder will bother about it: The value of a company depends not on its physical assets but its ability to generate profits.

Indian Iron, for instance, may have massive physical assets but is worthless from a buyer's viewpoint. The state electricity boards have the biggest assets of all, and are bankrupt. By contrast, Wipro and Infosys have very modest physical assets but astronomical market values since they generate large profits.

State governments and trade unions generally prevent a company from selling its physical assets even if it wants to. The Mumbai textile mills would have loved to sell their land and move out of the city, but were not allowed to, and so they "fell sick" and closed down.

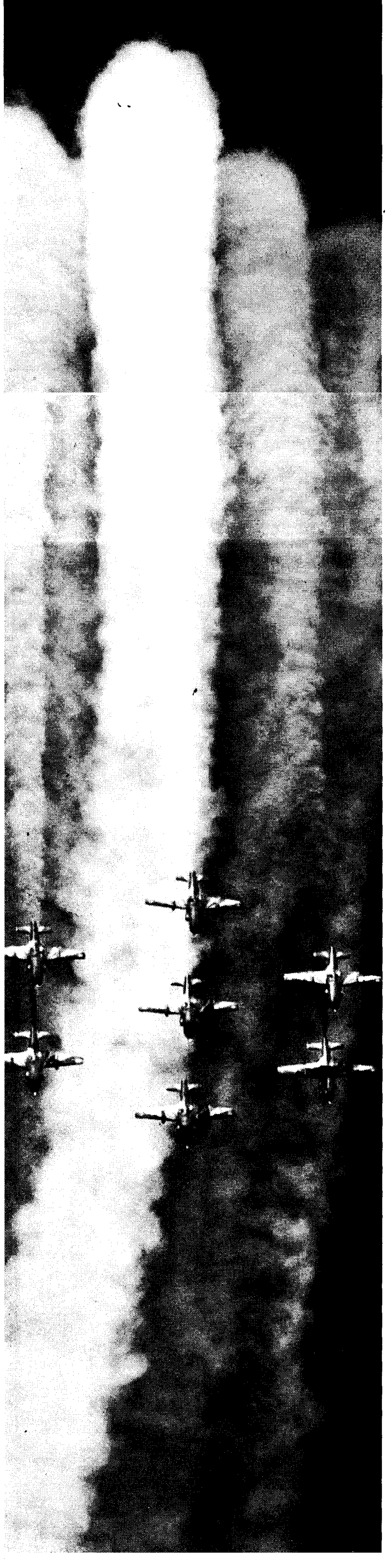
What about the claim of some Balco employees that the real value of the company is in excess of Rs 3,800 crore? Even a greenfield plant of this size will cost no more than Rs 2,500 crore. "Value is in the eyes of the bidder," said Mr Sale. "Anyone in the world could bid for Balco. The highest bid constitutes a fair price. The valuation of the employees is not shared by any commercial entity anywhere in the world. It is a figure dreamt up by people with no knowledge of commercial realities."

However, Mr Kapil Sibal is reported to be representing the employees in a legal bid to stop the sale. So expect the Congress Party to call the sale a sell-out, and sling mud at the BJP. Some of the mud will surely stick, since the public now believes that all politicians are crooks and rascals. Expect similar rows in every single case of privatisation.

The Economic Times

23 FEB 2001

The 10 Years That Changed India



SERVICES AND INDUSTRY

Delicensing is complete except in atomic energy and defence. However, SSI de-reservation yet to be completed. No progress in disinvestment except sale of Balco and Modern Foods. Bankruptcy laws not yet in place. Lenders use SICA provisions to stave off creditors. Labour laws yet to be changed. Government permission needed to lay off workers or close factories employing more than 50 people. Restrictions on employing contract labour.

1991-92

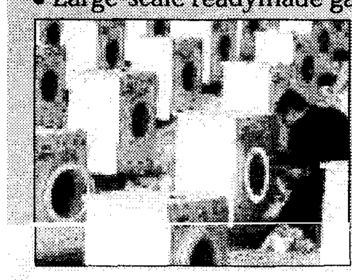
- Prime minister Narasimha Rao abolishes licensing for almost 80 per cent of all sectors. Only 18 industries remain licensed.
- Monopolies and Restrictive Trade Practices Act (MRTPA) amended to allow industries to grow without government approval.
- Phased Manufacturing Programme (PMP) discontinued.
- Sectors reserved for the public sector cut from 12 to 8.
- Industry location, except in major cities, does not need government clearance.
- SICA amended to bring PSUs under its ambit.
- PSU disinvestment programme starts.
- Disinvestment target Rs 2,500 crore; achievement Rs 3,038 crore.

1992-93

- National Renewal Fund (NRF) to fund layoff costs.
- PSUs allowed to access capital markets. IPCL the first to do so.
- ONGC corporatised. Disinvestment target Rs 2,500 crore, achievement Rs 1,913 crore. Government reduces stake in Maruti from 60 to 50 per cent making Suzuki an equal shareholder.

1993-94

- Car and white goods manufacturing delicensed.
- Large-scale readymade garment making opened up for foreign equity, subject to export obligations.



- 13 minerals, formerly reserved for the public sector, opened up for private investments.
- Some petroleum products, like kerosene and LPG, decanalised.
- Disinvestment target Rs 3,500 crore; achievement zero.

1994-95

- Almost all bulk drugs delicensed.
- Automatic 51 per cent foreign equity allowed in bulk drug making.
- Disinvestment target Rs 4,000 crore, achievement Rs 4,843 crore.

1995-96

- Disinvestment target Rs 7,000 crore; achievement, Rs 362 crore. Daewoo starts manufacturing the Cielo in July 1995-the foreign first car manufacturer to do so.

1996-97

- Delicensing brings the number of licensed industries down to 14. Consumer electronics is the latest sector to be delicensed.
- Investment ceilings for SSIs raised from Rs 75 lakh to Rs 3 crore.
- Disinvestment Commission (DC) set up to identify PSUs for dilution of government stake.
- Disinvestment target Rs 5,000 crore; achievement Rs 380 crore.
- FIPB revamped to make FDI policy 'more transparent'.

1997-98

- Number of industries under compulsory licensing cut from 14 to 9. Eleven profitable public sector companies are named 'Navaratnas' (or nine jewels). This gives them more freedom to invest, set up JVs, raise overseas funds as well as greater managerial autonomy.
- Disinvestment Commission recommends 50 PSUs for selloffs.
- Disinvestment target Rs 4,800 crore; achievement Rs 902 crore. Software export boom starts

1998-99

- Coal, lignite, sugar, mineral oils, bulk drugs delicensed. Petroleum (not crude, though) also delicensed.
- Corporates allowed to buy back up to 25 per cent of their total net worth.
- Patent Bill approved in Parliament and promulgated by ordinance.

SSI list shortened by removing tools and farm implements.
- Disinvestment target Rs 5,000 crore; achievement Rs 5,371 crore, including Rs 3,500 crore worth of share swaps among state owned energy companies.
- Hyundai launches the Santro in October 1998 and becomes the first small car to challenge Maruti. Tata Indica launched. Wipro, Infosys emerge as major Indian corporate success stories.

1999-00

- IT Bill introduced in Parliament.
- Tax provisions for housing liberalised.
- Disinvestment target Rs 10,000 crore; achievement Rs 1,584 crore. Modern Foods privatised for Rs 105 crore.

2000-2001

- Bank reforms allow banks to enter insurance sector with partners.
- IRDA finalises entry norms for private insurers. Eleven insurance joint ventures enter the market.
- Maruti Udyog (MUL) added to the list of companies up for privatisation. Telco runs up huge losses because of Indica.
- Disinvestment target Rs 10,000 crore; achievement zero.

INFRASTRUCTURE

Power reforms remain a disaster area. All SEBs are bankrupt; private sector projects are not coming up since SEBs can't pay. Lack of political consensus on hiking power tariffs for the agricultural sector has been holding up reforms. In the petroleum sector, APM dismantling is on schedule, however subsidies on kerosene and LPG remain substantial. The next big deadline is April 1, '02, when the APM regime will cease to exist.

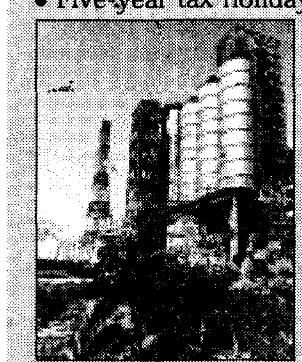
Civil aviation policy still prohibits investment by foreign airlines in domestic carriers. The next big test for the government is making sure the privatisation of Indian Airlines and Air-India actually happens. Reforms are not even on the horizon for Railways. In the last two budgets reforms have been in reverse gear. Telecoms have made progress; but constant policy change remains a problem area.

1992-93

- Oil exploration and refining opened up to foreign investment.
- Lubricants taken out of administered price mechanism (APM).
- Plan drawn up for private equity in BOT road projects.
- Value added telecom services, ie, cellular, paging and radio trunking opened up for private players. Government agrees to provide counter guarantees to private sector power projects — offsetting default risk of state electricity boards — to companies setting up these projects. Bids invited for operating cellular services in the metros.

1993-94

- Five-year tax holiday for power projects and for manufacturing units in backward areas. Reliance Petroleum approaches capital markets to raise Rs 2,172 crore for its Jamnagar refinery.



1994-95

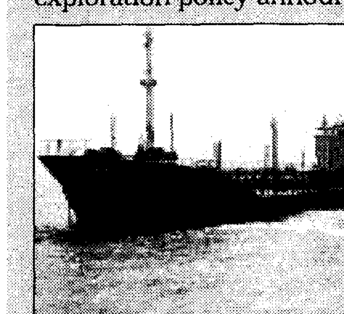
- Private players allowed into fixed line (basic) telecommunications as well as 'value-added' services like cellular and radio paging.
- Telecom licence auctions take place. Reliance approaches capital markets for Jamnagar refinery. Cellular operators begin services in the metros.
- Bids for basic services total over Rs 1,00,000 crore; HFCL bids Rs 85,000 crore for 9 circles.
- Eight private sector 'fast track' power projects approved. Government agrees to prove counter guarantees to eight power projects
- Houston based Enron signs power purchase agreement (PPA) with government of Maharashtra.
- Private proposals for road building invited. The National Highways Act is amended to provide for road tolls.

1995-96

- The Telecom Regulatory Authority of India (TRAI), is set up.
- The R-Group on reforming the petroleum sector, headed by oil secretary Vijay Kelkar, advises government to dismantle administered pricing and open up the sector to private investors by April 1, '02.
- First set of cellular licenses issued in the telecom circles outside the metros. Discovered oilfields such as Panna-Mukta and Raava privatised.

1996-97

- DoT and financial institutions reach an agreement on 'assignability', which makes telecom licences transferable, easing financing constraints for private telecom projects.
- Guidelines for BOT highway projects announced.
- Orissa begins restructuring of its state electricity board.
- Private sector allowed into BOT operations in existing ports. However, port tariffs continue to be administered by port trusts.
- Construction of Jamnagar refinery, which had been delayed by court cases, begins in October '96. New licensing and exploration policy announced in March '97.



1997-98

- Telecom, oil exploration and industrial parks included within infrastructure; which makes these sectors eligible for sops.
- Holding companies allowed to raise $50m as ECBs, for infrastructure projects.
- IDFC established as a private company to fund infrastructure projects.
- TRAI set up. Begins functioning from February 20, '97.
- Capital base of National Highway Authority of India (NHAI) expanded to Rs 500 crore.
- Four lane national highway toll policy announced.
- Ordinance setting up Central Electricity Regulatory Commission (CERC) and State Electricity Regulatory Commissions (SERCs), passed.

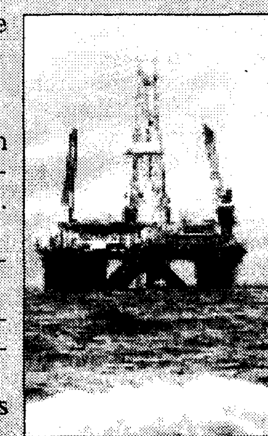
1998-99

- Indian Electricity Act, 1910 and Electricity Supply Act, 1948 amended to allow private transmission.
- CERC set up after Electricity Regulatory Commission law passed. States to set up SERCs.
- Urban Land Ceiling Regulation Act (ULCRA), 1976, repealed by ordinance.
- ISPs allowed in under new policy: no licence fee for first five years, Re 1 licence fee for the next five.
- National Integrated Highway Project (NIHP), a hotchpotch of the golden quadrilateral as well as the prime minister's Kashmir-Kanyakumari-Saurashtra-Silchar cross, launched.
- Bharti Telenet starts offering fixed line services in Madhya Pradesh.

1999-00

- NTP 99 allows multiple fixed line operators; private players allowed in domestic long distance; existing licence holders (basic and cellular) allowed to migrate to revenue sharing. Cellular companies pay higher (17 per cent) revenue share than fixed line operators (8 to 12 per cent).

- Trai reconstituted through ordinance. Seeking Trai's permission on policy and licensing made mandatory for the government.
- About 350 companies register themselves as Internet Service Providers.



2000-01

- Private investment allowed in international data gateways, landing stations for submarine cables. Production starts at Jamnagar.
- Bharti Telecom forms joint venture with Singapore Telecom.
- Prime Minister announces unrestricted entry in domestic long distance.
- Basic (fixed line) operations opened up to unrestricted entry.
- Thirteen companies commit to pay about Rs 4,000 crore to enter fixed line markets.
- Department of Telecom Services (DTS) corporatised as Bharat Sanchar Nigam in October.
- VSNL's monopoly on international calling to go by '02, advancing the deadline by two years.
- Batata – Birla, AT&T and Tata Cellular tie up to form telecom service company.
- State owned MTNL and BSNL decide to enter cellular markets through '01; private operators cut prices in response to MTNL's low tariff.
- Government allows fixed line operators to begin wireless in local loop (WLL) operations, providing 'limited' mobility at fixed line local call rates. Cellular operators allege that limited mobility is nothing but a CDMA-based cellular phone service.

- Cellular operators allowed to enter 'limited' fixed line services.
- Revenue share of cellular operators slashed from 17 per cent to 12 per cent.

service licenses. More than 100 applications for operating basic services come in, as operators try to get of frequency spectrum
- Telecom companies begin building broadband backbones all over the country. Reliance Infocom plans backbone connecting 115 cities in India.
- Orissa power distribution privatised, government sheds 49 per cent stake in power generation.
- Thirteen states set up or notify SERCs. Andhra Pradesh and Haryana SEBs unbundled into separate generation and transmission companies.
- Andhra Pradesh Electricity Regulatory Commission announces tariff increases; this provokes state-wide riots. Subsidy on Kerosene and LPG reduced; much lesser than specified in the schedule for dismantling APM.
- Maharashtra government refuses to pay Dabhol Power Corporation's dues. DPC invokes Central counter guarantee. Maharashtra government caves in, pays November dues.

AVIATION/SHIPPING/RAILWAYS

1994-95

- Air taxi operators (ATOs), private sector players in the aviation sector, are permitted to become full fledged airlines, offering commercial flights and competing with state airlines on all domestic routes.
- Jet Airlines, East West, Damania, NEPC among new private airlines to begin operations

1996-97

- Buying and selling of ships deregulated.
- Ship builders allowed licence-free imports.
- Coastal shipping rates deregulated.

1997-98

- Aviation policy that permits 100 per cent NRI holdings and 40 per cent foreign equity in domestic airlines announced. However, policy bans equity participation from foreign airlines, directly or indirectly.
- Tata-Singapore Airlines joint venture scuttled.

1998-99

- Private sector invited for operating terminals at existing ports. First private port at Piavav becomes operational.

1999-00

- Airports restructured through long term leasing route.
- Indian Railway Catering and Tourism Corporation (IRTC) incorporated.
- Mamata Baherjee reverses reforms by refusing to hike passenger fares.
- Australian Private Port company Peninsular and Oriental starts operating private berth at Jawaharlal Nehru Port; bids invited for terminals at Kochi, Kandla.

2000-01

- Indian Airlines, Air India listed as privatisation candidates after a prolonged battle between (then) disinvestment minister Arun Jaitley and civil aviation minister sharad Yadav.

- Expression of interests have ben invited from potential bidders. However foreign Airlines still barred from investing in domestic airlines.
- Rail minister Mamata Banerjee says that the railways will carry fibre optic networks along their routes.

