Monthly Policy Review
October 2015

Highlights of this Issue

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**Retail inflation increases by 0.7% over Q2 of 2015-16; food inflation at 3.9% (p. 2)**
There was an increase in the inflation of vegetables, pulses and products over the second quarter of 2015-16. Wholesale price index over the same period decreased from -4.1% to -4.5%, as result of decrease in fuel prices.

**Ordinances to amend Arbitration Act, and set up commercial courts, promulgated (p. 2, 3)**
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**Supreme Court says that Aadhaar card to be used for six government schemes (p. 3)**
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**Macroeconomic Developments**
*Tanvi Deshpande (tanvi@prsindia.org)*

Retail inflation increases by 0.7% over the second quarter of 2015-16

The Consumer Price Index (CPI) inflation increased from 3.7% to 4.4% from July to September 2015.1 Food inflation increased from 2.2% to 3.9% during this period. The increase in CPI inflation was a result of an increase in the prices of vegetables and pulses.

The Wholesale Price Index (WPI) had a marginal decrease from -4.1% to -4.5% from July to September 2015. This could be attributed to a decrease in fuel prices such as kerosene and petrol. The trend in CPI and WPI over the second quarter of 2015-16 is shown in Figure 1.

**Figure 1: Trend in consumer and wholesale price inflation in Q2 of 2015-16**

Sources: Ministry of Commerce and Industry, Ministry of Statistics and Programme Implementation; PRS.

**Law and Justice**
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Supreme Court strikes down the Constitutional Amendment that created the NJAC

The Supreme Court struck down the 99th Constitution (Amendment) Act, 2015 and the National Judicial Appointments Commission (NJAC) Act, 2015 as unconstitutional, on October 16, 2015.2 The Court held that the Acts violated the principles of independence of the judiciary and separation of powers, which are basic features of the Constitution.

The Constitutional Amendment Act amended the constitution to replace the method of appointment of judges with an independent commission, the NJAC. The composition of the NJAC included: (i) the Chief Justice of India (CJI) (Chairperson), (ii) two other senior most judges of the Supreme Court (SC), (iii) the Union Law Minister, and (iv) two eminent persons to be nominated by the Prime Minister, the CJI and the Leader of Opposition in Lok Sabha. The other Act laid down the process in relation to such appointment of judges.

Key highlights of the judgment include:

- **Primacy of judiciary:** The composition of the NJAC does not preserve primacy of the judiciary. This violates the principle of independence of the judiciary.

- **Inclusion of Law Minister:** The inclusion of the Union Minister of Law and Justice in the NJAC violates the principles of independence of the judiciary and separation of powers between the judiciary and executive. The executive is a party in several cases before the Supreme Court, and this presents a conflict of interest.

- **Inclusion of two eminent persons:** The eminent persons can override the decision of the remaining four members (as the law states that any two members can veto a recommendation). The Acts do not stipulate any qualifications or disqualifications in appointing the two eminent persons to the NJAC.

The Court also held that the present collegium system will continue to appoint judges. Further, it is scheduled to hear suggestions on strengthening of the collegium system on November 3, 2015.

President promulgates an Ordinance to amend the Arbitration Act, 1996

The President promulgated the Arbitration and Conciliation (Amendment) Ordinance, 2015 on October 23, 2015.3 The Ordinance amends the Arbitration and Conciliation Act, 1996. The Union Cabinet had approved the introduction of a Bill in this regard, in August 2015.4 Salient features of the Ordinance include:

- **Interim order by Court:** Under the Act, a party to arbitration may apply to a court for interim relief before the arbitration is complete. For example, a party may seek interim protection of goods, amounts, property, etc. that are the subject matter of the arbitration before a court.
The Ordinance amends this provision to specify that if the Court passes such an interim order before the commencement of arbitral proceedings, the proceedings must commence within 90 days from the making of the order, or within a time specified by the Court. Further, the Court must not accept such an application, unless it thinks that the arbitral tribunal will not be able to provide a similar remedy.

Public Policy as grounds for challenging an award: The Act permits the court to set aside an arbitral award if it is in conflict with the public policy of India. The Ordinance restricts the scope of what would constitute a violation of public policy to only include those awards that are: (i) affected by fraud or corruption, (ii) in contravention with the fundamental policy of Indian Law, or (iii) in conflict with the notions of morality or justice.

Time period for arbitral awards: An arbitral tribunal makes its award within 12 months. This may be extended by a six month period.

Time period for disposal of cases by a Court: Any challenge to an arbitral award that is made before a Court, must be disposed of within a period of one year.

Fast track procedure for arbitration: Parties may choose to conduct arbitration proceedings in a fast track manner, and the award would be granted within six months.

