Foreign flag-carriers have seen manifold jump in their entitlements in 2017, with UAE, Qatar, Oman and Singapore leading the pack

US$	64.13
Euro	75.38
B Pound	83.06

Bahrain Dinar	170.02
Oman Rial	166.60
Qatar Riyal	17.57
Saudi Riyal	17.10
Dirham	17.46

Why this turf war between TRAI and CCI?

BY D M DESHPANDE

Going by the press reports, a turf war is brewing between two regulators-the Competition Commission of India (CCI) and Telecom Regulatory Authority of India (TRAI) on who should regulate competition in the sector. One is a sectoral regulator (TRAI) and the other a general/overall competition regulator, the CCI. This type of one-upmanship is both unfortunate and undesirable, because both need to work together, in fact, in tandem, so that best interests of consumers are protected.

At the heart of the issue is the question of who and how will predatory pricing be determined? In a simple language, predatory pricing is where a player sells below costs to gain an upper hand in the total market share. Naturally, though this player books losses to begin with, but over a period of time, drives out competition. It is easy to see that unmatched resources and ambition, or is it greed, of the incumbent can be used to sustain planned short term losses. The obvious strategy is to ensure that competition is bled to death in a planned and ruthless manner. Then he raises the price as he has nearly established a monopolistic position in the market! Normally, a dominant player is the one who is accused of resorting to such an anti-industry practice. But in telecom, the story is different. Jio, who is alleged to be resorting to predatory pricing, is a new entrant in the field and can hardly qualify for a position of 'dominant player' as is normally understood.

In most of Europe and all over the world, definition of 'dominant player' is one who has 50% or more share in the market, barriers to entry are high and there is no countervailing buying power. Typically, in today's Indian telecom, there is a lot of complexity as far as the target group and audience is concerned. Technically, it is possible to separate voice and data players; but some of them could

REAPPRAISAL

also be the same depending upon the technology that is employed. The same goes with the consumers; unlike in the past, not all or even the majority of customers/target group is only voice based. Indeed it is a mix of both, voice and data though the voice continues to have a slight edge. And with voice becoming 'free', it is data which is going to drive future pricing strategies.

The problem is lack of clear delineation of rights and responsibilities of two regulators in the Indian context. Hitherto, the understanding was that the ex-ante competition issues would fall in the domain of TRAI whereas post predatory pricing issues would be the job of CCI. All over the world, it is recognised that the sectoral regulator understands the sector better. However, it is the competition agencies that understand the principles of pricing better and also the issues that relate to predatory pricing. They understand the overlapping of commercial organisations and general economic principles that govern the issues that relate to pricing. This division of power between the two regulators, ex-ante powers and post-division powers, are in fact, intended to avoid turf wars which only result in confusion, delays and compromising of consumer interest.

By far the best antidote for predatory pricing is the easy entry and exit norms for both new and old players. Unfortunately, both do not exist in our telecom industry as of now. Since telecom players have paid huge sums for acquiring spectrum, they can only exit by booking huge losses. Entry is not free for new incumbents, at least, till new round of spectrum allocation by the Government. There again, they have to compete with well entrenched players with deep pockets, infrastructure in place and above all, better understanding of the emerging market conditions.

One major policy option could be to allow spectrum pooling by existing firms. This could re-define market; it could lead to optimal utilisation of scarce resources and network and finally it has the potent to redefine competition in terms that are beneficial to all stakeholders.

Govt asks Google, FB, MS, others to remove Blue Whale links

PTI

NEW DELHI

Government has directed internet majors - Google, Facebook, Whatsapp, Instagram, Microsoft and Yahoo - to immediately remove the links of dangerous online game Blue Whale Challenge, which has led to suicide of children in India and other countries.

"Instances of children committing suicide while Blue Whale Challenge have been reported in India...You are hereby requested to ensure that any such link of this deadly game in its own name or similar game is immediately removed from your platform," Ministry of Electronics and IT (Meity) said in a letter dated August 11 to the internet majors.

18 lakh people, Rs 1.75 lakh cr deposits under scrutiny: PM

PTI

NEW DELHI

Vowing to continue crackdown on black money, Prime Minister Narendra Modi Tuesday said Rs 1.75 lakh crore deposits in banks post note-ban as well as 18 lakh people with income beyond known means are under scrutiny.

Addressing the nation on the 71st Independence Day, he said demonetisation of old Rs 500 and Rs 1,000 notes last November led to at least Rs 2 lakh crore of hereto undeclared income coming into the banking system.

Besides, he said, it led to doubling of income tax filers to 56 lakh and detection of over 3 lakh 'shell' or paper companies that were used for money laundering. After withdrawing the legal tender status of high denomination currency, the government had given 50-day window for depositing the junked currency in bank accounts.