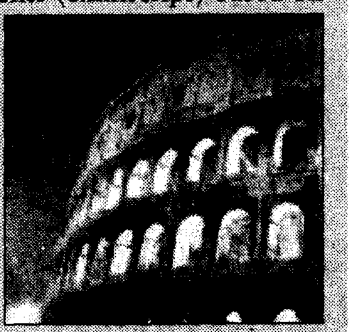
2392

EXTERNAL SECTOR

All QRs to be scrapped on April 1, '01, except on defence-related and other sensitive items. Government under pressure to retain QRs on textile items. Exports as a percentage of GDP has increased in the decade after liberalisation. However, exports continue to be hampered by small scale reservation and high import duties. Government has to encourage exports through sops. Move towards capital convertability on hold.

1991-92

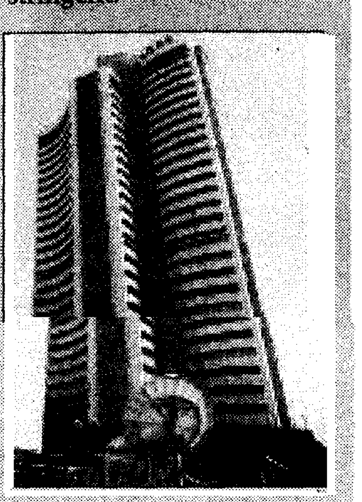
• Rupee devalued by 18 per cent.
• Administered import licensing replaced in many cases by tradable import entitlements (eximscrips) based on export earnings.



• Advance licence for exporters simplified to improve access to duty-free inputs.
• Canalised list cut.
• Actual user conditions on capital goods, raw material and intermediates under OGL, scrapped.
• Exporters allowed to keep forex accounts and raise overseas credit to finance trade transactions.
• FDI limit raised from 40 to 51 per cent in priority sectors,
• FIPB set up to handle 51 per cent plus FDI proposals in other sectors.

1992-93

• Many import curbs lifted.
• Liberalised Exchange Rate Mechanism (LERM), under which 40 per cent of all export earnings were convertible under an official (overvalued) exchange rate and 60 per cent under the market rate, introduced in the Budget. LERM scrapped within the year.
• Import licensing of capital goods, raw materials, intermediaries and components diluted.
• FERA provisions made less stringent.
• Customs duties cut.



• Peak tariffs cut to 110 per cent.
• Baggage rules relaxed.

1993-94

• Dual exchange rates unified and made partially convertible on the current account.

account.

1994-95

• Two categories of NRI deposit scheme, FCNRA and FCONR, terminated.

1996-97

• FIPB issues first guidelines for approving FDI not under the automatic approval list.
• 48 industries become eligible for 51 per cent foreign equity under automatic approval.
• FIIs allowed to invest in unlisted companies.
ECB guidelines relaxed.

1997-98

• Number of industries that qualify for FDI under automatic approval from the RBI expanded.
• NRIs allowed to invest 100 per cent in priority sectors.
ECB guidelines eased.
• A committee, headed by S S Tarapore, recommends that India should gradually open up its capital account from '97-98 to '99-00. The fiscal, financial and banking systems should be strengthened for convertibility to materialise.

1998-99

• 340 items moved from licensed to OGL category.
• QRs on 2,300 imports from SAARC removed from August, '98.
• India-Sri Lanka free trade agreement: zero tariffs on most things by '07.
• Private software technology parks permitted.
• EOU/EPZs get 10 year tax break.
• 100 per cent automatic FDI for power generation, T&D, roads, bridges, ports allowed.

• End use restrictions on GDR/ADRs go except for stock and real estate investors.
• FIIs allowed to trade government securities and treasury bills.
• FIIs permitted to take forward cover on incremental investments.
• 100 per cent FII debt funds allowed to buy unlisted corporate debt.
• Greater flexibility in deploying and raising external commercial borrowings (ECBs).
• Prepayment of ECBs allowed if met out of foreign equity inflows.

1999-00

• FEMA 1999 enacted, replacing FERA.
• Quantitative restrictions (QRs) removed on 1,300 items.
• Apart from sectors under negative list, FDI in other sectors go under RBI's automatic system. Sectoral caps, however, continue. NRIs/OCBs allowed to invest in most sectors.
• Indian corporates allowed to access ADR/GDR markets automatically, subject to sectoral caps,

2000-01

• India loses trade dispute with US, agrees to remove QRs on the remaining 1,429 items by April '01. In April '00, QRs on 714 items are removed.
• The arrival of cheap Chinese imports sparks panic in local industry. Government imposes pre-emptive duties pending results of anti-dumping investigations; non-tariff barriers like compulsory MRP stickers slapped on imports.

BANKING & FINANCE

Banking Nationalisation Act yet to be repealed. The Bill has been introduced in Parliament, but not passed. Unless this is done, government cannot reduce its stake below 51 per cent.

The SBI Act, under which RBI's stake cannot go below 55, also to be amended.

The IDBI Act, under which the government's stake in IDBI cannot go below 51 per cent, yet to be repealed.

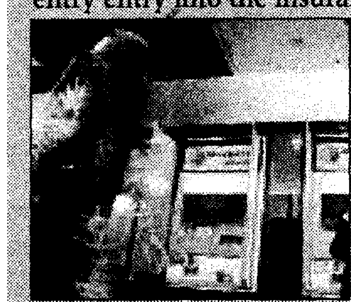
1992-93

• Narasimham Committee on bank reforms submits report.

• SLR, CRR cut to reduce state pre-emption of loanable funds.
• Number of lending rates cut from six to four.
• Capital adequacy norms laid down for the first time.
• 364-day treasuries introduced with market related rates.
• Other securities' rates raised to bring them close to market rates.
Guidelines for entry of new private banks issued.
• Deposit rates freed, subject to ceiling.

1993-94

• SBI Act amended to allow the bank to access equity market.
• The number of interest rates cut from 4 to 3. Floor lending and deposit rates brought down.
• Budget provides Rs 5,700 crore to capitalise banks to meet new provisioning norms.
• Prudential norms laying down maximum NPAs laid out.
• Debt recovery tribunals set up.
• Malhotra committee report recommends private sector entry entry into the insurance sector.



1994-95

• Banks free to determine PLRs.
• No minimum lending rate for loans above Rs 2 lakh.
• Ad hoc treasury bills limited by agreement between government and the RBI, to limit monetisation of government debt.

1995-96

• IDBI Act amended. IDBI raises Rs 1,200 crore through its initial public offering.
• SBI becomes first Indian bank to be listed overseas, following a GDR issue.
• RBI allows setting up of primary dealership firms to deal in government securities.
• Six primary dealership firms, promoted by banks and financial institutions, granted licence to operate.

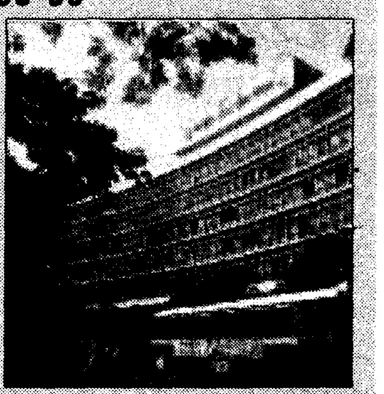
1996-97

• CRR cut from 13 per cent to 10 per cent.
• PLRs cut. Government decides to allow setting up of private sector Local Area Banks, which will operate in three contiguous non-metro districts.

1997-98

• Interest on foreign currency deposits deregulated to 'not more than Libor'.
• Fixed interest rate regime relaxed.
• Banks freed to assess working capital needs of borrowers.
• RBI Act amended after CRB Scam.
• RBI gets sweeping powers to register and regulate NBFCs.

1998-99



• Banks get tougher provisioning norms for government securities, state guaranteed loans.
• Risk weights assigned to government securities, state government guaranteed loans, forex open positions.
• NBFC regulations tightened.
• Insurance Regulation and Development (IRD) Bill introduced in Parliament.

1999-00

• IRDA Act passed in Parliament, allows private equity in insurance, caps foreign equity at 26 per cent of total, sets up Insurance Regulation Development Authority (IRDA).
• Banks allowed to operate different PLRs for different maturities.
• Times Bank merged with HDFC Bank.
• ICICI and ICICI Bank get listed in NYSE after their respective ADR issues.

2000-01

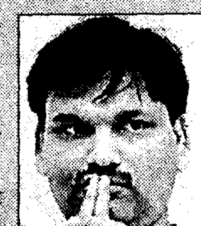
• Amendments to Banking Companies Acquisition and Transfer of Undertakings Act allow banks to enter insurance.
• Government says it will cut its stake in public sector banks to 33 per cent, but will retain the 'public sector character' of these banks.
• State owned banks announce voluntary retirement schemes (VRS) to shed staff. About 10 to 15 per cent of bank staff apply.
• RBI allows NBFCs to convert themselves into banks. However big industrial groups such as the Tatas, Birlas and Reliance not allowed to start banks. Large industrial houses not allowed to hold more than 10 per cent
• IRDA issues licences to private insurers — initially, 11 joint ventures get licenses.
• Bank of Madura merged with ICICI Bank.
• Global Trust Bank merged with UTI Bank.
• RBI announces cut in bank rate to combat slowdown. Announces cut in CRR.
• IDBI Act amended to make film financing an eligible activity for the financial institution.

CAPITAL MARKET

The primary market continues to be dead with retail investors staying away.

However, there has been immense progress with the emergence of the NSE and with institutional reforms like dematerialisation of shares. Transparency and information flow has increased. This can be attributed to a very large extent to the emergence and growth of foreign institutional investors.

1991-92



• FIs free to decide on debt-equity swaps. Harshad Mehta led boom begins.

1992-93

• Sebi announces guidelines on equity market disclosure and transparency.
• FIIs allowed to hold up to 24 per cent of local companies. Individual FIIs can hold maximum five per cent of total equity in a single company. Sensex records 4,367, the highest-ever level at that time. Harshad Mehta led boom run comes to an end in April '92.

1993-94

• Comptroller of Capital Issues (CCI) abolished, issue pricing to be market determined.
• Securities and Exchanges Board of India (Sebi) empowered as market regulator.
• Indian firms allowed to access European markets via Euroequities. Private mutual funds allowed.
• OTCEI set up.
• Screenbased NSE in the process of being set up.

1994-95

• Sebi (Substantial Acquisition of Shares and Takeovers) Regulations, 1994 — India's takeover code, passed.
• State owned mutual fund, Unit Trust of India (UTI), brought under Sebi jurisdiction.

1996-97

• IPO norms tightened to boost quality of issues.
• IPO issuers need to have three year dividend paying record.
• Public sector banks allowed to access markets and price issues at premium.

• Stock exchanges asked to set up clearing houses.
• Stock lending scheme announced.
• A committee, headed by PN Bhagwati, modifies the takeover code to
by PN Bhagwati, modifies the takeover code to
make management changes less difficult.

1997-98

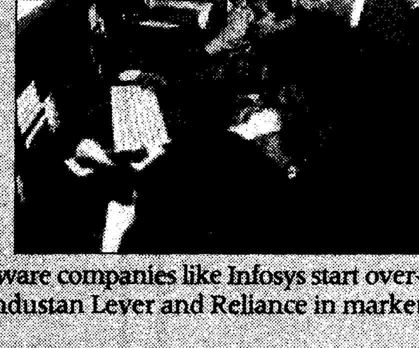
• Entry barriers for unlisted companies lowered.
• Sebi rules changed to create walls between issuer and registrars of issues.
• Disclosure norms made more stringent.
• Multiple categories of merchant bankers merged into one category.
• Merchant bankers banned from non-capital market transactions.

1998-99

• Rolling settlements for dematerialised shares.
• Infrastructure companies get easier public issue norms.
• IPOs to go through depositories.

1999-00

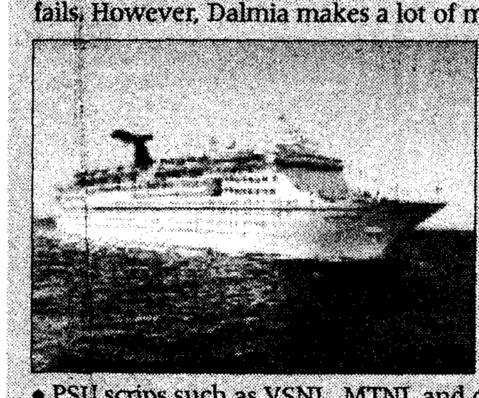
• Securities Laws Amendment Bill, 1999, passed in Parliament, incorporating derivatives and units of investment schemes as securities; as defined by the Securities Contract and Regulation Act, 1956.
• Rolling settlement allowed in 10 scrips.



• Companies free to determine par value of new issues. Sensex crosses 6,000 on the back of the dotcom boom.
• Satyam Infoway pays Rs 499 crore for Rajesh Jain's Indiaworld at the height of the dotcom boom.
• Rediff and Satyam Infoway come out with ADR issues. Software companies like Infosys start overtaking the likes of Hindustan Lever and Reliance in market capitalisation.

2000-01

• Dematerialised trading made compulsory.
• Rolling settlements introduced.
• Internet trading permitted. Volumes start to pick up
• Dotcom boom turns to bust on US bourses as doubts surface about the future of e-commerce bellweathers like Amazon. The depressed sentiments spread to the Indian market resulting in Indian software scrips being hammered, even though the Indian bourses have no listed dotcoms.
• Hughes Tele.com first telecom operator to come out with an IPO, which however devolves.
• First hostile bids start to take place.
• Hostile bid by Abhishek Dalmia for Great Eastern Shipping fails. However, Dalmia makes a lot of money.



• Damani Brothers make hostile bid for VST industries.
• FIIs return to the Indian market in force. Pour in record amounts in January and February '01
• Old economy stocks regain their charm.
• PSU scrips such as VSNL, MTNL and oil sector PSUs start moving up in anticipation of privatisation.

TAXATION

Tax revenue as a percentage of GDP has slipped since the inception of reforms; from over 16 per cent to around 14 per cent. However, direct tax revenues have gone up — one of the aims of the reform process. The decline has been caused by a fall in excise duties. Government wants excise duty to be consolidated at 16 per cent. Customs duties continue to remain high — compared to other Asian countries — at a peak level of 35 per cent.

1991-92

• Sharp 15 per cent cut in fiscal deficit targeted.
• Export subsidy phaseout to cut costs.
• Fertiliser price hike to cut farm sops.

1992-93

• Lower income tax rates, fewer slabs, higher exemption limits. Deductions rationalised.

• Presumptive tax on small traders, capital gains tax modified to take inflation into account.
• Wealth tax on 'productive assets' abolished.
• Chelliah Committee on Tax Reforms suggests moderate rates, wider tax base, improved compliance.
• Excise changed from specific to *ad valorem* rates in many cases.

1993-94

• Excise duty simplified by merging Special and Basic Excise Duty rates.
• Capital gains on FIIs cut to a concessional rate of 30 per cent.

1996-97

• Tax holiday for companies in road, bridge, port building; as also maintenance and other core sectors. Also for water supply, sanitation, and sewerage. MAT slapped on 'tax-free' corporates; MAT excludes companies in power and infrastructure sectors.

• Corporate surcharge cut from 15 to 7.5 per cent.
• Import duties cut on crude, petroleum intermediates, chemicals, plastics, rubber, electronic components.
• Modvat extended to textiles.

• Modvat extended to textiles.

1997-98

• Maximum income tax rate cut to 30 per cent from 40 per cent; lowest to 10 per cent from 15 per cent; standard deduction hiked.
• Corporate tax cut to 35 and 48 per cent from 40 and 55 per cent, respectively; corporate surcharge abolished.
• Exporters exempt from MAT.
• Dividend taxation for individuals abolished.
• Interest tax at source on income from government securities abolished.
• Five year tax holiday for telecom, power, industrial parks; seven year holiday for oil exploration.
• VDIS 97, a tax amnesty scheme, nets Rs 10,000 crore.

1998-99

• 10 year tax holiday on FTZs and STPs; also on waterways, ports, paging, data networks, satellite services.

• Gifts exempt from gift tax.
• Simpler tax administration scheme — Saral — introduced.
• Import duties on IT equipment cut.
• Previously exempted items to attract 5 per cent excise duty.
• Service tax net widened to cover 12 more services.
• 'Downsizing' government spoken about for the first time.

