Monthly Policy Review

February 2015

Highlights of this Issue

Budget session: President's address highlights agenda on macroeconomy, energy, etc. (p. 2)
Other focus areas included curbing black money, two Dedicated Freight Corridors to be commissioned by 2019, a new National Policy for Skill Development to be launched and addressing irrigation requirements.

Union budget for 2015-16 proposes to spend 6% more than 2014-15 (p. 2)
Gross tax revenue is expected to increase by 16%, and total receipts are expected to increase by 5%. Fiscal deficit is targeted at 3.9% of GDP in 2015-16.

Railways Budget 2015-16 estimates increase in revenue by 15%, expenditure by 11% (p. 3)
The Ministry plans to prioritize improved passenger experience, capacity expansion, and financial self-sustainability for the Railways. Operating Ratio for 2015-16 is estimated at 88.5% and revised estimates for 2014-15 at 91.8%.

Fourteenth Finance Commission report tabled in Parliament on February 24 (p. 5)
The Commission, among other recommendations, proposes to increase the share of central taxes devolved to states, from 32% to 42%, and suggests amendments to the Fiscal Responsibility and Budget Management Act, 2003.

Economic Survey estimates GDP at 8.1%-8.5% & inflation at 5.0%-5.5% in 2015-16 (p. 4)
The Survey suggests ways to address targets for fiscal deficit and current account deficit and issues in the banking, agriculture and manufacturing sectors.

Standing Committees submit reports on various Bills (p. 8, 9)
Parliamentary committees submitted reports on the Juvenile Justice Bill, 2014, Tribunals Bill, 2014 and Repealing and Amending Bill, 2014.

Scheduled Castes Bill passed by RS and Public Premises Bill passed by Parliament (p. 10)
The Scheduled Castes Bill adds certain communities to the list of Scheduled Castes in Dadra and Nagar Haveli, Haryana, Karnataka and Odisha. The Public Premises Bill expands the definition of public premises.

Bills to amend the Land Acquisition, Mines and Citizenship Acts introduced (p. 7, 11)
The Land Acquisition Bill exempts five categories of projects from the consent and SIA provisions of the Act. The Mines and Minerals Bill amends the lease periods and allows for auctioning of mining leases.

Law Commission submits report on the Prevention of Corruption (Amendment) Bill (p. 8)
The Commission made recommendations on provisions related to prior sanction for investigation, attachment of property and liability and heads of a commercial organisation.

Bankruptcy Law Reforms Committee submits Interim report to Ministry (p. 6)
The report says that debtors who are unable to pay any value owed by them to creditors should be allowed to initiate rescue proceedings on themselves, and suggests other amendments to the Companies Act, 2013.

March 2, 2015

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Parliament

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Budget session of Parliament begins

The Budget session of Parliament began on February 23 and will continue until May 8, 2015. There will be a recess between March 21 and April 19 during which time the Standing Committees will examine Demands for Grants of various ministries.

The session will focus on financial business related to the Union and the Railway Budget. In addition, 10 legislative Bills currently pending in Parliament are listed for consideration and passing. Further, 17 new Bills are proposed to be introduced. Out of these, seven will also be taken up for consideration and passing.

The Constitution (122nd Amendment) (GST) Bill, 2014, Prevention of Corruption (Amendment) Bill, 2013 and the Public Premises (Eviction of Unauthorised Occupants) Amendment Bill, 2014 are some of the Bills that are listed for consideration and passing.

Further, six Bills to replace ordinances related to coal allocation, insurance, land acquisition, citizenship, mines and minerals, and motor vehicles laws are listed for introduction, consideration and passing.

The Bills to be introduced this session include the Arbitration and Conciliation (Amendment) Bill, 2015, the Whistleblowers Protection (Amendment) Bill, 2015, and the Identification of Scheduled Castes Bill, 2015.

For more information on the legislative agenda of the Budget session, please see here.

President addresses joint sitting of the Parliament; highlights key priorities

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The President of India, Mr. Pranab Mukherjee, addressed a joint sitting of both Houses of Parliament on February 23, 2015.[1] He outlined the major policy priorities of the government in the course of his address, including:

- **Macroeconomy:** Financial inclusion is important in context of poverty elimination. Efforts will be made to make Aadhar coverage universal. All possible measures will be taken, including putting in place legislative and administrative frameworks, to stop generation of black money. A Bill has been introduced to bring in the Goods and Services Tax that will simplify the tax regime, and increase compliance.
- **Agriculture:** Food processing has potential to generate employment in rural areas, and bring remunerative price for farm-produce. Creating infrastructure in rural areas to minimise supply chain losses is a priority. Pradhan Mantri Sinchai Yojana is being launched to address irrigation requirements.
- **Transport:** Two Dedicated Freight Corridors, Eastern and Western corridors, are likely to be commissioned by 2019. Through the Jal Marg Vikas project, comprehensive development of national waterways will be undertaken for transportation.
- **Energy:** Coal exploration capacity will be expanded, and domestic production will be increased to 1,000 million tonnes per annum. The share of renewable energy will be increased from 6% to 15% of the energy mix in the next seven years.
- **Labour:** A new National Policy for Skill Development will be launched to align skilling initiatives with global standards.
- **Governance:** Decentralisation of power and repeal of obsolete laws are focus areas for the government. Measures to address corruption will be introduced. Safeguards will be put in place to protect decisions taken by civil servants in public interest.

