



Beyond Mayday

The Jet Airways case has takeaways for the bankruptcy code as well as for other airlines

Jet Airways may have finally run out of runway. Two months after Jet halted all flight operations, lenders to the beleaguered full service airline have decided to refer it to the National Company Law Tribunal and initiate insolvency proceedings in a bid to recover the money owed to them. The lenders' consortium arrived at this conclusion after unsuccessfully trying to rope in a white knight – an investor who would have helped put the airline's flights back in the air, thus saving thousands of jobs and potentially helping turn around the carrier. And while, theoretically, the Insolvency and Bankruptcy Code was conceived to help achieve a resolution that could potentially protect a running business and help revive it through capital restructuring under a new promoter, in Jet's case the chances of a resolution seem rather remote now. The lenders have to shoulder a fair share of the blame as the delay in initiating the insolvency process has drastically eroded some of the airline's key assets, including customer goodwill, its aircraft fleet, routes and landing slots and even its experienced flight crew. Ironically, while the banks may have viewed Jet's request for emergency lines of credit in the run-up to the suspension of operations as 'good money chasing bad money', nothing could potentially kill an airline more effectively than protracted grounding. And one doesn't even need to look too far back in time to recall what happened to Kingfisher Airlines.

It would surely have been instructive for the creditors to revisit the Chapter 11 bankruptcies that a clutch of U.S. legacy airlines opted for in the early 2000s. That protection helped Delta and United to not only survive the crisis of confidence in aviation triggered by the terrorist attacks of September 11, 2001, the surge in jet fuel and labour costs and the intense competition from low-cost carriers, but emerge stronger and rank among the top five contemporary American carriers. A look at some of Jet's industry-specific operational metrics, at least until the recent cash-starved implosion, show an airline that had consistently posted growth in terms of revenue passenger kilometres and cargo tonnage till the 2017-18 financial year. So it wasn't a lack of business that led to Jet's stall and crash. For the health of India's airline industry, it will be crucial for policymakers to review several issues that affect viability: from the way aviation turbine fuel is taxed, to the charges airports levy. The carriers too need to reappraise their pricing strategies and ensure that in the quest for market share they don't end up in a race to the bottom. The government must take a closer, harder look at the IBC and examine the viability of a framework akin to Chapter 11 that may ultimately be more suited to industries like aviation.

Deadlock in Libya

Prime Minister al-Sarraj's peace plan can work only if the big powers help enforce a ceasefire

Libya's UN-recognised government's decision to launch a peace initiative aimed at stabilising the civil war-stricken country is a welcome move. Prime Minister Fayez al-Sarraj of the Tripoli-based government has proposed setting up a national peace forum with help from the UN, to be followed by simultaneous presidential and parliamentary elections. Mr. al-Sarraj made the offer at a time when the rebel army of warlord Khalifa Haftar was fighting the Tripoli government troops on the outskirts of the capital. But an offer for peace alone won't make any difference in the complex, war-torn polity. The country descended into chaos after protests against dictator Muammar Qadhafi in 2011. A NATO invasion helped oust Qadhafi, but neither the foreign powers nor their local allies managed to fill the vacuum left by the regime that had been in power for four decades. Today there are two governments in Libya, one based in Tobruk and the other in the capital Tripoli. The self-styled Libyan National Army, commanded by Mr. Haftar, backs the Tobruk government and has captured huge swathes of territory, while the Tripoli government, which has international recognition, is defended by a host of militias, including Islamist groups. Mr. Haftar claims he is fighting terror groups and wants to unify Libya under his leadership, while Mr. al-Sarraj says his government is legitimate.

The current crisis was triggered when Mr. Haftar moved his troops to Tripoli in April 2019 to oust the government of Mr. al-Sarraj. But in contrast to other battles Mr. Haftar's forces had fought in the east and the south, they were stopped on the outskirts of the capital by forces loyal to the government. Hundreds of people have already been killed, but both sides have refused to agree to a ceasefire despite international calls. The regional dynamics are also at play in the Libyan crisis. Egypt, Saudi Arabia and the UAE are backing Mr. Haftar's forces, while Turkey and Qatar back the Tripoli government. When Mr. Haftar launched the Tripoli offensive, the U.S. had also taken a favourable view, President Donald Trump having talked to him on the phone. Libya illustrates what regime change wars could do to a country. Changing a regime using force could be easy as the examples of Iraq and Libya suggest, but rebuilding a new state is not, and it can't be done with the aid of military power. All the countries that invaded the oil-rich north African nation and backed its paramilitary groups, including the U.S., Britain and their Gulf allies, should share some responsibility for Libya's crisis today. At least now, they should look beyond their narrow geopolitical interests and use their influence to rein in the militias the war has unleashed and help establish order in the country. Prime Minister al-Sarraj's offer could be a new beginning only if a ceasefire is reached, and respected, by all sides.