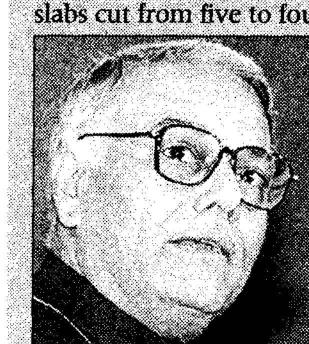
1999-00

• Excise rate slabs cut from 11 to 3: making them 8, 16 and 24 per cent.

• Modvat credit ceiling lifted from 95 per cent of the admissible amount to 100 per cent.
• Peak customs duties cut from 45 to 40 per cent.
• Customs duty slabs cut from seven to five.
• M&As (mergers and acquisitions) made easier by relaxing carry forward and setoff of accumulated losses and depreciation. Demergers made tax neutral.
• Tax holidays for cold storage facilities.
• Entertainment exports given sops similar to merchandise exporters.
• Domestic trade tax reforms: all states to implement uniform floor sales tax from January '00 and VAT by April, '01. Sales tax sops to go by January 1, '00.
• Downsizing cut from the agenda, staff spending and recruitment increase.

2000-01

• Cenvat scheme ramps up effective duty rates, number of slabs cut from five to four.



• Peak duty on consumer goods hiked to 38.5 per cent, from 35 per cent.
• Tax exemptions on export income to be removed in phases.
• Dividend distribution taxes hiked.
• Excise on diesel cut from 16 per cent to 12 per cent; gasoline from 32 per cent to 16 per cent, as government baulks at passing on global price hike to consumers.
• Defence spending upped by a record Rs 13,000 crore.

Balco sold for Rs 551 cr

HT
22

Sterlite Industries is to buy the Government's 51 per cent stake in Bharat Aluminium Company Ltd (Balco) for Rs 551.5 crore.

After a meeting of the Cabinet Committee on Disinvestment today, Union Disinvestment Minister Arun Shourie said Sterlite's was the highest bid and it was above the Government's minimum reserve price. Balco's evaluation was done through four methods, including its discounted cash flow, balance sheet and assets. Balco's employees union had been assured that there would be no retrenchment for the next one year. **HTC, Mumbai**

THE HINDUSTAN TIMES

22 FEB 2001

WEDNESDAY, FEBRUARY 21, 2001

STATEMENT OF INTENT

GOING BY THE address to Parliament by the President, Mr. K. R. Narayanan, to mark the beginning of the Budget session, the Central Government has major plans for the economy. But given the Government's record of moving in fits and starts it is one thing to list new policies and programmes and another to follow them through with concrete action. Besides, even as the economy has distinctly slowed down in the past year and at least two major sectors — agriculture and small-scale industry — have gone through a turbulent phase and remain distinctly worried about a possible deterioration in their fortunes in the near future the note of self-congratulation in the address is misplaced.

The centre-piece of the treatment of economic issues is the focus on a growth target of 9 per cent a year over the next decade. In this respect, the achievements of the past three years where growth has averaged between 6 and 7 per cent a year come in for praise. Yet, the fact is that this growth has been driven largely by the service sector where the only noteworthy success has been in information technology (which in spite of its rapid growth in recent years continues to contribute no more than a couple of percentage points to total GDP). If the economy is to get anywhere near the target of a 9 per cent growth rate, total investment in agriculture and industry has to make a quantum leap from the present levels. This has to come largely from domestic resources in both the public and the private sectors. Yet, other than a passing reference to the need to raise investment in agriculture, this was an issue that obviously escaped the Government's attention when it prepared its statement of intentions for Parliament. When it comes to the specifics, the Centre appears to be confident that it will be able to go ahead with its plans for disinvestment in a number of public sector enterprises (though the target set last year for 2000-01 is far from being met), give a further fillip to the IT sector, especially by increasing the number of graduate engineers, and aim for an extremely ambitious target of adding 100,000 megawatts of power generating capacity over the next decade. The Railways is another sector where the Centre feels it can halt the deterioration of recent years, though how many new answers to old questions can be provided by a succession of committees and high-profile advisers is a moot question. In each of these areas there are attitudinal and legislative hurdles to be overcome which cannot be ignored by making reference, as the President's address does, to the practice of a common approach to economic policies by the Central and State Governments. The first indication of how far the Government will be able to progress in all the challenges that it has listed here will be known when the Union Finance Minister, Mr. Yashwant Sinha, presents the Budget for 2001-02.

The economic issue that has received the most attention in the President's address is labour legislation. While the issue of amending the existing labour legislation has been talked about for some years now, this is perhaps the first time that it has figured prominently in the President's address to Parliament. This may well be an indication that the Government plans to shortly introduce legislative Bills to this effect. The aim is essentially to end the security of employment that is now available for labour in organised industry, on the ground that the existing level of protection militates against new investment in labour-intensive industries where India has an advantage. Much as there are reasons to question the present labour laws, this is something which the Government will find it extremely difficult to bring about changes in, even as it continues to argue that the planned reform will favour labour by facilitating an increase in employment.

RBI cuts bank rate, CRR by 0.5 per cent

HT Correspondent HRI
Mumbai, February 16

1712

IN A bid to ease the interest rates and arrest the slowdown in the economy, the Reserve Bank of India (RBI) on Friday slashed the bank rate and cash reserve ratio (CRR) by half a percentage point.

The bank rate has been reduced from 8 per cent to 7.5 per cent effective from Friday, while CRR has been brought down from 8.5 per cent to 8 per cent in two stages of 25 basis points each with effect from February 24 and March 10, 2001, respectively.

The move undertaken by the RBI, ahead of Finance Minster Yashwant Sinha's budget, has been directed to stimulate the country's economic growth.

According to the Reserve Bank, these measures are expected to release resources of the scheduled commercial banks to the extent of Rs 2,050 crore at each stage.

The bankers, however, are not amused as they were anyway expecting a CRR cut of half to 1 per cent points following cuts in the interest rates by the US Federal Reserve.

The Industrial Development Bank of India (IDBI), ICICI and other top scheduled commercial banks are currently studying the impact of rate cuts before taking a final decision on reducing their short as well as long term lending rates.

Mr S K Chakrabarti, chairman of the IDBI, said, "The cut has been on expected lines. We are keeping a close watch on the repo (re-purchases) and reverse repo rates."

Kalpana Morparia, General Manager of ICICI Ltd, said, "It's a step towards the softening of interest rate which we have been advocating for long. We will study the impact of the rate cut on our overall borrowing costs."

Top rated companies are going to be the major beneficiaries of the RBI's measures. They can now look forward to cheaper lending rates, both short term and long term, from banks and financial institutions.

Mr A F Batliwala, a consultant with the Securities Trading Corporation of India (STCI), said, "There is already enough liquidity in the market. The market has already discounted the rate cut."

According to observers, the leading state-owned bank, the State Bank of India (SBI), has been undertaking transactions worth Rs 1,000 crore every day. "There is enough liquidity," they said.

Mr Francis J D'Costa, Senior Vice president (Credit) with Centurion Bank Ltd, said, "There is no dearth of funds in the market. The present cut in the CRR will only improve further liquidity in the market."

At a time when industry is fighting hard with low cost producing nations, the RBI's move to bring down the interest rate is a step in the direction of moving closer to international standards.

In New Delhi, the FICCI welcomed the Reserve Bank's move. "As the budget is round the corner, this measure will boost the industry confidence and the feel good factor," FICCI said in a statement.

It said "this timely measure will help contain the industrial slowdown to some extent as it will help corporates to have an easier access to capital at a cheaper cost".

Confederation of Indian Industries (CII) president Arun Bharat Ram said his organisation had suggested a half per cent cut in the interest rates during its meeting with Prime Minister Atal Bihari Vajpayee in December.

Bharat Ram said the move will also help maintain the differential in interest rates between India and the US which had widened when the US federal reserve reduced interest rates last month.

FICCI, however, said that the cost of capital in India was still higher than that prevailing in most of the competing economies.

THE HINDUSTAN TIMES
17 FEB 2001

Rate cut signal to shake up economy

G-1 17/2 9 fw Appm

FROM OUR CORRESPONDENT

Mumbai, Feb. 16: In an Alan Greenspan-esque act, Reserve Bank Governor Bimal Jalan today slashed the bank rate — the benchmark for the country's interest rate structure — by half a percentage point to 7.5 per cent in a bid to revive the sputtering economy which is projected to grow at 6 per cent this year.

The rate cut has been widely anticipated but its timing — as US Federal Reserve chairman Greenspan's last month — caught the banking industry by surprise.

As bankers went into a huddle to consider the implications of the rate cut, IndusInd Bank jumped the gun and announced a half a percentage point cut in its lending rate to 14.5 per cent. Large banks like Bank of Baroda have scheduled board meetings early next week to consider their response. However, the big daddy of the banking industry — the State Bank of India — chose to remain reticent about its moves.

In a related development, the RBI also cut the cash reserve ratio (CRR) by half a percentage point to 8 per cent. The CRR determines the amount of cash that banks are required to keep with the RBI.

While the bank rate is the rate at which the Central Bank lends to commercial banks, it is often used by banks to set their lending rates. On the other hand, CRR is that portion of deposits that has to be maintained mandatorily by commercial banks with the RBI.

The CRR has been reduced in two instalments by 25 basis points (0.25 per cent) each effective from fortnights beginning February 24 and March 10, respectively. The cut will pump Rs 2,050 crore into the banking system.

RBI explained that the reductions follow after a "review of recent developments in the international and domestic financial markets".

With more resources now available with banks due to the CRR cut (since they have to maintain lower deposits with the RBI), the reduction is likely to bring down the cost of credit for companies, thus spurring industrial growth.

Welcoming the RBI announcement, bankers said the move was likely to lead to a reduction of 50 basis points (half a percentage point) in banks' lending and deposit rates.

Bankers are now eagerly waiting for the Union budget as many expect finance minister Yashwant Sinha to bring down the interest rate on small savings by one percentage point. "It has to be seen whether today's move will be followed by a further cut in PF and postal saving rates," said Dr K.C. Chakrabarti, executive director of Bank of Baroda.

Last July, the RBI had raised the bank rate by one percentage point to 8 per cent and CRR by 50 basis points in two stages to 8.5 per cent to arrest the rupee's slide against the US dollar.

Today's cut is being seen by bankers and analysts as an effort on the part of the Central Bank to kickstart the economy.

"The prime factor which was responsible for today's cut is that the economy has not been doing well. As per the December industrial production figures, the manufacturing sector grew only by 3.3 per cent which is the worst performance in the last 26 months. Tax collections have also slowed down, indicating that the concerns about an economic slowdown were for real. Therefore, a cut in the bank rate and CRR was mandated," said Sanjit Singh, senior debt analyst at ICICI Securities.

There are others who feel that by reducing the benchmark rates, the RBI has only been following the trend set by Greenspan in a desperate attempt to revive the flagging US economy where growth rate is down to less than one per cent.

Last month, Greenspan suddenly brought down interest rates by one per cent to give a boost to the US economy. The central banks in Japan and Australia followed suit. This had only fuelled expectations that the RBI would fall in line.

While the RBI had so far remained silent on reduction of interest rates, expectations about a cut however, had faded in the past few days. Today's announcement therefore generated some amount of surprise among a few bankers.

WHAT THE CUT MEAN

- When the RBI cuts the bank rate, it sends a signal to bank to lower their lending and deposit rates. But there have been occasions when banks have desisted from realigning their rates.

If deposit rates fall...

- There is a disincentive to save money will be channelled elsewhere; expect a stock market boom

If lending rates fall...

- Consumers will buy more on credit as instalment payments go down
- Industry will borrow more

THE TELEGRAP

Govt takes first step to divest in Maruti

Govt. of Pur 5-7-1 14/2

STATESMAN NEWS SERVICE

NEW DELHI, Feb. 13. – The Centre has decided to go in for rights issue in Maruti Udyog Ltd, allowing Indian financial institutions to buy its shares.

"The government is renouncing its shares" and this will be the first step towards its "final disinvestment", said the minister of sate for disinvestment Mr Arun Shourie

The decision was taken by the Cabinet Committee on Disinvestment (CCD). After a meeting of the CCD Mr Shourie said the government has finally opted for a two-pronged phase of the process.

By deciding to go for the rights issue, the minister said, the government hoped to increase the value of Maruti shares and thereby pump more money into the PSU. That will "strengthen its role of a market leader".

In the second phase, Mr Shourie said, three global bankers – one each representing the government, the Suzuki and a mutual representative – will be invited to do the quantum of valuation.

On whether the Centre, which has 50-50 equity with Suzuki, has taken its Japanese partner into confidence about the proposed offloading of its stake, Mr Shourie, though unwilling to disclose the exact nature of the agreement at this juncture, indicated that the only condition that Suzuki has is that the government stakes will not be allowed to be purchased by any market rival of the Japanese firm.

"As you know, Suzuki is a market leader in the area of manufacturing small cars. It's a competitive area with many other players trying to enter the market. Therefore, Suzuki, naturally, does not want any of its rivals buying the government stake and having a say in the company," Mr Shourie said.

On how long he thought it will take to complete the whole process, Mr Shourie said: "Well, we think, by September the entire process will be over."

The minister said the secretary in the ministry of heavy industries and secretary, disinvestment department will soon start negotiations with the local representatives of Suzuki.

Mr Jagdish Khattar, the managing director of Maruti who represents the Japanese firm in the board of directors, refused to comment on the government decision. When contacted by **The Statesman** for his initial reaction on the decision, Mr Khattar said: "Frankly, I have no comments to make. It all depends on what the share-holders decide. After all my job is just to run the company."

The decision followed yesterday's meeting the government representatives had with the financial institutions. According to the 1994 agreement, neither the government nor the Suzuki can sell its shares without the other's consent.

The disinvestment of MUL has been long on the agenda, but has been caught in the political tug-of-war, mainly due to the opposition of the heavy industry minister, Mr Manohar Joshi, reportedly at the behest of his party, Shiv Sena.

THE STATESMAN

14 FEB

Govt. to dilute stake in Maruti

By Our Special Correspondent

NEW DELHI, FEB. 13. The Cabinet Committee on Disinvestment today formally decided to dilute the Government's equity holding in the Maruti Udyog Limited (MUL), where it is a 50 per cent shareholder with Japan's Suzuki Motor Corporation. While the quantum of dilution would be decided in consultation with Suzuki, an outright sale of government equity would be decided possibly by September.

Briefing reporters, the Disinvestment Minister, Mr. Arun Shourie, said the decision was taken in the backdrop of the 1992 agreement with Suzuki that neither partner could sell shares without the other's consent. Consequently, discussions with Suzuki resulted in five options and the Cabinet today opted for one of them. Mr. Shourie declined to spell out the others.

The option chosen involves a two-stage process. First, the MUL will announce a rights issues of shares to expand its equity and generate additional funds, but the Government will renounce its rights in favour of Indian financial institutions and banks. The financial institutions and banks would then decide what to do with the rights holdings — float some with the public or sell them in bulk, etc. Once the rights issue reaches the market, the Government will decide what to do with its equity holding. This is expected to happen around September. The quantum of the rights issue would be discussed with Suzuki and that would determine the level of dilution of the government stake.

Also to be decided is whether the condition that restricts the Government from selling its shares without consultations would apply to the financial institutions which subscribe to the rights issue. Here, Mr. Shourie said, the SMC's main concern was that shares of Maruti should not be sold to any of its rivals and hence this aspect would be discussed with the joint venture partner.

In the process of deciding the pricing of the rights issue, that is, valuation of the shares, three banks of international repute would be appointed advisers.

While the Government and the SMC will nominate one bank each, the third would be appointed by mutual consent. "The idea is to have complete transparency in the process and to get the best value for the Government's equity stake. Also, we want to strengthen Maruti because it is a market leader and is in a position to remain so in the future. Hence, the entire process has to be well thought-out," Mr. Shourie said. The floating of the rights issue would also help the Government test the market for a possible value of the Maruti scrips before deciding to offload its stake.

THE HINDU

14 FEB 2001

14 FEB 2001

Yashwant hints at tax sop; M

5/11 15/2

STATESMAN NEWS SERVICE

NEW DELHI, Feb. 14. — In an effort to bring cheer to the tax-paying salaried classes, Mr Yashwant Sinha today indicated that there's 'something' in the coming budget that would make them happy.

