



PRESIDENT

B. M. Sharma

email : president@icwai.org

VICE PRESIDENT

M. Gopalakrishnan

email : vicepresident@icwai.org

CENTRAL COUNCIL MEMBERS

A. N. Raman, A. S. Durga Prasad,
Ashwin G. Dalwadi, Balwinder Singh,
Chandra Wadhwa, Hari Krishan Goel,
Kunal Banerjee, G. N. Venkataraman,

Dr. Sanjiban Bandyopadhyaya,
S.R. Bhargave, Somnath Mukherjee, Suresh
Chandra Mohanty, V. C. Kothari,

GOVERNMENT NOMINEES

A. K. Srivastava, D. S. Chakrabarty,
Munesh Kumar, Ms. Nandna Munshi,
P. K. Jena

CHIEF EXECUTIVE OFFICER

Sudhir Galande

ceo@icwai.org

Senior Director (Examinations)

Chandana Bose

exam.cb@icwai.org

Senior Director

(Administration & Finance)

R N Pal

fna.rnpal@icwai.org

Director (Technical)

J. P. Singh

technical.jps@icwai.org

Director (Studies)

Arnab Chakraborty

studies.arnab@icwai.org

Director (CAT), (Training & Placement)

L. Gurumurthy

cat.gurumurthy@icwai.org

Director (PD)

J. K. Budhiraja

pd.budhiraja@icwai.org

Additional Director (CEP)

D. Chandru

cep.chandru@icwai.org

Additional Director (Membership) cum

Joint Secretary

Kaushik Banerjee

membership.kb@icwai.org

Additional Director (International Affairs)

S. C. Gupta

admin.gupta@icwai.org

EDITOR

Sudhir Galande

Editorial Office & Headquarters

12, Sudder Street, Kolkata-700 016

Phone : (033) 2252-1031/34/35,

Fax : (033) 2252-1602/1492

Website : www.icwai.org

Delhi Office

ICWAI Bhawan

3, Institutional Area, Lodi Road

New Delhi-110003

Phone : (011) 24622156, 24618645,

Fax : (011) 24622156, 24631532, 24618645

Inside March

The

Management Accountant

Official Organ of the Institute of Cost and Works Accountants of India
established in year 1944 (Founder member of IFAC, SAFA and CAPA)

Volume 46 □ No. 3 □ March 2011

Editorial	181
President's Communique	182
Cover Article	
Public-Private Partnership Projects: A Tool for Economic Enrichment by Dr. Arindam Ghosh & Asit Gope	184
Applications of PPP Model in Key Infrastructure Sectors to Stimulate Economic Growth in India by Dr. Parimal Kr. Sen & CS Palash Garani	190
Development and Public-Private Partnership by CMA Sudarshan Maity	196
Public-Private Partnership and its Application in India by Dr. Sukamal Datta, CMA Tamal Taru Roy & Abhik Datta	201
Public-Private Partnership in Financial Market Regulation : a Case of Credit Rating Agencies by Dr. Mausumi Bhattacharyya	206
Building Blocks to a Successful Public-Private Partnership by Prof. P. Srinivas Subbarao, R.S.R. Kiran & G.V.L. Srikanth	209
Public-Private Partnership in Port Sector – Guidelines and Regulatory Framework for Indian Major Port Trusts Dr M. Ravichandran & J. Kauthami	214
Financial Management	
Relevance of 'Cost of Capital' in investment decision making by V. Gopalan	217
Taxation Issues	
Between a Rock and A Hard Place : Tax Overlaps Between Central Exice and Service Tax Laws by P. Ravindran	219
ICWAI NEWS	
Union Budget 2011-2012 Highlights	224
Institute Notification	226
Examination Time Table & Programme	228
Election Notifications	231
For Attention of Practising Members	257

IDEALS

THE INSTITUTE STANDS FOR

□ to develop the Cost and Management
Accountancy profession □ to develop the
body of members and properly equip them
for functions □ to ensure sound professional
ethics □ to keep abreast of new developments.

The contents of this journal
are the copyright of The
Institute of Cost and Works
Accountants of India,
whose permission is
necessary for reproduction
in whole or in part.

**The Management Accountant
Technical Data**

Periodicity Monthly
Language English

Overall size – 26.5 cm. x 19.5 cm.
Printed Area – 24 cm. x 17 cm.
Screens – up to 130

Subscription

Rs. 300/- (Inland) p.a.
Single Copy: Rs. 30/-

Overseas

US \$150 for Airmail
US \$ 100 for Surface Mail

**Concessional Subscription Rates
for Registered
Students & Grad CWAs of
the Institute**

Rs. 150/- p.a.
Single Copy: Rs. 15/- (for ICWAI
Students & Grad CWAs)

**Revised Rates for Advertisement
The Management Accountant**

Rs. (US \$)

Back Cover (colour only)	50,000	2,500
Inside Cover (colour only)	35,000	2,000
Ordy.Full page (B/W only)	20,000	1,500
Ordy.Half page (B/W only)	12,000	1,250
Ordy.Qtrr.page (B/W only)	7,500	750

The Institute reserves the right to refuse any matter of advertisement detrimental to the interest of the Institute. The decision of the Editor in this regard will be final.

MISSION STATEMENT

“ICWAI Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting.”

VISION STATEMENT

“ICWAI would be the preferred source of resources and professionals for the financial leadership of enterprises globally.”

DISCLAIMER

The views expressed by the authors are personal and do not necessarily represent the views and should not attributed to ICWAI.

NOTIFICATION

Ref. No. DS-3/1/1/11 January 10, 2011

Finance Act, 2010 involving Assessment Year 2011-2012 will be applicable for the subjects Applied Direct Taxation (Intermediate), Applied Indirect Taxation (Intermediate) and Indirect & Direct – Tax Management (Final) for the purpose of June 2011 term of Examination under Revised Syllabus 2008.

Arnab Chakraborty
Director of Studies

Public Private Partnership (PPP) involves a long-term contract between a public-sector authority and a private party. A public-private partnership occurs when government agencies share resources and revenue with a non-government company. These partnership arrangements are used to meet specific niche requirements and are legally binding. The types of project that are ideal for a public-private partnership vary, but they have four things in common: unmet need, revenue opportunity, shared liability and no clear governmental accountability alone.

