

Monthly Policy Review

March 2016

Highlights of this Issue

[Budget session of Parliament concludes; both Houses prorogued \(p. 2\)](#)

Seven Bills were passed by Parliament, of which two Bills were introduced in this session. Three Bills were passed by Lok Sabha, and one by Rajya Sabha. Lok Sabha was prorogued on March 29 and Rajya Sabha on March 30.

[Aadhaar Bill, 2016 passed by Parliament \(p. 2\)](#)

The Act intends to provide for targeted delivery of subsidies and services to individuals residing in India by assigning them unique identity numbers, called Aadhaar numbers.

[Parliament passes Bills related to Real Estate, Indian Standards and Waterways \(p. 4, 5, 6\)](#)

The Bills establish real estate regulatory authorities at the state level, the Bureau of Indian Standards as the national standards body of India, and identify 101 waterways as national waterways, respectively.

[Lok Sabha passes Enemy Property Bill and Constitution Order \(Amendment\) Bill \(p. 7, 9\)](#)

These Bills provide the Custodian of enemy properties with all rights, titles and interests related to the enemy properties, and amend the Constitution (Scheduled Castes) Order, 1950 to include certain communities.

[Companies \(Amendment\) Bill, Regional Centre for Biotechnology Bill introduced \(p. 9, 10\)](#)

These Bills modify provisions relating to insider trading of securities, private placement of shares, etc., and seek to regulate the Regional Centre for Biotechnology Training and Education set up in Haryana, respectively.

[Defence Procurement Procedure \(DPP\), 2016 released \(p. 8\)](#)

The policy will replace the DPP, 2013, and come into effect from April 1, 2016. It gives preference to the purchase of indigenously designed, developed and manufactured defence equipment and platforms.

[Current Account Deficit shrinks to \\$7.1 billion in October-December of 2015-16 \(p. 2\)](#)

The CAD declined from USD 8.7 billion in July-September 2015 to USD 7.1 billion in October-December 2015. This was mainly owing to a lower trade deficit in the country as compared to the last quarter.

[Cabinet approves Pradhan Mantri Ujjwala Yojana \(p. 13\)](#)

The scheme aims to provide free LPG connections to women from Below Poverty Line households. Rs 1,600 will be provided to install an LPG connection in each of these households.

[Committees submit reports on Medical Council of India, Petrochemicals \(p. 11, 15\)](#)

Recommendations of these Standing Committees include the setting up of a framework for appointment to the Council's Board, and to improve public and private investments in Petrochemical Investment Regions, respectively.

[Model Building Bye-Laws, 2016 released by Ministry of Urban Development \(p. 4\)](#)

The bye-laws provide for flexibility in the floor area ratio requirements, additional standards for natural hazard prone areas, requirements for a barrier-free environment, and guidelines for streamlining of approvals.

April 1, 2016

Parliament

Tanvi Deshpande (tanvi@prsindia.org)

The budget session of Parliament began on February 23, 2016 and had 16 sittings until March 16, 2016. Lok Sabha was prorogued on March 29 and Rajya Sabha on March 30.^{1,2}

A total of seven Bills were passed by Parliament in this session. Of these, two were introduced in this session. The Bills which were passed include the Election Laws (Amendment) Bill, 2016, the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Bill, 2016, the Real Estate (Regulation and Development) Bill, 2016, the Carriage by Air (Amendment) Bill, 2015, the National Waterways Bill, 2015 and the Bureau of Indian Standards Bill, 2015.

Some Bills have been passed by one House and are pending in the other House. The Enemy Property (Amendment and Validation) Bill, 2016, which replaced an Ordinance promulgated in January 2016, was introduced and passed by Lok Sabha in this session. It was referred to a Select Committee of Rajya Sabha. Other Bills passed by Lok Sabha include the Mines and Minerals (Development and Regulation) Amendment Bill, 2016, and the Constitution (Scheduled Castes) Order (Amendment) Bill, 2016. In addition, the Sikh Gurdwaras (Amendment) Bill, 2016 was introduced and passed by Rajya Sabha.

Macroeconomic Development

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Balance of Payments for third quarter (October to December) of 2015-16

India's Balance of Payments in the third quarter of 2015-16 indicate that the current account deficit (CAD) decreased to USD 7.1 billion, from USD 8.7 billion (revised from USD 8.2 billion) in the second quarter of 2015-16.³ CAD in the corresponding quarter last year, i.e. the third quarter of 2015-16 was USD 7.7 billion.

The decrease in CAD was mainly owing to a lower trade deficit in the country as compared to the last quarter. Trade deficit reduced from USD 38.6 billion in the third quarter of 2014-15 to USD 34 billion in the third quarter of 2015-16. Net Capital inflows at USD 10.8 billion were

lower than the USD 22.9 billion recorded in the corresponding quarter last year.

Table 1: Balance of Payments in Q3 of 2015-16 (in USD billion)

	Oct-Dec 2014	Jul-Sept 2015	Oct-Dec 2015*
A. Current Account Deficit	-7.7	-8.7	-7.1
B. Capital Account	22.9	9.0	10.6
C. Errors and Omissions	-2.0	0.1	0.6
Net increase in reserves	13.2	0.9	4.1

*Preliminary estimate.

Sources: Reserve Bank of India; PRS.

Finance

Aadhaar Bill, 2016 passed by Parliament

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The Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Bill, 2016 was passed by Parliament on March 16, 2016 as a Money Bill.⁴ A Bill is said to be a Money Bill if it only contains provisions related to taxation, borrowing of money by the government, expenditure from or receipt to the Consolidated Fund of India.

The Bill intends to provide for the targeted delivery of subsidies and services to individuals residing in India by assigning them unique identity numbers, called Aadhaar numbers. Key features of the Bill include:

- **Eligibility:** Every resident shall be entitled to obtain an Aadhaar number. A resident is a person who has resided in India for 182 days, in the year preceding the date of application for Aadhaar enrolment.
- **Information to be submitted:** To obtain an Aadhaar number, an individual will be required to submit his: (i) biometric (photograph, finger print, iris scan), and (ii) demographic (name, date of birth, address) information. The Unique Identification Authority (UID) may specify other biometric and demographic information to be collected through regulations.
- **Use of Aadhaar number:** To verify the identity of a person receiving a subsidy or a service, the government may require them to have an Aadhaar number. If a person does

not have an Aadhaar number, government will require them to apply for it, and in the meanwhile, provide an alternative means of identification. Any public or private entity can accept the Aadhaar number as a proof of identity of the card holder, for any purpose.