Note ban, according to independent research, helped bring Rs 3 lakh crore of hereto unaccounted wealth into the banking system, Modi said in his fourth address to the nation from the ramparts of the Red Fort.

Modi, who devoted biggest chunk of his nearly an hour long speech to black money, said that out of the money deposited in banks post note ban, over Rs 1.75 lakh crore is under scrutiny. "More than Rs 2 lakh crore black money has reached banks and now people depositing such money are being made to answer questions."

The demonetisation move, he said, has checked generation of new black money.

"We will continue our fight against black money and corruption. And slowly by using technology and connecting (biometric identification) Aadhaar (with several items including bank accounts and income tax return filing) we have made successful efforts," he added.

The government has in a short span of time confiscated more than Rs 800 crore of benami properties or assets owned in fictitious and proxy names, he said.

GST rollout improves business efficiency by 30%: Modi

PTI

NEW DELHI

The abolition of inter-state check posts after the implementation of GST has reduced time for movement of goods by 30 per cent and saved thousands of crores of rupees, Prime Minister Narendra Modi said Tuesday.

The Goods and Services Tax, which unified more than a dozen central and state levies, is a result of cooperative federalism and its smooth rollout from July 1 has increased efficiencies of business, he said.

Addressing the nation from the ramparts of the Red Fort on the occasion of 71st Independence Day, Modi said technology has made the rollout smooth in a short span on time.

"Trucks (carrying goods) are saving 30 per cent (travel) time post GST as check posts have been removed. This has helped save thousands of crores of rupees and more importantly time," he said.

Business efficiency, he said, has increased. "Efficiency has increased in transport sector by 30 per cent and because of GST such a big change has happened," he said.

The biggest tax reform since Independence, GST was rolled out from July 1. The new indirect tax regime has subsumed over a dozen state and central levies like excise duty, service tax and VAT, and has replaced them with four tier tax structure of 5, 12, 18 and 28 per cent.

GREG BAKER | AFP

A worker stands at the entrance to a construction site in Beijing on Tuesday. China's massive debt is on a "dangerous" path, raising the risk of a sharp slowdown in growth, the IMF warned on Tuesday, urging Beijing to speed up structural reforms

PM's 'Competitive Cooperative Federalism' brilliant idea: Murthy

PTI

BENGALURU

Infosys co-founder N R Narayana Murthy Tuesday termed Prime Minister Narendra Modi's idea of "Competitive Cooperative Federalism" as brilliant.

"Whenever the Prime Minister speaks he brings out lots of wisdom. I am so happy that he has used 'competitive cooperative federalism'. It is a brilliant idea," Murthy said on the sidelines of inauguration of Synergetic Security operation Centre of SISA here.

Addressing the nation on India's 71st Independence Day earlier this morning, Modi had said: "Since I have myself been a Chief Minister for long, I know that states are important for the growth of a country. I understand the importance of chief ministers and state governments.

"And that is why we focused on cooperative federalism and now competitive cooperative federalism. And now we are taking all decision together."

Appreciating the comment, Murthy said the competitive aspect of the slogan would means states compete with each other to attract investors and entrepreneurs and thereby create more jobs.

He said there are areas where states would have to cooperate with the federal government in terms of fighting illiteracy in education, healthcare and nutrition.

Stating that there are many problems in the country, he said every state should cooperate fully with the union government to solve them as it was not fair to blame the Centre alone to find solutions.

"There are areas where states can compete each other and areas where they can cooperate with each other," Murthy said.

QUICK NOTES

Education programme for lay investors

Bharat Dave addressing investors in the presence of Jason Dias, Treasa Kuriala and Anant Tendolkar

PANAJI: A regional seminar on investor education conducted by the Securities and Exchange Board of India (SEBI) in association with BSE Investor's Protection Fund got outstanding response from investors recently. Bharat Dave, manager, BSE, addressed the gathering with lucid presentation on "Empowering investors through education". This was followed by a keynote address by Anant Tendolkar, manager, SEBI who spoke on, 'Learning new things and unlearning the wrong things'. Treasa Kuriala, AGM, SEBI also spoke on the occasion while Jason Dias, BSE compered the programme and proposed the vote of thanks. NT

Jewellery exhibition at Margao

General manager of Kadamba Transport Corporation VV Kunkolienkar lighting the traditional lamp to inaugurate the jewellery exhibition at Margao. Also seen are Hitesh Kataria, Suchindran PM and spouse of Kunkolienkar