A related risk is the lack of transparency and the secrecy of contracts which occurs in many public-private contracts. In a PPP, risks are shared in innovative ways between the public and private sector in order to deliver better value for money than would have been the case using traditional procurement. Lack of transparency is a widespread problem which holds risks that the public interest may be ignored and finally, failure of contract is a risk involved in relying on private firms.

Private sector firms can encounter technical or economic difficulty and may be unable to deliver the promised services. Thus, bidding process often results in firms bidding low at a loss in order to outbid competitors and secure the market. These practices run the risk of failure to recover costs and to achieve financial sustainability, which can lead firms to pull out of contracts or become unable to provide services. Then Government intervention comes, who can not stay as a mere spectators. This does not mean that governments should stay away from PPPs, but they have to focus on using PPPs for attaining value for money, not for accounting gimmicks.

Again, one of the most frequently cited reasons for public-private partnerships is the need for capital. The private sector can supply capital in return for a profit opportunity. Lack of public funds is attributed to reasons such as international debts, national deficits, and lack of political will to fund in non-visible assets. In addition, private sector solutions are known to optimize capital expenditures by introducing new technologies, reducing wastages, collecting dues, and recouping costs of services. Moreover, governments which engage private partners tend to experience cost savings by transferring associated operating and maintenance costs to the private sector. Private firms are also noted for their efficiency and expertise, brought about by the competitive market forces to which they are subjected. Thus, proponents suggest that introduction of a private partner can bring about efficiency and expertise that would otherwise not be available to the public sector alone.

India is a fast-growing economy with a dynamic and plump financial system. Being a democracy ensures a stable policy environment and its independent institutions guarantee the rule of law. This highly diversified economy has shown rapid growth and remarkable resilience since 1991, when economic reforms were initiated with the progressive opening of the economy to international trade and investment.

In the case of education, PPP has been proposed as an important strategy in the Eleventh Five Year Plan. Among many things, the Eleventh Plan has proposed the setting up of 6,000 new model schools affiliated to the Central Board of Secondary Education. Of these, 2,500 are to be under the PPP model. The objective is to set up these schools in the backward regions and remote areas where good schooling facilities do not exist, so that quality education is accessible in the backward regions as well.

There are numerous reasons why the international and strategy community has supported private participation in PPPs. Public-private partnerships have gained support due to the improvements in financing, pricing, efficiency, risk distribution, environmental compliance, human resource management, and service they can provide. Over the past two decades more than 1400 PPP deals were signed in the European Union, which represent an estimated capital value of approximately •260 billion. Seventeen OECD (Organization for Economic Co-operation and Development) countries today have dedicated PPP units. They provide policy guidance and technical support, during the assessment of a project.

PPP is already being adopted in India in several infrastructure development sectors, such as the development of power, airports, railways, roads, and so on. These have mixed outcomes. Cost accountants have a major role to play in the PPP projects. Proper estimation of cost and proper utilization thereof, are the two major things which can make a project viable and successful afterwards. The articles covered in the current issue are targeted to equip readers with facts and issues on Public Private Partnership.

India's competitiveness from a natural and human resources standpoint is making it the destination of choice for investors.



B. M. Sharma, President

The difference between the impossible and the possible lies in a person's determination.
– Tommy Lasorda

Dear Professional colleagues,

We have witnessed the speech of Finance Minister while presenting the Budget for the year 2011-12 on 28th February, 2011. With this, India has completed 20 years in the pursuit of Liberalisation, Privatisation and Globalisation, known as LPG policy being in force since 1991. The path shown by the original architect of Indian reform process, who is the present Prime Minister of India, has gathered momentum and being acknowledged by all the economic superpowers in the World. The optimism in the economy has enabled the present Finance Minister to take certain bold measures while at the same time making certain submissions. However, the direction of growth he has envisioned may definitely lead the Indian Economy for a better performance this year. The highlights of this year's budget include subsidies through cash transfers for Kerosene, Fertilisers and Cooking Gas; process of reforms boosted by FDI limit in insurance being raised to 49% through one of the bill towards revival of seven bills from financial sector, clear road map of issuing 10 lakh ADHARs per day through UIDAI from October, 2011 onwards, continuation of food subsidy at around same figures as that of last year, etc. India is among the few countries having good Debt to GDP ratio beating even the estimates of 13th Finance Commission of India. Permitting Foreign Retail Investors to invest in Indian Mutual Funds gives a strong message about the health of the Indian Economy. The clarity in the introduction of Direct Tax Code and countrywide Goods and Service Tax is a pointer in the right direction. Allowing PSUs to raise a mammoth amount of Rs.30,000 Crore by tax free infrastructure bonds is also a welcome step. However, Green Initiatives are yet to be properly accounted for as they have the potential to make the planet more habitable.

On the popular side, raising the limit of Tax Free income to Rs.1.80 lakh may leave much to be desired, but lowering the age of Senior Citizens from 65 to 60 and special treatment to those above 80 years deserves to be applauded. The widening of scope of indirect taxes may appear to be a dampener. However, on the whole we can say Finance Minister has tried his best to hit most of the right buttons through his budget for the year 2011-12.

Prior to that, Economic Survey for the year 2010 was released and Railway budget was presented. Both of these events have indicated Indian economy to be in a position to meet the requirements of various stakeholders.

We are hopeful during the budget session of the Parliament, the august house would pass the Companies Bill, 2009, thus paving the way for meeting the longstanding wishes of Cost and Management Accountants on various professional opportunities. We further expect name change of the Institute is considered favourably with appropriate amendment in the act governing the Institute.

We called on the new team of Officers in the Ministry of Corporate Affairs, Government of India. We met Shri D K Mittal, IAS, Secretary to the Government of India, Ministry of Corporate Affairs and shared his vision for Ministry. Mr. M Gopalakrishnan, Vice President; Mr. Chandra Wadhwa, Past President and Mr. Kunal Banerjee, Past President and I were the members of the delegation.

I alongwith Mr. M Gopalakrishnan, Vice President also met Mr. Sudhir Mittal, IAS, Additional Secretary to the Government of India, Ministry of Corporate Affairs and greeted him on behalf of the ICWAI on his assumption of new office.

Programmes Attended

I visited Surat South Gujarat Chapter of Cost Accountants on 23rd January, 2011 to attend the programme on Investor Awareness and Prize Distribution for meritorious students of the Chapter.

I attended a Student Conference organised by WIRC on 24th January, 2011 through Baroda Chapter of ICWAI.