- **Authentication:** The UID will authenticate the Aadhaar number of an individual, if an entity makes such a request. It will collect information regarding such requests for authentication. An entity making a request for authentication must obtain the consent of an individual before collecting his information. Also, the entity can use the disclosed information only for purposes for which the individual has given consent.
- **Protection of information:** Biometric information such as an individual's finger print, iris scan, and other biological attributes (specified by regulations) will be used only for Aadhaar enrolment and authentication, and for no other purpose. Such information will not be shared with anyone, nor will it be displayed publicly, except for purposes specified by regulations.
- **Cases when information may be revealed:** Information regarding an individual card holder may be revealed in two cases, (i) in the interest of national security, or (ii) on the order of a court.

For more information on the Bill, please see [here](#).

Report of the Committee on taxation of e-commerce released

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The Committee on Taxation of E-Commerce (Chair: Mr Akhilesh Ranjan) under the Ministry of Finance released its report on March 21, 2016.^{5,6} The Committee was set up by the Central Board of Direct Taxes to: (i) examine business models for e-commerce, (ii) identify direct tax issues relating to e-commerce transactions, and (iii) make recommendations to deal with the identified issues.

Key observations and recommendations of the Committee include:

- **Asymmetry in tax burden:** The Committee observed that currently, there is asymmetry in the tax burden faced by domestic and multi-national digital enterprises. Multi-national enterprises have

a tax advantage, resulting in: (i) an adverse effect on the development of domestic companies, and (ii) incentives for domestic companies to relocate to low tax jurisdictions outside India.

- **Equalization levy:** With a view to address these challenges related to taxation, the Committee has recommended the levy of equalization tax on payment to non-residents on specified services. The levy should be chargeable at a rate of six to eight percent. It would be applicable on digital services including: (i) online advertising, (ii) designing creating or maintenance of websites, (iii) online news, (iv) provision for uploading, storing or distribution of online content, (v) online software applications accessed or downloaded through internet, (v) digital space for advertising, etc.
- Equalization levy should be charged only when income received by non-residents on these services in a year is more than one lakh rupees.
- **Exemption from income tax:** The Committee recommended that income arising from transactions on which the equalization levy has been paid, should be exempted from income tax. Necessary amendments should be made to the Income Tax Act, 1961 to reflect this.
- **Monitoring of equalization levy:** The Committee recommended that a Standing Committee should be constituted to monitor the implementation and impact of the equalization levy on a regular basis.

The Finance Bill, 2016, contains a chapter on the proposed equalization levy.

Expert Committee on Prior Permissions and Regulatory Mechanism

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The Expert Committee on Prior Permissions and Regulatory Mechanism (Chair: Mr. Ajay Shankar) submitted its report to the Department of Industrial Policy and Promotion on February 27, 2016.⁷ The Committee was set up in April 2015 with terms of reference which included: (i) studying the requirement of prior permission, (ii) examining the possibility of replacing these permissions, (iii) proposing a regulatory mechanism, and (iv) drafting a legislation.

Key suggestions of the Committee include:

- **Advisory function on reforms:** The Committee recommended that the government should constitute a Standing Committee on Regulatory Affairs. It will (i) advise the government on issues with regulators, and (ii) carry out independent regulatory impact assessment, among others. A similar mechanism may also be created in the state governments.
- **Third party certification:** Third party certifications involve an independent person or authority, such as a chartered accountant, certifying that the specified requirements for the product or service have been adhered to. The Committee recommended setting up credible third party certification, in regulated areas. This would be done jointly with regulators in a phased manner. It stated that this would help in reducing the burden of certification and quality control from regulators.
- **Start-ups:** The Committee suggested that an objective definition of a start-up is needed, to avoid a case by case determination for eligibility for benefits. It suggested that an enterprise should be treated as a start-up for three years from the commencement of business, or till it crosses either (i) a workforce of 100 workers, (ii) an investment of Rs 20 crore, (iii) a turnover of Rs 30 crore, or (iv) a profit of Rs 10 crore, whichever is earlier.
- **Registration:** The Bill requires that all residential, commercial, and industrial projects with an area above 500 sq m, and with more than eight apartments should be registered with the RERA. However, flexibility is given to state governments to establish lower limits. Real estate agents facilitating these projects must also register with the RERA.
- **Promoter:** In order to register a project with the RERA, the promoter must provide details which include the number of apartments and carpet area, and a declaration that he has a legal land title for the project. If a buyer incurs a loss because of false advertising and wishes to withdraw from the project, the promoter must return the amount collected, with interest.
- The Bill also requires that the promoters keep 70% of the amount collected from buyers for the project, in a separate bank account. This amount must only be used for construction of that project. The state government can alter this amount to less than 70%.
- **Buyer:** The buyer must make payments as per the agreement with the promoter, or pay interest for any delay in payment.
- **Penalties:** If the seller fails to register a project, he may be penalised up to 10% of the cost of the project. If a buyer fails to follow the orders of the RERA he will have to pay a fine of up to 5% of the estimated value of property.

For a PRS Report Summary, please see [here](#).

Urban Development

Prachee Mishra (prachee@prsindia.org)

Parliament passes the Real Estate (Regulation and Development) Bill, 2016

Parliament passed the Real Estate (Regulation and Development) Bill, 2016 on March 15, 2016.⁸ The Bill regulates transactions between buyers and promoters of real estate projects. Key features of the Bill include:

- **Authorities:** The Bill mandates that all states and union territories establish state level Real Estate Regulatory Authorities (RERAs), and specify their composition. It also mandates establishing state level Real Estate Appellate Tribunals where orders of RERAs can be appealed against.

For more details on the Bill, please see [here](#).

Ministry of Urban Development releases Model Building Bye-Laws, 2016

The Ministry of Urban Development released the Model Building Bye-Laws, 2016 in March 2016.⁹ These laws provide standards to regulate the architectural and construction specifications of a building (such as area, height, etc.). These standards serve to protect buildings against any hazards (fire, earthquakes, structural failures, etc.). The model bye-laws will act as guidelines for state and city governments that do not have their own buildings bye-laws. The last model bye-laws were released in 2004.

Key features of the model bye-laws include:

- **Development codes:** Some flexibility has been provided in the requirement of Floor

Area Ratio (FAR) such as allowing additional FAR. FAR is the ratio of total floor area over total plot area. Higher FARs indicate denser construction. Areas in a city set FAR depending on the purpose of land (residential, commercial, educational, industrial, etc.).