For more details on the President's address, please see here.

Union Budget

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Union Budget 2015-16 presented in Parliament

The Finance Minister, Mr. Arun Jaitley, presented the Union Budget for the financial year 2015-16 on February 28, 2015.[2] The key budget highlights are:

- The government proposes to spend Rs 17,77,477 crore in 2015-16, which is 6% above the revised estimate for 2014-15.
- This will be funded by receipts (other than borrowings) which are expected to increase by

5%. Tax receipts are expected to increase by 16%.

- The government expects a nominal GDP growth rate of 11.5% in 2015-16. Fiscal deficit (or borrowings of the government) is targeted at 3.9% of GDP (as compared with 4.1% in 2014-15) and revenue deficit is targeted at 2.8% of GDP (as compared with 3% in 2014-15).

Table 1: Budget 2015-16 (in Rs crore)

Items	Revised 2014-15	Budgeted 2015-16	% change
Total Expenditure	16,81,158	17,77,477	6%
Total Receipts (without borrowings)	11,68,530	12,21,828	5%
Revenue Deficit	3,62,486	3,94,472	9%
% of GDP	2.9	2.8	
Fiscal Deficit (borrowings)	5,12,628	5,55,649	8%
% of GDP	4.1	3.9	

Sources: Union Budget 2015-16 Budget at a Glance; PRS.

The key policy highlights of the budget are:

- **JAM trinity:** The government plans to implement Jan Dhan, Aadhar and Mobile reforms together in order to transfer benefits in a leakage-proof, well-targeted and cashless manner.
- **MGNREGA:** The allocation to MGNREGA has been slightly increased from Rs 34,000 crore to Rs 34,699 crore, with a focus on improving quality and effectiveness of activities under it.
- **Foreign Investments:** (i) Foreign investments will be permitted in Alternative Investment Funds; and (ii) Distinction between foreign portfolio investments and foreign direct investments will be removed, to be replaced with composite caps.
- **Social Security schemes:** Schemes like PM Suraksha Bima Yojana, Atal Pension Yojana, and PM Jeevan Jyoti Bima Yojana have been proposed to cover natural and accidental death risks, and pension plans.
- **Power projects:** 5 new Ultra-Mega Power Projects have been proposed, each of 4000 MWs, in order to unlock investments of Rs 1 lakh crore.

The major tax changes announced are:

- **Income Tax:** Wealth Tax has been abolished. The surcharge for persons with income above Rs 1 crore has been increased from 10% to 12%. GAAR has been deferred by 2 years, and will be effective from April 1, 2017.
- **Customs and excise duties:** Petrol and diesel road cess has been increased from Rs 2/litre to Rs 6/litre. Customs duty on commercial vehicles has been increased from 10% to 40%. The CENVAT rate has been increased from 12.36% to 12.5%.
- **Service Tax:** The service tax rate has been increased from 12.36% to 14%. An enabling provision is proposed to permit central government to impose up to 2% Swacch Bharat Cess.

Railway Budget

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Railways Budget 2015-16 presented in Parliament

The Railways Minister presented the Railways Budget 2015-16 in Parliament on February 26, 2015.[3] Key highlights of the budget include:

- **Revenue**: Total revenue is expected to increase by 15% to Rs 1,88,557 crore over 2014-15 revised estimates.
- **Expenditure**: Total expenditure is projected to increase by 11% to Rs 1,63,480 crore.
- **Surplus**: The railways surplus, after dividends, is expected to increase by Rs 6,987 crore.
- **Traffic**: Freight traffic is expected to grow by 8% and passenger traffic is expected to grow by 6%.
- **Investment**: Rs 8.56 lakh crore is proposed to be invested in the Railways. Of this the largest share will go towards decongestion and expansion of the network.
- **Operating Ratio**: Operating Ratio for 2015-16 is estimated to be at 88.5%. Revised estimates of Operating Ratio for 2014-15 decreased to 91.8% compared to the Budget Estimate of 92.5%.
- No new trains were announced. New trains and increase in frequency of trains will be announced later in the session, post a review.
- The Minister identified four goals: (i) improved customer experience, (ii) safety,

(iii) capacity expansion and modernisation, and (iv) financial self-sustainability.

- The Railways' execution strategy will have five drivers: (i) adoption of a medium-term perspective, (ii) building partnerships, (iii) leveraging additional resources, (iv) revamping management systems and re-tooling of human resources, and (v) setting standards for governance and transparency.
- The Minister also identified key thrust areas which include: (i) improving quality of life in train journeys, (ii) technology upgradation, (iii) station redevelopment, (iv) building partnerships for development, (v) improvements in management processes and systems, and (vi) resource mobilisation.