What a \$5 trillion economy would look like

The economy must be evaluated in terms of how much it contributes to the ease of our living



PULAPRE BALAKRISHNAN

At the meeting of the Governing Council of the NITI Aayog last week, Prime Minister Narendra Modi announced the target of a \$5 trillion economy for India by 2024. It is necessary to think big when seeking to make a difference, for transformation does not come from modest plans. Hopefully, the Prime Minister will also use the drive to growth to place India's official statistics on a firmer footing, so that we can be sure that economic policy-making is based on reality. However, getting the numbers right will not ideally end the task. What this task is may be illustrated by a question that was asked some years ago when a high-speed expressway connecting the polar extremities of one of our States had been proposed. A wit had asked what we would hope to find once we have reached our destination.

A similar question can be asked of plans for growing the economy. What would we like to see in the proposed \$5 trillion economy? Moreover, unlike in the case of an expressway, which can always be built by simply borrowing money and ideas from the global market, a quantum leap in the size of the economy is not so easily achieved. It will require design, funding and governance.

Without investment

The importance of funding, and to an equal extent design, may be seen in the failure of the quite sen-

sible aspiration, 'Make in India'. Though technically applicable to every sector, it was clearly focussed on manufacturing. Articulated very early on in Mr. Modi's first term (2014-19), and accorded a certain prestige in the pronouncements that followed, it played out as a damn squib. One of the reasons for this was the absence of commensurate investment outlay. To raise the share of manufacturing in the economy from its present 16% to 25%, an ambition declared by both the United Progressive Alliance and National Democratic Alliance governments, requires a scaling up of investment. This did not come about.

Whether this was due to the corporate sector, Mr. Modi's chosen vehicle, not having the where-withal or due to it not being convinced of the plan is beside the point. Investment there must be and if the private sector is, for whatever reason, not coming forward to invest, then the government must. This is no more than accounting, but Mr. Modi's government seems to be unfavourable to this diagnosis, perhaps on ideological grounds. Remember 'minimum government'?

A small digression should clarify matters. The first attempt to make in India was in the 1940s. Finance Minister Shanmukham Chetty's first budget speech had identified increasing "internal production" as the economic priority. And this was achieved quite soon. Along with the quickening of the economy as a whole, the share of manufacturing had risen, the mocking epithet 'Hindu rate of growth' notwithstanding. This had not emerged as part of the moral victory of an oppressed people. The reason was that it had resulted from a surge in investment, led by



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the government. That resources could have been mobilised on such a scale in so short a time in an economy devastated by colonial rule is testimony to the availability of the three ingredients – design, resources and governance – necessary when contemplating a move to the next level, which is what aiming at a \$5 trillion economy amounts to.

The wish list

While lauding the efforts of leaders of early independent India, however, we would do well to remember their follies. Principal among them was the failure to articulate, possibly even adequately imagine, the contents of the economy that was being raced towards. If this is repeated now, a moment of triumphalism different in character but nevertheless there, it would amount to not having learned the lessons of history. Something missing from "internal production" and 'Make in India' is the difference these intentions would make to the lives of Indians. At least in the 1940s, the priority was to get the economy moving in the first place. This is no longer the issue. Today the economy must be evaluated in terms of how much it contributes to the ease of our living. So what would be some of the characteristics of a valuable economy?

The forgotten funds

The government must utilise cess proceeds and publish an annual account of how they have been spent



ALEX M. THOMAS & VARUN NALLUR

The season of filing tax returns brings with it an increased emphasis on the accountability of the private sector towards the government. In this period of accounting and accountability, as citizens, it is equally important to apply the same principles to the working of the government. A key area is the social accounting of the education cess, which is a compulsory contribution made by all taxpayers, both individuals and firms.