I attended an excellent programme having a large number of participants on 'Interaction of the Members and Students with the President and other officials of ICWAI' organised by Vijaywada Chapter of ICWAI on 25th January, 2011. I congratulate the team of Vijaywada Chapter headed by its Chairman for quality arrangements for this programme.

The Vaastu Puja of Hyderabad Centre for Excellence was performed on 19th February, 2011 and I had the opportunity to be present along with our Vice President and Immediate Past President. The building is coming up very well and will be a State of Art Facility for conducting training programs and also mini conferences. The first step taken by the Centre is to form Special Interest Groups which would be bringing out publications related to Risk Management Framework, Business Performance Management, Revenue Management in the Pharmaceuticals and Infrastructure sectors. Hyderabad Chapter is putting in good efforts to encourage young members into this group where in they will be exposed to detailed research in bringing out the publications under the guidance of accomplished senior executives from the industry. I congratulate the team of Hyderabad Chapter for the good efforts.

I was part of a National Seminar on 'Globalised Business Environment-Emerging Issues & Challenges' organized by KBP College, Navi Mumbai on February 25th & 26th, 2011.

I inaugurated a Seminar on 'Forex Market Overview & Technical Analysis' organised by Navi Mumbai Chapter of ICWAI on 26th February, 2011.

Initiatives during the month of February, 2011

Professional Development Directorate

Shri M. Gopalakrishnan, Vice President, ICWAI, Shri A.N. Raman, CCM, ICWAI & President, SAFA and Senior officers of ICWAI had a meeting on 14th February, 2011 with Mr. B.B. Pandit, Director General (Audit) and Shri Amitabh Mukhopadhyay, Director General (Training & Communication), Office of the Comptroller & Auditor General of India regarding Environmental matters relating to Business Sustainability, Financial Reporting and Auditing. The recent publication of two Management Accounting Guidelines (MAGs) with the technical support from the CMA Canada in 2009 on :

1. Implementing Corporate Environment Strategies and
2. Tools and Techniques for Environmental Accounting were appreciated by them.

ICWAI offered to associate and work with CAG office on the following matters :

1. In developing and conducting Training Modules on Environmental Cost Management;
2. In conducting Training Modules on Cost & Management Accounting;
3. Reviewing Key Audit Frame work/ Tool Kit and to provide necessary inputs relating to cost and management dimensions; and
4. To facilitate tweaking of directions under Section 619(3) of the Companies Act, 1956 by CAG to incorporate best practices of Cost Accounting & Environment Management Accounting.

The Institute is hopeful of positive outcome from CAG Office on the above matters.

Membership Directorate

1. Activities relating to elections for Council and Regional Councils to be held on 3rd June, 2011 are going on in full swing.

Members are requested to go through the details published in this issue of journal as well as website of the Institute www.icwai.org.

2. A book containing updated compilation of the Cost and Works Accountants Act, Rules and Regulations are available for sale from the Headquarters of the Institute. Persons interested to procure the same may contact the Institute's offices.

CEP Directorate

The CEP Department organized the first batch of IFRS Certificate Course at New Delhi during 16-20 February, 2011 and 2nd batch at Kolkata during 23-27 February, 2011. The 3rd, 4th and 5th batches are being held and Hyderabad during 2-6 March, 2011, Chennai during 9-13 March, 2011 and Mumbai during 4-8 May, 2011 respectively. The Certificate courses are being well attended by Senior officers from public and private sector, banks, multi-nationals including young members and students of the Institute. The Course has been very much appreciated by all the participants and also by the organizations who sponsored participants for the course.

Examination Directorate

Results of the December, 2010 term of the examinations of the Institute have been announced. I congratulate all the students who passed their examinations and urge the others who could not clear the examinations to work hard to do better in next term.

Training & Placement Directorate

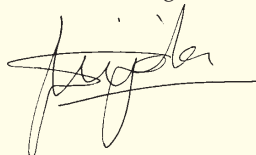
You may recall ICWAI has been organising Campus placements for its qualified candidates. As a part of this process, nearly 800 students of June 2010 batch have been placed in about 48 Companies. The average pay package offered to them was Rs. 6.00 Lakhs p. a. With highest package offered being Rs. 12.00 lakhs p. a. I am happy to inform that arrangements have been made for Campus Placements for December, 2010 pass outs also and more and more Companies have expressed their willingness to absorb our students. I am sure this will benefit our students in a big way.

Recruitment in the Institute

Recently Institute has undertaken a massive exercise to recruit professionals at various levels in the different Directorates at its offices in Kolkata and New Delhi. I hope this would result in better resolution of issues faced by our students and members, once all the officers join the Institute.

I wish all the members on the occasion of Maha Shivaratri and Holi (Dol Jatra),

With warm regards,



Brijmohan Sharma,
President
1st March, 2011

Public-Private Partnership Projects : A Tool for Economic Enrichment

Dr. Arindam Ghosh*

Asit Gope**

Introduction

Public-private partnership (PPP) projects are significant given the demand for various type of partnership between the public and private sector. There is a growing demand for investment to improve the quality of public services. Public sectors or governments worldwide are experiencing significant challenges as public resources are often insufficient to meet the increasing demand for new infrastructure projects to facilitate and sustain economic growth. As a result, there has been a growing and intense debate about the respective roles of the public and private sectors in the delivery of traditional public services. The United Kingdom and many other developed countries in Europe, United States, Canada, Australia, New Zealand and many developing and middle-income countries from Asia, Latin America and the Caribbean, Eastern Europe, Africa and the Middle East have now recognised the importance of the private sector in the delivery of traditional public services.

A partnership is generally defined as a collaborative effort and relationship between parties to achieve mutually agreed objectives. However, a partnership involving the public and private sectors should be carefully structured to avoid potential problems because of the different value systems driving each side. Often, there is some tension between the private sector motive of profit maximisation and the public sector objective of delivering an acceptable level of service for public good in a manner that represents value for money. There are various definitions of the term 'public-private partnership (PPP)'. PPP is a generic term for any type of partnership involving the public and private sectors to provide services. It is generally a contractual arrangement where the private sector performs some part of a public sector service delivery responsibilities or functions by assuming the associated risks in return for payment. A recent research paper by the World Bank (2007) defines a PPP broadly as 'an agreement between a government and a private firm under which the private firm delivers an asset, a service, or both, in return for payments contingent to some extent on the long-term quality or other characteristics of outputs delivered'. The Indian definition of PPP states that Public Private Partnership (PPP) Project means a project based on a

contract or concession agreement, between a Government or statutory entity on the one side and a private sector company on the other side, for delivering an infrastructure service on payment of user charges. Private Sector Company means a company in which 51% or more of the subscribed and paid up equity is owned and controlled by a private entity. But regardless of the definitions, the objective is to utilise the strengths of the different parties to improve public service delivery and should always be underpinned by clear principles and contractual commitment reflecting a balance between profit and the need for regulation to ensure value for money in the use of public resources. Under a PPP approach, public sector expertise are complemented by the strengths of the private sector such as technical knowledge, greater awareness of commercial and performance management principles, ability to mobilise additional investment, innovation, better risk management practices, and knowledge of operating good business models with high level of efficiency. In a developing country like India, the model of this type has enormous opportunities in the upliftment of economy specially in infrastructural and service sectors.