White paper on Indian Railways released

The Railways Minister released a White Paper on Indian Railways on February 26, 2015.[4] The Paper highlights the challenges faced by the organisation and is the first in a series of three documents including the Railways Budget 2015-16 and a Vision 2030 document, which will be released later in 2015.

Key findings of the paper include:

- **Project planning and implementation**: Congestion on High Density Networks and feeder routes requires network decongestion and expansion. At current levels of funding, all works related to such expansion will be completed in the next seven to 10 years. Speedy construction of infrastructure is being met by requesting funding from state governments and execution of projects through Special Purpose Vehicles.
- **Safety**: Highest numbers of fatalities in Railways occur due to accidents at unmanned level crossings. These can be minimized by constructing Railways over/under bridges.
- **Customer engagement**: Major issues with passenger satisfaction include long transit times, lack of cleanliness at stations, and poor reservation facilities. Major issues with freight customers include lack of availability of suitable loading and unloading terminals, and poor transit times of freight trains.
- **Finances**: The declining share of internal resources has resulted in an increasing reliance on borrowings, as well as Gross Budgetary Support, which adversely impacts the expenditure. The Railways also bear a social service obligation of around Rs 25,000 crore, every year, by carrying passenger services below cost. Hence, alternate means of resources are required for funding of bankable projects.
- **Alternate financing options**: Absence of regulatory mechanisms, no control over network and tariff, un-certainty of traffic materialization and delay in processes has hindered private sector participation in Railways operations. Railways would be required to lay down certain benchmarks for appraisal, which would be acceptable to the market, to enable the relevant projects to be financed. The Engineering, Procurement and Construction mode of contracting should be adopted for construction of Railways projects.

Macroeconomic Developments

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Economic Survey 2014-15

The Finance Minister, Mr Arun Jaitley presented the Economic Survey 2014-15 on February 27, 2015.[5] Some highlights of the survey are as follows:

- **Growth:** Economic growth for 2014-15 is estimated to be 7.4%, and is expected to be between 8.1% and 8.5% in 2015-16, helped by declining oil prices and input costs, increasing household expenditure and a normal monsoon.
- **Inflation:** Moderate crude oil prices, global agricultural prices and inflation expectations are expected to affect inflation in the country. The estimate for CPI for 2015 is between 5% and 5.5% (currently at 5.11%, as of January 2015).
- **Current Account Deficit:** Following a moderate annual increase in the prices of crude petroleum and moderated gold imports, the current account deficit (CAD) is expected to be at 1.3% of GDP for 2014-15, and at less than 1% of GDP in 2015-16.
- **Fiscal Deficit:** In order to meet the 3% target of fiscal deficit in the medium term, expenditure should move from consumption, by reducing subsidies, to investment. There should be an aim to increase the tax to GDP ratio.
- **Banking:** The Survey suggests addressing the statutory liquidity ratio, priority sector lending, differentiation between the public sector banks in relation to recapitalisation, shrinking balance

sheets and ownership, diversification of source of funding within and outside banking, and improving exit mechanisms.

- **Agriculture:** Growth in agriculture is expected to be 1.1%, despite the rainfall last year being only 88% of the long-period average. The survey recommends that a national common market for agricultural commodities should be created, such as the Agriculture Product Market Committees, for farmers to sell their produce. The role of the Indian Council of Agricultural Research may also be assessed and whether research and education should be separated.
- **Manufacturing:** Promote manufacturing by providing subsidies, lowering cost of capital, and creating Special Economic Zones for manufacturing activity.

Gross Domestic Product grows by 7.5%

India's real Gross Domestic Product (GDP) at factor cost grew at 7.5% year-on-year in the third quarter (October to December) of 2014-15.[6] As can be seen from Table 2, growth in the last quarter (July to September) of 2014-15 was 7.8%.

The growth rate of electricity accelerated from 8.7% to 10.1% over the previous quarter and that of services from 10.1% to 13%. The growth rates of the construction sector decelerated to 1.7% while agricultural production declined by 0.4%, year-on-year.

The base year has been revised to 2011-12, and all growth rates have been revised accordingly.

Table 2: GDP growth in third quarter (October to December 2014)

Item	Q3 2013-14	Q2 2014-15	Q3 2014-15
Agriculture	3.8%	2.0%	-0.4%
Mining	4.2%	2.4%	2.9%
Manufacturing	5.9%	5.6%	4.2%
Electricity	3.9%	8.7%	10.1%
Construction	3.8%	7.2%	1.7%
Services	9.1%	10.1%	13.0%
GDP	**6.6%**	**7.8%**	**7.5%**

Sources: MOSPI; PRS. Note: Figures in the table are Gross Value Added at Basic Prices, at the 2011-12 prices.