The finance minister said he is trying his best to ensure transparency in the budget-making exercise. He suggested that there is still time for the industry offer suggestions, like fewer Cenvat slabs, which could act as a spur to raise GDP growth rates to the desired nine per cent.

He was speaking at the inauguration of Assocham's 80th annual general meeting today.

Direct tax rates in India are among the lowest in the world, but tax compliance is not, Mr Sinha said. He urged the industry not to seek exemptions and tax holidays and to reach a consensus so that it becomes easier to rationalise the tax structure.

Mr Sinha expressed concerned at divergent industry wish lists for the 2001-02 budgetary proposals and said there is still time for the various chambers of trade and industry to "synthesise" the issues.

The government is considering a package on the structure of direct taxes and "I hope you will not be disappointed", he said.

Mr Sinha also sought greater consensus among political parties to get the reforms package off the ground and hasten its implementation.

Urging domestic industry to gear up for competition once all quantitative restrictions (QRs) are removed this April, Mr Sinha said removing most QRs had not resulted in a flood of imports. On the contrary, non-oil and non-gold imports had actually shown a decline.

"There is nothing to suggest that India has been inundated by imports. Somehow an impression has been created as if it is opening up of the import regime that has been responsible for all the problems," Mr Sinha said.

Indian industry "cannot afford to hide behind high tariff walls" and the government had taken adequate safeguards to ensure that domestic agriculture and industry are not subject to unfair competition, he said.

THE STATESMAN

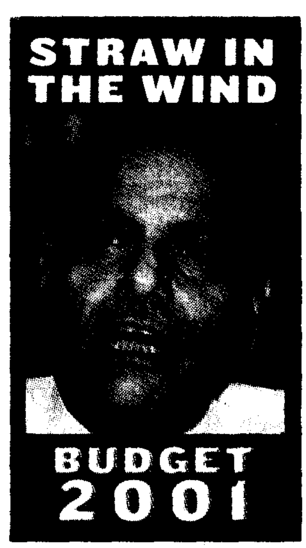
15 ... 2001

'Read my lips: No corporate, income tax cuts'

HT Correspondent
New Delhi, February 14

FINANCE MINISTER Yashwant Sinha today strongly indicated that income tax and corporate tax levels would not be lowered. He also indicated that central value added tax (Centvat) would not be reduced below its current 16 per cent when he presents his budget in a fortnight from now.

Mr Sinha stated that personal income-tax and corporate tax rates in the country were very reasonable and therefore there was no reason to expect them to be lowered.



He pointed out that the maximum rate of 30 per cent for income tax and 35 per cent for corporate tax were amongst the lowest in the world. There are only two or three countries with direct tax rates lower than this, he added.

Addressing the 80th annual meeting of the Associated Chambers of Commerce and Industry's here today, the minister said he had made it quite clear in his last budget that the country has to move to a Centvat rate of 16 per cent for all goods.

An 8 per cent Centvat had been allowed for certain commodities as these industries were facing problems.

However, ultimately the country has to move to a uniform Centvat rate of 16 per cent for all goods. In the last budget around 400 items had been left on the exemption list, he added.

The Finance Minister lamented that he had received far too many representations for a reduction in Centvat to 8 per cent. Industry should not expect such a concession as there is no such thing as an 8 per cent Centvat this rate has already been fixed at 16 per cent, he said.

As far as import duties are concerned, the minister said industry could not hide behind a high tariff wall.

``We already have a peak customs duty rate of 35 per cent added to which is a surcharge of 10 per cent and special additional duty (SAD) of 4 per cent besides there is a countervailing duty to counter the domestic excise component", he said.

Mr Sinha said industry should be prepared to face fair competition. However, in case there was unfair competition, the government would not let domestic industry suffer and safeguards such as anti-dumping measures would be put in place.

The minister said he was in favor of making the budget process more transparent so that there could a greater consensus. Similarly industry leaders must also have a greater consensus amongst themselves so that the required corrective steps can be taken to improve the system.

The minister lamented that industrialists were raising conflicting demands and each wanted liberalisation only outside his sector.

Responding to the concerns expressed by Assocham president Shekhar Bajaj, the Finance Minister admitted there had been little headway in bringing about labour market reforms.

Mr Sinha attributed this to the inability of industry and government to convince trade unions and workers that a flexible labour market would mean more, and not fewer, jobs.

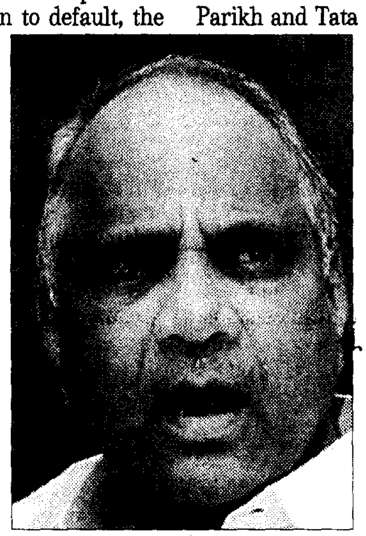
BJP, Cong caught on the wrong foot over Enron issue

Girish Kuber
MUMBAI 11 FEBRUARY

FOR THE BJP and Congress, it's a perfect Catch-22 situation. The Enron controversy has forced the two warring political factions to bury the hatchet and resolve the issue, without hurting each other.

As the Enron review committee gets down to work, the onus of resolving the imbroglio, without criticising the Maharashtra government's deliberate default, has shifted to Delhi.

"It's really a peculiar position. After our decision to default, the Vajpayee-led BJP's NDA government at the Centre can do anything, except refuse to pay, since they know that the refusal to share the financial burden will be a major political issue," said one of the constituents of the ruling dispensation in the state, while explaining the Dabhol dynamics.



PAWAR: IN A TANGLE

According to sources in the Congress, the BJP-led central government cannot afford to censure the state government. "It will open a Pandora's box. They are responsible for the Enron mess. The speed Vajpayee's 13-day government showed in clearing the project, is self explanatory," said one of the ministers.

On the other hand, the Congress, too, has been forced to keep mum. It was the Sharad Pawar-led Congress government in Maharashtra that had signed the first agreement with Enron. Though he may have deserted the Congress after that, his Nationalist Congress Party (NCP) shares the power with Congress, in the state.

Though the Congress seems eager to "expose" the BJP's role in Enron, the political situation prevents them from doing so. "In Delhi, it is the Sena-BJP's government. Both financially and politically, the Congress can't afford to antagonise it," a BJP leader said.

Against this backdrop, the NDA government has no option but to resolve the crisis. "We can afford to default. But they can't," said an NCP leader.

Meanwhile, the smaller partners of the ruling Democratic Front government have "threatened" chief minister Vilasrao Deshmukh with serious consequences, over a couple of members of the review committee.

Janata Dal leader Mrinal Gore said they were unhappy with the inclusion of economist Kirit Parikh and Tata Energy Research Institute director R. Pachauri.

"Parikh was a member of the committee set up by the Shiv Sena-BJP government that revived the project. Pachouri was the advisor to the Central government at that time, which allowed the agreement," the leader said.

Members of the Janata Dal, Peasants and Workers Party (PWP) and the Communist Party of India (Marxist) have convened a meeting to chalk out their next course of action.

The Enron Virodhi Andolan, too, has decided to intensify its agitation against the power project. The Andolan will observe March 1 as "Anti-Enron Day" throughout the state, and will stage a demonstration outside the plant at Dabhol.

Former Union home secretary Madhav Godbole, who is heading the Enron review committee, has declared that he would try to complete his assignment within the deadline.

According to a notification issued by the state government, the Godbole committee has been given a month's time to determine the fate of Enron, and three months to formulate guidelines for permitting independent power projects (IPPs), in future, in Maharashtra.

The Economic Time

12 FEB 2001

PRIVATISING WITH A VISION

THE DECISION OF the Cabinet Committee on Disinvestment (CCD) to sell 25 per cent of VSNL's stake to a strategic partner within a timeframe is noteworthy for at least two reasons. The announcement should end the speculation over VSNL's future. Earlier reports had hinted at a piece-meal approach involving a small selloff of Government stake in the first instance. Such tentativeness would have done no good to VSNL's eventual privatisation. Nor contributed anything in the short-term. The company would neither have been subjected to Parliamentary control nor answerable to any category of enlightened shareholders. For a company which has had more than its share of problems associated with capricious Government control, the consequences would have been disastrous. In 1994, the company's overseas share sale programme was stopped in its tracks by an opaque Government order. Mr. Sukh Ram's inexplicable decision prevented the company from realising an attractive price. Since then there has been a drop in its share value, partly because of the technological changes and partly because of uncertainty over the company's future.

A company such as VSNL which operates in a highly technology intensive and fast changing environment now needs a visionary management and direction to move forward. Any half-way measure as to its ownership would have created uncertainty and seriously dented both the morale of its workforce and its market capitalisation now in the region of $2 billion. With its monopoly over international voice telephony due to end next year and with private ISPs already providing gateways for internet services the company has quite a few challenges in its core areas. But a move away from Government ownership also means that VSNL will be free to compete in basic and mobile services and leverage its strengths in long-distance services.

The latest Government decision has actually more to do with the process of disinvestment than with any one company. Since its start in 1992 it has had a tortuous passage. With the sole exception of the relatively inconsequential Modern Bakeries which was sold off last year, the Government has had no other success in divesting its stake and control in any Central public sector undertaking. Interestingly, for the first time it has now become fashionable to use the term privatisation instead. That seems to suggest a greater sense of purpose in moving ahead. But the most preferred route to achieve that — a strategic sale method — requires a greater degree of political will — among other attributes — to succeed. Besides, in the interest of transparency there can be no short-circuiting of procedures. The sale of Air India and Indian Airlines, the Government has said, will pass through ten different stages before culmination. Some of these are purely procedural, others involve decision making but all of them will surely lengthen the process.

Moreover, there cannot be a privatisation policy that is at variance with the official policy for that sector. This can work against the interests of the privatisation programme. Both the national air carriers' potential value has been affected by the convoluted civil aviation policy. The petrochemical major IPCL is still in Government hands even though procedurally its strategic sale is at the finishing stage. This is because post-divestment the Government does not want a new monopoly created in the private sector. No one should expect a shotgun sale of a PSU whether through a strategic sale method or any other. However, as the stock markets have shown, the very prospect of a privatised telecom major excites investors. For VSNL and companies of its ilk the secret is to unlock their formidable hidden strengths. For all its delays disinvestment can still earn a good name if those minimum goals are attained.

THE HINDU

10 FEB 2001

Enron panel to review PPA

By Our Special Correspondent

HO-16

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MUMBAI, FEB. 9. Weeks after announcing its intent, the Maharashtra Government today set up a six-member committee, headed by Mr. Madhav Godbole, former Union Home Secretary, to "review and reconsider" the power purchase agreement between the Maharashtra State Electricity Board and the Enron-sponsored Dabhol Power Company and "suggest appropriate measures to facilitate" purchases from it by other agencies including the Union Government or their agencies.

The other members of this panel are: Mr. Deepak Parikh, Chairman of the Housing Development Finance Corporation; Dr. Rajendra Pachauri, Director of the Tata Energy Research Institute, Mr. E.A.S. Sarma, former Energy and Finance Secretary, Government of India; Dr. Kirit Parikh, Emeritus Professor, Indira Gandhi Institute of Development Research. Mr. Vinay Mohan Lal, Principal Secretary, Maharashtra Government, is a member- secretary.

The focus of this panel's terms of reference is to find ways to make sure that the power sold at very high rates to the MSEB at present is picked up by others, a notion which Enron is now willing to consider and a concept that the Chief Minister, Mr. Vilasrao Deshmukh, has pushed hard with the Centre in his letter to the Prime Minister, Mr. A.B. Vajpayee. The Chief Minister sees termination of and "even uncertainties" over the project as dangerous to direct foreign investment in the country.

It specifically asks the panel to look at the cash- strapped, politically-interfered Maharashtra power board, and suggest its "future course of action for reforms in the energy sector." The terms of reference announced today requires a review of the "overall demand and supply of electricity with special reference to supply of power by independent power projects" and has brought under its ambit any other "proposed agreements" with other independent power producers. This perhaps includes Reliance and Ispat-sponsored projects now on hold.

The preamble of the order issued today says how under the "present policy of the Government of India, export of power outside the State or sale of power by Independent Power Projects to parties other than MSEB is not permitted."

THE HINDU

10 FEB 2001

Enron willing to amend Power Purchase Agreement

Change of buyer is possible, says official

Sujata Anandan
Mumbai, February 8

THE US ENERGY major Enron seems willing to consider what was so long considered the impossible: an amendment to its Power Purchase Agreement. Enron is faced with the intransigence of the Maharashtra government over the payments of bills. The Maharashtra State Electricity Board also does not have the money to pay up.

The terms of the PPA are classified and only a few have a clue as to how Enron is actually billing the MSEB. The rates fluctuate over the months.

Realizing that the Maharashtra government is stubborn about a relook at the entire agreement, Enron too seems to have had second thoughts.

Accordingly, Enron India's managing director Kay Wade Cline today said that the company was willing to amend the terms of its PPA with MSEB so that a change of buyer was possible. At face value, this looks as though Enron is looking out for its own skin while seeming to bail out the MSEB and the Maharashtra government.

While the state has refused to pick up the tab for the MSEB time and again, the Centre, too, has indicated that it will pay the Enron bill once and not any further.

Enron on Monday had evoked the counter guarantee given by the Centre against the default of payments by the MSEB and the state government.

But no one can be certain how long things can continue in this manner, given Maharashtra's clear refusal to play along.

Although, partners in the Congress-led Democratic Front alliance differ over the nitty-gritty of the Enron deal, they are all agreed on one basic fact: that the project is a liability for the people of Maharashtra and that Enron needs to be either dumped or renegotiated.

Enron's offer now has a quid pro quo: in return for sharing Phase II of its project with the National Thermal Power Corporation, it wishes for a waiver of the penalty clauses in the contract in the event of the non-functioning of its units for whatever reason. Enron's new electricity-buyers could be the NTPC or even the Karnataka State Electricity Board that has long evinced an interest.

Essentially, though, Enron is looking towards the central government to take over the project through the NTPC and the Power Trading Corporation.

Meanwhile, within the state government, the tail appears to be wagging the dog, with the 5-member Peasant's and Worker's Party (PWP) putting its foot down over the composition of the review committee that will look into the second phase of the project. The government has finalized the name of former finance secretary Madhav Godbole to head the committee which will also comprise energy experts N N Lele and R K Pachouri, long associated with Tata Electricity.

The glitch in the finalisation of the review committee seems to be the appointment of another

Expert, Kirit Parikh, who earlier had given the go-ahead to Enron during the Sena-BJP government.

THE HINDUSTAN TIMES

9 FEB 2001

CM asks PM to help tackle Enron imbroglio

The Times of India News Service

MUMBAI: Chief minister Vilasrao Deshmukh has urged Prime Minister Atal Behari Vajpayee to pull it out of the Enron imbroglio. "I have requested Prime Minister Atal Behari Vajpayee to intervene as Maharashtra is in no position to withstand any additional financial burden," Mr Deshmukh stated at a press conference here on Wednesday.

The Maharashtra cabinet on Wednesday cleared the appointment of former Union home secretary Madhav Godbole to head an expert committee to review the Dabhol project and the state's power situation. The other members of the committee will be named on Thursday.

A day after Enron invoked the central government's counter-guarantee to claim payment for outstanding bills, the CM said he had written a letter to Mr Vajpayee on Tuesday and despatched a team led by chief secretary V. Ranganathan to Delhi to explain the state's position to the Centre.

Asserting that various possibilities regarding Enron were still open, the CM said the state did not want to abdicate its responsibility in any manner. Writing to the Prime Minister was one way of indicating that the state was ready to discuss the issue.

Power minister Suresh Prabhu on Wednesday indicated that the Centre may not default on its counter-guarantee to the Enron-promoted Dabhol Power Company (DCP) and was likely to pay the outstanding bill of Rs 79 crore for November 2000.

Indicating the Centre's intent, Mr Prabhu said, "We will look at the proposal... but this cannot go on for month after month." The power minister also hinted at working out a new arrangement with Enron to settle the issue.

"We are looking at options to resolve the current problem," he said.