The difference

A cess is levied on the tax payable and not on the taxable income. In a sense, for the taxpayer, it is equivalent to a surcharge on tax. Direct taxes on income are compulsory transfers of private incomes (both individual and firm) to the government to meet collective aims such as the expansion of schooling infrastructure, an increase in health facilities, or an improvement of transportation infrastructure. A cess can be levied

on both direct and indirect taxes. The revenue obtained from income tax, corporation tax, and indirect taxes can be allocated for various purposes. Unlike a tax, a cess is levied to meet a specific purpose; its proceeds cannot be spent on any kind of government expenditure. Recent examples of cess are: infrastructure cess on motor vehicles, clean environment cess, Krishi Kalyan cess (for the improvement of agriculture and welfare of farmers), and education cess. To make the point clear, the proceeds from the education cess cannot be used for cleaning the environment and vice versa.

From the point of view of the government, the proceeds of all taxes and cesses are credited in the Consolidated Fund of India (CFI), an account of the Government of India. It constitutes all receipts, expenditures, borrowing and lending of the government. The CFI details are published annually as a part of the Union Budget documents. And the approval of Parliament is necessary to withdraw funds from the CFI. While the tax proceeds are shared with the States and Union Territories according to the guidelines by the Finance Commission, the cess proceeds need not be shared with them.

To meet specific socioeconomic



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goals, a cess is preferred over a tax because it is relatively easier to introduce, modify, and abolish.

The education cess, at 2%, which was first proposed in 2004, was aimed at improving primary education. In 2007, an additional cess of 1% was introduced to fund secondary and higher education (SHEC). And recently, in the 2019 Union Budget, a 4% health and education cess was announced which incorporates the previous 3% education cess as well as an additional 1% to provide for the health of rural families.

What data show

Data from various years of the Union Budget show an increase in the amount of education cess collected via corporation tax and income tax. Initially, the education cess was also levied on customs, excise, and service taxes. When tax proceeds increase, the cess collected also rises. From the inception of the education cess until 2019, the

total proceeds have been ₹4,25,795.81 crore.

In order to utilise the cess proceeds lying in the CFI, the government has to create a dedicated fund. As long as a dedicated fund is not created, the cess proceeds remain unutilised. The dedicated fund for primary education is the 'Parambhik Shiksha Kosh', or PSK, (created in October 2005, a year after the cess was introduced) while that for higher and secondary education is the 'Madhyamik and Uchchatar Shiksha Kosh' (set up in August 2017). It is baffling why the government set up the dedicated fund for higher and secondary education in 2017, 10 years after the introduction of SHEC; it is also shocking that this fund has remained dormant as of March 2018.

Moreover, data from the 2017-18 annual financial audit of government finances conducted by the Comptroller and Auditor General (CAG) show that ₹94,036 crore of SHEC proceeds is lying unutilised in the CFI. In fact, it appears that the government finally set up the 'Madhyamik and Uchchatar Shiksha Kosh' after consecutive CAG reports, repeated Lok Sabha queries, and newspaper articles.

The degree of economic injustice becomes sharper when the unspent account is seen in conjunction with the Central govern-

ment's expenditure on education; for example, in 2017-18, the public expenditure on school and higher education was estimated to be ₹79,435.95 crore. In other words, the cumulative unutilised SHEC funds far exceeded the expenditure on both school and higher education for the year 2017-18.

Conserving nature

Finally, an economy, whatever its size, cannot be meaningfully evaluated independently of the extent of presence in it of natural capital. Till now, by referring to the imperative for growth, to eradicate poverty, any effort to conserve nature has not just been ignored but treated with derision, by both right and left. This is no longer a credible political stance. Two-thirds of the world's most polluted cities are in India, when we accept less than a fifth of its population. Air pollution shortens lives and lowers productivity, reducing the capacity to earn a living when alive. The poor are the most affected as they cannot afford to live in gated communities that somehow manage to commandeer scarce natural resources. Some part of environmental depletion in India is due to the pursuit of unbridled growth.

This implies that any improvement in the life of the majority would require a re-alignment of the growth process so that it is less damaging. This would very likely require that we have slower growth but the process can be configured to channel more of it towards poorer groups. We may end up in a situation of less tangible goods in the aggregate than otherwise but one in which more people are happier than in the past. Such an economy is more valuable.