- **Structural safety:** In addition to the minimum standards for all buildings, provisions have been made for natural hazard prone areas. These include wind storm protection, earthquake protection, and landslide hazards.
- **Barrier free environment:** All buildings and facilities used by the public, with areas above 2,000 sq m, will have to provide for barrier free designs. A barrier free building is one that is easily accessible for the differently abled, elderly, and children alike.
- **Environmental concerns:** All buildings with plot size above 100 sq m, while submitting the building plans for sanction, must include the complete proposal for rainwater harvesting. All buildings with plot size above 200 sq m shall comply with the green building norms (such as solar energy utilization, energy efficiency, waste management, etc).
- **Streamlining of approvals:** The bye-laws provide guidelines for urban local bodies (ULBs) in order to streamline the clearance procedures required in building construction. These include: (i) online sanction of clearances, (ii) outsourcing procedures, (iii) establishing a single window system, and (iv) creating a specialized cell for clearances in the ULBs.

and systems, and provide for the mandatory hallmarking of precious metal articles.

Key features of the Bill include:

- **Functions of the Bureau of Indian Standards:** The Bureau of Indian Standards will be the national standards body of India. It will formulate, implement and certify certain standards of quality for goods, services, articles, processes and systems. A good, service, article, process, and system have been defined in the Bill.
- **Certification of precious metals:** A hallmark will be used to certify precious metal articles. A hallmark indicates a proportionate content of the precious metal in the article, as per the Indian standard. Such articles can be sold only in certified sales outlets.
- **Mandatory certification of certain goods:** The Bill allows the central government to notify any goods, articles, etc; for mandatory standardization, if it thinks it necessary for: (i) public interest or for the protection of human, animal or plant health, (ii) safety of the environment, (iii) prevention of unfair trade practices, or (iv) national security.
- **Recall of goods or services, etc:** The Bureau has the power to issue an order to recall a good or article which is out for sale or supply. It may do so if it is convinced that the good or article does not conform to relevant Indian standards.
- **Penalties:** The penalty for improper use of the Indian standard mark will be a fine of up to five lakh rupees. The Bill also introduces penalties for: (i) the improper use of the standard mark by testing and marking centres, and (ii) manufacturing or selling goods and articles which do not carry a standard mark and have been mandated to do so, among others.

For more details on the Bill, please see [here](#).

Consumer Affairs

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Bureau of Indian Standards Bill, 2015 passed by Parliament

The Bureau of Indian Standards Bill, 2015 was passed by Parliament on March 14, 2016.¹⁰ The Bill replaces the Bureau of Indian Standards Act, 1986. The Act established a Bureau for the purpose of standardization, marking and certification of articles and processes. The Bill broadens this ambit to include goods, services

Transport

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National Waterways Bill, 2015 passed by Parliament

The National Waterways Bill, 2015 was passed by Parliament on March 15, 2016.¹¹ Currently there are five inland waterways that are declared as national waterways under five different National Waterways Acts. The Bill repeals these five Acts, and brings these national waterways under its purview.

The Bill identifies 101 additional waterways as national waterways. The Constitution enables the central government to make laws on shipping on inland waterways that are classified as national waterways. The Schedule of the Bill also specifies the extent to which development can be undertaken on these waterways.

The Standing Committee on Transport, Tourism and Culture had submitted a report on the National Waterways Bill, 2015 in August 2015.¹² Key observations and recommendations of the Committee included:

- While national waterways, as declared by Parliament, is on the Union List of the Constitution, water (includes irrigation and canals) is on the State List. Therefore, the central government must make suitable provisions in the Bill to ensure that states can continue to use their water rights as provided in the Constitution.
- A special cell may be created with the consent of the heads of the concerned Ministries. This cell will help obtain all clearances without any hindrances.

For a PRS Report Summary, please see [here](#), and for more details on the Bill, please see [here](#).

Carriage by Air (Amendment) Bill, 2015 passed by Parliament

The Carriage by Air (Amendment) Bill, 2015 was passed by Parliament on March 11, 2016.¹³ The Bill amends the Carriage by Air Act, 1972. The Act regulates carriage by air and gives effect to the Warsaw Convention, 1929, and the Montreal Convention, 1999. The Act also extends these provisions to domestic travel, subject to exceptions and adaptations.

The Montreal Convention establishes airline liability in the case of death, injury, or delay to

passengers or in cases of delay, damage, or loss of baggage and cargo. The Bill seeks to amend the Act to adhere to the revised limits of liability as per the Montreal Convention.

Table 2 shows the limits of liability for airlines, as revised by the Montreal Convention:

Table 2: Revised limits of liability as compared to the old limits

Provision under Montreal Convention	Old limits of SDRs	Revised limits of SDRs
Damage sustained in case of death or injury for each person	100,000	113,100
Damage caused by delay in carriage for each person	4,150	4,694
Destruction, loss, damage or delay with respect to baggage for each person	1,000	1,131
Destruction, loss, damage or delay in relation to the carriage of cargo	17	19

Note: Special Drawing Right (SDR) is a weighted average of the US Dollar, Euro, British Pound and Japanese Yen. An SDR equalled about Rs 93.45 as on March 31, 2016.

For more details on the Bill, please see [here](#).

Cabotage restrictions relaxed for container trans-shipment ports

The Ministry of Shipping has relaxed cabotage restrictions for ports which trans-ship at least 50% of their container traffic.¹⁴ Cabotage is the transport of passengers or goods between two places within the country. Currently, only Indian ships are allowed to undertake cabotage in India.¹⁵ Trans-shipment is the act of off-loading a container from one ship and loading it onto another ship, which is then shipped to its destination. The cabotage relaxation will enable shipping lines to consolidate Indian export-import and empty containers at Indian trans-shipment ports for onward shipment.

Container ports seeking the relaxation will have to trans-ship at least 50% of their container traffic in one year. New trans-shipment ports will have a gestation period of one year, and will have to achieve the target in the second year.

If a port is unable to trans-ship 50% of the containers in a year, its relaxation will be revoked. Further, for such ports the relaxation will not be considered for the next three years.

Law and Justice

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Bill related to pension and other benefits of higher court judges passed by Parliament

The High Court and the Supreme Court Judges (Salaries and Conditions of Service) Amendment Bill, 2015 was passed by Parliament on March 11, 2016.¹⁶ The Bill amends the High Court Judges (Salaries and Conditions of Service) Act, 1954 and Supreme Court Judges (Salaries and Conditions of Service) Act, 1958.