President promulgates an Ordinance to set up commercial courts

The President promulgated the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Ordinance, 2015 on October 23, 2015. The Ordinance enables the creation of commercial divisions and commercial appellate divisions in high courts, and commercial courts at the district level.

It may be noted that the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Bill, 2015 was introduced in Rajya Sabha on April 29, 2015. It is currently under examination by the Standing Committee on Law and Justice. The Ordinance is broadly similar to the Bill:

Commercial dispute: A commercial dispute includes any dispute related to transactions between merchants, bankers, financiers, traders, etc.

Valuation of dispute: All matters relating to commercial disputes involving an amount of Rs one crore or more will be dealt with by commercial divisions in high courts and commercial courts.

Commercial courts: State governments may set up commercial courts, equivalent to district courts, after consulting with their respective high courts. However, a commercial court must not be set up in an area where the high court exercises ordinary original civil jurisdiction.

Commercial divisions in high courts: Commercial divisions may be set up in those high courts which exercise ordinary original civil jurisdiction, that is, the High Courts of Delhi, Bombay, Calcutta, Madras and Himachal Pradesh.

Commercial appellate divisions: Commercial appellate divisions may be set up in all high courts to hear appeals against: (i) orders of commercial divisions of high courts, (ii) orders of commercial courts, and (iii) appeals arising from arbitration matters that are filed before the high courts.

However, there is a key difference from the Bill. Under the 2015 Bill, the state government, in consultation with the respective High Court would set up the commercial divisions and appellate divisions in the high courts. The Ordinance vests this power with the Chief Justice of the respective high court.

Supreme Court says that Aadhaar card may be used for six government schemes

The Supreme Court passed an order in relation to the ongoing petition that challenges the Aadhaar card scheme on October 15, 2015. It sought to clarify and modify an earlier order passed on August 11, 2015, on the same matter.

In its earlier order passed in August 2015, the Supreme Court had stated that the central government may use the Aadhaar card only for the purposes of the Public Distribution System and the LPG distribution schemes.

The October 2015 order includes four other schemes, namely: (i) the Mahatma Gandhi Rural Employment Guarantee Scheme, (ii) the National Social Assistance Programme (which
provides pensions for the aged, widows and the disabled), (iii) Prime Minister’s Jan Dhan Yojana, and (iv) the Employees’ Provident Fund Organisation.

The Supreme Court also stated that the Aadhaar card scheme is voluntary and cannot be made mandatory, until the matter is finally decided by the Court.

### Finance

**Finance Ministry invited comments on the reports of business processes for GST**

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The Finance Ministry released the Joint Committee’s reports on business processes for GST registration, refund and payments on October 12, 2015. Key recommendations made by the Committee include:

- **Registration to GST**: A common GST portal should be set up for registration of new tax applicants as well as migration of current users.
- Businesses should obtain a unique identification number for legal recognition as suppliers of goods and services.
- A threshold for annual turnover should be adopted, below which businesses will not be required to register for GST.
- **Refunds in GST regime**: Ten cases in which refund of taxes arises are identified. Among others, these include: (i) input tax credit accumulation due to differential between outputs and inputs, (ii) input tax credit accumulation due to output being tax exempt, and (iii) tax refund for international tourists, etc.
- Specific provisions to enable monthly filing of returns by taxpayers should be adopted.
- **Payments in GST regime**: Tax payments should be Information Technology based, to make tax administration efficient.
- Payments can be made through three modes: (i) internet banking, debit and credit cards, (ii) over the counter payments through authorized banks, and (iii) NEFT/RTGS through any bank.

- Central and state governments should adopt detailed and common accounting procedures.

**Committee set up to simplify provisions of Income Tax Act, 1961**

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The central government has constituted a Committee to simplify the provisions of the Income Tax Act, 1961 on October 27, 2015. The Committee will be headed by former high court judge, Justice R.V. Easwar.

Terms of reference of the Committee include:

- Examining provisions of the Act which are: (i) leading to litigation due to difference in interpretation, (ii) impacting the ease of doing business, and (iii) requiring simplification in the light of existing jurisprudence, and
- To suggest alternatives to the existing provisions to bring predictability and certainty in levy of tax.

The Committee shall provide its first set of recommendations by January 31, 2016.

**Standing Committee submits report on efficacy of regulation of Collective Investment Schemes, Chit Funds, etc.**

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The Standing Committee on Finance (Chair: Mr. Veerappa Moily) submitted a report on the efficacy of regulation of collective investment schemes (CIS), and chit funds, etc. on October 7, 2015. The Committee examined the current regulatory oversight of financial institutions with respect to these money-rising.