THE TIMES OF INDIA

8 FEB 20

Enron acts tough as row over power payment intensifies

Firm draws Central government into picture by invoking counter-guarantee

The Times of India News Service

MUMBAI: With the Maharashtra government in no mood to pay for the electricity it has purchased from the Dabhol Power Company (DPC), the Enron subsdiary on Tuesday went on the offensive and invoked the counter-guarantee provided by the central government. The counter-guarantee had been provided by the Vajpayee government on the last day of its earlier 13-day tenure.

The American firm had earlier invoked the guarantee provided by the state government. However, since it did not prod the coalition government in the state, led by Congressman Vilasrao Deshmukh, into action, DPC has decided to bring the Vajpayee ministry into the picture.

The Maharashtra State Electricity Board (MSEB) owes DPC Rs 79 crore as on November 2000. "In addition, an amount of Rs 152 crore under the December 2000 bill is also overdue," DPC said in a press release.

Said Neil McGregor, president, DPC, "We are disappointed that this decision had to be taken. Given our understanding of MSEB's financial challenges, DPC and its partners have consistently exercised restraint, despite repeated delays in payment from MSEB in the past several months. Since the outstanding Rs 79 crore for the November bill is now overdue by 42 days, as well as the Deember bill by 12 days, we have little choice but to invoke the government of India guarantee to cover the November bill and the government of Maharashtra guarantee to cover the December bill."

On January 25, 2001, DPC took measures to enforce its security rights under the contract documents for recovery of Rs 89 crore outstanding from MSEB towards the November 2000 bill. Apart from a payment of Rs 10 crore by MSEB, the outstanding amount was not paid.

"Due to repeated delays in payment by MSEB since early 2000, DPC could have invoked the government guarantees in several instances earlier. However, the company had exercised restraint and chose not to invoke the security mechanisms. In fact, given the MSEB's financial predicament, DPC had initiated discussions with the state government in September 2000 to find a lasting and equitable solution to the financial difficulties experienced by MSEB. The company has welcomed the decision by the government of Maharashtra to form a review committee and has expressed its willingness to discuss any issues raised by the committee, MSEB or the Maharashtra government," Mr McGregor said.

He added, "DPC isn't just about power and gas processing at a remote location in Maharashtra. It's a global alliance of over 40 organisations from across the world working together to give India the world's largest gas-fired power plant and the country's first LNG terminal. It's more than Rs 10,000 crore (approximately U.S. \$2.2 billion) in foreign direct investment, that has already contributed more than Rs 1,600 crore to the state and central exchequers."

He warned that the government "must recognise the serious domestic and international implications of contractual agreements not being honoured".

THE TIMES OF INDIA

- 7 FEB 2001

Advantage Sinha

The prime minister's wise men have spoken, and it's not their fault if their words of wisdom on the economy have a tired ring about them. Economists, analysts and columnists have all been saying for a long time what the Economic Advisory Council has now recommended. Look at the wishlist: cut in the small savings interest rate, downsizing of the government, reduction in food and fertiliser subsidies, increase in second-class train fares and corresponding cut in freight rates, hike in kerosene prices and user charges for water and power, increase in fees charged by educational institutions, lowering of the average import tariff from the present 34 per cent to 12 per cent by 2005, no prior clearance to shut down industrial units... All these proposals make eminently sound economic sense. Nobody disputes the need for them, but no government has yet managed to summon up the political courage to implement them. Fears are already being expressed that the Council's report will soon be forgotten and gather dust somewhere. Actually, the real danger is that the government might just decide to implement it selectively. Remember how the Pay Commission's recommendations were implemented, but the caveat that they should be accompanied by greater productivity was conveniently ignored? Mr Yashwant Sinha too will face immense temptation to accept politically correct proposals like increasing customs duty on agricultural products and providing meals at primary schools, while ducking heavy-duty steps that would have interest groups screaming blue murder.

If that were to happen, it would be a real tragedy. Because the timing has never been more opportune to ram through the painful remedies that the economy desperately needs. The latest estimates of the Central Statistical Organisation confirm that India's gross domestic product growth will slow to 6 per cent in this financial year from 6.4 per cent last year. That's a far cry from the brave talk of nine per cent growth. Agricultural growth is expected to rise marginally, but both the manufacturing and services sectors are likely to take a hit. Not surprisingly, business confidence has dipped. Meanwhile, the Prime Minister has issued so many warnings about a tough Budget to help rebuild Gujarat that everyone is bracing for a beating. The finance minister could turn upon the usual suspects — the rich and middle-class — and soak them some more. Or he could display real vision and set out to overhaul the entire rickety economic structure by implementing the Council's proposals in toto. If he feels he needs to do something further to kick-start growth, he could extend tax sops, but only to catalyst sectors like construction. The danger would be that Mr Sinha would unify every possible lobby against the budget. The advantage would be that no one would be able to complain about being unfairly singled out. Politicians frequently underestimate the public's willingness to accept harsh steps, provided they are seen as essential and the burden is perceived as being evenly shared by everyone. The ball is firmly in Mr Sinha's court. He could take his eyes off, or he could hit a winner. But he should bear in mind that he may never again be so advantageously placed.

THE TIMES OF INDIA

Surcharge not enough, fresh taxes likely: PM

'People should help with their tan, man, dhan'

The Times of India News Service

NEW DELHI: Prime Minister Atal Behari Vajpayee indicated on Friday that the two per cent surcharge announced on Thursday would not be sufficient to mop up the resources needed for reconstruction and rehabilitation in quake-devastated Gujarat, and that the budget would see some fresh taxes. However, he emphasised that there would not be "heavy taxes".

Speaking to journalists at his residence, he said, "Everyone must be willing to share the burden. The losses are so great that the two per cent surcharge will not be enough. I am making an appeal that people around the country should help with their *tan, man, dhan*." Without spelling out the details, he said, "We are working out the extent of the losses. After that, we will have to mobilise resources." Finance minister Yashwant Sinha, when quizzed about the budget, was non-committal.

The PM also complained that he had become the victim of criticism in the press. "When I went to survey the damage in Gujarat, the press wrote that my trip hampered relief activities. That is not true. They also wrote that VIPs should not visit disaster sites. But when I went to Lucknow, I was told that I should be in Gujarat."

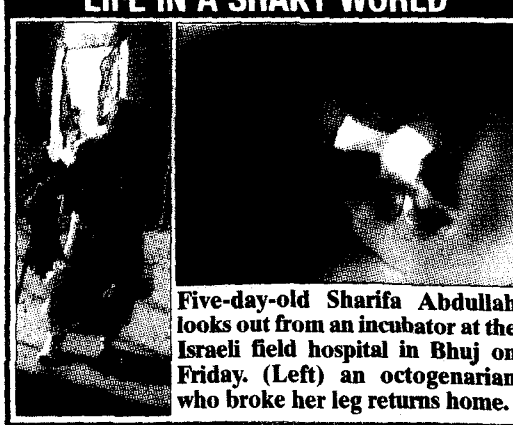
Meanwhile, satisfied with the restoration of "infrastructural normalcy" in Gujarat within seven days, a group of ministers (GoM) headed by Union home minister L.K. Advani has asked industry representatives—CII, FICCI and ASSOCHAM—to take charge of clusters of villages and provide temporary shelter as well as permanent rehabilitation. There are, in all, 949 villages.

Briefing newspersons after the GoM met for the second time since it was set up a few days ago, Union minister Sushma Swaraj said on Friday that temporary shelters were the biggest need of the hour. Tents and GI sheets are being organised and the options on other quickly-fabricated shelters are being examined. The group has also directed that public sector undertakings (PSUs) be asked to help provide shelters. An estimated one lakh tents are needed. So are two lakh sets of utensils.

The GoM is expected to look at immediate measures for Gujarat as well as at long-term natural disaster mitigation and management. It has as its members the ministers of railways, defence, agriculture, power, communications, textiles, consumer affairs, urban development, finance and health, as well as the Planning Commission deputy chairman. With the power, telecommunications, road and rail transport situations looking up, Sushma Swaraj said broad-gauge services should be restored by Saturday. About the complaints regarding the lack of coordination and direction in relief work, Ms Swaraj said every entry point would now have a helpline and information booths to direct relief workers.

In a somewhat belated move, Gujarat has been asked to prepare, as quickly as possible, "a ready reckoner" providing information on routes, officers and their telephone numbers. Designated information officers in each taluka of the state have been asked to hold daily briefings for the media. Union health minister C.P. Thakur, who is also a member of the GoM, said medical help had reached almost all villages and added that steps were being taken to avert epidemics.

LIFE IN A SHAKY WORLD



Five-day-old Sharifa Abdullah looks out from an incubator at the Israeli field hospital in Bhuj on Friday. (Left) an octogenarian who broke her leg returns home.

THE TIMES OF INDIA

3 FEB 2001

Budget precursor: 2% hike in income tax

Rs 1,300 cr thus generated to go for quake relief

HT Correspondent
New Delhi, February 1

9-610 Aff ate

IN A bid to mop up additional resources for the relief and rehabilitation of Gujarat earthquake victims,the Centre today announced an additional levy of 2 per cent on all the income tax assesses with an annual income of more than Rs 60,000. The same additional surcharge will also be imposed on all the Companies.

The additional surcharge valid for 2001-2002 assessment year will be up and above the existing levies. The fresh tax-tariff is expected to generate an additional revenue worth Rs 1300 crore.

The decision was taken here this evening at a meeting of the Union Cabinet chaired by the Prime Minister.

The Cabinet also took few other decisions paving a way for total excise duty exemption on the imports of all materials meant for the relief and rehabilitation of the quake victims. It also okayed 100 per cent I-T exemption on donations to charitable institutions for relief and reconstruction works in the affected areas.

Parliamentary Affairs Minister Pramod Mahajan said an Ordinance will be promulgated to give an instant effect to the fresh levy. "This is an unprecedented step given the unprecedented nature of the quake calamity," he asserted.

As regards total I-T exemption for donations to charitable institutions desirous of taking up rehabilitation work in Gujarat, all such organisations registered under 80(g) of the IT Act will be eligible for the concession. Presently these institutions enjoy 50 per cent tax exemption on donations received for charitable work.

Day 7 sitrep

- Priyanka Thakar, 13, pulled out of the rubble after six days in Bhuj.
- Gastroenteritis in worst-hit areas.
- In Bhuj and Anjar, CM Keshubhai Patel appeals to residents not to stand in the way of operations to clear the rubble. He says the death toll is around 35,000.
- Disinfectants being sprayed over debris and water chlorinated.
- Old Bhuj city and Anjar town cordoned off by the Army for security reasons.

Mr Mahajan said the Cabinet had approved few conditions for registered charitable institutions to avail of the new concessions. Included in these conditions are provision for maintaining a separate account of income and expenditure, all donations to be received up to September 30, 2001 and spent till March 31, 2002. The Minister explained that all these institutions will have provide consolidated accounts to the Central Board of Direct Taxes by June 31, 2002. He clarified that the institutions could donate unspent money to either PM's Relief fund to save any further IT-commitment or pay taxes under the existing rules.

With hopes of finding any further survivors all but over, the task of retrieving thousands of decomposing corpses from the ruins of Gujarat's towns and villages has become a major priority.

In Ahmedabad, Pravin Lehri, principal secretary to Chief Minister Keshubhai Patel, said: "We are quite apprehensive of epidemics because of the numbers of dead bodies and other decaying material lying under the debris. Freezing night-time temperatures were another major health hazard.

V. Ramalingam of the Indian Red Cross said the risk of the spread of disease was growing by the day. "The big threat we are facing now is that of water-borne diseases," Ramalingam told AFP. "There are still a lot of unrecovered dead bodies and animal carcasses and these will increasingly contaminate the water-supply, creating a serious health risk," she said.

Although bulldozers have been deployed in many ravaged towns, there has been some strong local opposition to their use as long as survivors continue to be found. Those corpses which are recovered are immediately cremated without

Man gunned down in Burrabazar robbery bid

HT Correspondent
Kolkata, February 1

A MAN was shot dead before hundreds of people at Burrabazar this evening after he resisted would-be snatchers of the Rs 10 lakh he was carrying. The incident took place during the evening rush hour at a spot teeming with people, only a couple of 100 m from the Lalbazar police headquarters.

The police claimed to have identified the killers, and were raiding possible hideouts. Additional forces were on duty in the area where panic now rules. Ram Prasad Ghulam, an accountant with Ms Fort Williams Industries, a company of the Bangur Group, was returning to his India Exchange Place office around 6 pm after withdrawing the money from a branch of ABN Amro Bank nearby. With him was company cashier Kamal Kumar Sagar.

Near the Burma Road-Synagogue Street crossing, four or five men tried to overpower Ghulam, 50, from behind. They even tried to put chilly powder in his eyes, said eyewitnesses. But Ghulam did not let go of the cash-loaded attach case he was carrying.

As the scuffle attracted passers-by's attention, one of the gang whipped out a gun and shot at Ghulam before all of them fled. The accountant was declared dead

THE HINDUSTAN TIMES

2 FEB 2001

THE ENRON CONUNDRUM

WITH THE MAHARASHTRA State Electricity Board (MSEB) in poor financial health, it was obvious that the Union Cabinet would permit Enron to take up the additional equity in the Dabhol Power Company (DPC) meant for the state utility. Yet this decision on equity inflow still leaves uncertain the future of the second phase of the controversial project. Given the incertainty over phase-II, Enron could be reluctant to commit itself further pending a final decision by Maharashtra. An offspring of an agreement between a State government and an independent power producer, the DPC has generated significant political heat and economic debate. Just about everything has gone wrong for the MSEB. The latest relates to the mounting bills from the DPC that the MSEB is finding difficult to pay. An agreement that bound the state power utility to pay a capacity charge, irrespective of whether the board buys power from the DPC or not, has weighed it down financially. In addition is the dependence on imported and consequently dollar-linked fuel. Rupee depreciation against the dollar and the rise in the fuel (naphtha) prices have all but ensured that the MSEB is on a financially burdensome track. The latest decision does not yet solve the basic problem for the MSEB. The cost of Enron power has been so expensive that the State government had to step in to meet payments recently. The situation has now worsened with the DPC invoking the State guarantee to recover the outstanding dues of the MSEB for two months.

The State government has been talking of setting up a review committee to look into the implications of phase-II of the project — which is to come on stream later this year — for more than a month now. The task next on the line, therefore, is a decision by the State government on its proposed review of Dabhol II. As it prepares for the second phase of the project, Maharashtra should not rush into decisions. Moreover, it has to decide on the terms of this review and whether or not it should include a basic review of phase-II or just the terms and conditions. There are costs that it will have to face in the event of a cancellation but there are costs too if the project continues in its present form. Tariff for power generated by Dabhol II is expected to be lower on account of economies of scale, reduction in the interest burden by lending institutions and, more important, a proposed switch-over to LNG as fuel. However, because of its high capital cost, the DPC power will remain very expensive even after phase-II is implemented. In a reappraisal of the DPC project — if at all such a task is undertaken — it would serve the interests of the consumers if the contracting parties find a way out to ensure that the MSEB and the Maharashtra Government are not further crippled on account of the high costs of power generation. A meaningful resolution of this conundrum would also augur well for the Indian power sector.

The problems that the MSEB now faces are not entirely the making of Enron. The financial crisis that has engulfed the MSEB is a manifestation of the larger problems faced by State Electricity Boards (SEBs) and is symptomatic of haemorrhaging state utilities. A case in point is the damage caused by politically inspired decisions, such as cross-subsidised supply of power to various sections, that hurt the economics of the SEBs. In addition are the leakages on account of structural flaws, resulting in avoidable financial burdens from transmission and distribution losses, power thefts and unsettled dues. The fact that Indian power reforms have started at the wrong end — and have not yet percolated down to the level of the SEBs — is glaring in the MSEB's inability to generate the required resources for Dabhol II.

THE HINDU

29 JAN 2001

Import tariffs will be further lowered: Sinha

DAVOS, JAN. 25. Import tariffs, already brought down to 35 per cent, will be lowered further notwithstanding the total dismantling of quantitative restrictions (QRs) from April 1 this year, the Union Finance Minister, Mr. Yashwant Sinha, said today.

"We have lowered our average tariff rate gradually from over 100 per cent to 35 per cent today and will further reduce it in the years to come," Mr. Sinha said at the opening plenary of the World Economic Forum (WEF) here.

QRs on imports will be phased out by April 2001. Foreign portfolio investment is now almost entirely open, he said, adding that the foreign direct investment regime has been substantially liberalised over the last few years.