Evolution and Development of PPPs

Public-private partnerships have a long history in many countries, but grew significantly more popular during the 1980s. At this point, private sector thinking was introduced and used in the public sector, and market-based criteria were applied to the delivery of public products and services. During the 1990s, New Public Management (NPM) and market-based philosophies further influenced public management in many countries. Because the degree of complexity of the problems needing to be solved increased as a result of growing interdependencies between assignments and parties involved, more partnerships between public and private sectors were formed.

Public-private partnerships have the longest tradition in the USA. In the 1950s and 1960s, PPPs

* Reader and Head, Department of Commerce, Panihati Mahavidyalaya; Visiting, Lecturer : Bengal College of Media Infotech, Sikkim Manipal University

** Research Scholar, Department of Commerce, University of Kalyani

in the USA were set out by the federal government as a tool for stimulating private investment in intercity infrastructure and regional economic development. They became an explicit instrument during President Carter's administration: the 1978 National Urban Policy and Urban Development action grant (UDAG) encouraged cities to go from private investment subsidies to joint equity venture PPPs.

Throughout the 1980s, PPPs increasingly became a derivative of the privatization movement and government rethinks. Private providers were assumed able to provide higher quality goods and services at lower cost, thereby significantly reducing the government's tasks and responsibilities. It was not only in the USA that PPPs assumed greater importance in the latter half of the twentieth century. In Spain, early examples occurred in the 1960s and toll roads had already been developed by 1968. In the UK, the 1979 Conservative government believed that central government was too involved in the economy and needed to step down in favour of utilising private capital. Enterprise zones and urban development corporations (UDCs) were important instruments in this ambition. In the UK in the late 1980s, the Thatcher administration turned to PPPs as the preferred method for economic regeneration. "City Challenge", the programme that encouraged local authorities to propose schemes for economic regeneration in partnership with local businesses, replaced UDCs. The UK thinking on partnerships was significantly influenced by the best practices in the USA.

Other parts of Europe also started using PPPs in the late 1980s. Examples of PPPs in developed countries can also be found outside Europe and the USA. In Australia, for example, the introduction of public-private arrangements for the provision of infrastructure dates back to the early 1990s. In many countries worldwide we see similar trends in private sector involvement and PPP developments. At first sight the rationale behind public-private cooperation is similar: in all countries, governments are relying increasingly on private sector money and skills. However, there are major differences in the motives and procurement rules in different forms of PPP between countries.

Types of PPP Models

There are various types of PPPs, established for different reasons, across a wide range of market segments, reflecting the different needs of governments for infrastructure services. Although

the types vary, two broad categories of PPPs can be identified: the institutionalised kind that refers to all forms of joint ventures between public and private stakeholders; and contractual PPPs.

Concession Model

Concessions, which have the longest history of public-private financing, are most associated with PPPs. By bringing private sector management, private funding and private sector know-how into the public sector, concessions have become the most established form of this kind of financing. They are contractual arrangements whereby a facility is given by the public to the private sector, which then operates the PPP for a certain period of time. Oftentimes, this also means building and designing the facility as well. The normal terminology for these contracts describes more or less the functions they cover. Contracts that concern the largest number of functions are "Concession" and "Design, Build, Finance and Operate" contracts, since they cover all the above-mentioned elements: namely finance, design, construction, management and maintenance. They are often financed by user fees (e.g. for drinking water, gas and electricity, public transport etc. but not for "social PPPs" e.g. health, prisons, courts, education, and urban roads, as well as defence).

Public Finance Initiative (PFI) Model

Another model is based on the UK Private Finance Initiative (PFI) which was developed in the UK in 1992. This has now been adopted by parts of Canada, France, the Netherlands, Portugal, Ireland, Norway, Finland, Australia, Japan, Malaysia, the United States and Singapore (amongst others) as part of a wider reform programme for the delivery of public services. In contrast to the concession model, financing schemes are structured differently. Under PFI schemes, privately financed contracts for public facilities and public works cover the same elements but, in general, are paid, for practical reasons, by a public authority and not by private users. For Example, public lighting, hospitals, schools etc. come under such scheme.

There are a range of PPP models that allocate responsibilities and risks between the public and private partners in different ways.

The following terms are commonly used to describe typical partnership agreements:

Buy-Build-Operate (BBO) : Transfer of a public asset to a private or quasi-public entity usually under contract that the assets are to be upgraded and operated for a specified period of time. Public

control is exercised through the contract at the time of transfer.

Build-Own-Operate (BOO) : The private sector finances, builds, owns and operates a facility or service in perpetuity. The public constraints are stated in the original agreement and through on-going regulatory authority.

Build-Own-Operate-Transfer (BOOT) : A private entity receives a franchise to finance, design, build and operate a facility (and to charge user fees) for a specified period, after which ownership is transferred back to the public sector.

Build-Operate-Transfer (BOT) : The private sector designs, finances and constructs a new facility under a long-term Concession contract, and operates the facility during the term of the Concession after which ownership is transferred back to the public sector if not already transferred upon completion of the facility. In fact, such a form covers BOOT and BLOT with the sole difference being the ownership of the facility.

Build-Lease-Operate-Transfer (BLOT) : A private entity receives a franchise to finance, design, build and operate a leased facility (and to charge user fees) for the lease period, against payment of a rent.