Key observations and recommendations of the Committee include:

- Money-raising schemes are currently regulated by various central and state bodies: chit funds by state governments, collective investment schemes by SEBI and non-banking financial companies (NBFCs) by RBI, etc. The Committee observed that in spite of diverse and dispersed regulation, there are gaps in the current regulatory regime (ex: gaps arising from the differences in regulation between NBFCs and non-NBFCs). Appropriate legislative provisions coupled with administrative
measures should be brought to harmonise and close the gaps in the regulation of money-raising schemes.

- Regulators should use state government machinery to gather market intelligence in order to identify unauthorised money-raising schemes.

- Pre-emptive measures should be taken to prevent illegal money circulation of money-raising entities by: i) requiring them to maintain a minimum capital reserve ratio, and ii) having banks inform regulators in the case of cash deposits of money-raising entities exceeding a certain threshold.

- **Model central law:** A comprehensive model central law should be framed, which encompasses all permissible schemes by clearly defining their nature and scope. The law must make provisions for a principal regulator who coordinates regulatory efforts of central and state governments. It must also make provisions for repayments of deposits collected from customers in the case of fraudulent activities.

**Guidelines for implementation of Gold Monetisation Scheme 2015**

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The Reserve Bank of India (RBI) released a direction for the implementation of the Gold Monetisation Scheme 2015 on October 22, 2015. The direction has been issued to all scheduled commercial banks, excluding regional rural banks, using the RBI’s powers under the Banking Regulation Act, 1949. The Gold Monetisation Scheme was announced by the Finance Ministry in September 2015.

The scheme will replace the existing Gold Deposit Scheme, 1999. The deposits made under the old scheme will continue to run until maturity, unless they are prematurely withdrawn by the depositor.

Key features of the direction include:

- **Eligibility:** Resident Indians, including individuals, Mutual Funds, Exchange Trade funds registered with SEBI, etc. can make deposits under this scheme.

- **Deposits:** The minimum deposit will be raw gold, in the form of jewellery, bars, coins, etc. equivalent to 30 grams of 995 fineness (i.e. 99.5% pure gold). There will be no maximum limit on depositing gold.

- **Duration of schemes:** Designated banks will accept gold deposits under short term bank deposit schemes (one-three years), and medium (five-seven years) and long (12-15 years) term government deposit schemes.

- **Utilisation of gold deposits:** (i) For short term deposits, the gold deposits may be lent to the Metals and Minerals Trading Corporation of India, or be sold to other banks participating in the scheme, and (ii) For medium and long term deposits, the gold may be auctioned by agencies authorised by the central government, and the money collected will go to the government’s account with the RBI.

**RBI releases Report of the Committee on Differential Premium Systems for Banks**

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The RBI released the Report of the Committee on Differential Premium System for Banks in India, on September 30, 2015. The Committee’s recommendations relate to the introduction of a Risk Based Premium system for deposit insurance. Deposit insurance aims to protect depositors against the loss of their deposits, in case an institution is unable to meet its payment obligation. Presently, the premium for the insurance is charged at a flat rate of 10 paisa for Rs 100, by the Deposit Insurance and Credit Guarantee Corporation.

With the introduction of a Differential Premium System, riskier financial institutions will have to pay a higher premium to get the deposits of their customers insured. Key recommendations of the Committee include:

- Development of an easy to understand rating model, for risk evaluation, which captures the key risk variables,

- Limiting the categories for assigning of premium rates to four or five. The banks may be classified as: Low Risk, Moderate Risk, Medium Risk and High Risk.

- Revising premium rates for different categories annually, and reviewing all rating related norms at least once in three years.
Environment

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Draft Environment Laws (Amendment) Bill, 2015 released


The 1986 Act empowers the central government to take measures to protect and improve the environment. The 2010 Act establishes the National Green Tribunal to adjudicate matters related to the environment.

Under the current laws, failure to meet any environmental obligation imposed by law or by direction of the government is punishable with imprisonment up to five years and/or fine up to one lakh rupees. The draft Bill seeks to replace this with provisions outlining specific offences with varying punishments.

Key provisions of the draft Bill include:

- **Offences:** The draft Bill seeks to create three kinds of offences: (i) substantial damage to the environment, (ii) non-substantial damage to the environment, and (iii) minor violations.

- **Substantial damage:** means damage to the environment caused by violation of an environmental obligation specified in law, or any other act or negligence. Minor violations on the other hand refer to causing damage to the environment due to non-compliance with law, rules or directions. Non-substantial damage is defined as damage which is neither a minor violation nor substantial damage. The central government will make rules detailing the determination of each of these offences.