Retail inflation decreases to 5% in December; WPI rises to 0.11%

The base year for the calculation of Consumer Price Index (CPI) has been changed from 2010 to 2012 by the Ministry of Statistics and Programme Implementation. CPI was subsequently recalculated. CPI inflation in January 2015 has increased to 5.11%, year-on-year, according to the new base year. Food inflation has increased from 5.1% to 6.1%.[7,8]

The Wholesale Price Index inflation decreased from 0.11% in December 2014 to -0.39% in January 2015. This is mainly on account of the fuel price index (coal, mineral oil and electricity), which fell by 10.69%, year-on-year.[7]

IIP decreases by 1.7% in December 2014

The Index of Industrial Production (IIP) decreased to 1.7% in December 2014 (year-on-year), from 3.8% in November 2014.[9] The manufacturing production (weight of 75%), fell from 3% in November to 2% in December 2014, while electricity sector production (weight of 10%), fell from 10% in November to 4.8% in December.

Sixth bi-monthly monetary policy review released by RBI

The Reserve Bank of India (RBI) issued its sixth bi-monthly monetary policy on February 3, 2015. The policy repo rate, after its reduction in January 2015, was left unchanged. Other decisions taken by the RBI include: [10]

- The Cash Reserve Ratio has been kept unchanged at 4% of the Net Demand and Time Liabilities (NDTL),
- Export credit refinance (ECR) facility has been replaced with the provision of system level liquidity,
- The statutory liquidity ratio (SLR) of scheduled commercial banks has been reduced from 22.0% to 21.5%.

Finance

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Fourteenth Finance Commission report tabled in Parliament

The report of the Fourteenth Finance Commission was tabled in Parliament on February 24, 2015.[11] The Finance Commission is a constitutional body that is constituted once in five years, and gives suggestions on centre-state financial relations, among other things. Recommendations of the Commission include:

- The share of taxes of the centre to states to be increased from 32% to 42%. Additional budgetary needs of the states will be filled by grants-in-aid to the states.
- Revenue compensation to states for the Goods and Services Tax (GST) should be for five years. 100% compensation should be paid to states in the first, second and third years, 75% compensation for the fourth year, and 50% compensation should be paid in the fifth and final year.
- An autonomous and independent GST Compensation Fund to be set up in order to facilitate compensation to states.
- Fiscal deficit of states should be aimed at 3% of the GSDP, with a flexibility of 0.25% over this limit. If the interest payments are less than or equal to 10% of revenue receipts in a year, states will be eligible for an additional borrowing limit of 10% of GSDP. A state can avail of these additional limits only if it has no revenue deficit for the year in which the limits are fixed, and the preceding year.
- The Fiscal Responsibility and Budget Management Act (FRBM), 2003 should be amended. The definition of effective revenue deficit (difference between revenue deficit and grants for creation of capital assets) should be removed from the Act.
- The FRBM Act should be amended to mandate the creation of an independent fiscal council to evaluate the fiscal policy implications of budget proposals, before the budget. States are advised to amend their FRBM Acts in the same manner.

Interim report of Bankruptcy Law Reforms Committee published

The Bankruptcy Law Reforms Committee submitted its interim report to the Ministry of Finance on February 11, 2015.[12] The Finance Minister in his budget speech in July 2014 had announced that an entrepreneur-friendly, legal framework for bankruptcy would be introduced for small and medium enterprises. Thereafter, the Bankruptcy Law Reforms Committee was formed under Mr. T. K. Vishwanathan in August 2014.

The Committee aimed to: (i) examine current legal framework for corporate insolvency, and (ii) develop an insolvency code for India to cover personal and business insolvency.

Recommendations in the interim report include:

- Sections 253(1) and 253(4) of the Companies Act, 2013 should be amended to allow: (i) any secured creditor to initiate rescue proceedings if a debtor company fails to pay a single debt owed to it, within a month of serving the notice, and (ii) the debtor company to initiate rescue proceedings for itself for the grounds of not being able to pay any value owed to the creditor.
- The Companies Act, 2013 currently does not provide any criterion for determining sickness of a company, and leaves it to the discretion of the National Company Law Tribunal (NCTL). The Committee recommends the committee of creditors' decision on whether the company should be rescued or liquidated should be supported by 75% of secured creditors by value, or 75% of all creditors by value, for a company with no secured debt.
- Grounds on which the NCTL can grant, refuse or lift a moratorium on a business are also listed in the recommendations.
- Section 253 of the Companies Act, 2013 should be amended to allow unsecured creditors (representing 25% of the value of the total amount owed to all unsecured creditors), to initiate rescue proceedings if the debtor company does not pay a single debt owed by it, within a month of serving the notice.

The Indian Insurance Companies Rules, 2015 notified

The Indian Insurance Companies (Foreign Investment) Rules, 2015 were notified by the Ministry of Finance on February 20, 2015. The Rules were notified following the Insurance Laws (Amendment) Ordinance, 2014, which was promulgated by the President on December 26, 2014. The provisions in the Rules include:

- A total foreign investment cap of 49% of paid up equity is applicable to all Indian-owned and controlled insurance companies. This includes foreign portfolio investments.
- FDI proposals up to 26% of the total paid-up equity of the company shall be allowed in the automatic route. Investments above this cap will have to get approval from the Foreign Investment Promotion Board.
- The foreign equity investment cap will also apply to insurance brokers, third party administrators, surveyors and loss assessors and other insurance intermediaries, as under

the Insurance Regulatory and Development Authority Act, 1999.