"Our highly regulated financial system is being dismantled and then interest rate policy is established by an independent central bank," he said, listing out the progress made in liberalising the economy.

Noting that the capital markets were "open, transparent and subject to the same speculative excesses as capital markets everywhere," Mr. Sinha said overall the methodical approach has paid off for Indian citizens.

Win-lose situation

India also attacked the industrialised nations for the "unfair" globalisation process which has led to "win-lose" situation for developing countries.

"The globalisation process is simply not fair, nor equitable. The South does not want nor need charity. But we need the North to play fair," Mr. Sinha told the over 3,000 leaders including 30 heads of States and Governments.

Mr. Sinha, who heads a 40-member Indian delegation, would be associated with two key debates on how globalisation could meet the expectations of the developing countries and measures to address the backlash against this contentious process.

Mr. Sinha said liberalisation has empowered the poor to communicate and they have also given people the taste of the market. "The citizens of my country and the developing world are no longer willing to tolerate poverty... they want higher growth and participate in greater opportunities."

Poverty, a problem

However, poverty is still a problem. "But, while we have problems, we have our strengths too. The West, unfortunately, never seems inclined to talk about what we have... Debates never focus on how much better off the bulk of the population is, the strength of the bulk of the population is, the strength of the democratic institutions in South or its quality of governance," he said.

At the time of independence, India had a miserable life expectancy of 32 years. This had nearly doubled to 62 now, he said.

Elaborating on the progress made by India, he said most importantly its GDP growth rate has risen to five per cent in the 1980s and to 6.5 per cent in the 1990s.

Meanwhile, the meeting braces itself for renewed clashes involving protest groups, despite the organisers' efforts to include more critics of big business and to broaden the debate at the deliberations. — PTI

THE HINDU

26 JAN 2001

Enron allowed bigger stake in Dabhol project

HQ-13

By Our Special Correspondent

NEW DELHI, JAN. 24. The Union Cabinet today permitted the Enron Power Development Corporation to increase its stake in the Dabhol power project in Maharashtra since the other major partner, the Maharashtra State Electricity Board (MSEB), has expressed its inability to pick up equity in the second phase of the project.

However, the Cabinet incorporated a clause allowing the MSEB or its nominee to pick up the additional stake at a later stage if it so desired at a mutually agreed price.

Enron was allowed to increase its equity contribution to the project from $886.9 million to $1,119.9 million, of which $434.2 million would be for the first phase and $685.75 for the yet to be taken up second stage. Earlier, Enron held a 50 per cent stake in the first phase while the MSEB had 30 per cent. Bechtel Enterprise and General Electric each held 10 per cent of the remaining stock.

For the second phase, the MSEB expressed its inability to contribute a further share in the equity at this juncture, necessitating a fresh Cabinet clearance for Enron to hold additional equity. Enron's equity would be contributed through its subsidiary, Enron Mauritius Company.

Enron was issued an approval to set up, own and operate a natural gas-fired combined cycle power station with a capacity of 1,920 MW, expandable to 2,550 MW. Based on imported liquefied natural gas, the plant would have integrated facilities for sourcing, importing, receiving, handling, storage and regasification of LNG. The first phase is already in operation and has run into a fresh controversy over the MSEB's inability to lift the power generated.

At today's meeting the Cabinet also approved the setting up of a new zinc smelter plant of 1,00,000 tonnes per annum capacity at Kapasan in Rajasthan's Chittorgarh district. To be set up by Hindustan Zinc Limited, it is expected to cost Rs. 1,203.75 crores and is likely to be commissioned in 48 months.

Permission was granted for the installation of the eighth unit of the 120 MW captive power plant of the National Aluminium Company (NALCO) at a cost of Rs. 480 crores. The project would ensure uninterrupted power supply to the aluminium smelter plant throughout the year since the annual smelter capacity is being increased from 2,30,000 to 3,45,000 tonnes.

A welcome step: Enron

UNI, PTI report from Mumbai:

Meanwhile, the Dabhol Power Company has welcomed the Government's decision to allowing the Enron corporation to go ahead with second phase of its power project without participation of the MSEB. "It is a welcome step by the Union Cabinet," an Enron spokesperson here said while reacting to the decision. The MSEB chairman, Mr. Vinay Bansal, however, reserved comment on the development.

'Only experts on panel'

In another development, the Chief Minister, Mr. Vilasrao Deshmukh, today said the committee proposed to be set up by the State Government to review its power purchase agreement with the Enron corporation would not have representatives of any political party. Talking to reporters after a Cabinet meeting here, Mr. Deshmukh said the panel on Enron, to be constituted "very soon", would comprise only "experts" to review the controversial agreement on the supply of electricity from the Enron-promoted Dabhol power company in coastal Konkan to the MSEB.

THE HINDU

25 JAN 2001

Enron allowed bigger stake in Dabhol Corp

HTM 25/1

K.A. Badarinath
New Delhi, January 24

IN A significant move, the Vajpayee Government has finally allowed the controversial US-based Enron Development Corporation (EDC) to strengthen its hold on the Dabhol Power Corporation (DPC) by allowing it to enhance its equity to US $ 1119.9 million against the earlier US $ 886.9 million.

A decision to this effect was taken by the Cabinet Committee on Economic Affairs (CCEA) on Wednesday, thereby approving the restructuring proposal of Enron. In effect, the decision translates into reduction in the stake of Maharashtra State Electricity Board (MSEB) to 10 per cent against 30 per cent holding prevailing today.

The CCEA decision has come close on the heels of US Ambassador Richard Celeste issuing veiled threats of withdrawing the US investments in case Enron's interests were not protected. Maharashtra CM Vilas Rao Deshmukh has been mounting pressure on Enron to slash the prices at which power is being sold to MSEB.

Meanwhile, Information Technology Minister Pramod Mahajan maintained that the CCEA decision has come in the wake of MSEB expressing its inability to contribute its equity share worth US $ 233 million.

The Centre has also given MSEB the option of either buying back the stake later itself or selling it to a nominated company in negotiation with Enron.

This approval by the CCEA also means that phase-II of the Dabhol power project will continue unhindered despite the raging controversy on price of power from phase-I at Rs 7.8 per unit and mismatch between demand and consumption of power in the state. CCEA's decision also does not, in any way, address the payments problem faced by the MSEB. Presently, monthly bills of the MSEB towards Enron power is in the order of Rs 180-190 crore. After implementation of phase-II — taking up the capacity to 2,550 MW — monthly bills of Enron will be in order of Rs 725 crore per month. This will cover more than 80 per cent of the board's revenues, pushing the MSEB into further financial mess. The outgo will be irrespective of the power sourced by the SEB from the Dabhol power project due to contractual obligations.

For the consumer, since no adequate measures have been taken to subsume the large scale deviation in international oil prices and negate the impact of forex rate fluctuation, the unit rate of Dabhol power may go up to over Rs 9 per unit, according to Power Ministry officials.

Since the state government has guaranteed payments from MSEB and the project enjoys counter-guarantees from the Centre, the project is bound to land both the Centre and the State in financial mess.

Budget Session

PARLIAMENT IS to commence its Budget session on February 19. The Union Budget will be presented in the Lok Sabha on February 28 while the Railway Budget is likely to be placed in both the Houses on February 26. Parliament will later go for a recess on March 23 to reassemble on April 16 during its scheduled 82-day-long session. The Union Cabinet made a recommendation to this effect to the President on Wednesday. **HTC, New Delhi**

THE HINDUSTAN TIMES

25 JAN 2001

Enron was focus of attention at Celeste-Deshmukh talks

96-1

PRESS TRUST OF INDIA
MUMBAI, JAN 23

24|1

THE ostensibly courtesy visit of the outgoing American Ambassador to India Richard Celeste to Maharashtra Chief Minister Vilasrao Deshmukh here today revolved around the contentious issue of Enron's power agreement that is emptying the state's coffers.

Celeste, who called on Deshmukh at the latter's official residence, Varsha, welcomed the State Government's decision to set up an experts' committee to "review" the power purchase agreement (PPA) with Enron's Dabhol power company (DPC), situated in coastal Konkan, but hoped that the excercise would have a "favourable outcome".

"Sometimes crisis can throw up good opportunities," Celeste said and told Deshmukh that Maharashtra and Mumbai had a "special place" in the Indo-American relations, an official statement issued by Maharashtra Government said.

"Enron is a major multinational company in the US. Its Dabhol power project in Maharashtra has investments from national and international financial institutions and banks. Therefore, everybody is watching how the State Government is going to tackle the problems the project has run into," the American Ambassador said.

MAKING HIS POINT: Richard Celeste flanked by Kiran Shantaram (r) and Shyam Benegal (2nd from left) at the US Consulate on Monday — *Express photo by Deepak Joshi*

Celeste also promised all possible help on "an informal level" to sort out the issue which has cast a heavy financial burden on the Maharashtra State Electricity Board (MSEB), prompting a demand from many quarters to scrap the controversial agreement.Celeste said DPC's predicament has potential for far greater impact than on Dabhol itself.He said, "It feeds the concern among American and other foreign investors that India remains a less than reliable desti

CONTINUED ON PAGE 2

INDIAN EXPRESS

24 JAN 2001

warns of Enron fallout

FROM OUR SPECIAL CORRESPONDENT

Mumbai, Jan. 23: US ambassador Richard Celeste today met chief minister Vilasrao Deshmukh and asked him to settle the Enron dispute at the earliest.

The outgoing envoy said the wrangling between the state government and Dabhol Power Company reflected badly on the growing US-India trade relations and vitiated the investment climate.

Deshmukh told the diplomat on his farewell visit to the financial capital that the cost of Enron's power was too high and his government favoured a review of the second phase of the project, sources said.

The chief minister said the government was setting up a high-powered review committee, which would look into the dispute in detail. He said the committee would be in place soon and would complete the review in two months.

Officials said Celeste proposed that the Centre be a party to the discussions since Enron's was the first major direct foreign investment in India.

The chief minister, however, indicated that his government would not ask the Centre to step in at this stage because the agreement was essentially between the state government and the US energy giant.

"I am cautiously optimistic," Celeste told reporters at the end of his talks with Deshmukh.

In his farewell speech to the US consulate here, Celeste dwelled last evening on the Enron project. "India needs Dabhol power. Every farmer in Maharashtra needs sufficient and dependable power," he said, referring to the recent collapse of the northern grid that plunged Delhi and its surrounding areas into darkness.

Celeste said today that he wanted to see the dispute settled soon once and for all.

Shaping our agricultural future

By M. S. Swaminathan

THE first 60 years of the 20th century were marked by a sense of despair and frustration regarding our capability to achieve a balance between human numbers and the production of foodgrains and other agricultural commodities. In 1968, this mood of despair and diffidence gave wave to one of optimism and self-confidence in relation to our agricultural potential and our farmers' ability to adapt and adopt new technologies, a phenomenon which was christened in that year as "Green Revolution". This agricultural transformation helped to strengthen our national sovereignty in foreign policy.

Our agriculture is now at the crossroads. On the one hand, our national capability in frontier areas of science and technology, as for example in biotechnology, information, communication and space technologies, nuclear and renewable energy technologies and in management science, has opened up uncommon opportunities for achieving an evergreen revolution in most farming systems based on knowledge and biological inputs rather than on chemical and capital intensive production methods. An evergreen revolution is the pathway to sustainable advances in productivity per units of land, water and time without associated ecological or social harm.

There are, on the other hand, both internal and external threats to our agricultural progress. The most important among the internal threats in the damage to the ecological foundations essential for sustained agricultural advance, such as land, water, forests and biodiversity. Prime farmland is all the time going out of agriculture and groundwater depletion is proceeding at an alarming rate. The other major internal weakness is the mismatch between production and post-harvest technologies and between production and market demand, and the consequent need for the Government of India to undertake "trade relief" operations such as cyclone, flood and drought relief. The external threats include the unequal trade bargain inherent in the WTO agreement of 1994, the rapid expansion of proprietary science and potential adverse changes in temperature, precipitation, sea level and ultraviolet B-radiation.

We can face the internal threats only through integrated attention to regulation, education and social mobilisation through panchayati raj institutions. Also, there is need to restructure research strategies in a manner that strategic, anticipatory and participatory (i.e. with farm families) research all receive adequate attention. Similarly, extension services should become farmer owned and controlled and should become capable of converting generic into location specific knowledge essential for taking to precision farming methods. The rural knowledge centres should provide computer aided and internet connected information services, so that farm families have timely and relevant meteorological, management and marketing information.

Agricultural progress will determine India's economic and political future. We can shape this future through synergy among technology, public policy and farmers' cooperative action.

Another area which needs urgent attention is the restructuring of the State Land Use Boards to offer proactive advice to farm families on land use and cropping systems, based on likely monsoon behaviour, ecological efficiency and trends in prices and markets. Assured and remunerative marketing opportunities hold the key to sustaining farmers' interest in producing more. Our agriculture has reached a stage when proactive advice to farm families on land and water use planning based on an assessment of national and global market demand is vital for progress.

At the national and state levels there is need for technical resource centres for monsoon management and water security. They should help to train rural climate managers who can help to maximise the benefits of good monsoons and minimise the impact of unfavourable monsoons.

The global threats to our agricultural destiny can be overcome only by taking steps like the following. Ensuring that the Kyoto protocol relating to climate conversion is implemented by the U.S. and other industrialised nations both in letter and spirit. Adequate support is extended to public good research at the national and international levels. A "livelihood box" is included in the renegotiated world trade agreement, which will permit developing countries to impose quantitative instructions on the import of agricultural commodities when such imports are likely to destroy livelihood opportunities for resource poor farming families and landless agricultural labour. The livelihood box may be necessary for 10 to 15 years, until effective post-harvest infrastructure, facilities for scientific land and water use planning, and effective agro-processing and agribusiness enterprises are developed.

Agriculture, encompassing crop and animal husbandry, horticulture, forestry and agro-forestry, inland and marine fisheries and agro-processing, is the major determinant of the livelihood destiny of nearly 700 million people of India. The methodology of "production by masses" characteristic of Indian agriculture cannot easily compete with products resulting from mass production technologies, until the power of scale both at the production and marketing ends is conferred on small scale production units, as has been done in the cooperative dairy sector. Therefore, trade policies which impact on this destiny are of vital concern to a majority of the rural population as well as to large numbers of the urban poor. There is need for an integrated trade strategy, which gives concurrent attention to home and external trade. Import policies relating to farm commodities should be based on a careful assessment of their impact on all those who depend upon agriculture for their livelihood security. Government should bring out a White Paper on the World Trade Agreement and Indian agriculture.

Government's macro-economic policies are by and large oriented towards the needs of big business and industry, who have powerful organisational structures to represent them. There is an urgent need to voice the voiceless through a national federation of agricultural organisations. Immediately, action is needed to defend the gains made, to extend the gains to the areas which have been bypassed by the farm revolution, particularly dry farming areas, and to make new gains through sustainable intensification, market-based farming systems diversification, and value addition to primary produce through agro-processing and agri- business.

Demographic trends in India have two important implications for agricultural research and development. First, more than 50 per cent of the over 1 billion population belong to the age group 21 and below. Unless farming becomes both intellectually stimulating through the pathway of IT- based precision farming, and economically rewarding through value-addition to primary produce, it will be difficult to attract or retain youth in farming. The other demographic trend is increasing urbanisation. Soon, 50 per cent of the population will be living in towns and cities. Urban agriculture and urban green belts offer opportunities for jobs and income, as well as for improving the urban environment and quality of life. Schools and colleges in urban areas can promote with the help of agricultural universities and institutions urban horticulture and green belt development, which can help to promote symbiotic links between rural and peri-urban farmers and urban consumers. Also they will help to generate more non-farm jobs, which is an urgent need in rural areas.

Agricultural progress will determine India's economic and political future. We can shape this future in a desirable direction through synergy among technology, public policy and farmers' cooperative action. If such a synergy can be achieved, India can become the foremost among the nations of the world in "farm power". If our agricultural progress is halted or reversed through inappropriate or inadequate public policies and research priorities, social disintegration will be the result. The prosperity of the virtual world and the misery of the real world cannot co- exist for long.

(The article is based on a lecture the writer delivered at the Indian Science Congress in New Delhi on January 6.)

With its exorbitant cost of power, has Enron taken the nation for a ride?