- **Penalties:** Under the draft Bill, monetary penalties for: (i) substantial damage, range from five crore rupees to Rs 20 crore, (ii) non-substantial damage, range from one lakh rupees to five crore rupees, and (iii) minor violations, range from one thousand rupees to ten thousand rupees. Also, imprisonment (seven years to life imprisonment) may be awarded in cases of substantial damage.

India declares its Intended Nationally Determined Contributions

India submitted its Intended Nationally Determined Contributions (INDCs) to the United Nations Framework Convention on Climate Change on October 2, 2015.

The Convention is an international treaty signed in 1992 on limiting increases in average global temperature and the resulting climate change. In 2013, member countries of the Convention had agreed to outline climate actions they would undertake post 2020, i.e. their INDCs. These actions will form the basis of the negotiations on the new international agreement on climate change. This agreement will be negotiated in Paris in December 2015.

India’s INDCs include achieving the following targets by 2030:

- Reducing greenhouse gas emissions per unit of GDP by 33-35% from 2005 levels;
- Achieving 40% of installed electric power capacity from non-fuel based energy sources (such as solar, wind, hydropower);
- Creating additional carbon storage and absorption capacity for 2.5-3 billion tonnes of CO₂ by increasing forest and tree cover.

Education

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Committee constituted to draft the New Education Policy

The Ministry of Human Resource Development constituted a Drafting Committee to frame the New Education Policy on October 31, 2015.

The Committee will be chaired by Mr. T. S. R. Subramaniam (former Cabinet Secretary). Other members include former Chief Secretary and Home Secretary of Delhi, Chief Secretary of Gujarat and the former Director of National Council for Educational Research and Training. The National University of Educational Planning and Administration will perform the role of the Committee’s Secretariat.

The Committee will submit a Framework for Action along with the draft Education Policy, no later than December 31, 2015.

For more information, please see here.
Mid-Day Meal Rules, 2015 notified under the National Food Security Act, 2013

The central government notified the Mid-Day Meal Rules, 2015 on September 30, 2015.21

The National Food Security Act, 2013 contains provisions related to welfare schemes including the Mid-Day Meal scheme. The scheme (launched in 1995) mandates that every primary government school is to serve a cooked mid day meal to its students to ensure nutritional and enrolment levels, retention, etc. The Act also provides for the transfer of subsidised food grains to certain beneficiaries under the Targeted Public Distribution System.

Salient provisions of the Rules include:

- **Entitlements**: Every child between the 6-14 years age group, (classes one to eight), shall be provided a hot cooked meal every day. This meal shall have nutritional standards of 450 calories and 12 grams of protein for primary and 700 calories and 20 grams of protein for upper primary students, and will be free of charge.

- **Implementation**: The meal shall be cooked and served, in a hygienic manner, in the school itself.

- **Monitoring**: The School Management Committee established under the Right to Education Act, 2010 shall be responsible for monitoring the implementation of the scheme. Accredited labs shall evaluate and certify the meals provided to children, for nutritional standards.

- **Fund usage in case of unavailability of regular funds**: The school principal is empowered to utilise any fund available in school for the purpose of continuation of the scheme. This may be done in case of unavailability of food grains, cooking cost, etc. However, the school account is required to be reimbursed after receipt of mid day meal funds. In case the mid day meal is not provided in schools in a certain month, the state government shall pay food security allowance by the 15th of the succeeding month.

Amendments to Rules under the Right to Education Act, 2010 notified


The RTE Act, 2010 makes elementary education a fundamental right. It mandates free and compulsory education for 6-14 year olds in a neighbourhood school.

The Rules mainly establish a grievance redressal mechanism for teachers. Some key features of the Rules are:

- The School Management Committee shall be the first level of grievance redressal at the school level. The Committee is to redress the complaint by a teacher within 15 days from the date of its receipt.

- A Block Level Grievance Redressal Committee shall be established in case of an unsatisfactory response at the school level. This Committee shall meet at least once in three months and dispose of complaints within 30 days. The Block Development Officer will act as chairman, and the Block Education Officer as convener.

- In case the teacher is not satisfied with the recommendations of the Block Level Committee, he may appeal to the District Level Committee. The Committee shall dispose the complaint within three months.

- Appeals from the district level shall lie with the State Level Grievance Redressal Committee. It will be under the chairmanship of the Director of Elementary Education of the state department of Education, and will dispose of the appeal within a period of 90 days.

Ministry appoints Review Committee to look at research fellowships

The Ministry of Human Resource Development appointed a Review Committee to look into the All India National Eligibility Test (NET) and non-NET fellowships. The Committee will submit its report by December 2015.23

The NET is a competitive exam conducted twice a year by the University Grants Commission and is the basis for research fellowships that enable students to pursue M. Phil and Ph. D degrees. The non-NET fellowship scheme is limited only to 50 institutions and does not involve a competitive exam. These include central universities and institutions of excellence.