In March 2014, the Supreme Court had issued a direction for adding 10 years' practice as an Advocate in calculating pensionary benefits for a High Court judge. It also specified that this be made effective from April 1, 2004. The Statement of Objects and Reasons of the Bill states that the Bill was introduced to give effect to this objective.

In addition, the Bill prescribes the computation of casual leave for Supreme Court and High Court judges, as well as leave allowances of High Court judges.

For a PRS Summary of the Bill, please see [here](#).

Home Affairs

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Enemy Property (Amendment) Bill, 2016 introduced and passed by Lok Sabha

The Enemy Property (Amendment and Validation) Bill, 2016 was introduced in Lok Sabha on March 8, 2016.¹⁷ It was passed by the House on March 9, 2016, and subsequently referred to a Select Committee by Rajya Sabha.¹⁸ The Committee has asked for comments until April 12, 2016. The Bill seeks to amend the Enemy Property Act, 1968. It replaces the Enemy Property (Amendment and Validation) Ordinance, 2016, which was promulgated in January 2016.¹⁹

The central government had designated some properties belonging to nationals of Pakistan and China as 'enemy properties' during the 1962, 1965 and 1971 conflicts. It vested these properties in the 'Custodian of Enemy Property for India', an office instituted under the central

government. The 1968 Act regulates these enemy properties.

Key features of the Bill include:

- **Retrospective application:** The Bill will be deemed to have come into force on January 7, 2016, the date of promulgation of the 2016 Ordinance. However, several of its provisions will come into effect from the date of commencement of the 1968 Act.
- **Vesting of property with the Custodian:** The 1968 Act allowed for vesting of enemy properties with the Custodian, after the conflicts with Pakistan and China. The Bill seeks to clarify that in the following cases these properties will continue to vest with the Custodian: (i) the enemy's death, (ii) if the enemy's legal heir is an Indian, (iii) if the enemy changes his nationality to that of another country, etc.
- The Bill further provides that vesting of enemy property with the Custodian will mean that all rights, titles and interests in the property will vest with the Custodian. No laws and customs governing succession will be applicable to these properties.
- **Transfers by enemies:** The 1968 Act permitted transfer of enemy property by an enemy except in some circumstances (eg. if transfer was against public interest). The Bill seeks to remove this provision, and prohibit all transfers by enemies. Further, it renders such transfers that had taken place before or after the commencement of the 1968 Act as void.

For more details on the Bill, please see the PRS Bill Summary [here](#).

Sikh Gurdwaras (Amendment) Bill, 2016 introduced and passed by Rajya Sabha

The Sikh Gurdwaras (Amendment) Bill, 2016 was introduced in Rajya Sabha on March 15, 2016.²⁰ It was passed by the House on March 16, 2016 and is currently pending before Lok Sabha.²¹ The Bill seeks to amend the Sikh Gurdwaras Act, 1925.

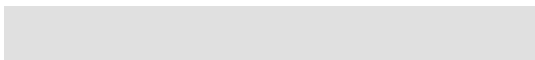
The Act regulates administration of Sikh Gurdwaras in Chandigarh, Haryana, Himachal Pradesh and Punjab. For this purpose, it established the Sikh Gurdwara Prabandhak Committee (SGPC) for overall administration and management, and set up committees for management of every Gurdwara.

With regard to elections to the SGPC and the management committees, the Act provided that no person who trims or shaves his beard or hair will be entitled to vote in these elections. However, it created an exception for Sehjdhari Sikhs who trim or shave their beard or hair, allowing them to vote. The Bill removes this exception, disentitling Sehjdhari Sikhs from voting if they carry out these activities.

Under the Act, Sehjdhari Sikhs are those persons who: (i) perform ceremonies according to Sikh rites, (ii) do not consume tobacco or *halal* meat, (iii) have not been expelled from the religion for committing a religious transgression, and (iv) can recite the *Mul Mantra* (a Sikh prayer).

The central government had issued a notification to disentitle the Sehjdhari Sikhs from voting in these elections on October 8, 2003. However, the Punjab and Haryana High Court had struck it down as in 2011 as a notification cannot overrule a provision in an Act.²² The Bill amends the Act retrospectively from October 8, 2003 to give effect to the provisions of the notification.

For a PRS Bill Summary, please see [here](#).



Defence

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Ministry of Defence releases Defence Procurement Procedure, 2016

The Ministry of Defence released five (out of seven) chapters of the Defence Procurement Procedure (DPP), 2016 on March 28, 2016.²³ The chapters that have been released lay down the process for capital acquisitions undertaken by the Ministry of Defence, the Armed Forces, and the Indian Coast Guard, whether from indigenous sources or import. The chapters of the DPP, 2016 that have not been released pertain to guidelines covering standard defence contracts, and choosing strategic partners in the private sector.

The DPP, 2016 will replace the DPP, 2013 (currently in force), and will come into effect from April 1, 2016.

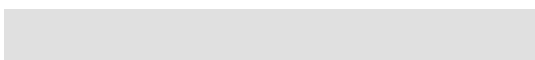
Categories of acquisition: DPP, 2013 provides five routes for capital acquisitions.²⁴ These are preferred in the following order: (i) 'Buy (Indian)' meaning purchase of equipment from Indian vendors (with minimum 30% indigenous

content), (ii) 'Buy and Make (Indian)' meaning purchase from Indian vendors followed by licensed production in India (with minimum 50% indigenous content), (iii) 'Make' meaning indigenous development and manufacture (with minimum 30% indigenous content), (iv) 'Buy and Make' meaning purchase from foreign vendor followed by licensed production in India, and (v) 'Buy (Global)' meaning purchase from foreign or Indian vendors.

The DPP 2016 has added one more category, 'Buy (Indian- Indigenous Designed, Developed and Manufactured)', as the most preferred route of capital acquisition. This means, purchasing from an Indian vendor, products that have either: (i) been indigenously designed, developed and manufactured with minimum 40% indigenous content, or (ii) not been indigenously designed or developed but have at least 60% indigenous content.

Further, the DPP, 2016 has increased: (i) the indigenous content requirement under Buy (Indian) from 30% to 40% of contract value, and (ii) the government assistance provided to the defence industry under the Make category.

Offset obligation: Offset obligation is applicable to acquisitions under some categories which provide a greater role to foreign production (eg. Buy (Global)). It requires the vendor to re-invest 30% of the defence contract value in the Indian defence sector. The DPP, 2013 makes this obligation applicable to vendors of defence contracts above Rs 300 crore. The DPP, 2016 modifies this to Rs 2,000 crore.