- The 49% cap on foreign investment will also apply to entities like banks, whose primary business is outside the insurance business, as long as the revenue from their primary business remains more than 50% of their total annual revenues.

Land Acquisition

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Bill to amend the Land Acquisition Act, 2013 introduced in Parliament

The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement (Amendment) Bill, 2015 was introduced in Lok Sabha on February 24, 2015.[13] The Bill amends the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013.[14]

The Bill replaces the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement (Amendment) Ordinance, 2014 that was promulgated on December 31, 2014.

Major changes made by the Bill include:

Exemption of five categories of projects from certain provisions: The Bill creates five categories of projects: (i) defence and national security, (ii) rural infrastructure, (iii) affordable housing, (iv) industrial corridors, and (v) infrastructure and social projects. Such projects are exempt from certain provisions of the Act:

(i) Requirement of consent from 80% of land owners for private projects and 70% of land owners for public-private partnership projects will not apply.

(ii) Social Impact Assessment to assess the social impact of acquisition may be exempted through a notification.

(iii) The Act placed certain restrictions on the acquisition of irrigated multi-cropped land. A project may be exempted from this requirement through a notification.

Provisions of other laws in consonance with the Act: The Act exempted 13 laws (such as the National Highways Act, 1956 and the Railways Act, 1989) from its purview. The Bill brings the compensation, rehabilitation, and resettlement provisions of these 13 laws in line with the Act.

The Bill also makes changes to other provisions relating to offences by the government, acquisition of land for private hospitals and educational institutions, among others.

For a PRS Bill Summary, please see here.

Energy

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The Mines and Minerals (Development and Regulation) Amendment Bill, 2015 introduced in Lok Sabha

The Mines and Minerals (Development and Regulation) Amendment Bill, 2015 was introduced in Lok Sabha on February 24, 2015.[15] The Bill replaces the Mines and Minerals (Development and Regulation) Amendment Ordinance, 2015.[16]

The Bill amends the Mines and Minerals (Development and Regulation) Act, 1957. The Act regulates the mining sector in India and specifies the requirement for obtaining and granting of mining leases.

The Bill adds a new Fourth Schedule to the Act. It includes bauxite, iron ore, limestone and manganese ore which are defined as notified minerals.

It also creates a prospecting license-cum-mining lease for undertaking prospecting operations (exploring or proving mineral deposits), followed by mining operations.

Under the Bill, the lease period for coal and lignite remains unchanged. For all minerals other than coal, lignite and atomic minerals, mining lease period is increased to 50 years from 30 years. On expiry of the lease, instead of being renewed, the leases shall be put up for auction.

The Bill states that state governments shall grant mining leases and prospecting license-cum-mining leases for both notified and other minerals. Prospecting license-cum-mining lease for notified minerals shall be granted with the approval of central government. All leases shall be granted through auction by competitive bidding, including e-auction.

For a PRS Bill Summary, please see here.

Report on Roadmap for Reduction in Import Dependency in the Hydrocarbon Sector released

The central government had constituted a Committee (Chair: Mr. Vijay Kelkar) to prepare a roadmap for enhancing domestic oil and gas production and for sustainable reduction in import dependency by 2030. The Committee submitted its final report in September 2014.[17]

Key recommendations of the Committee include:

- Expediting appraisal of Indian basins should be done through: (i) the creation of a National Data Repository, (ii) the introduction of an Open Acreage Licensing Policy at the earliest, (iii) providing operators with flexibility in completion of Minimum Work Programme, and (iv) giving companies the Right of First Refusal (ROFR) as an incentive for conducting basin appraisal. ROFR is the contractual right of a company to enter into a business transaction before anyone else can, and if they refuse, bidding for the asset can be opened up to other interested parties.
- Enhancing domestic production of oil and gas by: (i) developing a Production Sharing Contract model instead of the revenue sharing contract model and subsequently bringing in administrative reforms and contract stability, (ii) removing subsidy burden on exploitation of mature oil fields, and (iv) encouraging coal gasification, which can provide an important non-conventional source of oil and gas.
- Bringing in institutional reforms by: (i) constituting an empowered cabinet committee on energy for policy formulation, (ii) transforming and empowering the Directorate General of Hydrocarbons to become an independent regulator, and (iii) undertaking fiscal reforms such as including oil and gas under the recently proposed Goods and Services Tax framework.
- Creating a roadmap for transition to market-determined gas pricing by 2017 or the next pricing period, by: (i) undertaking both demand and supply side measures, such as providing transparent and targeted subsidies, and encouraging trading of contracts for gas on the commodity exchanges in the country, and (ii) abolishing the gas allocation policy.