The Review Committee will look into the following issues:
Feasibility of enhancing the number of NET fellowships, which are merit based;

Establishing a transparent system of transfer of fellowship amounts to the non-NET fellows, each month;

Considering economic and other criteria for eligibility for non-NET fellowships;

Recommending guidelines for the selection, coverage, award and administration of the non-NET fellowships, etc.

However, the Ministry has stated that irrespective of the Committee’s recommendations, all existing NET and non-NET fellowships will continue with no change, i.e., the recommendations will not be applied with retrospective effect.

Committee to explore possibility of establishing an arts and crafts university, reconstituted by Ministry

The Ministry of Human Resource Development had constituted a Committee to explore the possibility of opening a University dedicated to arts and crafts on February 20, 2015. This Committee has been subsequently reconstituted on September 28, 2015. The Committee will be chaired by the Additional Secretary (Technical) of the Ministry. Other members include representatives of the Ministry of Human Resource Development, Textiles, Culture as well as Tourism.

The Committee will submit its report within three months from the date of reconstitution.

Health

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Draft Assisted Reproductive Technology (Regulation) Bill, 2014 released

The Ministry of Health and Family Welfare released the draft Assisted Reproductive Technology (Regulation) Bill, 2014 on September 30, 2015. The last date for submitting comments is November 13, 2015. The draft Bill seeks to regulate the standards and use of assisted reproductive technologies. Assisted reproductive technology (ART) is the use of techniques to obtain pregnancy by manipulating the male sperm or the female egg outside the human body and then planting it or the embryo into the female reproductive tract.

Key features of the draft Bill includes:

- **Boards**: The draft Bill establishes the National and the State board. The boards will be responsible for (i) permitting ART procedures, (ii) providing eligibility criteria for selection of patients, (iii) the formulation, coordination and enforcement of policies related to ART, and (iv) research on human embryos. ART procedures include infertility treatment through the use and creation of embryos outside the human body and artificial insemination with the help of donor sperm.

- **National Registry**: The draft Bill also establishes the National Registry. The registry will maintain a central database which will contain details of ART clinics and ART banks. ART clinics will be responsible for carrying out ART procedures. ART banks will be responsible for the supply of gametes and surrogate mothers to ART clinics.

- **Permissions**: Prior permission from the Registration Authority and the National Registry will be required by ART clinics and ART banks for conducting practices related to ART. The Registration Authority will be responsible for granting permissions to clinics and banks. The National Registry and the Registration Authority will also be responsible to inspect ART related premises.

- **Penalties**: In case of contravention of the provision of the draft Bill, an imprisonment term of up to five year and fine of up to ten lakh rupees or both will be applicable.

Draft Allied and Healthcare Professional’s Central Council Bill, 2015 released

The Ministry of Health and Family Welfare released the draft Allied and Healthcare Professional’s Central Council Bill, 2015 on October 1, 2015. The draft Bill seeks to regulate the standards of education and professional conduct of allied and healthcare professionals. Allied and healthcare professionals are those delivering healthcare services with an expertise in fields such as therapeutic and rehabilitative intervention (e.g. physiotherapists). A Bill to regulate physiotherapists, medical laboratory technicians...
and radiology technicians was introduced in 2007 but lapsed in 2009.

Key features of the revised draft Policy include:

- **Councils**: The draft Bill establishes a central council and state level councils. The councils will regulate matters including (i) educational standards (ii) professional conduct, and (iii) registration of allied and healthcare professionals.

- **Permission for establishment of colleges**: Prior permission of the state council will be required to: (i) establish a college, (ii) introduce a new course, and (iii) increase admission capacity. If prior permission is not taken, such educational qualification will not be recognised.

- **Standards of education and professional conduct**: In terms of education and professional conduct, the central council will: (i) provide for a uniform entrance examination for admissions, (ii) prescribe minimum standards of education, and (iii) prescribe standards of professional conduct. State councils will be responsible for conducting entrance exams and ensuring compliance of these minimum standards.

- **Registry**: Prior registration in the state register will be required to practice an allied and healthcare profession. The state councils will be responsible for the entry of names and the maintenance of the register. Further, the central council will maintain a central repository.

- **Penalties**: In case of contravention of the provisions of the draft Bill, an imprisonment of up to one year and fine of up to five lakh rupees will be applicable.

### Transport

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**Ministry of Civil Aviation releases draft National Civil Aviation Policy (NCAP)**

The Ministry of Civil Aviation released a revised draft National Civil Aviation Policy on October 30, 2015. The Ministry is also seeking comments on the same. An earlier draft version of the policy was released in November 2014, details of which can be found here.