PANAJI: C Krishniah Chetty (CKC) Jewellers have unveiled their latest collection at the value of luxury sale exhibition opened at the hands of the chief guest, general manager Kadamba Transport Corporation V V Kunkolienkar at Margao on Monday. For over 145 years, C Krishniah Chetty family have decorated maharajahs, nawabs and even noble peace prize winning scientists with the finest diamonds, gold, gemstones and rare jewels. The popular jewelers' are presenting their exclusive collection for only 3 days at Hotel Nanutel in Margao, from the August 14 to August 16, followed by 3 days at Hotel Fidalgo in Panaji from the August18, to August 20. The exhibition sale timings are 10.30 am till 9 pm. NT

Emmbi Industries records 23% jump in Q1 profits of FY 18

MUMBAI: Emmbi Industries Ltd came out with a record quarterly performance in Q1 of FY 2017-18 results. The profit before tax (PBT) of the company grew by 23.30% on YOY basis to 4.89 crore. PAT and EPS grew by 21.13 % on YOY basis to Rs 3.56 crore and Rs 2.01 per share respectively. The company's gross sales for the first 3 months of FY 2017-18 has increased to Rs 63.02 cr from Rs 56.05 cr from first 3 months of FY 2016-17. This is an increase of 12.42% over same quarter of previous year.

Gulf flag-carriers see manifold jump in entitlements in 2017

PTI

MUMBAI

As domestic carriers fail to utilise their bi-laterals, especially to the Gulf airlines eating away 54 per cent volume, foreign flag-carriers have seen manifold jump in their entitlements in 2017, with UAE, Qatar, Oman and Singapore leading the pack.

While domestic carriers' ownership of international passenger market originating to and fro from the country is a very low 38 per cent, for countries like the Netherlands it's a high 61 per cent, for China and Britain it is 49 per cent each, says a report by brokerage ICICI Securities.

"The share of the Gulf carriers to and fro from here has jumped from 27 per cent in 2008 to 33 per cent in 2015, while the same for the Southeast Asian airlines jumped over two times from 5.9 per cent in 2008 to 12.3 per cent in 2015," says the report.

This has, says the report, "domestic airlines enjoy only 38 per cent of the total international segment capacity as measured by available seat kilometres. This is very low compared to other countries like the Netherlands (61 per cent), China and Britain (49 per cent each)."

One of the reasons for this lopsided market is the round-tripping of passengers via international hubs of Dubai and Singapore, notes the report, which has been made through utilisation of the sixth freedom of the air and increase in capacity entitlements under bilateral air service agreements. Gulf carriers enjoy almost 54 per cent of total global air travel destination for the country.

> While domestic carriers' ownership of international passenger market originating to and fro from the country is a very low 38 per cent, for countries like the Netherlands it's a high 61 per cent, for China and Britain it is 49 per cent each, says a report by brokerage ICICI Securities

But these countries are not the end-destinations for most passengers but are being used as stop-over hubs to carry passengers for onward destinations in the US, Canada, Europe etc.

"The sixth freedom of the air has to a large extent been responsible for reducing the share of direct long haul flights for domestic carriers from 25 per cent in 2011-12 to 20.5 per cent in 2015-16," the report says.

The sixth freedom of the air means the right to fly from a foreign country to another while stopping in one's own country for non-technical reasons.

Fifth freedom means the right to fly between two foreign countries on a flight originating or ending in one's own country, while the fourth freedom means flying from another country to one's own.

What is more, the percentage of sixth freedom traffic for most Gulf and Southeast Asian airlines is over 50 with Qatar and the UAE having greater than 60 of the total traffic.

"Between 2003 and 2017, the capacity entitlements between Dubai and India have increased manifold. The same for Oman and Qatar jumped 9 and 12 fold, respectively," notes the report.

While the UAE saw its weekly seats or bi-laterals jumping from 10,400 in 2003 to 66,500 in 2017, for Oman, it soared to 27,400 from 3,800; Qatar to 24,800 from 2,900 and Singapore's to 26,300 from 1,650, says the report.

In fiscal 2016, the UAE, led by Dubai, was the largest market for domestic air passengers to and from the country ferrying 10.2 million out of which 6.9 million were from the sixth freedom passengers.

The second biggest was Qatar ferrying 1.8 million followed by Singapore and Oman flying 1.5 million passengers each.

Thailand came in at the fourth slot with 1.3 million followed by Bahrain and Malaysia with 0.9 million each.

When it comes to the utilisation of the bi-laterals, Oman and Qatar are at 100 per cent while those by domestic carriers to these markets is around 60 per cent. Dubai and Thailand have used up almost 97 per cent each against 58-62 per cent by domestic carriers.

Similarly, Kuwait and Bahrain are also near the peak with over 96 per cent against around 35 to Kuwait and under 30 per cent to Bahrain, says the report.

The report calls for regaining equitable market share for domestic carriers in the international air segment through policy measures or through organic growth as substantial economic value can be transferred from the Middle Eastern airlines to domestic carriers in the process.