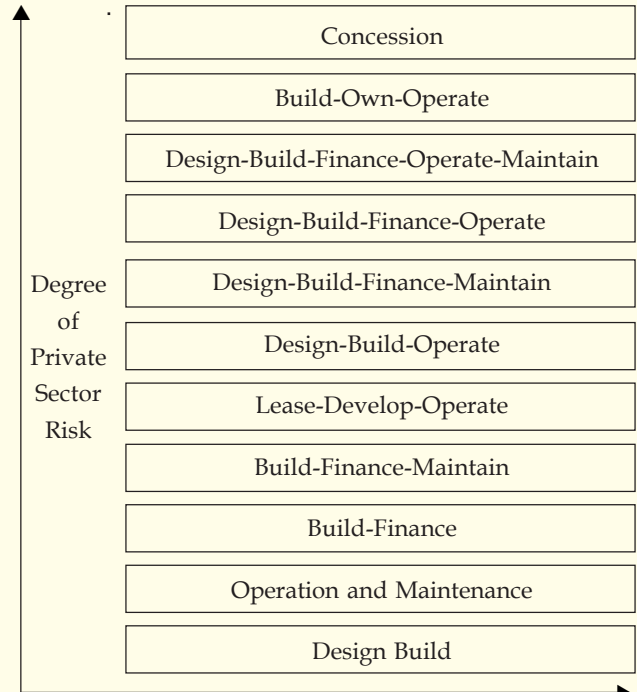
Design-Build-Finance-Operate (DBFO) : The private sector designs, finances and constructs a new facility under a long-term lease, and operates the facility during the term of the lease. The private partner transfers the new facility to the public sector at the end of the lease term.

Finance Only : A private entity, usually a financial services company, funds a project directly or uses various mechanisms such as a long-term lease or bond issue.

Operation & Maintenance Contract (O & M) : A private operator, under contract, operates a publicly owned asset for a specified term. Ownership of the asset remains with the public entity. (Many do not consider O&Ms to be within the spectrum of PPPs and consider such contracts as service contracts.)

Design-Build (DB) : The private sector designs and builds infrastructure to meet public sector performance specifications, often for a fixed price, turnkey basis, so the risk of cost overruns is transferred to the private sector. (Many do not consider DBs to be within the spectrum of PPPs and consider such contracts as public works contracts.)

Operation License : A private operator receives a license or rights to operate a public service, usually for a specified term. This is often used in IT projects.



— Degree of Private Sector Involvement —
The Scale of Public-Private-Partnerships

PPP vs. Privatisation

The central question on governance from the perspective of PPPs is how to organise the interaction between public and private sector. The main goal is to improve efficiency, quality of public services and products, and legitimacy. The question how to organise a PPP cannot be answered in general for every market, and, in most cases even for every project, the answer has to be customised. Confusion about the PPP concept is striking in the political and social discussion on these governance questions. Often, PPP is used as a synonym for privatization. Nevertheless, there are significant differences between PPP and privatisation. In PPPs, public and private parties (actors) share costs, revenues and responsibilities. Privatisation represents the transfer of tasks and responsibilities to the private sector, with both costs and revenues being in private hands. The confusion impedes a rational discussion about PPPs since all the disadvantages of privatisation are imputed to PPPs.

The key differences between public-private-partnership and ‘privatisation’ may be summarised as :

Responsibility : Under privatisation the responsibility for delivery and funding a particular service rests with the private sector. PPP, on the other hand, involves full retention of responsibility by the government for providing the service.

Ownership: While ownership rights under privatisation are sold to the private sector along with associated benefits and costs, PPP may continue to retain the legal ownership of assets by the public sector.

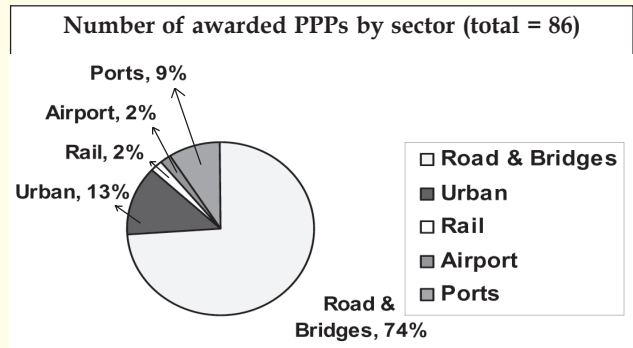
Nature of Service : While nature and scope of service under privatisation is determined by the private provider, under PPP the nature and scope of service is contractually determined between the two parties.

Risk & Reward : Under privatisation all the risks inherent in the business rest with the private sector. Under PPP, risks and rewards are shared between the government (public) and the private sector.

PPPs in India

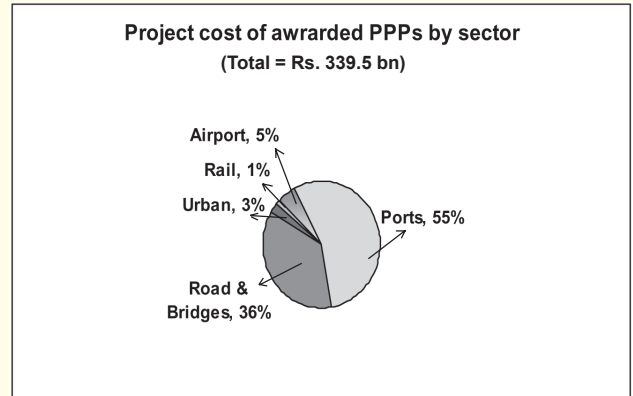
There is now over 10 years experience in India in the development and use of PPPs for delivering infrastructure services. Policies in favor of attracting private participation have met with varying degrees of success, but real progress has been made in some sectors, first in telecommunications, and now in ports and roads, and with individual projects in other sectors. There has been considerable innovation with different structures now being developed to attract private participation. But at the same time progress has been uneven.

India had a few notable PPPs as early as the 19th century. The Great Indian Peninsular Railway Company operating between Bombay (now Mumbai) and Thana (now Thane) (1853), the Bombay Tramway Company running tramway services in Bombay (1874), and the power generation and distribution companies in Bombay and Calcutta (now Kolkata) in the early 20th century are some of the earliest examples of PPP in India. Since the opening of the economy in 1991 there have been several cautious and tentative attempts at PPP in India. However, most PPPs have been restricted to the roads sector. Large private financing in water supply has so far been limited to a few cities like Visakhapatnam and Tirupur. Most PPPs in water supply projects have been through municipal bonds in cities such as Ahmedabad, Ludhiana, and Nagpur. West Bengal has recorded significant success in housing and health sectors. For example, the housing projects coming up on the outskirts of Kolkata City are a good example of what a PPP model can deliver in terms of quality housing and quality living conditions to the lower middle class and the middle class. Gujarat and Maharashtra have had success especially in ports, roads, and urban infrastructure. Karnataka also has done well in the airport, power, and road sector. Punjab has had PPPs in the road sector.