Kerosene (Restriction on Use and Fixation of Ceiling Price) Amendment Order, 2015

The central government released the Kerosene (Restriction on Use and Fixation of Ceiling Price) Amendment Order, 2015 on January 19, 2015.[18] The Order amends the Kerosene (Restriction on Use and Fixation of Ceiling Price) Order, 1993. It regulates the use, pricing and distribution of kerosene.

The amendment defines Public Distribution System (PDS) and non-PDS kerosene. Non-PDS kerosene refers to all kerosene other than PDS kerosene.

The amendment allows parallel marketeers to package and sell non-PDS kerosene. A parallel marketeer means any person, firm, co-operative society or organisation engaged in a parallel marketing system. A parallel marketing system is a system other than the PDS, under which a person imports kerosene or procures indigenously produced kerosene, or stores, transports, packs, distributes or sells imported or indigenously produced kerosene, under his own arrangement. The amendment also removes the requirement for assessment and certification of parallel marketeers.

Law and Justice

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Standing Committee submits report on the Bill related to Tribunals

The Standing Committee on Law and Justice submitted its report on The Tribunals, Appellate Tribunals and Other Authorities (Conditions of Service) Bill, 2014 on February 26, 2015.[19] The Bill was introduced in Rajya Sabha on February 19, 2014 and referred to the Committee on February 26, 2014.[20]

The Bill seeks to establish uniform conditions of service for the Chairpersons and members of 26 central tribunals and authorities. Salient recommendations of the Committee are:

- **Inclusion of tribunals within the ambit of the Bill:** The Bill includes 26 tribunals and authorities within its ambit. The Committee stated that the classification of tribunals may be based on an intelligible differentia. Those tribunals which do not qualify to be called tribunals in the strict sense, including regulatory bodies, should be excluded.

- **Age of retirement of members**: The Bill provides for different ages of retirement for members based on their previous posts. The Committee stated that the retirement age must be associated with the post to which an individual is appointed. A uniform retirement age of 70 years must be fixed for chairperson and members.
- **Tenure of members**: The Bill provides for five year tenure. The Committee recommended that a term of seven years may be provided so that knowledge and expertise gained by members may be better utilized.
- **Reappointment of members**: The Bill permits reappointment for an additional term of five years. The Committee noted that a similar provision in relation to the National Tax Tribunal was struck down by the Supreme Court in 2014. It recommended that this provision be omitted.
- **National Tribunals Commission (NTC):** An NTC, to oversee the selection process, eligibility criteria for appointment and removal of chairpersons and members, and requirement of infrastructural and financial resources, must be constituted.

A PRS analysis of the Bill is available here.

Select Committee submits report on the Repealing and Amending Bill, 2014

The Select Committee constituted to examine the Repealing and Amending (Second) Bill, 2014 submitted its report to the Rajya Sabha on February 24, 2015.[21] The Bill was introduced in Lok Sabha on December 3, 2014, and referred to the Committee on December 23, 2014.

The Bill seeks to repeal those Acts that have either ceased to be in force, have become obsolete or their retention as separate Acts is unnecessary. In all, the Bill seeks to repeal 90 laws and pass amendments to two laws.

The Committee recommended that the Bill be passed. In addition, it made certain other recommendation, including:

- **Automatic repeal clause**: An 'automatic repeal clause' may be included in the Railway Appropriation and Finance Appropriation Acts, as they are relevant only for a year. An identical clause may be included in other Bills too.
- **Amend General Clauses Act**: The Law Ministry may consider amending Section 6A of the General Clauses Act, 1897(related to the effect of repeals) to enable the inclusion of an automatic repeal clause in Bills.
- **Uniformity in process**: The exercise of repealing obsolete laws must be carried out every five years in a uniform manner.

Law Commission submits report on the Prevention of Corruption (Amendment) Bill, 2013

The Law Commission submitted its 254th Report on the 'Prevention of Corruption (Amendment) Bill, 2013' to the Law Ministry on February 12, 2015.[22] The Prevention of Corruption (Amendment) Bill, 2013 was introduced in the Rajya Sabha in August 2013 to amend the Prevention of Corruption Act, 1988.

The Cabinet circulated a draft that further modifies the 2013 Bill, in November 2014. The Law Commission examined the 2013 Bill and the 2014 amendments, and made some recommendations:

- **Prior sanction for investigation**: The 2014 amendments require that prior sanction be obtained before an investigation against a public official is conducted. Further the proviso states that even if a person is caught on the spot accepting illegal gratification, his intention to perform a public function improperly, in consequence, will have to be shown. The Commission recommended that this proviso be deleted.
- **Attachment of property**: The 2013 Bill introduces provisions related to attachment and forfeiture of property of a public servant, who may have committed an offence under the Act. The Commission recommended that provisions of the Prevention of Money Laundering Act, 2002 and the Criminal Law Amendment Ordinance, 1944 apply, where appropriate.
- **Liability of heads of an organisation:** The 2013 Bill states that when a commercial organisation is held guilty of bribery, the Bill extends the liability to every person in charge of, and responsible to, the organisation. The Commission recommends that this provision be deleted. Further, it specifies that the liability would be extended to any director, manager, secretary or other officer of the commercial organisation only if it is proven

that the offence was committed with their connivance or consent.