Key features of the revised draft Policy include:

- **Vision**: Create an eco-system to enable 30 crore domestic ticketing by 2022 and 50 crore by 2027. International ticketing must increase to 20 crore by 2027.

- **5/20 Rule**: The 5/20 Rule stipulates that for Indian carriers to fly abroad, they must have flown on domestic routes for five years and have a fleet of at least 20 aircrafts. Suggestions have been invited on whether to: (i) continue the Rule as it is, or (ii) abolish the Rule, or (iii) to require domestic airlines to accumulate certain level of domestic flying credit before being able to fly to specific parts of the world.

- **Maintenance, Repair and Overhaul (MRO)**: Currently, the MRO business of Indian carriers is about Rs 5,000 crore. 90% of this is spent outside India in countries such as Sri Lanka, Singapore, etc. In order to reduce this outsourcing, the draft policy seeks to provide tax incentives on MRO. For example, the service tax on output services of MRO will be abolished.

- **Regional Connectivity Scheme (RCS)**: The RCS will come into effect on April 1, 2016. On RCS routes, for a one hour flight, the Ministry will target an all-inclusive airfare of up to Rs 2,500 per passenger, indexed to inflation. RCS will be made operational only in states which reduce VAT on aviation turbine fuel (ATF) at airports to 1% or less.

- **Airlines will be eligible for viability gap funding (VGF)** under RCS. VGF will be indexed to ATF prices and inflation. It will be shared between the Ministry and the state governments in the ratio of 80:20.

- **Bilateral traffic rights**: The government will enter into an ‘Open sky’ Air Service Agreement on a reciprocal basis with SAARC countries and countries located entirely beyond a 5,000 km radius from New Delhi. Open-skies agreement with countries lying partly or fully within this range from New Delhi will be considered from April 1, 2020 onwards for the major international airports within the country. FDI in airlines may be increased from 49% to 50% if the government goes for open skies for countries within 5,000 km radius.
Supreme Court orders an environment compensation charge for commercial vehicles entering Delhi

The Supreme Court passed an Order on October 9, 2015 imposing an environment compensation charge (ECC) on commercial vehicles entering Delhi.28 The Order was passed to check pollution due to commercial traffic travelling from North India towards Jaipur and onwards via Delhi.

The Court ordered that the charge may be imposed on all commercial vehicles. The amount collected must be exclusively used for improving public transport and roads, especially for the city’s cyclists and pedestrians. The rates imposed would be: (i) Rs 700 for light vehicles and two axle trucks, and (ii) Rs 1,300 for three axle trucks and above. The charge will not be imposed on: (i) passenger vehicles and ambulances, and (b) vehicles carrying essential commodities, such as food stuffs and oil tankers.

The Order referred to a report stating that about 23% of the commercial vehicles and 40-60% of the heavy trucks were entering Delhi despite having alternate routes.29 Such vehicles were adding to the pollution in the city. The ECC will be in addition to the municipal taxes paid by such vehicles to enter Delhi. It will help to equalize the difference in the cost of travelling of the vehicles through alternative routes. The tax will be levied on an experimental basis till February 29, 2016, after which it will be reviewed by the Court.

Other cities or states in India do not impose such an environmental compensation charge, but a few states have imposed a green tax on vehicles. For example, Maharashtra imposed a green tax on vehicles older than 15 years in 2010.

Ministry of Road Transport releases advisory for IT based taxi aggregators

The Ministry of Road Transport and Highways released an advisory for the licensing, compliance and liability of on-demand information technology (IT based) transport aggregator services (such as Uber, Ola Cabs, etc.) in October 2015.30

Key features of the advisory include:

- The aggregator must be a registered entity in India. It must obtain a license to operate as an agent for running public service or goods vehicles under the Motor Vehicles Act, 1988. It must also comply with all the applicable regulations under the Information Technology Act, 2000.
- The vehicles and drivers that connect to passengers through such IT platforms must be compliant with all necessary regulations under the Motor Vehicles Act, 1988 with regard to licensing, registration, etc.
- An aggregator should not operate as a taxi operator unless it has a license for the same.
- The aggregator must have a 24x7 call centre. It must provide either a web or mobile application based customer service and a grievance redressal centre with an operational telephone number.
- Any driver who has been convicted in the past seven years for certain crimes (driving under the influence of alcohol, fraud, sexual offences, etc), must not be permitted to use the platform.

Industry

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Ministry of Heavy Industries and Public Enterprises released draft report on National Capital Goods Policy of India

The Ministry of Heavy Industries and Public Enterprises released the draft report on National Capital Goods Policy of India on October 23, 2015.31 The report made recommendations regarding issues affecting the capital goods industry and the promotion of its sub-sectors.