Mining

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Mines and Minerals (Development and Regulation) Amendment Bill, 2016 passed by Lok Sabha

The Mines and Minerals (Development and Regulation) Amendment Bill, 2016 was introduced in Lok Sabha on March 15, 2016 and was passed by the House on March 16, 2016.²⁵ The Bill seeks to amend the Mines and Minerals (Development and Regulation) Act, 1957. The Act regulates the mining sector in India and specifies requirements for obtaining and granting leases for mining operations.

- **Transfer of mining leases:** The Act allows for the transfer of mining leases which have been granted through an auction process. The holder of these mining leases may transfer the lease to any eligible person, with the approval of the state government, and as specified by the central government.
- The Bill allows for the transfer of mining leases which have been granted through procedures other than auction, and where the minerals are used for captive purpose. Captive purpose has been defined as the use of the entire quantity of mineral extracted in the lessee's own manufacturing unit. Such lease transfers will be subject to terms and conditions, and transfer charges as prescribed by the central government. These transfers will be in addition to the existing transfers that are allowed.
- **Leased area:** The Bill adds a definition of leased area, as the area within which mining operations can be undertaken. This will also include the non-mineralised area required for the activities defined under mine in the Mines Act, 1952. The 1952 Act defines mine as any excavation where any operation for searching or obtaining of minerals is being carried out. It includes (i) borings, bore wells, and oil wells, (ii) all workshops and stores within the precinct of a mine, and (iii) any premises being used for depositing waste from a mine or where any operations in connection with such waste is being carried out.

For a PRS Bill Summary, please see [here](#).

Social Justice and Empowerment

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Constitution (Scheduled Castes) Order (Amendment) Bill, 2016 passed by Lok Sabha

The Constitution (Scheduled Castes) Order (Amendment) Bill, 2016 was introduced in Lok Sabha on March 1, 2016. It was passed by the House on March 15, 2016.²⁶

The Constitution empowers the President to specify the Scheduled Castes in various states and union territories. Further, the Constitution also permits this list of notified Scheduled

Castes (SC) to be modified by Parliament. Recently, some states proposed certain modifications to this list.

The Statement of Objects and Reasons in the Bill states that the Bill has been introduced to amend the Constitution to modify the list of notified SCs in some states. Thus, the Bill amends the Schedule to the Constitution (Scheduled Castes) Order, 1950.

Through the amendments in the Bill, several communities have been included into the Schedule for the states of Haryana, Kerala and Chhattisgarh. Two communities have been removed from the Schedule for the state of Orissa. Further, one community which was notified as SC in a few districts of West Bengal, will be given SC status across the state.

For a PRS Bill Summary, please see [here](#).

Corporate Affairs

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The Companies (Amendment) Bill, 2016 introduced in Lok Sabha

The Companies (Amendment) Bill, 2016 was introduced in Lok Sabha on March 16, 2016.²⁷ It seeks to amend the Companies Act, 2013 which regulates the incorporation, management, functioning, and winding up of companies.²⁸ The Ministry of Corporate Affairs (MCA) had constituted a committee, which recommended amendments to the Act. Subsequently the Bill was introduced in Parliament.

Key features of the Bill include:

- **Private placement:** Companies can raise capital by selling shares, to a small number of select investors. This is called private placement. Under the Act, when a private placement offer is being made, companies need to submit an offer letter disclosing certain information about the company. The Bill simplifies the process by doing away with filing of this separate offer letter.
- **Forward dealing and insider trading:** Forward dealing is the act of purchasing securities of a company for a specific price at a future date. The Act prohibits directors and key managerial personnel of a company from engaging in forward dealing. The Bill removes this provision of the Act.

Similarly, the Bill seeks to remove provisions of the Act, which prohibit insider trading in companies. Insider trading is the act of publicly trading stocks of a company by a person who has information about the company, not known to the public.

The MCA committee noted that the above provisions of the Companies Act applied to both public and private companies alike. It said that provisions related to publicly traded stocks should not be applicable to private companies. It observed that the SEBI Act and regulations were comprehensive in dealing with forward dealing and insider trading for listed companies. It therefore recommended omitting these provisions from the Companies Act.

- **Managerial remuneration:** The Act requires obtaining approval of the central government and the shareholders for payment of managerial remuneration in excess of prescribed limits. The Bill seeks to remove the requirement of obtaining approval of the government. Also it specifies that in some cases approval of the shareholders will be required through a special resolution.
- **Loans to directors of a company:** The Act prohibits provision of loans by a company to its directors, or its holding companies, etc. The Bill seeks to limit this prohibition (for example, by requiring passage of a special resolution in some of these cases).

In addition, the Bill seeks to amend the Act to: (i) remove restrictions on the number of layers of subsidiary companies used to make investments in a company, (ii) bring clarity on corporate social responsibility, (iii) modify definitions of ‘associate companies’, ‘holding company’, etc.

For a PRS Bill Summary, please see [here](#).

Science and Technology

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Regional Centre for Biotechnology Bill, 2016 introduced in Lok Sabha

The Regional Centre for Biotechnology Bill, 2016 was introduced in Lok Sabha on March 15, 2016.²⁹ The Bill seeks to give legislative

backing to the Regional Centre for Biotechnology Training and Education set up in Faridabad, Haryana, by the central government in 2009. It also seeks to give it the status of an institution of national importance. Such an institution imparts scientific or technical education, and is empowered to grant degrees.

The Regional Centre was set up in light of an agreement between India and the United Nations Educational, Scientific and Cultural Organisation (UNESCO) in 2006. This agreement provided that a research institute related to biotechnology should be established in India, to serve the member countries.³⁰

Key features of the Bill include:

- **Powers of the Regional Centre:** The powers of the Centre will include: (i) providing masters and doctoral degrees in biotechnology and related subjects (eg. medical, agricultural and engineering sciences), (ii) determining standards of admission, and (iii) determining fees. Its functioning will be reviewed every four years by government appointed persons.
- **Authorities of the Regional Centre:** The Centre will have authorities responsible for its administration and functioning including: (i) Board of Governors as the apex decision making body, (ii) Executive Committee to implement decisions of the Board, (iii) Programme Advisory Committee as the principal academic body, and (iv) Finance Committee as the body responsible for reviewing the institute’s finances.
- **Fund:** The Regional Centre will maintain a Fund to meet its expenses. It will contain: (i) money provided by the central government, (ii) fees received by the Regional Centre, (iii) grants, gifts and donations received, etc.