A bubble called Enron

By Shripad Dharmadhikary

ENRON IS in the news again. The current mess that the Government of Maharashtra finds itself in with Enron is at once farcical and frightening. It is strange to see the same politicians who had brazenly defended and pushed the deal with Enron now squirming, calling for its renegotiation, and saying that the state Government just cannot pay up.

The Dabhol Power Project, popularly known as the Enron project, with its Phase I of 728 MW, makes an interesting case of how globalisation in a developing country can be replete with dark ironies. This is one of the nine 'fast track' power projects which were initiated in 1991 with the opening of the power sector to private companies. These nine, launched with much fanfare, were expected to herald the era of privatised power — cheap and plenty of it. Enron promised to build fast, and deliver power at around Rs. 2.40 per unit.

The project faced stiff opposition on many counts but principally on the grounds that the power would be too expensive and the contract (the Power Purchase Agreement — *PPA*) was loaded in favour of the company. The BJP-Shiv Sena combine made this a major issue in the 1995 Assembly elections with Gopinath Munde's now famous proclamation: "We will throw the Enron project in the Arabian Sea."

The BJP-Shiv Sena came to power in Maharashtra, a high level committee was set up to study the project and this recommended scrapping of the Enron project. A notice was given to Enron which moved for arbitration in London. There was talk of crippling fines if the contract with Enron was breached. A picture was painted that India would become an outcast in the global market if it did not honour its commitments.

Against these 'odds', the BJP-Shiv Sena Government 'forced' Enron to renegotiate. And triumphantly announced that the loaded contract has been straightened out and the price of power would be Rs 1.86 per unit. Phase II of the project, till then optional, was also agreed. The project came back on line, arbitration was withdrawn, Rebecca Mark became a corporate heroine. Critics were as usual brushed aside and branded as 'anti-development' and 'anti-national'. The courts cleared all the cases against Enron.

Now the bubble has burst. As Enron presented its first bills, it has become clear that the power cost is amazingly exorbitant — Rs 7.80 per unit at the last count. The Maharashtra Government initially put up a brave face and pretended that there was no problem, that it can easily buy power from Enron. But now, there have been a series of conflicting statements. Finally, the Chief Minister has conceded that Maharashtra just cannot afford the high cost power from Enron.

A few months back, the Maharashtra Electricity Regulatory Authority (MERC) made an order requiring the Maharashtra State Electricity Board (MSEB) to purchase the cheapest possible power. Since Enron's power is the most expensive, Enron will have to be the last supplier from whom MSEB can purchase power. The MSEB thus is not allowed to buy all the power Enron can produce. (It is lifting currently less than 45 per cent Plant Load Factor). But it is bound by the PPA to still pay Enron for all the fixed charges. These are to the tune of a whopping Rs 95 crore per month — over Rs 1,000 crore a year.

Arabian Sea in their mind: Joshi & Munde

The MSEB has to pay additional fuel charges for every unit of electricity purchased. When Phase II starts, MSEB's payments in the first year itself will be about Rs 6,000 crore. Compare this to MSEB's total turnover today — Rs 11,000 crore.

The Maharashtra Chief Minister and other politicians are now calling for a renegotiation of the contract. There is talk of how Maharashtra will have to pay Enron Rs 35,000 crore if it annuls the contract. In this din, a few things are forgotten.

The most important question is — how did this situation arise in the first place? The fact is that the PPA was highly skewed and it resulted in such a high price being paid for the power. It is difficult to believe that the Maharashtra Government was not aware of this. So why was such a loaded PPA signed?

When the Enron deal was signed, those who opposed it pointed out that the PPA would result in extremely expensive power. (One is not referring here to the BJP which raised the issue and changed track after coming in power). Everything that was being said by the protestors then is coming uncannily true.

Those who were also involved in the protests faced severe repression. In one particularly outrageous incident, Medha Patkar and others were brutally beaten up. Today, media commentators and even the Government are echoing the same figures and words which Patkar had cited at that time.

A small Pune-based energy research group, 'Prayas', was the first to do an analysis of the PPA — a brilliant piece of work. (This was before the PPA was made public). If a group consisting of a couple of engineers, working with a desktop PC was able to accurately predict how much the power from Enron would cost, it is difficult to believe that the Government with its hordes of engineers and infrastructure found itself clueless.

Why is the Government unable to do any thing about this issue? If the contract is so blatantly one-sided, why is the Government reduced to a hapless entity? If the country allows one MNC to hold it by the neck with a loaded PPA, if it cannot act to correct what is clearly against the interests of the country, then where is the sovereignty of the nation? These are the issues being raised by those who are questioning the one-way blind drive towards globalisation and privatisation.

Enron is not the only power project with these implications. Since the privatisation process began, several hundred MOUs have been signed with private, mostly foreign companies, for building, owning and operating power plants. In most of these cases, the PPAs are similarly skewed.

Take the example of the Maheshwar Hydel Power Project (MHEP). The first privatised hydel power project in the country, MHEP is a 400 MW plant being built on the Narmada river in Madhya Pradesh. The owners, a textile company, have been looking for foreign equity partners; but in the last several years, three companies have come in and walked away — PacGen of the US, Bayernwerk of Germany and recently, Ogden of the US.

The project raises all the concerns that large dams raise, as also issues of privatisation. An intense mass struggle is going on here since several years. Apart from displacement and ecological issues, the key query raised by the Narmada Bachao Andolan has been regarding the cost of power from the project.

The PPA of this project has been analysed by 'Prayas', the same group which analysed the Enron PPA. The PPA is heavily loaded. Their analysis shows that power will cost about Rs 7 per unit — without including the cost of transmission and distribution — and even higher for peaking power. The NBA has asked the Madhya Pradesh Government and the project promoters to answer one question — how much will the power cost? They have been evading a reply.

Remembering Enron, a sense of *d j vu* prevails. It will be really a tragedy after a farce, if five years hence (if the Maheshwar project is at all built), the MP Government is found to be squirming in a manner similar to that of the Maharashtra Government today.

What is needed is a comprehensive and transparent review of all the Power Purchase Agreements. The ability and talent to do an accurate analysis of the PPAs is certainly there in the civil society (if not with the Government). But whether the Government has the courage and honesty to do this seems doubtful.

THE HINDUSTAN TIMES

9 JAN 2001

ECONOMY NOT IN CRISIS / 'BUT NO CUT IN TAX RATES'

HD-12
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Budget to spur growth, says Sinha

NEW DELHI, JAN. 7. Lashing out at 'prophets of doom', the Finance Minister, Mr. Yashwant Sinha, has said his fourth budget will have measures to spur demand and investment. However, he has virtually dismissed demands for cut in corporate and personal income tax rates.

He also does not accept that there is overall slowdown of the economy or any derailing of the economic reform process and in fact intends to pursue higher growth rate in the next year. He is not daunted by prophets of doom and is optimistic of ending the year with a creditable 6.5 per cent growth and containing the fiscal deficit at budgeted level.

In an interview to PTI, Mr. Sinha said the budget would outline a medium-term strategy to spur growth, push up investment in infrastructure, agriculture and downsizing government.

"When I say the budget will be growth-oriented, this is precisely what I have in mind that we must have a kind of regime that will spur demand and investment," he said.

Mr. Sinha said the measures would have to be both sectoral and overall as the basic problem was to spur growth to promote investment. "Some sectors have special problems. Some of them have been taken care of and others will be taken care of as we go ahead with the preparation of the budget because we are too close to the budget now."

Allaying fears of a slowdown, Mr. Sinha said "the point I want to make is we are not in a crisis situation. In certain sectors of industry there has been a certain slowdown.

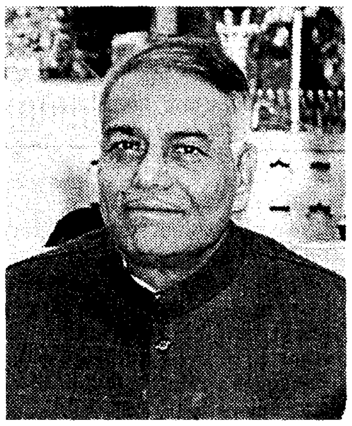
The performance of the government has to be judged not in the context of slowdown but from the response of the government to the emerging situation."

Looking from the global context, Mr. Sinha said the performance of the economy has been creditable with 6.8 per cent growth rate in 1998-99 — not a growth rate anyone should be ashamed of. It was followed by 6.4 per cent in 1999-2000.

Noting that the petroleum prices started going up right from May, he said the economic slowdown started and if the whole situation was taken, it was the manufacturing sector which was not doing well.

Virtually ruling out the possibility of a cut in direct tax rates, Mr. Sinha said the government would consider various means to plug sources of revenue loss. Also "we are considering various ways and means to expand the tax base. An expanded base would definitely allow us some elbow room to consider further rationalising the provisions of personal income tax." On corporate tax, Sinha said effective tax rate was much lower as several exemptions and reliefs had been granted to industry under various heads.

Denying that there was any



proposal to dereserve the entire small scale sector, Mr. Sinha said dereservation would be gradual and the budget would give thrust to promoting the small sector as it had large potential for employment generation and rural development.

Areas of concern

Elaborating on five areas of concern which the budget would address, Mr. Sinha said they included reining in on fiscal deficit, turning the sentiment again to a more positive outlook and creating conditions to induce investment specially in infrastructure.

The budget would also contain measures to push up exports, he said, adding the government would ensure that any adverse impact of global development was kept to the minimum and "we are able to ensure better management of expenditure."

"This will be one of the rare years when we will be close to the budgeted level of fiscal deficit. — PTI

'Not an alarming scenario'

By Our Special Correspondent

HYDERABAD, JAN. 7. The Union Finance Minister, Mr. Yashwant Sinha, said here today that the coming Budget would address itself to the problem of slowdown in the economy and take the nation on the fast track of growth.

In a pre-budget interactive session with industrialists from the State, Mr. Sinha attributed the slowdown to various international and national factors but maintained that the situation was not "alarming" as made out by some sections.

However, the Government was "concerned" about the slowdown and the Prime Minister, Mr. A.B. Vajpayee, had instructed him to prepare a growth-oriented Budget for 2001-02.

Top industrialists, bankers and builders participated in the hour-long session organised by the Union Minister of State for Urban Development, Mr. Bandaru Dattatreya. Mr. Sinha, who was accompanied by senior Income Tax, Customs and Central Excise officials, only heard their views, saying that a Finance Minister was not expected to speak before the Budget.

The controversy over the sky-rocketing cement prices found an echo at the meeting with a manufacturer, Mr. Prasad, seeking concessions from the Government and a builder accusing the industry of forming a cartel and indulging in blackmarketing.

The builder wanted the Government to teach a lesson to the cement manufacturers by slashing import duties and taking action under the Essential Commodities Act.

Mr. G. Pulla Reddy, sweetmeat maker, wanted the Centre to reduce its expenditure, especially on employees' salaries and improve productivity.

The Union Minister for Rural Development, Mr. M. Venkaiah Naidu, who presided, said the Fifth Central Pay Commission had laid down work norms for the employees but the Government could implement only the wage aspects of the report. "You know how difficult it is to implement such recommendations," he added.

Mr. G.V. Krishna Reddy said that unless certain exemptions were given to the power sector it would very difficult for the industry to get 16 per cent returns. Mr. Ramesh Gelli, banker, suggested empowering banks to take early possession of assets from loan defaulters before they become irretrievable.

THE HINDU

8 JAN 2001

'WE ARE NOT SEEKING MERE INVESTMENT'

Help India become knowledge superpower, PM tells NRIs

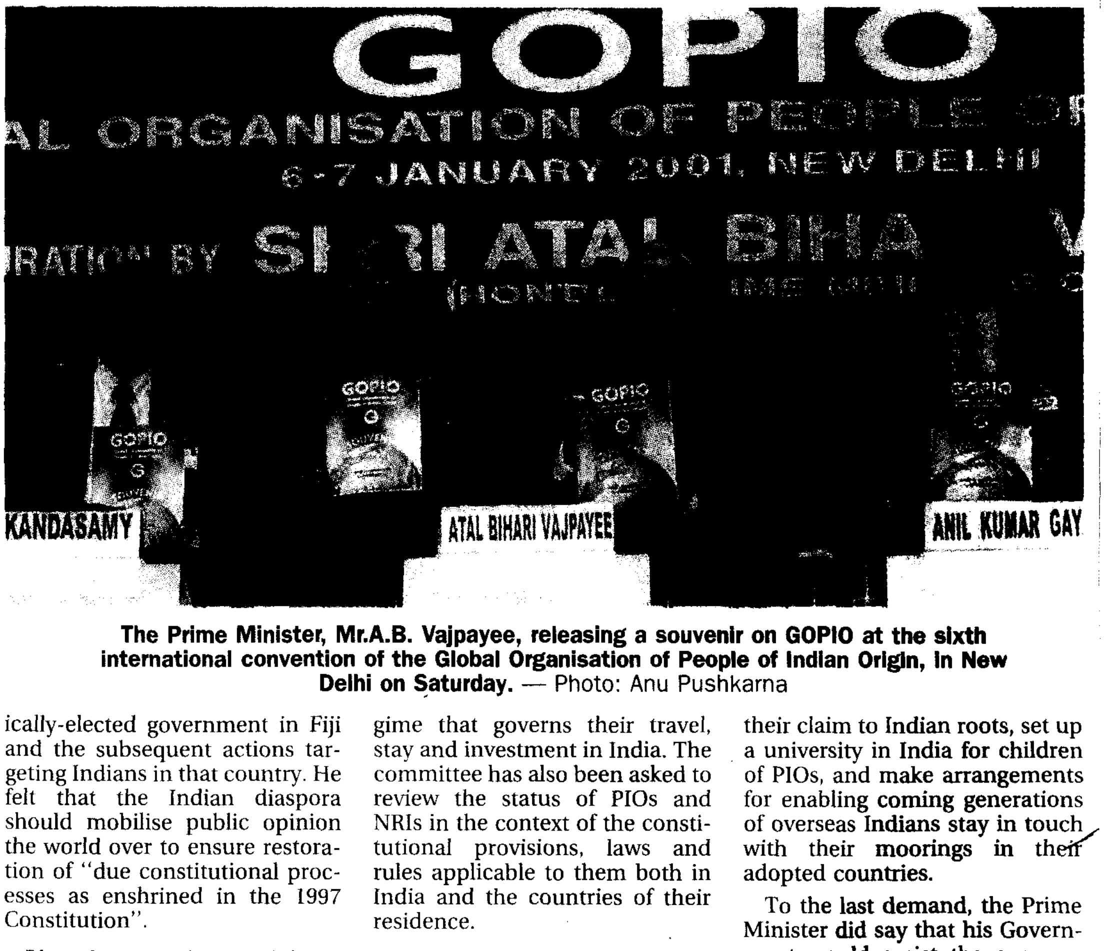
By Our Staff Reporter

NEW DELHI, JAN. 6. The Prime Minister, Mr. Atal Behari Vajpayee, today sought the help of the Indian diaspora in making India a "knowledge superpower" by 2010. Delivering the inaugural address at the first international convention of the Global Organisation of People of Indian Origin (GOPIO) on Indian soil here, he said PIOs and Non- Resident Indians (NRIs) should be partners in the country's efforts to become a major global power.

"We do not merely seek investment and asset transfer. What we seek is a broader relationship; in fact, a partnership among all children of Mother India so that our country can emerge as a major global player," Mr. Vajpayee said while addressing the gathering of PIOs from over a score of countries.

Pointing out that India was at the threshold of a technological revolution in many areas that define the "New Economy" of the 21st century, he said the Indian diaspora could play a vital role in the development of information technology, bio-technology, agriculture, space and energy. "The Indian diaspora has made seminal contributions to the development of many of these sectors in their adopted countries... they can make a similar contribution here."

Acknowledging the difficulties faced by PIOs in some adopted countries, Mr. Vajpayee referred to the overthrow of the democratically-elected government in Fiji and the subsequent actions targeting Indians in that country. He felt that the Indian diaspora should mobilise public opinion the world over to ensure restoration of "due constitutional processes as enshrined in the 1997 Constitution".



The Prime Minister, Mr.A.B. Vajpayee, releasing a souvenir on GOPIO at the sixth international convention of the Global Organisation of People of Indian Origin, in New Delhi on Saturday. — Photo: Anu Pushkarna

Though Mr. Vajpayee did not give any concrete assurances on the demands raised by the GOPIO leadership, he said the high-level committee set up to study the expectations of overseas Indians would examine the current regime that governs their travel, stay and investment in India. The committee has also been asked to review the status of PIOs and NRIs in the context of the constitutional provisions, laws and rules applicable to them both in India and the countries of their residence.