Key recommendations of the report include:

- Improve the competitiveness of manufacturers by devising a stable and rationalized tax structure,
- Expand the capital goods market by improving the public procurement of capital goods across government and public sector,
- Promote global competitiveness of Indian manufacturers by formulating comprehensive export policy,
- Improve penetration of technology in manufacturing by implementing skill development programs and mandate quality standards, and
• Promote Micro, Small and Medium Enterprises (MSMEs) by eliminating requirements such as bank guarantees or money deposits for setting up of MSMEs.

Energy

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**Standing Committee submits report on Energy Conservation**

The Standing Committee on Energy (Chair: Mr. Kirit Somaiya) submitted its report on Energy Conservation.

Key observations and recommendations of the Standing Committee include:

**Energy conservation guidelines:** The building sector is one of the major consumers of electricity. To achieve energy efficiency, the Ministries of Urban Development and Power must develop energy conservation guidelines for the sector. These guidelines must be incorporated in the National Building Code. Due to an estimated increase in the demand of electricity, a policy specifying technical standards for upcoming buildings must be formulated.

**Energy efficiency in industry sector:** Presently, industries including cement and textiles are categorised as energy intensive. However, there is no clarity in the definition of an energy intensive industry. Parameters must be developed to categorize industries as energy intensive. Also, a study must be undertaken to include more industries in the compulsory energy efficiency list.

**Energy efficiency in agriculture sector:** In the agriculture sector, energy inefficient pumps contribute significantly to wastage of electricity. This is because the sector is heavily subsidized, and therefore farmers have very little incentive to use costlier energy efficient pumps. In order to incentive the use of energy efficient pumps, a special cell within the State Designated Agency must be established to provide farmers with such pumps. The agency regulates standards of energy efficiency and ensures their compliance.

**LED projects:** Presently, the Light Emitting Diode (LED) projects receive financial support in the form of tax concessions. The current financial support is insufficient for the growth of this sector. In order to increase market penetration, priority sector lending and reducing excise duty could be considered for these projects.

Rural Development

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**Cabinet Committee on Economic Affairs approves project ‘Neeranchal’**

The Cabinet Committee on Economic Affairs on October 7, 2015 gave its approval for the implementation of project ‘Neeranchal’, the watershed component of the Pradhan Mantri Krishi Sinchayi Yojana (PMKSY). The Integrated Watershed Management Programme (IWMP) has been implemented by the Department of Land Resources, Ministry of Rural Development since 2009-10, for supporting watershed development in 28 States. From 2015-16 onwards, the IWMP will be implemented as ‘Neeranchal’.

‘Neeranchal’ seeks to address the issues of:

- Bringing about changes in institutional and rain-fed agricultural watershed management practices in India,
- Building watershed programmes and rain-fed irrigation systems to ensure that management practices are better focused, more coordinated, and deliver results, and
- Devising strategies for the sustainability of watershed improvement management practices in programme areas after the withdrawal of project support.

The project aims to provide technical assistance and strengthen the PMKSY to enhance its delivery capacity. This includes: (i) reducing surface runoff of rainwater, (ii) increasing recharge of groundwater, and (iii) increasing availability of water in rain-fed areas for higher agriculture productivity.

The total cost of the project is Rs. 2,142 crore, of which the government’s share will be 50% and the rest, the loan component from World Bank.
Earth Sciences

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IMD releases forecast outlook for the 2015 North Eastern monsoon season

The Indian Meteorological Department (IMD) released its North Eastern Monsoon 2015 Season forecast on October 16, 2015. The southern peninsula, consisting of the regions of Tamil Nadu, Coastal Andhra Pradesh, Rayalaseema, Kerala and South interior Karnataka, receives about 30% of its annual rainfall during the North Eastern Monsoon season (October to December). The forecast for this region is as follows:

- The north eastern monsoon rainfall over the five regions mentioned above is estimated to be above normal, at over 111% of the long period average.
- The rainfall in Tamil Nadu is estimated to be 112% of the long period average.
- The probability of normal rainfall (i.e., between 81% and 119% of the long period average) in the Southern Peninsula in this season is 88%, and in Tamil Nadu in particular, is 90%.

External Affairs

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India and Germany sign 18 agreements

The Chancellor of Germany Angela Merkel visited India from October 4 - 6, 2015. During the visit, India and Germany entered into 18 agreements and memoranda of understanding (MoUs). These include MoUs on:

- Partnership in solar energy based on concessional loans from Germany (about one billion Euros over next five years),
- Cooperation in manufacturing and an announcement regarding setting up of a fast-track system for German companies in India (to be operationalised by March 2016),
- Partnership in higher education, and cooperation in fields of skill development and vocational training, and
- Security cooperation, aviation security and disaster management.