Law Commission submits report related to commercial divisions of High Courts

The Law Commission submitted its 253rd Report on the Commercial Division and Commercial Appellate Division of High Courts and Commercial Courts Bill, 2015 to the Law Ministry on January 29, 2015.[23] Key recommendations of the Commission include:

- **Definition of commercial disputes:** Commercial disputes should be defined broadly to mean disputes arising out of ordinary transactions of merchants, bankers, financiers and traders, etc.
- **Setting up of commercial divisions**: Commercial divisions are to be set up by the central government in high courts that are already exercising original civil jurisdiction. They are to take up commercial disputes of a value of Rs one crore or more.
- **Setting up of commercial courts**: Commercial courts are to be set up in: (i) states where high courts do not have original civil jurisdiction, such as Bangalore, and (ii) in those regions where the original civil jurisdiction of high courts does not extend, such as Pune or Madurai.
- **Raising of pecuniary jurisdiction**: Pecuniary jurisdiction of high courts having original jurisdiction must be raised uniformly to Rs one crore and commercial divisions should be consequently set up.

Law Commission submits supplementary report on public policy in arbitration law

The Law Commission submitted a supplementary report to its 246th Report on Amendments to the Arbitration and Conciliation Act, 1996 to the Law Ministry on February 6, 2015.[24] The report examined the term 'public policy' in the Act in light of recent Supreme Court judgments.

The Act permits the court to set aside an arbitral award if it is in conflict with the public policy of India. The Act explains that this would include: (i) fraud or corruption in making the award; or (ii) violation of confidentiality or use of inadmissible evidence in arbitration proceedings.

In its 246th report, submitted earlier in August 2014, the Law Commission of India had stated that a violation of law in India would not be a violation of public policy in international, commercial arbitration held in India.

The supplementary report recommends that a court must be permitted to set aside an arbitral award on additional grounds of being in violation of: (i) the fundamental policy of Indian law, and (ii) basic notions of morality and justice.

Women and Child Development

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Standing Committee submits report on the Juvenile Justice (Care and Protection of Children) Bill, 2014 in Parliament

The Standing Committee on Human Resource Development submitted its report on the Juvenile Justice (Care and Protection of Children) Bill, 2014 on February 25, 2015.[25] The Bill was introduced in Lok Sabha on August 12, 2014 and referred to the Standing Committee on September 22, 2014.

The Bill addresses children in conflict with law and children in need of care and protection. It seeks to replace the Juvenile Justice (Care and Protection of Children) Act, 2000.[26]

Key observations and recommendations of the Committee included:

- The Bill treats 16-18 year olds committing heinous offences as adults. One of the reasons cited for the Bill's introduction was an increase in heinous offences committed by 16-18 year olds. The Committee stated that the data compiled by National Crime Records Bureau was misleading as it was based on filing of FIRs and not actual convictions. It also pointed out that the percentage of all juvenile crimes in India was only 1.2% of the total child population,
- The Committee said that subjecting juveniles to the adult criminal justice system could violate Article 14 (equality before law) and Article 15(3) (special laws may be enacted for the protection of children) of the Constitution,
- The Bill allows treatment of a 16-18 year old committing a serious or heinous offence and apprehended after 21 years of age, as an adult. The Committee said that this would violate Article 20(1) of the Constitution (no

person can be subjected to a penalty greater than that which would have been applicable to him, under a law not in force at the time of commission of the offence), and

- The Committee observed that the Bill was in violation of the UN Convention on the Rights of the Child on various counts such as prohibition of discrimination between 16-18 year olds and other children, etc, and needed to rectify the same.

For PRS summaries of the Bill and report, please see here.

Social Justice

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Bill to amend the list of Scheduled Castes in certain states passed by Rajya Sabha

The Scheduled Castes (Orders) Amendment Bill, 2014 was passed by the Rajya Sabha on February 24, 2015.[27] The Bill amends the Constitution (Scheduled Castes) Order, 1950 and the Constitution (Dadra and Nagar Haveli) Scheduled Castes Order, 1962.

The Bill adds certain communities to the list of Scheduled Castes in Dadra and Nagar Haveli, Haryana, Karnataka and Odisha.

For a PRS Bill Summary, please see here.

Urban Development

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The Public Premises (Eviction of Unauthorised Occupants) Amendment Bill, 2014 passed by Parliament

The Public Premises (Eviction of Unauthorised Occupants) Amendment Bill, 2014 was passed by Parliament on February 24, 2015.[28]

The Bill amends the Public Premises (Eviction of Unauthorised Occupants) Act, 1971.[29] The Act provides for the speedy eviction of unauthorised occupants from public premises, including those of government companies and corporations.

The Bill expands the definition of public premises to include premises of companies where 51% or more shares are owned by the central government and by one or more state government, including metro properties. The Bill also specifies certain time limits on the process of eviction, such as time taken for eviction, and the time within which appeals must be disposed off.