The GOPIO leadership had demanded that the Government reduce the cost of a PIO Card (currently $1,000), remove the clause that forces families who have lived outside India for more than four generations to forfeit their claim to Indian roots, set up a university in India for children of PIOs, and make arrangements for enabling coming generations of overseas Indians stay in touch with their moorings in their adopted countries.

To the last demand, the Prime Minister did say that his Government would assist the overseas Indian community in maintaining its cultural identity and strengthening the emotional, cultural and spiritual bonds that bind them to the country of their origin.

THE HINDU

7 JAN 2001

Maharashtra not to pay Dabhol

Sujata Anandan
Mumbai, January 6

THE MAHARASHTRA cabinet in a brainstorming session late on Thursday night decided to stop paying the Dabhol Power Corporation its dues and cancel US energy major Enron's permission to launch Phase II of the project from the current year.

The attitude adopted by most of the ministers at a meeting at the Chief Minister's official residence Varsha is that Enron can go fly a kite, so far as the State government is concerned.

For having to pay Rs 7.80 per unit of electricity (it was Rs 8.04 in November 2000) is bankrupting the government and it has virtually no money to work into its budget for the year 2001-2002.

The decision of the Maharashtra government can plunge both the state and central government into a crisis. For according to the letter of credit, Enron, which is currently owed $21,000,000, can evoke the crown guarantees as per the deal. That means if the central government too does not cough up, it can put Parliament House and Rashtrapati Bhavan to auction to recover its dues.

If the Centre meets the guarantee, it would mean that the Reserve Bank of India would be asked to debit the money from the Maharashtra government's account and similar cuts would be made in the state's dues from Central funds.

Not surprisingly, Enron has come back with

Enron Stand-off

an offer to cut down the rate of electricity to around Rs 4 but neither the State government nor energy experts are impressed. For again, the US energy major seems to be playing footsie with the Maharashtra government.

According to energy experts, what has brought about Enron's slashing back prices is the fall in the international prices of naphtha, combined with the Maharashtra government's decision to abolish sales tax on the product, bringing its price on a par with the international market. But Enron is doing no favour to the government with this price cut. According to the terms of the contract, it has to any way pass on the fall in prices of raw materials to the Maharashtra State Electricity Board.

Giving the issue a political colour, Chief Minister Vilasrao Deshmukh said on Friday, "We have risen from the ranks -- minister of state to cabinet rank and then Chief Ministers. They (Sena-BJP) had no experience of governance. We know what works and what doesn't. We have to make the state government work".

But where are resources? The Enron bill is adding to the nearly Rs 8000 crore deficit the Government faces. The State Cabinet, though, has adopted a bullish attitude. They will wait and watch and if the Union Government does adopt a confrontationist attitude with the state government, the non-Sena-BJP parties have a major political issue in the making.

THE HINDUSTAN TIMES
7 JAN 2001

ROLE SOUGHT FOR PRIVATE SECTOR IN PDS

Extend reforms to farm sector, says BJP

By Our Special Correspondent

The Prime Minister, Mr. A.B. Vajpayee, with the BJP president, Mr. Bangaru Laxman (right), and the former party president, Mr. Kushabhau Thakre, at the party national executive meet in New Delhi on Thursday. — Photo: Anu Pushkarna

NEW DELHI, JAN. 4. The Bharatiya Janata Party today demanded that economic reforms be extended to the agriculture sector on an urgent basis to remedy the situation of burgeoning foodgrain stocks, falling market prices leading to distress sales, and lower offtake from the public distribution system. Adopting a resolution on the agriculture situation, the party's national executive committee meeting which began its two-day deliberations here today, suggested scrapping of outdated legislation controlling movement of farm produce, limiting the role of the Food Corporation of India and taking the first steps towards involving the private sector in procurement of grain and distribution, and reducing customs duties on essential imports of agricultural inputs while simultaneously increasing duties on imported farm produce.

The party vice-president and spokesperson, Mr. Jana Krishnamurthi, explained to reporters that many of the policies and measures in place today may have had some use in an era of shortages. India was now changing into a country of surplus foodstocks, and therefore the restriction on movement of grain through the Essential Commodities Act of 1955 should be lifted by scrapping the Act.

After a debate during which many members spoke about the current situation, which has led to distress sales and suicides among farmers, the resolution admitted that the country was experiencing a "paradoxical situation of surplus food stock, but at the same time millions of people were going hungry". Hence the need for urgent reforms.

A suggestion in the draft resolution, which was dropped, said diesel prices should be brought down to give some relief to farmers. Members pointed out that crude prices had come down from over $30 a barrel to around $23; but intervening in the debate Mr. Ram Naik, Minister for Petroleum and Natural Gas, said this would not be possible until the oil-pool deficit of about Rs. 24,000 crores was wiped out. The recent decision of oil- producing countries to cut down production would once again exert upward pressure on prices.

The four-page resolution emphasised the need to implement properly the Antyodaya Anna Yojana (subsidised rice scheme for the poor) and the Sarvapriya and Gram Sadak (rural road) schemes.

The suggestions were: allow free movement of farm produce; decentralise PDS operations by involving the private sector in procurement, storage and distribution of grain; set up additional storage capacity, rationalise fertiliser subsidy, and link the crop insurance scheme to crop loans taken by farmers and remove responsibility of individual farmers in relation to crop losses and inability to pay back loans.

The anxiety on account of widespread farmers' distress was evident; it was felt that something needed to be done — before the March-April round of Assembly elections — otherwise, the situation could become politically explosive for the BJP.

BJP blames Opposition: Page 13

THE HINDU

5 JAN 2001

Domestic producers should wake up to the dumping of foreign goods

The Chinese invasion

BHASKAR DUTTA

One of the most famous and colourful streets in Delhi is Chandni Chowk. This 350-year old street was once a favourite hunting ground of Emperor Shah Jahan, and renowned all over the world for the wide array of merchandise available in the shops lining the street. For quite some time, it has lost its position as the pre-eminent shopping arcade of Delhi. Tacky warehouses have now replaced the glittering shops, and stately carriages have been replaced by run-down rickshaws. It is now better known for its numerous by-lanes which still sell various mouth-watering delicacies.

Chandni Chowk is suddenly in the news once again. It is now the main centre for Chinese goods of all kinds, ranging from electric fans to cheap batteries. The scale of activity is so large that one newspaper in the capital claims, tongue in cheek, that it will soon be renamed China Chowk. The flood of Chinese imports has raised temperatures all around, questions have been asked in Parliament, and the many chambers of commerce have beseeched the government to protect Indian domestic industry from the new Chinese invasion.

Quite naturally, Indian producers claim that the Chinese are "dumping" their products in Indian markets. Dumping refers to the practice of selling products abroad at artificially low prices. In other words, the export price is significantly lower than the price at which the good is sold domestically, and is typically made possible by camouflaged export subsidies. Under the new world trading regime introduced by the World Trade Organization, the recipient country can levy anti-dumping duties in order to protect domestic industry. In fact, this is one of the few contingencies under which protective duties are permissible under the new trade regime.

Indian governments are often disposed to knee-jerk reactions. That is why it is so important to consider all aspects of the situation before taking any policy decisions. Some of the factors are easy to jot down. First, there is no doubt that there has been a quantum increase in the volume of Chinese imports into the country. Unofficial sources quote a 33 per cent increase in the volume of imports from China during April-August this year over the corresponding period last year. Since a sizeable fraction of the total volume of Chinese goods in Indian markets is smuggled, this may well be an underestimate.

Second, it is also true that most Chinese goods are sold at dirt-cheap prices. For instance, a Chinese fan with a built-in invertor is available for Rs 800-900, whereas Indian fans cost about Rs 1150. Bicycles are about Rs 500 cheaper than Indian ones. Similarly, most electronic goods are significantly cheaper than products of comparable quality available in India. Third, it is also undeniably true that the sheer volume of Chinese imports will soon have an adverse effect on Indian manufacturing industries. A newspaper report mentions that Bajaj Electricals has started importing items like Chinese toasters and fans into India, and providing brand support and after-sales service. While this is good news for the Indian consumer, this can only be disastrous for the Indian worker.

Of course, the difference in price is not a sufficient proof of dumping. Chinese labour is certainly cheaper than in countries such as Korea, from where we import significant volumes of electronic items. China also has a much lower rate of indirect taxes on inputs. These could well account for a large part of the difference in prices. Another contributory factor underlying the price differential is the general inefficiency of Indian manufacturing. A recent Confederation of Indian Industry seminar in Calcutta focussed on the large distance which Indian manufacturing industries have to traverse in order to catch up with international norms in prices and quality. India has a rather dismal rating in competitiveness. It ranks a low 53 out of 59 countries ranked by the World Economic Forum and 40 out of 46 countries ranked by the World Bank.

"An anti-dumping duty will make smuggling more attractive, making it difficult for India to check the influx of Chinese goods"

Our success in the software industry should not blind us to the weaknesses plaguing other Indian industries. Perhaps years of selling in domestic markets which were protected from all forms of international competition has made Indian industry "soft". A good example is provided by a company such as Hindustan Motors. They had no problem selling Ambassadors in India until the entry of the new pack of automobile manufacturers. But, today, they have a pitifully small market share. Hindustan Motors refused to see the writing on the wall, failed to modernize and are now paying the price for their negligence.

Of course, not all the blame rests with Indian industry. Many industrialists will rightly claim that they do not have a level playing field. There are at least two reasons why Indian manufacturers are at a disadvantage compared to their brethren in countries such as China. First, the general level of duties is significantly higher in India. The higher level of taxes pushes up the costs of production since manufacturers have to pay higher prices for their inputs. Second, Indian manufacturers also have to contend with very poor infrastructure. This too raises their cost of production.

Misguided government policy has also contributed to the lack of competitiveness of Indian products in some sectors. This is particularly true in the case of those sectors, such as the toy industry, which are reserved for the small-scale sector. Small-scale enterprises often do not have access to sufficient capital to modernize. Moreover, the very act of reservation means that they cannot take advantage of the economies of large-scale production — they have to stay small in order to remain in the reserved sector.

It will be very difficult for the government to prove that all Chinese products are "dumped" on Indian markets. But, it can probably levy an anti-dumping duty on some Chinese products. Will this provide adequate protection to Indian manufacturers? There are reasons to doubt this. First, a significant volume of Chinese imports is almost certainly smuggled into the country through Nepal. An anti-dumping duty will make smuggling even more attractive. It will be extremely difficult for India to check the smuggling of Chinese goods. Since Nepal is a land-locked country, India has to provide transit routes for goods supposedly destined for Nepal. But, once the goods have entered Indian soil, it is rather easy to offload these goods to India, although they may be marked for Nepal.

The problem is that China is just one of the competitors with whom Indian manufacturers will have to contend with. If the domestic producers cannot bring down their costs of production and raise the levels of quality, then they will lose out to foreign competitors even if the latter do not indulge in unfair practices such as dumping. This will probably generate tirades against the WTO and demands for greater protection on some pretext or another. One can only hope that the government will resist these demands because the raising of tariff barriers would be a retrogressive measure.

The author is an economist at the Indian Statistical Institute, New Delhi

THURSDAY, JANUARY 4, 2001

MUSINGS ON GLOBALISATION

IF THERE IS one area where the Prime Minister, Mr. Atal Behari Vajpayee, in his "Musings from Kumarakom" has made unequivocal statements, it is on economic reforms and specifically on India's engagement with globalisation. The assertive stance that Mr. Vajpayee has taken on the need to accelerate reforms, goes much further than mere musing about this process. This also stands out in the light of his Government's inability in the recent past to take any major decisions on reforms. But it is a moot question if Mr. Vajpayee's arguments will strike a chord with either the polity or Indian society as a whole for they appear to reflect an inadequate appreciation of why liberalisation, trade reforms in particular, has all but ground to a halt. The NDA Government has never been in doubt about globalisation. But it was only a little over a month ago that Mr. Vajpayee delivered an important speech at a World Economic Forum meet in New Delhi in which he questioned many aspects of present-day globalisation. To now point to an inevitability of globalisation as a reason for India not delaying its engagement with the world economy will leave the citizenry wondering which is posturing and which is the real position.

The issue that now dominates the economic arena is the threat of import competition to Indian industry and agriculture from a variety of sources — he cumulative impact of a number of World Trade Organisation-related agreements, inexpensive imports from China and the impending removal of all quantitative controls on imports. This issue naturally figures prominently in Mr. Vajpayee's article for the newspapers. There is a point in the view that the current opposition to import liberalisation is very visible because it is the more influential lobbies, be it in industry or agriculture, which are now voicing it. But that does not mean that it is only the vested interests which are against import liberalisation in particular and economic reforms in general. The reason why the reform programme has almost ground to a halt is very simple and can be found in Mr. Vajpayee's own words. As the Prime Minister has put it, the demands of the people are "very simple and basic": drinking water and sanitation, better roads, adequate electricity and the like. Since a decade of reforms have not made any difference to the provision of these basic needs (in many cases the situation has worsened), there is naturally a greater reluctance to endorse further change to the status quo, even if very sound economic reasons can be offered for such changes. On a more general level, Mr. Vajpayee must be aware that in spite of a marginally faster pace of growth in the 1990s the pace of employment growth slowed down in the previous decade and so too the rate at which poverty declined in both rural and urban India.

Until and unless the reforms that have been undertaken so far show that they can have a measurable and positive impact on the people's lives, the present stand-off will continue. It is true that all Governments in office since 1991 have followed a reform programme to varying degrees. This does not, however, indicate a political consensus in favour of reforms as Mr. Vajpayee suggests. The consensus that exists is a negative one for, political formations once in office are persuaded by advisers and lobbies that there is no other option. It would be a different matter if there was a positive consensus, born of conviction and cutting across political parties, that a minimum reform programme was both desirable and feasible. Such a consensus is yet to be formed and until it is, the reform programme will remain where it has been for some years: stuck in opposition and moving only slowly and in increments.

Budget likely to give special deal to poorest

9-G Lo Affairs

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K.A. Badarinath
New Delhi, January 3

THE VAJPAYEE Government is thinking of a separate Rs 10,000 crore allocation in next year's Budget for the poorest of poor Indians ("those below the poverty line or BPL). The money is to cover rural housing, drinking water and infrastructure development projects.

The idea came up at an informal meeting of senior cabinet ministers, with the PM in the chair, this evening.

The deliberations, that lasted two hours, also focused on strategies to prune food and fertiliser subsidies, build a political consensus on medium term economic reforms and provide a framework for next year's Budget. Finance minister Yashwant Sinha is to hold his annual pre-budget consultations with interested groups between January 5 and 10.

While the finance minister briefed the PM's chosen team on the entire economy, specific proposals for social welfare schemes, a strategy to reverse the industrial slow down and the decline in foreign investments are to be considered at the meeting slated for January 17.

Ministers who attended today today's meeting included L.K. Advani, Jaswant Singh, George Fernandes, and heads of economic ministries such as Yashwant Sinha, Murasoli Maran, Suresh Prabhu and Arun Shourie.

Limiting food and fertiliser subsidies to target groups and a phased increase in the charges for power, irrigation, urban water supply, higher education, health, government housing to cover their full cost appears to be under consideration.

The "pro-poor" programmes on the anvil are also significance because of Assembly elections are to be held in March.

Briefing newsmen, Yashwant Sinha said "some ideas that could be incorporated in the next budget were discussed". He, however, conceded that the prime ministerial group while reviewing the economy was seriously concerned about the slowdown in industry, specially the manufacturing and capital goods sector, and the decline in foreign investment inflows.

A medium term fiscal policy paper prepared by Finance Secretary Ajit Kumar to achieve 9 per cent annual growth apparently formed the basis for today's discussion by Mr Vajpayee's chosen team.

BUDGET ROAD MAP

- Rs 10,000 crore pro-poor programmes proposed
- Rural housing, water and infrastructure prioritised
- Prune food and fertiliser subsidy to target groups
- Phased hike in power, irrigation, water supply, higher education and govt housing contemplated
- Strategy to reverse industrial slow down and decline in foreign investment

THE HINDUSTAN TIMES

4 JAN 2001