Pulapre Balakrishnan is Professor of Ashoka University, Sonapat and Senior Fellow of the Indian Institute of Management, Kozhikode

Going forward

Taxes in democratic societies indicate the presence of a collective socioeconomic vision aimed at improving livelihoods. Just as taxpayers have a responsibility to pay taxes, the government ought to ensure that tax proceeds are appropriately utilised. Since a cess is introduced with a specific purpose, it is completely unjustified when the proceeds remain unutilised for so many years. Moreover, in the current context of self-imposed fiscal discipline and the consequent reduction of public expenditure, the opportunity cost of unutilised education cess proceeds is significantly high. Finally, it is imperative that the government immediately begins utilising cess proceeds and also publishes an annual account of the manner in which they have been utilised.

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LETTERS TO THE EDITOR

Letters emailed to letters@thehindu.co.in must carry the full postal address and the full name or the name with initials.

Oath-taking

It is unfortunate that a very solemn occasion such as oath-taking by the new MPs of the 17th Lok Sabha has been trivialised by many of them in their act of raising slogans on religious lines and by taunting political opponents to demean them or their ideology ("Competitive slogans drown out Lok Sabha oath-taking", June 19). Once the elections are over, all parliamentarians should set their differences aside and venture out to discharge the huge responsibility of nation building. While taking the oath or affirmation, members should stick to its form as prescribed in both letter and spirit. This will help nurture an environment of mutual goodwill and trust.

KAMAL LADDHA, Bengaluru

■ The shameful behaviour on a solemn occasion destroyed the dignity of the House.

Even the Speaker looked on helplessly. MPs of the ruling party in the hubris of their victory have forgotten that the general election is over and they now represent the whole country. The ruling party has also exposed its true underbelly – of intolerance and majoritarianism, forgetting the basic principles of secularism and inclusiveness as enshrined in the Constitution. The silent senior leaders must now remind those down the line that the need of the hour is not further division and polarisation based on religion.

Dr. K. VARKEY, Oddanchatram, Dindigul, Tamil Nadu

Chennai's water woes

If there is one thing that can be most aptly described as the elixir of life, it is water. The water crisis in Chennai is for real. Tamil Nadu Chief Minister Edappadi K. Palaniswami's claim that the water crisis is "exaggerated" is simply not true (Page 1,

"Water crisis is being exaggerated, says CM" and "Have to make do with available water till monsoon, says CM", both June 19). Ministers denying water scarcity cannot be oblivious to queues of women across the city with empty water pots and waiting in the blistering summer heat for the arrival of water tankers. Residents are now experiencing what life is like with scant water. While poor rain has affected water supply, the human factor in the making of the crisis cannot be denied. Encroachments, pollution and the gross neglect of water bodies (Chennai city, "Dead fish prompts study of illegal sewage connections", June 19) and reckless exploitation of groundwater are some of the key human contributions that have exacerbated the crisis.

G. DAVID MILTON, Maruthancode, Tamil Nadu

■ With the city's major reservoirs touching dead

storage, the Chief Minister's remark is appalling. Instead of parrying issues, the government must focus on saving much of the bounty of the Northeast monsoon by desilting and dredging existing reservoirs. The Chief Minister must understand that this is not a question of saving face but water.

SAM VIJAY KUMAR J., Vanur, Villupuram, Tamil Nadu

■ It is strange that Chennai, with its extensive estuarine ecosystem, now has scant potable water. The Buckingham Canal, though not a natural flowing river, is a disaster, but can be fixed to play an important role in water supply considerations. According to research, the total water supply to Chennai can touch a comfortable level if enough attention is paid to recharging groundwater.

P.S. SUBRAHMANYAN, Chennai

■ The State government is being criticised rather

unfairly. I have been a resident of Chennai for four decades and have seen several such scarcities in the past. This year's problem has been blown out of proportion. Looking forward, the following actions should be initiated on a war-footing, preferably under the watch of the Madras High Court. Catchment areas to the main reservoirs should be immediately cleared of encroachments. Almost all political parties are responsible for allowing such encroachments. All drinking water lakes should be desilted and the channelling of sewage into waterbodies should be stopped. Chennai

CORRECTIONS & CLARIFICATIONS:

As a reader has rightly pointed out, Taiwan legalised same-sex marriages in May 2019 and the Data Point graphic – "Not a free world yet" (June 19, 2019, OpEd page) missed this fact. The International Lesbian, Gay, Bisexual, Trans and Intersex Association's report, from which the data was gathered, takes into account only those events which happened till March 2019. The graphic should have mentioned this. As this clarification was missing from the graphic, the statement that "No Asian country allows same-sex marriage" is wrong.

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