

GUEST COLUMN

Action plan for new govt

It must build infrastructure, stress job creation and make Indian mindset more positive

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The new Union government has enough challenges: ballooning fiscal deficit, corporate slowdown, infrastructure bottlenecks, internal security, and unstable neighbourhood. But it has to change the sentiment, create impact and help the economy to move on to the high-growth trajectory again.

The biggest problem is power. Mega power plants have their merits but the need is to enhance availability of power quickly. The high aggregate technical and commercial (AT&C) losses have compounded the problem. Between 2002-03 and 2006-07, the losses peaked at 34.8 percent in 2002-03 and were 32.07 percent in 2006-07.

The possible solutions are: river projects and storage dams where India has the necessary expertise; declare a war on AT&C losses; allow the private sector in coal mining; and make investment in wind power attractive to investors. Against a potential of 45000 MW, India has tied only 1800 MW of wind power in 2008.

India should undertake a big development of border roads, especially in Ladakh and Arunachal Pradesh. This will stimulate demand for the core sectors of cement and steel, increase economic activity and generate employment in these areas. If this requires the monopoly of the Border Roads Organisation be broken, so be it. National interest and return on investment, not tax breaks, should motivate companies to undertake the projects.

One reason for the post 2004 stock market boom was the disinvestment programme of the NDA government. Small investors got shares of PSU jewels at throwaway prices - Maruti at Rs125 and ONGC at Rs500. Today, six of the top ten companies by market capitalisation are PSUs having a combined M-CAP of Rs505,464 crore. The government must selectively disinvest PSU shares.

The policy for defence-related manufacturing allows for FDI up to 26 percent. This has failed to attract foreign companies. We should trust the private sector's ability to protect national interest in dealing with foreign companies and enhance FDI limit to 40 percent. This would provide employment to many and enable Indians companies' to avail of the offset clause contracts that currently are underused. For every \$1 billion of arms imports,



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the exporting country generates 30,000 high tech jobs.

The government should undertake a large e.governance programme with an annual budget of at least Rs10,000 crore. It should improve the quality of services to citizens and increase transparency.

The government should enhance revenue from direct taxes by asking all IT companies with a turnover beyond a predetermined figure to pay tax at 20 percent for the first three years and at normal rates from the fourth year. All FIIs should pay taxes on profits accrued from investment in India. According to S.S. Bhalla, tax loss from FII investment between 1993 and 2006 was Rs 16,363 crore, of this, Rs 9,949 crore was in 2006 alone.

The economic benefits of tourism and their impact on local employment, in-

comes are enormous. In spite of the best efforts, India is yet to realise its potential. The focus should be on encouraging Indians to discover their own country. The tax break on leave travel allowance should be replaced with a see-India deduction. Those travelling within the country should be allowed a deduction of Rs50,000 from their gross total income. The deduction is available for spends on rail/road travel, hotel but excludes amounts spent in four/five star hotels, air travel.

An over-regulated and under-serviced education sector forces parents to send their children abroad for higher education. Deregulation should allow corporates to enter the sector and allow collaborations, not investment, with foreign universities. 10 percent of the seats can be provided to economically backward students.

Every government announces grand schemes in education, health and irrigation. All are the responsibility of the state. The government should focus on areas within its control - disinvestment, fiscal consolidation, banking and labor reforms.

To improve health care services in tier 3 and tier 4 cities, the government pays 50 percent of all mediclaim premiums (sum insured Rs1 lakh). It also provide incentives to the private sector to set up medical facilities in these areas.

Regionalism the casteism are becoming stronger. The government has to work to make us think as Indians first, without losing the local identities..

India is an oasis of peace amid a troubled neighborhood. Pakistanis know that India has moved far ahead in every sphere. India must continue to make rapid strides notwithstanding Pakistan's support to terror. We must be watch Chinese moves. It could create unrest in Arunachal. India must assert itself with neighbors who have extensive trade and people ties with it namely Nepal, Bangladesh and Sri Lanka.

India must redefine its vision in the Obama era and be guided by nothing but national interest just as the US and China do so well.

Indians need to change their mindset. Instead of criticising the government for inaction we must ask what each one of us is doing for the country. Are we sponsoring the education of our employee's children, donating money to hospitals or schools and taking part in community work?

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