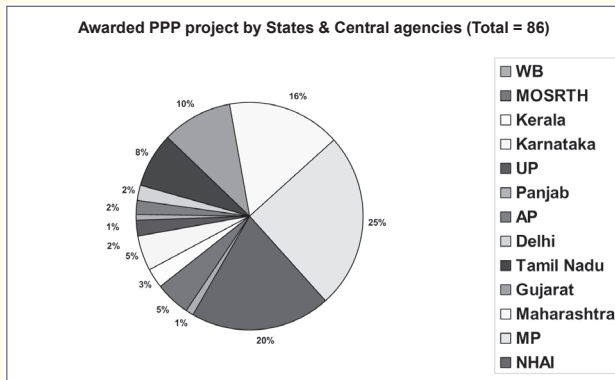
Source : World Bank

A study conducted by the World Bank of 12 states and 3 central agencies in 2005 in India found only 86 PPP projects awarded by states and select central agencies (not including power and telecom). Their total project cost is Rs 339.5 billion. An optimistic projection of PPPs growing by, say, five times between 2004 and 2006, in a country of India's size, that is, around 500 projects, is not very encouraging. The largest number of PPP projects is in the roads and bridges sector, followed by ports, particularly Greenfield Ports. Apart from these two sectors, there are very few PPP initiatives.



Source : World Bank

Across states and central agencies, the leading users of PPPs by number of projects have been Madhya Pradesh and Maharashtra, with 21 and 14 awarded projects, respectively, all in the roads sector, and the National Highways Authority of India (NHAI), with 16 projects. The other states or central agencies that have been important users of PPPs are Gujarat (9 projects) and Tamil Nadu (7), Karnataka (4) and Ministry of Shipping, Road Transport and Highways (MOSRTH) (4). However, looking at a breakdown by estimated project size, we see that MP becomes significantly less prominent due to the large number of relatively small-sized projects in its portfolio, falling to 3 percent of total project costs.



Source : World Bank

NHAI = National Highways Authority of India, MOSRTH = Ministry of Shipping, Road Transport and Highways, UP = Uttar Pradesh, MP = Madhya Pradesh, AP = Andhra Pradesh, WB = West Bengal

States like Andhra Pradesh, Gujarat, and Punjab have legislation which clearly defines what infrastructure is and how these infrastructure projects are going to be executed by the private sector. Some other states have administrative frameworks in place for decision-making. Despite these frameworks, in the last five years the number of successful projects has not increased substantially. Madhya Pradesh and Maharashtra have exhibited the possibility of developing a PPP program in a single sector (roads) by building up capacities in line departments. However, they have no PPPs in other sectors, possibly in part because of the absence of platforms to transfer acquired skills to other departments. Gujarat, Andhra Pradesh, and Punjab have developed cross-sectoral enabling legislation and dedicated agencies but have not had a very successful track record in taking PPPs to the market. Some other states, such as Tamil Nadu, have developed a few PPPs across a wide range of sectors, without explicit cross-sectoral PPP units or legislation. Rajasthan has a cross-sector policy/regulatory framework and a project development company but has concluded only one tourism project and a few road projects. Therefore, there seems to be no clear link between institutional structure and success of PPP. One possible reason for this is the non-availability of sufficient skilled staff in the Government of India as well as in the states, who could actually look at how PPP projects should be structured. This is one important area where significant capacity building is required, both at the Centre and in the states.

Government Initiatives

The Government of India has articulated its commitment to promoting PPPs in almost all the key infrastructure sectors of transport, power, urban

infrastructure, and tourism, including railways. Behind the increasing thrust of the Government of India is the growing realisation that lack of social and economic infrastructure is producing hindrances for rapid economic growth and social development in India. The Government of India constituted, on August 31, 2004, the Committee on Infrastructure, chaired by the Prime Minister. The Committee is tasked with steering initiating policies that would ensure time-bound creation of world-class infrastructure delivering services matching international standards, developing structures that maximise the role of PPPs, and monitoring progress of key infrastructure projects to ensure that established targets are realised. The Committee is supported by the Empowered Subcommittee, which formulates, reviews, and approves policy papers and proposals for submission to the Committee, and monitors and follows up on implementation of the decisions of the Committee. Actions like these may push the PPP business to contribute a significant share in Gross Domestic Products (GDP).

What governments should not do in a PPP Project?

- offer a project without detailed project development;
- make commitments that cannot be kept;
- change goalposts after award of concession and revisit project design;
- not recognise that each project is a business and not a mere asset;
- regret that the business is profitable within the framework agreement;
- superimpose public processes on private initiatives; and
- not fully exploit the capacity of the business to grow in the state.

What they should do?

- protect officers who take the initiative on PPP;
- align the economic interest of all stakeholders;
- define PPP projects on a holistic basis;
- induct the private sector as partners;
- establish frameworks that permit failures; and
- encourage plurality of approaches.

Conclusion

Various studies in developed and developing countries have shown that there is a significant shortfall in infrastructure investment and lack of maintenance resulting in a deteriorating stock of public infrastructure capital to support the delivery

of core public services. Public-private partnership is an approach that is increasingly adopted to facilitate the improvement of public services where there are public sector budgetary constraints and there is a need for innovation by stimulating private investment in infrastructure facilities such as health, education, transport, defence and social housing, regeneration and waste management. The alternative public-private partnership is a whole-life or integrated approach from design to facilities management and service delivery aimed at addressing the problems associated with the traditional approach by creating a shift in emphasis from 'building contracting and lump sum payment to 'service contracting and performance-based payment'. However, it is important that appropriate policy, strategic and implementation structures and processes are in place to address the key objectives of the public sector in PFI/PPP projects. Another critical success factor that should be added is sustainability to reflect the increasing need to balance economic objectives with environmental and social obligations.

Typically, in larger countries, the national PPP units will not undertake the projects but rather provide the policy, technical, legal and other support mechanisms to local authorities and government ministries that have the responsibility of putting the project together. Practically, it can help the relevant procuring authority more confidently manage the whole process from the development of the initial project design through to the bid evaluation process

and post-financial close. In India, NHAI, MOSRTH attracting PPP projects, is an example of such mechanism. Though PPP is a relatively new approach to procurement, lessons could be drawn from the experiences of developed and developing countries on the conditions for the success of PPP. As a relatively late entrant in the PPP development process, India can learn and benefit from these lessons.