Home Affairs

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Victim Compensation Fund set up

The Ministry of Home Affairs set up the Central Victim Compensation Fund on October 14, 2015. The objective of the Fund is to supplement the existing Victim Compensation Schemes notified by states, and encourage their effective implementation. The existing schemes provide compensation to victims (or their dependents) who have suffered a loss or injury as a result of a crime, and require rehabilitation.

The Fund will be deemed to have come into force on August 21, 2015. The initial corpus of Rs 200 crore will be provided by the central government. Minimum compensation paid to victims will be: (i) For death of a victim, two lakh rupees, (ii) For rape of a victim, three lakh rupees, (iii) For physical abuse of a minor, two lakh rupees, (iv) For permanent disability, two lakh rupees, etc.

Defence

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Government approves induction of women as fighter pilots in the Air Force

The Ministry of Defence approved the induction of women in the combat stream of the Indian Air Force on October 24, 2015. Earlier, women were inducted in non-combat streams of the Indian Air Force (such as transport and helicopter, navigation, logistics, etc.). Other armed services (i.e., the Army and the Navy) continue to only induct men in combat streams. The Ministry is reviewing induction of women in all the three armed services to open more branches for them.
Telecom

Government releases guidelines on trading spectrum by service providers
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The Ministry of Communications and Information Technology approved and released guidelines for spectrum trading by Telecom Service Providers (TSPs) on October 13, 2015.\(^{41}\)

Key guidelines include:

- Spectrum trading is allowed between two TSPs holding certain licenses. Only the transfer of spectrum is permitted between TSPs. Leasing of spectrum is not allowed.
- The bands (800-2500 MHz) and block sizes (such as 2 X 1.25 MHz in the 800 MHz band), in which spectrum trading will be permitted, have also been specified.
- The original validity period of a block of spectrum will remain unchanged, regardless of any trading. A TSP will be allowed to trade spectrum only after two years of its acquisition. The terms and conditions attached to the spectrum, at the time of auction (objectives of the auction, details regarding spectrum being auctioned, eligibility, usage charges, etc.) will continue to apply after transfer.
- Both licensees trading the spectrum are required to give 45 days prior intimation for trading the right to use the spectrum.
- The seller shall clear all his dues prior to concluding any agreement for spectrum trading. Thereafter, any dues recoverable up to the effective date of trade will be the liability of the buyer.

For more details, please see here.

TRAI mandates mobile operators to compensate consumers for call drops

The Telecom Regulatory Authority of India (TRAI) issued the ninth amendment to the Telecom Consumers Protection Regulations, 2012 mandating mobile service providers to provide compensation to consumers for call drops, on October 16, 2015.\(^{42}\) TRAI had issued a consultation paper in this regard on September 4, 2015.\(^{43}\) More information on the paper can be found in the PRS Monthly Policy Review for September 2015.

Call drops represent the service provider’s inability to maintain a call once it has been correctly established. The cause of the drop or interruption should be within the service provider’s network.

In case of dropped calls, the service provider is required to:

- Credit the account of the calling consumer by one rupee (limited to three dropped calls in a day);
- Send a message to the consumer within four hours of the occurrence of the call drop and the details of the amount credited to him;
- In case of post paid consumers, provide the details of the credit in the next bill.

This compensation to the consumers will become applicable from January 1, 2016.

\(^{1}\) Consumer Price Index Numbers on Base 2012=100 for Rural, Urban and Combined for the Month of June 2015, Ministry of Statistics and Programme Implementation, Press Information Bureau, July 13, 2015;
\(^{3}\) Supreme Court Advocates-on-Record Association and another vs. Union of India, Supreme Court of India, Writ Petition (Civil) No. 13 / 2015, October 16, 2015.
\(^{5}\) Amendments to the Arbitration and Conciliation Bill, 2015’, Press Information Bureau, Ministry of Law and Justice, August 26, 2015.
\(^{7}\) Justice K.S. Puttaswamy (Retd.) and another vs. Union of India, Supreme Court of India, Writ Petition (Civil) No. 494 / 2012, October 15, 2015.

“Telecom Consumers Protection (Ninth Amendment) Regulations, 2015”, the Telecom Regulatory Authority of India, October 16, 2015,

“Consultation Paper on Compensation to the Consumers in the Event of Dropped Calls”, The Telecom Regulatory Authority of India, September 4, 2015,
http://www.trai.gov.in/WriteReadData/WhatsNew/Documents/Final_CP_on_Call_Drop_Issue.pdf.

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