A similar Bill had been introduced in December 2011, which subsequently lapsed at the end of the 15th Lok Sabha.³¹

For more details on the 2016 Bill, please see the PRS Bill Summary [here](#).

Standing Committee constituted for promoting women in science

The Ministry of Science and Technology constituted a Standing Committee (Chair: Prof. H.S. Savithri, Indian Institute of Science, Bangalore) for promoting representation of

women in science and technology on March 11, 2016.³² The Committee will comprise 17 other persons from various science and technology institutions across India (eg. AIIMS and Indian Institute of Science Education and Research).

The Committee's mandate includes: (i) taking proactive measures to identify and correct imbalances that hinder representation of women in science and technology, (ii) making recommendations regarding specific measures that may be taken to ensure growth of women in science, and (iii) monitoring implementation of its recommendations periodically.

Commerce and Industry

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Draft Coffee Bill, 2016 released

The draft Coffee Bill, 2016 was released by the Ministry of Commerce and Industry on March 23, 2016.³³ The draft Bill seeks to replace the Coffee Act, 1942. The Act established a Coffee Board to control the marketing of all the coffee produced in India and regulate its sale in the domestic and international markets.

In an explanatory note attached to the draft Bill, the Ministry stated that responsibilities of the Coffee Board have changed over the years. Earlier, the Board was in charge of collecting all coffee in a surplus pool, and then curing, storing, and disposing it in the markets. The pooling system ended in 1996 and the Board is now focused on the production, research and marketing of coffee. It is therefore necessary to repeal the earlier Act, to introduce a liberal regime for the Coffee industry, and include the newer mandates of the Coffee Board.

Key provisions of the proposed draft Bill include:

- **Functions of the Board:** The Coffee Board would be established by the central government and would conduct functions including: (i) formulating strategies for the promotion of the coffee industry, (ii) undertaking market development of coffee in and outside the country, (iii) evolving quality standards for coffee, (iv) issuing directions to coffee growers to carry out preventive or remedial measures to prevent or destroy pests and diseases, (v)

undertaking research and development regarding the coffee industry, etc.

- **Registration of coffee establishments:** Every owner of a land which is primarily planted with coffee plants will register with the Coffee Board. Every establishment of curing, roasting and grinding coffee, or manufacturing instant coffee, wishing to operate as such will have to be registered with the Coffee Board.
- **Powers of the central government:** The central government will have the power to cancel, modify or suspend any action taken by the Coffee Board. It will also have the power to notify rules for implementation of the Bill.

The Ministry has invited comments on the draft Bill until April 23, 2016.

Health and Family Welfare

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Standing Committee submits report on functioning of the Medical Council of India

The Standing Committee on Health and Family Welfare submitted its report on the functioning of the Medical Council of India (MCI) on March 8, 2016.³⁴

Key recommendations of the Standing Committee include:

- **Composition:** The MCI is largely an elected body and consists of only medical doctors. It was observed that issues arose due to the elected nature of the MCI (such as disproportionate private representation etc.). The Committee recommended that a regulatory framework must be set up under which regulators are appointed through an independent selection process. Further, diversity in the composition of the MCI must be brought in to include professionals other than medical doctors (such as public health experts, etc.).
- **Medical education:** As the two stages of medical education (undergraduate and postgraduate) require different kinds of expertise, they should be regulated separately. Further, in order to tackle the issue of high capitation fees, and to bring

transparency in admissions, etc., the central government must introduce a common entrance exam for undergraduate, postgraduate and super speciality courses. To standardise the competency of graduating doctors, an exit test must be introduced for medical graduates.

- **Professional conduct:** The present focus of MCI is only on licensing of medical colleges. There is no emphasis given to the regulation of medical ethics. In light of this, the areas of medical education and medical practice should be separated. A separate board of medical ethics should be set up. This board will be responsible for developing mechanisms for the promotion of medical ethics.
- **Corruption:** Issues related to corruption were observed in the MCI. It noted that the autonomy of the MCI should be balanced with its accountability. Since, the MCI is funded by the government, the latter should enforce accountability on the former. The Ministry should take measures to amend the present statute or enact a new legislation which allows the government to intervene in matters related to corruption.

For a PRS Report Summary, please [here](#).

Draft amendments to the Pre-conception and Pre-natal Diagnostic Techniques (Prohibition of Sex Selection) Act, 1994 released

The Ministry of Health and Family Welfare released the draft amendments to the Pre-conception and Pre-natal Diagnostic Techniques (Prohibition of Sex Selection) Act, 1994 in March 2016.³⁵ The Act prohibits sex selection and regulates the utilisation of diagnostic techniques used before child birth.

Key draft amendments include:

- **Sale and transfer:** The Act does not allow for the sale of equipment (capable of detecting sex of the foetus) such as ultrasound machines to persons, or clinics (genetic clinics), which are not registered under the Act. The draft amendments also propose to include the transfer of such devices under the ambit of the Act.
- **Appropriate authority:** The Act provides for the establishment of the appropriate authority at the state level (includes legal officer and representative of women's

organisations). The functions of the authority include registration of clinics, and enforcement of prescribed standards for such clinics. The draft amendments provide that the appropriate authority will also be responsible for preventing the misuse of such diagnostic techniques.

- **Offences and penalties:** In case a registered medical practitioner employed in a diagnostic centre etc., violates the provision of the Act, he will be liable for imprisonment of up to three years and a fine of up to Rs 10,000. The draft amendments propose to increase the fine to Rs 50,000.
- For subsequent convictions, the Act provides for an imprisonment term of up to five years and a fine of up to Rs 50,000. The draft amendments provide for an imprisonment term of a minimum of five years and increases the fine to Rs 1,00,000.

Comments invited on the report on High Trade Margins in the Sale of Drugs

The report of the Committee on High Trade Margins in the Sale of Drugs (Chair: Mr. Sudhansh Pant) was released on March 7, 2016.³⁶ Comments on the report have been invited till April 7, 2016. The Committee was set up under the Ministry of Chemicals and Fertilizers to examine the issue of high trade margins of drugs. Trade margin is the difference between price of the drug sold (by the manufacturer to the distributor) and the maximum retail price.

Key recommendations of the Committee include:

- **Cap on trade margins:** In order to regulate the issue of high trade margins which causes overcharging of consumers, a cap must be set on such trade margins. Further, trade margins must be capped for all drugs including stents, generic, and branded drugs.
- **Fixed margins:** Based on the annual turnover, a graded trade margin has been proposed. For example, in case of a single tablet with maximum retail price from two rupees to Rs 20, a maximum trade margin of 50% (as a % of MRP) has been proposed.
- **Exemptions:** Cap on drugs will not be set in case the retail price of the single tablet or capsule is up to two rupees.