Government is actively pursuing PPPs to bridge the infrastructure deficit in the country. Several initiatives have been taken during the last three years to promote PPPs in sectors like power, ports, highways, airports, tourism and urban infrastructure. Under the overall guidance of the Committee of Infrastructure headed by the Prime Minister, the PPP programme has been finalised and the implementation of the various schemes is being closely monitored by the constituent Ministries/Departments under this program. PPP is still a nascent concept in India, and expertise at the level of project authorities, both at the central and state levels, is limited. The awareness of concerns and issues relating to PPPs is still lacking and not evenly spread across the different States. A need was felt to provide capacity building in State Governments to enable them to prepare PPP proposals. To promote the PPP programme, all State Governments and Central Ministries have been advised to set up a PPP Cell with a senior level officer deputed as PPP nodal officer. It is proposed to provide assistance to states in this regard. □

Statement about ownership and other particulars about The Management Accountant, required to be published under rule 8 of the Registration of Newspaper (Central) Rule, 1956

Form IV

- | | | |
|--|---|--|
| 1. Place of Publication | : | 12 Sudder Street, Kolkata 700 016 |
| 2. Periodicity of its publication | : | Monthly |
| 3. Printer's Name | : | B. M. Sharma |
| Nationality | : | Indian |
| Address | : | 12, Sudder Street, Kolkata 700 016 |
| 4. Publisher's Name | : | B. M. Sharma |
| Nationality | : | Indian |
| Address | : | 12, Sudder Street, Kolkata 700 016 |
| 5. Editor's Name | : | Sudhir Galande |
| Nationality | : | Indian |
| Address | : | C/o, ICWAI, 12, Sudder Street, Kolkata 700 016 |
| 6. Name and address of individuals who own the newspapers and partners or share holders holding more than one percent of the total capital | : | It is the official organ of The Institute of Cost and Works Accountants of India |

I, B. M. Sharma hereby declare that the particulars given above are true to the best of my knowledge and belief.

Dated 1st March, 2011

Sd/- B. M. Sharma
Signature of Publisher

Applications of PPP Model in Key Infrastructure Sectors to Stimulate Economic Growth in India

Dr. Parimal Kr. Sen*
CS Palash Garani**

Public-Private Partnership (PPP) is now accepted as an effective and novel instrument for stimulating economic growth all over the world, especially in mixed economies. In an emerging economy like India the importance of PPP model has gained greater momentum for increasing and sustaining the current pace of socio-economic development. From the 1990s the Government of India (GoI) is also encouraging PPP based projects as a modern mechanism for faster economic growth, especially in key infrastructure sectors like powers, transports and communications. Against the backdrop of the financial crisis, this article seeks to examine the conceptual ideas and investment – friendly policy framework of PPP model in the Indian context. It also intends to highlight the recent policies and practices relating to PPP projects in selected key infrastructure sectors in India.

Introduction

Having neglected to invest in infrastructural sector throughout the 1990s and for the first half of this decade, India is now short of all sorts of vital support systems, ranging from sewerage in the rapidly growing towns to road transports and highways, railway tracks, bridges, airports, ports, electricity and so on. As long as the economy was chugging along at a slow 6-7% growth rate, this did not matter much. The economy could cope. But suddenly—and much to the Government's surprise and joy—it has started growing at around 9%! Yet, to sustain this rate of growth, there has to be a massive and rapid increase in infrastructure which requires investments of over a trillion dollars, if not more. In the past, the Government of India used to build these facilities, because they yield low and slow returns, require massive investments, and entail different types of risks. But now its investment focus has shifted to the social sector which too has been neglected by successive State and Central Governments. For the last decade the Government has been trying very hard to attract private investment in the infrastructure sector, with a notable lack of success. Some private investment has come in but, compared to the requirement, it is negligible.

The concept of PPP model has emerged as an instrument of far-reaching significance for rapidly advancing the socio-economic development of countries, especially those in the Third World countries. This is because the development has become an urgent agenda which cannot be done by the government alone. Since the challenge, the skilled and ability are widely distributed in the vast population that India has, the combination of public and private efforts is necessary to overcome the formidable challenges of poverty, illiteracy, health care and hunger that plagues the nation.

Previously, the government had undertaken the initiative for the development of infrastructure; and private sector couldn't participate. However, conditions have undergone a radical change and now the government emphasises the PPP model for infrastructure development. Recently, the policy makers of the country have a consensus and realised that the infrastructural development in any country needs partnership between public and private sectors. With the right dose of financial incentives, financial support and risk mitigation measures, the private sector would grab opportunities to build airports, ports, road transport and highways, power plants and railways.

The PPP model has been a preferred approach due to its ability to attract private investments and bring efficiency in operations and management. The private sector construction companies have been investing to develop infrastructure—mainly through the Build-Operate and Transfer (BOT) model. There exists extensive literature on what constitutes PPP in terms of ownership of assets and responsibility, operation, and maintenance. The PPP arrangements through concessions are clear, stable and based on understandable principles not being prone to unpredictable changes. Demand for international level infrastructure over those that make incremental but useful changes has demonstrated the advantage of PPP model. The government is well-aware of its contribution to enable regulatory transformation and provide some financial support to ensure viability of the projects. These PPP projects demonstrated that government-only approach need not remain the norm

* Associate Professor of Goenka College of Commerce & Business Administration, Kolkata, W.B.

** M.Com., ACS, AICWA, PGDFM, Faculty of Maulana Azad College, Kolkata-700 013.

for constructing, operating and maintaining large infrastructure projects in the country.

Public-Private Partnership (PPP) – A Conceptual Framework

PPP projects are based on long-term contracts and may involve delegation of governmental authority such as for toll collection, besides enabling private control over monopolistic services. The structuring of PPP contracts requires due diligence of a high order because of the complex nature of the partnerships and the need to protect the interests of the users as well as the exchequer. Inadequacies in the contracts/concessions can severely compromise the public exchequer and user interests besides leading to rent seeking and exposing PPP projects to public criticism. Badly structured contracts and inadequate regulation can often lead to windfall gains and rent seeking by the private investors. It is, therefore, important to ensure that PPP projects are carefully structured for safeguarding user and government interests with a view to ensuring efficient services at competitive costs.

