Excitement and concerns

For a sector that is deep in trouble, the show that the automobile industry put up at the 12th Auto Expo that ended in Delhi last week was a grand one indeed. With 70 new vehicles being unveiled or launched across the spectrum from two-wheelers to cars and heavy vehicles, presence of all the big players in the global auto industry and milling crowds — the final weekend alone attracted more than 2,00,000 visitors according to industry body SIAM — it may be difficult to believe that this is an industry in recession. Yet the truth is that sales of commercial vehicles have been falling for the last two years and were down 20.93 per cent in the first ten months of this fiscal year. Passenger car sales are at their worst in a decade, having fallen 9.34 per cent in the April-January period. And with high costs of financing, falling freight volumes and adverse sentiment, only the brave can predict a quick turnaround for the industry. What the celebration at the biennial industry jamboree underlines though is the potential that auto companies, especially those producing cars, see in the growing Indian market. This is also proved by their launching vehicles specifically designed for local consumers. Some of the big multinationals such as Suzuki, Hyundai and Ford have turned their Indian operations into bases to produce for markets abroad.

In addition to the growth slowdown, the industry is up against a couple of other challenges. The government has notified fuel efficiency norms that will kick in from 2017 based on average fleet weight for passenger cars. While this is good news for buyers, who can look forward to cars with higher mileage than what is available now, for manufacturers this means a re-look at their strategies. They have to push out more high-mileage vehicles to counterbalance the sale of fuel-guzzling SUVs. They will also have to develop more efficient engines and associated technologies, which could mean higher costs. Passing on such costs may not always be possible in a competitive market. Car manufacturers will also have to focus on designing safer vehicles. A recent study by a U.K. agency pointed out how some of the most popular, high-selling models in India failed crash tests. Car buyers are not going to buy the argument that average vehicle speeds in India are much lower than in the West and hence those safety standards are not applicable here. Along with the industry, the government needs to do some soul-searching as the exploding numbers of vehicles is causing chaos on the roads, especially in the cities. At least the metros need to have well-thought-out public transportation policies that will obviate the need for citizens to take their personal vehicles out on a daily basis.

Story of an end foretold

Sometimes, the end is foretold at the beginning. Arvind Kejriwal was quite reluctant to assume office as Chief Minister of Delhi, and the lack of a majority of its own for his Aam Aadmi Party seemed only part of the reason. The crusader against corruption did not want anything to do with the Congress or the Bharatiya Janata Party; it was almost as if he were afraid of being tainted by mere association with them. From the time he was sworn in, he was keener on projecting his party as a serious national-level alternative to the two principal national parties than on governing Delhi. Delhi was a
stage for his theatrics, a campaign platform before the Lok Sabha election. The thrust was on politically exposing the Congress and the BJP, and not on solving the small, everyday problems of Delhi. Mr. Kejriwal obviously wanted to demonstrate what he would not be allowed to do as Chief Minister, and not what he could do as head of the government. Given the paucity of time before the parliamentary election, he must have thought it safer to approach the people as the leader of a party whose government was thwarted by political rivals than as a Chief Minister who was unable to deliver on his promises. Thus, the Jan Lokpal Bill was seen as the ideal issue over which to create circumstances for his own exit. Having built a political party of a movement that had the Jan Lokpal Bill as its rallying point, the AAP convener believed he would find popular support for staking all on the Bill. But the manner in which his government manoeuvred the Bill appeared to be aimed at inviting opposition rather than at seeing it passed in the Assembly. An honest attempt could have been made to follow constitutional procedures in pushing through the Bill, making it politically difficult for the AAP’s rivals to oppose it. The all-or-nothing attitude Mr. Kejriwal adopts on every issue can do little to further his party’s agenda of change.

If Mr. Kejriwal achieved anything at all in the Jan Lokpal fiasco, it was in tarring the Congress and the BJP with the same broad brush. For good measure, he brought in a new factor: their supposed support for the Reliance Industries head, Mukesh Ambani. The linking of the opposition to the Bill to the First Information Report lodged against Mr. Ambani on the gas pricing controversy seems a stretch, but Mr. Kejriwal was looking for a conspiracy that could tie the Congress and the BJP together. By turning the movement against corruption into a political party, Mr. Kejriwal took the first step in trying to change the system from the inside. But when he was expected to take the next step as the head of a government — even if it be of a minority government with uncertain support — he fell short.