- **Bonus:** The benefit of bonus offers (such as one plus one offer) on free drugs should be given to consumers by proportionately revising the trade margins on such drugs.
- **Price control order:** The Drug Price Control Order, 2013 (the order fixes the prices of certain drugs) must be amended to disallow selling of drugs above the permissible margin.

Petroleum and Natural Gas

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Cabinet approves Pradhan Mantri Ujjwala Yojana

Cabinet approved the Pradhan Mantri Ujjwala Yojana on March 10, 2016.³⁷ The scheme aims to provide free LPG (cooking gas) connections to women from Below Poverty Line (BPL) households. It also aims to ensure universal coverage of cooking gas in India and to protect women's health (from unclean cooking fuel).

Under the scheme, Rs 8,000 crore has been allocated to provide five crore LPG connections to BPL households. An amount of Rs 1,600 will be provided for each LPG connection to a BPL household. The identification of eligible BPL families will be made in consultation with the state governments. The scheme will be implemented over a period of three years (from 2016-17 to 2018-19).

Cabinet approves Hydrocarbon Exploration and Licensing Policy

Cabinet approved the Hydrocarbon Exploration and Licensing Policy on March 10, 2016.^{38,39} Key details of the Policy include:

- **Uniform licensing:** Currently, separate licenses are issued for exploring different type of hydrocarbons (such as oil and gas). This leads to additional costs, since a separate license is required if a different type of hydrocarbon is found while exploring a certain type. Under the new Policy, there will be a uniform licensing system that will cover all hydrocarbons such as oil, gas, and coal bed methane.
- **Revenue sharing:** Presently, under the profit sharing model, when a contractor discovers oil or gas, he has to share a certain

percentage of his profit with the government. This system requires the government to scrutinize cost details of the private participants and leads to delays and disputes. Under the new policy of revenue sharing, the government will receive a share of the gross revenue from the sale of oil, and gas, etc.

- **Exploration:** Under the present system, exploration of hydrocarbons is limited only to the blocks which have been put on tender by the government. Under the new system, bidders can apply for exploring any block not already covered by exploration.
- **Pricing:** While fixing royalties, the present system does not distinguish between shallow water fields (where cost of exploration and risks are lower) and deep water fields (where cost and risks are higher). Under the new system, a graded system of royalty rates will be introduced. Under this system the royalty rates will decrease from shallow water to deep water to ultra-deep water areas.

CCEA approves marketing and pricing freedom of gas to be produced from deep water areas

The Cabinet Committee on Economic Affairs (CCEA) approved marketing and pricing freedom for gas produced from certain areas including deep water and ultra-deep water areas on March 10, 2016.⁴⁰ The marketing freedom will be capped by a ceiling price.

The ceiling price would be based on the landed price (includes original price of the product, customs, duties, and taxes) of fuel. This price will be calculated once in six months and will be applied prospectively for the next six months.

This policy will be applicable to future discoveries and existing discoveries which were yet to commence production as on January 1, 2016. In case of existing discoveries that have any pending litigation, this policy will be applicable only after the conclusion or withdrawal of such litigation. All other fields currently under production will continue to be governed by the existing price regime.

Information and Broadcasting

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CAG submits report on the Communications and IT Sector

The Comptroller and Auditor General (CAG) of India submitted a report on the Communications and Information Technology sector on March 11, 2016.⁴¹ The revenue of private service providers which is shared with the government as license fee and spectrum usage charges, forms part of the Consolidated Fund of India. Thus, it is important to verify the accounting records of service providers to ensure that revenue due to the government is reported correctly.

Key findings include:

- Service providers have reduced the gross revenue reported to the Department of Telecommunications (DoT) by the amount of commission or discounts paid to distributors or dealers. This has resulted in short payment of Rs 690 crore.
- Promotional offers such as free talk time provided by service providers have not been recognised as revenue. The Unified Access Services License agreement provides that details of discount or rebate needs to be indicated separately. Misreporting of such offers has resulted in loss of Rs 271 crore.
- Non-inclusion of interest income in computation of gross revenue by service providers has resulted in short payment of Rs 739 crore.

The recommendations given by CAG include:

- Strengthening the internal audit mechanism of DoT in order to ensure regular verification of accounts.
- Definition of gross revenue and adjusted gross revenue must be revisited considering the change in the scenario from 1999 to now. Previously, spectrum was allocated administratively and presently, it gets allocated through a bidding process.
- Instituting an appellate mechanism to address disputes between DoT and service providers on demands raised by DoT. This will also help minimise the increasing number of litigations in this regard.

Rural Development

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Cabinet approves implementation of rural housing scheme PMAY - Gramin

The Cabinet approved the implementation of rural housing scheme, Pradhan Mantri Awaas Yojana - Gramin (PMAY-G) on March 23, 2016.⁴² From 2016-17, the existing rural housing scheme of Indira Awaas Yojana (IAY) has been renamed as PMAY-G and will help achieve the objective of 'Housing for All' by 2022. Under IAY, financial assistance of Rs 70,000 in plain areas and Rs 75,000 in hilly areas is provided to rural BPL households for construction of a dwelling unit. Under PMAY-G, this is proposed to be raised to Rs 1,20,000 in plain areas and Rs 1,30,000 in hilly areas.

The expenditure involved in implementing the project from 2016-17 to 2018-19 is Rs 81,975 crore. In a span of these three years, one crore households will be provided assistance for construction of pucca house.

The size of dwelling unit is being increased from 20 square meter (sq. m) to up to 25 sq. m. The cost of unit assistance will be shared between the centre and state in the ratio of 60:40 in plain areas and 90:10 in hilly states. The additional financial requirement of Rs 21,975 crore will be met by borrowing through National Bank for Agriculture and Rural Development. A National Technical Support Agency will be set up to provide support to the centre and states to facilitate construction of quality houses and achieve the target.

Beneficiaries eligible for assistance will be identified and prioritised using information from Socio Economic and Caste Census, released in July 2015. The beneficiary will also be entitled to 90 days of unskilled labour from the National Rural Employment Guarantee Scheme. He can also avail a loan of up to Rs 70,000 for construction of the house.