For a PRS Bill Summary, please see here.

Agriculture

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2nd advance estimates of production of major crops

The 2nd advance estimates of production of major crops were released on February 18, 2015.[30] The estimated total production of 257.1 million tonnes is 2.3% lower than the 2nd advance estimates of 2013-14, of 263.2 million tonnes. All major crops, except wheat and sugarcane, have had a decrease as compared to the 2nd advance estimates in 2013-14. Pulses and oilseeds, particularly, are estimated to have a significant decrease in production.

The table on the next page shows the estimates of production of crops for 2014-15.

Table 3: 2nd advance estimates of production in 2013-14 and 2014-15 (in million tonnes)

Crop	2013-14	2014-15	% change over last year
Food grains	**263.2**	**257.1**	**-2.30%**
Rice	106.2	103	-3.00%
Wheat	95.6	95.8	0.20%
Coarse Cereals	41.6	39.8	-4.30%
Maize	23.3	23	-1.40%
Pulses	**19.8**	**18.4**	**-6.80%**
Tur	3.3	2.8	-17.70%
Gram	9.8	8.3	-15.40%
Oilseeds	**33**	**29.8**	**-9.60%**
Soyabean	12.5	11.6	-6.50%
Groundnut	9.1	7.5	-18.30%
Rapeseed and Mustard	8.3	7.4	-10.80%
Cotton*	**35.6**	**35.2**	**-1.30%**
Sugarcane	**345.9**	**355**	**2.60%**

*no. of million bales of 170kg each.
Source: Press Information Bureau; PRS.

Media

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TRAI releases consultation paper for estimation of reserve prices for auction of FM Radio channels in new cities

The Cabinet had given its approval for conducting FM Phase-III auctions on January 16, 2015.[31] Following this on February 6, 2015 the Telecom Regulatory Authority of India (TRAI) released a consultation paper for estimating reserve prices for auction of FM Radio channels in 264 new cities. TRAI has invited comments on the paper till February 25, 2015.[32]

The Ministry of Information and Broadcasting had sought TRAI's recommendations on this subject. 831 FM Radio channels (or frequencies) are proposed to be auctioned in the 264 cities, through an ascending e-auction process. The reserve price is directly related to the valuation of the FM Radio channel and the methodology for valuating this price has been outlined in TRAI's paper.

Comments have been invited on the following main issues:

- The proposed approach/methodology for determining the valuations of FM Radio channels in the new cities in Phase-III. Based on past experience in telecommunication services, TRAI has considered a multiplication factor of 0.8 (that is, the reserve price is set equal to the valuation of access spectrum multiplied by 0.8) for FM Radio channels as well;
- The proposed reserve price of Rs 5 lakh per city (Cabinet approved) for FM Radio channels in 11 border cities in Phase-III; and
- Any other issues that may be relevant to the consultation paper.

For more details on the auction, please see the PRS Monthly Policy Review for January 2015, here.

Home Affairs

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Bill introduced to amend Citizenship Act

The Ministry of Home Affairs introduced the Citizenship (Amendment) Bill, 2015 on February 27, 2015.[33] The Citizenship (Amendment) Bill, 2014, which was pending in Lok Sabha, was withdrawn on February 26, 2015. The 2015 Bill amends the Citizenship Act, 1955. The Act regulates acquisition and determination of citizenship, and registration of Overseas Citizens of India (OCI).

The 2015 Bill replaces the Citizenship (Amendment) Ordinance, 2015. Key amendments include:

- **Citizenship by registration and naturalisation:** Under the Act, an applicant for citizenship by registration or naturalisation is required, in some cases, to have one year's continuous stay in the country before applying. The Bill allows the central government to relax the requirement of one year of continuous stay by a maximum of 30 days, in special circumstances.
- **Registration for Overseas Citizenship:** The Act provides certain qualifications for registering a person as an OCI. An OCI is entitled to some benefits such as a multiple-entry, multi-purpose life-long visa to visit India. The Bill provides certain additional grounds on which a person may register for overseas citizenship card. These grounds include, a minor child whose parent(s) are Indian citizens, and spouse of foreign origin of an Indian citizen or an OCI cardholder subject to certain conditions.
- The Bill also introduces a new provision which allows the central government to register a person as an OCI cardholder even if he does not satisfy any of the listed qualifications. This is permissible if special circumstances exist.
- **Merger of the PIO and OCI schemes:** Currently, the central government provides for two schemes for Indian origin persons, and their families, the Persons of Indian Origin (PIO) card and the OCI card. PIO cardholders enjoy fewer benefits than OCI cardholders. For example, they are entitled to visa free entry into India for 15 years, while OCI cardholders are provided a life-long visa. The Bill provides that the central government may notify that PIO cardholders shall be considered to be OCI cardholders from a specified date.
- The central government had notified the merger of the schemes on January 9, 2015

under the Citizenship (Amendment) Ordinance, 2015.[34]

For a PRS Bill Summary, please see here.

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