Spectrum of success

After the two relatively unsuccessful attempts to sell 2G spectrum in November 2012 and March 2013, it was a case of third time lucky for the government as it hit pay dirt with the latest round of auctioning that ended on Thursday. With all the spectrum on offer in the 900 MHz band sold out and 80 per cent of that offered in the 1800 MHz band sold for a total of Rs.61,162 crore — which is substantially higher than the reserve price — the government is patting itself on the back for what it calls a big success. Yet, this has to be viewed in the backdrop of a couple of issues. First, this auction was critical for two of the biggest telecom operators in the country, Bharti Airtel and Vodafone, because their licences are set to expire later this year, and to continue in business they had to pick up spectrum irrespective of the price. So, an element of desperation was built into the bidding from the moment it began, pushing up valuations. With a new entrant in the form of Reliance Jio Infocomm queering the pitch by adding to the competitive element, it is not surprising that the final values of the 900 MHz spectrum for Delhi and Mumbai were 105 per cent and 72 per cent more than the reserve price. Of course, it could be argued that this is exactly how markets work and as the owner of the spectrum the government is entitled to get the best price.
That brings us to the second point. The auction can be truly termed as successful only when telecom services develop at affordable prices for the consumer. If the high spending by operators in the auction forces them to raise tariffs, the objective will be lost. This is exactly what happened in the 3G arena where companies outbid each other paying big bucks for spectrum, only to discover that the market was not willing to absorb the high tariffs. The net result is that 3G services have not taken off in a big way. The signals on tariff now are mixed, with the operators complaining about the money they had to cough up for the spectrum — which they are bound to anyway — but they have stopped short of saying that tariffs will rise. The competition in the market will probably ensure that tariffs do not shoot up immediately, at least for voice telephony. Groaning as they are under high debt levels, it is unlikely that telecom companies will be able to convince banks to lend more to them now; banks are under pressure from the RBI anyway as they are over-exposed to the sector. It remains to be seen how these companies manage their funds. Yet, all things considered, the bottomline is this: the auction and the money put on the table by the operators prove, yet again, the attractiveness of the telecom market in the country, notwithstanding the fact that it is already 900 million connections strong.

Dealing with new lows

Even for a country with a long and unedifying history of parliamentary pandemonium, nothing can be as shameful and disgraceful as the use of pepper spray by a member on his peers to disrupt proceedings. Vijayawada MP Lagadapati Rajagopal, one of six Congress lawmakers expelled for disorderly behaviour earlier, wielded this weapon in the Lok Sabha in a desperate bid to stall the introduction of the Telangana Bill. The Speaker herself was affected by the lachrymatory substance, and quite a few members required medical attention. Mr. Rajagopal’s claim that he used pepper spray in self-defence is absurd. Another member has been accused of brandishing a knife, but he has denied it, claiming what he was holding was a microphone, probably one wrenched from its fixture. Parliamentary security was perhaps prepared for what many saw as the final battle for Telangana as the time came to introduce the contentious Bill that will pave the way for the reorganisation of Andhra Pradesh. One MP had threatened to set himself on fire if the Bill was introduced, but no one could have expected that assorted weaponry would find its way inside for actual use. Many a distressed observer of bedlam in the House had been dreading such an incident, and it was only a matter of time before a desperate member went beyond routine ruckus. Speaker Meira Kumar should no more restrict herself to feeble entreaties to maintain decorum but adopt sterner measures, ranging from ordering eviction to allowing criminal prosecution in select instances.

Legislative business is often the casualty of unseemly behaviour and even though Home Minister Sushilkumar Shinde managed to introduce the Telangana Bill, the principal opposition, the Bharatiya Janata Party, doubts whether it had been introduced at all. The incident raises the question whether Parliament should go the way of State legislatures and resort to eviction of unruly members to ensure the smooth functioning of the House. En masse eviction of whole groups of legislators is quite common in State Assemblies. Parliament has been more democratic and tolerant but this restraint has often led to a small group of obstreperous members blocking key legislation, such as the women’s reservation bill. The Congress must bear responsibility for the present logjam, as it has been unable to build enough support through discussions. The BJP’s stand has been ambiguous: it supports the formation of Telangana in principle, wants the concerns of Seemandhra
to be addressed, blames the UPA for the mess in Parliament and has demanded that there should first be order in the House. Political consensus may be the ideal way, but legislative activity cannot forever be hostage to deliberate disorder.

**A pragmatic engagement**

The U.S. decision to end the boycott of Gujarat Chief Minister Narendra Modi is part of a recognisable pattern of pragmatic State Department engagement with politicians or political groups it perceives as carrying heft on the national scene. Consider for instance how it swallowed its anathema toward the Muslim Brotherhood to engage with the group when it took power in Egypt; or its “outreach” to the Taliban in Afghanistan. There are many other examples from across the world. With India’s political churning ahead of the elections, it was only a matter of time before the U.S. decided to buy itself some insurance for any post-election possibilities. This is the context to Thursday’s meeting between U.S. Ambassador Nancy Powell and Mr. Modi, the BJP’s prime ministerial candidate. The State Department holds that its 2005 decision to refuse him a visa remains unchanged. Mr. Modi’s then existing tourist/business visa was revoked under sections of the U.S. Immigration and Nationality Act that make any foreign government official who was “responsible for or directly carried out, at any time, particularly severe violations of religious freedom” ineligible for a visa; his then proposed travel plan to the U.S. was declared “not for a purpose that qualified for a diplomatic visa”. The decision, three years after the riots, came when the Vajpayee-led National Democratic Alliance was no longer in power at the Centre. It is clear that if Washington needs to reverse its stand on the visa question, it will do that too.

What this means is that Washington’s self-interest cannot be the yardstick with which to address an issue that goes to the heart of India’s nationhood. Mr. Modi has been absolved by an investigation team of any direct role in the Gujarat riots in which more than 1,000 people, mainly Muslims, were killed; the clean chit has been accepted by a trial court. But questions remain about his moral and political accountability for a pogrom that took place under his watch. These questions will not go away whatever the change in the U.S. position. Also, electoral victories clearly do not constitute a clean chit. The Congress has been re-elected many times since the 1984 anti-Sikh riots in which several of its leaders were alleged to be involved; it continues to be haunted by that dark episode. Citing Mr. Modi’s re-election three times since 2002 as the measure of people’s trust is much like Prime Minister Manmohan Singh’s defence that all the corruption charges against his government related to UPA-I and do not matter as the people entrusted the coalition with governance for another five years after that.

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