Chemicals and Fertilizers

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Cabinet approves proposal for removing the minimum capacity utilization criteria for Single Super Phosphate units

Cabinet approved the proposal for removing the minimum capacity utilization criteria for the Single Super Phosphate (SSP) units for eligibility under the Nutrient Based Subsidy (NBS) scheme, on March 10, 2016.⁴³ Under the NBS scheme, a fixed subsidy is provided for phosphatic and potassic fertilizers depending on their nutrient content. SSP is a type of fertilizer that contains nutrients such as phosphate and sulphur and is suited for crops including oilseeds and pulses.

Currently, in order to become eligible for the subsidy, SSP units have to produce certain amount of fertilizer (based on capacity utilization criteria). As the SSP units are unable to reach the required production level, they are unable to avail the subsidy. Further, as the SSP units already passed on the subsidy benefit to the farmers in the form of lower MRP, the non-eligibility of subsidy has caused financial problems to these units. The new policy aims to remove the minimum capacity utilization criteria. Further, it makes the SSP units eligible for subsidy irrespective of the quantity of fertilizer produced by them.

Standing Committee submits reports on Petroleum Chemicals and Petrochemicals Investment Regions

The Standing Committee on Chemicals and Fertilizers submitted its report on Petroleum Chemicals and Petrochemicals Investment Regions (PCPIRs) on February 25, 2016.⁴⁴ PCPIR is a specific investment region planned for the establishment of manufacturing facilities of petroleum and chemicals.

Key recommendations include:

- **Budgetary allocation:** There is a lack of budgetary support for the implementation of PCPIRs by the central government. A minimum support of Rs 1,000 crore (for each region) should be provided to take care of matters relating to infrastructure.
- **Public Private Partnerships (PPPs):** The Committee observed a lack of response from the private sector for PCPIR projects in the

PPP mode. It recommended that the government must provide incentives to private firms such as tax concessions to encourage investments in PCPIRs.

- **Implementation:** The status of implementation in all four PCPIR (Gujarat, Andhra Pradesh, Odisha, and Tamil Nadu) is not uniform. Further, challenges specific to the location were observed. The Committee suggested that proper coordination by the Department of Chemicals and Petrochemicals, and an effective oversight mechanism will accelerate the progress of these projects.
- **Review of policy:** The government proposes to review the PCPIR Policy, 2007. The Policy aims to develop global scale industrial clusters in the petroleum, chemical and petrochemical sectors. Proposals under consideration include reducing the size requirement of the existing PCPIRs, and introducing single window clearance mechanism for projects.
- The Committee recommended that the size requirements for PCPIRs should be kept flexible. It raised concerns about the feasibility of a single window clearance mechanism, because it includes several issues ranging from environment clearances to infrastructure requirements.

Drinking Water and Sanitation

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Cabinet approves Rs 9,000 crore project of World Bank support to SBM-Gramin

The Cabinet gave its approval to Rs 9,000 crore project of World Bank support to Swachh Bharat Mission- Gramin (SBM-G) on March 23, 2016.⁴⁵ The project provides for incentivising states on the basis of their performance in the mission. Under this project, the performance of states will be gauged through certain performance indicators, known as Disbursement-Linked Indicators (DLIs). Key DLIs are:

- Reduction in the prevalence of open defecation,
- Sustaining open defecation free status in villages, and

- Increase in percentage of rural population served by improved solid and liquid waste management.

Out of the total credit of Rs 9,000 crore, Rs 8,850 crore will be used for providing incentive grant to states and the remaining Rs 150 crore for providing management and capacity support to Ministry of Drinking Water and Sanitation.

The states are to pass on more than 95% of the incentive grant to the appropriate implementing agencies at different levels of districts, blocks, gram panchayats, etc.

Environment

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Government re-categorises industries based on their pollution load

The Ministry of Environment, Forests and Climate Change released a new categorisation of industries based on their pollution load on March 5, 2016.⁴⁶ Categorisation of industries is carried out to: (i) facilitate decisions related to where can these industries be located, (ii) consent management of affected stakeholders, and (iii) formulation of norms regarding surveillance and inspection of industries.⁴⁷

The old system of categorisation was primarily based on the size of industries and consumption of resources. This system was evaluated, and recommendations on it were made by a Working Group comprising members of central and state Pollution Control Boards in February 2016.⁴⁷

In light of these recommendations, industries under the new system of classification have been categorised on the basis of their emissions (air pollutants), effluents (water pollutants), and hazardous waste generated and consumption of resources. A ‘Pollution Index’ score between 0 and 100 is given to industries on the basis of these factors (increasing value indicates a higher pollution load). Industries with a score of 60 and above are placed in ‘red’ category, 41 to 59 in ‘orange’, 21 to 40 in ‘green’ and up to 20 in ‘white’ category.

The Ministry has placed 60 industries in red category (eg. automobile manufacturing and healthcare), 83 in orange (eg. construction), 63 in green (eg. dal and rice mills) and 36 in the white category (eg. air conditioners and solar

power). Red industries will not be permitted in ecologically fragile areas, and white industries will not be required to take environmental clearances or satisfy consent norms.

Telecom

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TRAI releases consultation paper on issues related to Radio Audience Measurement and ratings in India

The Telecom Regulatory Authority of India (TRAI) released a consultation paper on “Issues related to Radio Audience Measurement and ratings in India” on March 15, 2016.⁴⁸ The main objectives of the consultation paper are to ensure: (i) growth of radio broadcasting sector, (ii) transparency in radio audience measurement and ratings, and (iii) greater diversity and better quality content.⁴⁹

Radio broadcasting services were opened to the private sector in 2000. Currently, there are 35 companies operating 243 radio channels in 86 cities. Radio broadcasting is a free-to-air service and its only source of revenue is from advertisements. This revenue depends on the duration and the rate per unit time of the advertisement and the number and demographics of radio listeners. A radio audience measurement system will be useful to determine the popularity of a channel and help advertisers select channels to broadcast their advertisements.

At present, radio audience measurement for private channels is done by a private agency in the four metro cities. The present system of radio ratings has the following deficiencies:

- Inadequate coverage and a small sample size of 480 persons in each city,
- Lack of a defined mechanism to handle complaints from stakeholders, and
- No independent auditor to check the process.

The paper suggested possible models for radio ratings system in India. It also highlighted some issues for consultation, including:

- Formation of an industry led body for radio ratings and guidelines for its functioning,
- Methodology to be adopted for radio audience measurement, and

- An effective accreditation framework to be put in place to ensure that measurements carried out by rating agencies are devoid of any bias.

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