PPP model describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. These schemes are sometimes referred to as PPP or 3Ps. It involves a contract between a public sector authority and a private party, in which the private party provides a public service or project and assumes substantial financial, technical and operational risk in the project. In some types of PPP projects, the cost of using the service is borne exclusively by the users of the service, and not by the taxpayer. In other types (notably the private finance initiative), capital investment is made by the private sector on the strength of a contract with the government to provide agreed services, and the cost of providing the service is borne wholly – or in part – by the government.

Government may promote in many more ways. It may place any of its assets or facilities under private management for public goods and services. In projects that are aimed at creating public goods – as in the infrastructure sector – the government may provide a capital subsidy in the form of a one-time grant, so as to make it more attractive to the private investors. In some other cases, the government may support the project by providing revenue subsidies, including tax breaks or by providing guaranteed annual revenues for a fixed period.

The Need for Public-Private Partnership (PPP) in Infrastructure Sectors in India

The major objective of inviting private investment for infrastructural development is to increase the volume of investment and the level of operational

efficiency in the provision of services throughout the length and breadth of the country. The ability to provide quick and efficient services is more pronounced in the private sector than in the public sector. This is generally true when the service provider operates in an environment where more efficient providers can contest for the market. Competition is already a reality in many segments like power generation, transmission and distribution, telecoms, airports, ports and road transport and highways including urban transport. Many other segments are not amenable to competition and market contestability such as water supply and sanitation, the 'wires' segment of the power sector, and rural road services. Competition in these segments has to be centered on the right to provide services. Incentives to provide these services must be calibrated in a manner that furthers the objectives of economy efficiency and adequacy. Mechanisms that mimic competition should assign provision of services to the party that is able to provide them most efficiently. This is called '*competition for the market*'.

Government Policy Initiatives to Promote Public-Private Partnership (PPP)

PPP model is an offshoot of the disinvestment policy and practices in India initiated as apart of the new Industrial Policy Statement announced in July 1991. After pursuing the policy of disinvestment for more than a decade, a Committee on Infrastructure (COI) was constituted on 31st August 2004 and it was replaced by the Cabinet Committee on Infrastructure (CCI) in July 2009 for considering and deciding financial, institutional and legal measures required for enhancing the private investments in key infrastructure sectors. Public-Private Appraisal Committee (PPPAC) was established under the Ministry of Corporate Affairs (MCA), GoI for stimulating and simplifying the appraisal and approval process for PPP projects. The Empowered Committee/Institution (EC/EI) – an institutional framework – has been established for the purpose of appraising and approving the projects for availing the grant from Viability Gap Funding (VGF) Scheme of up to 20% of the project costs of PPP projects. Indian Infrastructure Finance Company Ltd. (IIFCL) was setup by the Central Government for providing long-term loans for financing infrastructure projects under PPP model.

Since privatisation programme, a strategy of new economic policy was unsuccessful due to lack of political consensus. The UPA II Government now is thinking of PPP arrangement in infrastructure and service sector which covers a wide range of core services such as transport (including railways, road

transport & highways, ports and civil aviation), communications (including postal and telecommunication services) and other public goods and public utilities (including water supply and sanitation, solid waste management, urban transport and other public utilities for greater efficiency of operation at customers satisfaction, etc.)

Consequently, both the Centre and State Governments are encouraging private participation including foreign investment and foreign loans for infrastructure growth and development. Some innovative measures have also been devised to attract private capital. For construction of road transport, three such methods are the Build Operate Transfer (BOT) route, the Annuity Method (AM), and the Special Purpose Vehicle (SPV) method.

In the last decade, there has been a significant evolution of the role of the State in the provision of these public goods. Government has significantly shifted away from the production of public goods to focusing on the regulatory and policy framework that would generate adequate provision of these public goods. Through this PPP model, the government as regulator and the private sector as producers, many improvements can be made in the infrastructure sectors in India.

Infrastructure and Governance Deficit

Although the Ministry of Finance, GoI, has resolved to get PPP based projects in infrastructure like railways, powers, road transport and highways, civil aviation, ports etc. the PPP model is not well accepted because of the following reasons which in turns leads to little development in this respect :

- Fear of the private partners regarding expected return on their investments.
- Incompetence of the Governments to deal with PPP issues, including incentives to private partners.
- Lack of political will on the part of the ruling parties.

Sector – wise Policies and Initiatives by the Government of India

A number of policies and initiatives taken by the Government of India in the course of the Eleventh Plan (2007-2012) to accelerate the pace of investments through PPP projects in key infrastructure sectors are outlined :

Railways Sector

Imbued with the sources of PPP model experiments in many developing countries including India, the Railways, which was late in jumping on to the PPP model bandwagon, took tentative steps under

the stewardship of the then Railway Minister Mr. Lalu Prasad to invite private companies in different rail infrastructure projects. Indian Railways (IR), including Metro Railways, in its Budget 2008–09 had taken a landmark step by allocating a historic amount of Rs.1 trillion (US \$25 billion) for PPP model projects to upgrade and modernise the Indian Railways' high-tech network. According to Sudha Choba, the Financial Commissioner, Indian Railways, PPP route is specially accepted for boosting investment for operating container trains, build rail infrastructure and redevelop existing idle rail-properties to improve the facilities and amenities, but it will not be involved in operating the railway systems and its maintenance.

To broaden the area of operation of PPP model in Indian Railways, the following steps have been initiated :

- Rail Vikas Nigam was set up in January 2003.
- Several PPP initiatives have been taken up for provision of metro rail systems in different cities, like Delhi Metro (Phase III), which is likely to have an investment of around Rs.25,000 crore – that envisages to connect another 65 km to the Metro network, Mumbai Metro project, the Hyderabad Metro Rail project, Bangalore High Speed Rail Project. East-West Metro Railway Project in Kolkata are also being structured on the PPP mode.
- A Greenfield Railways network dedicated to freight traffic (Freight Corridor) has been planned, along with additions to Greenfield Metro projects at mega cities.
- The Railway Minister Mamata Banerjee, too, has reiterated her commitment in vision 2020 of Indian Railways to involve the private sector firms through PPP route.

The previous Railway Budget 2010-2011 was announced by the Railway Minister on 24th February 2010. Railway Ministry proposes PPP projects in railway high-tech network expansion, upgrade and maintenance of the production units, railway coach/wagon manufacturing. The Ministry has identified 50 stations for development as world-class stations, development of logistic parks and multi-functional complex, including shopping malls, hospitals and sports stadiums – among others – through PPP projects. That apart, rail-based Airport Express Link at Delhi, High Speed Rail Projects at Bangalore, a 60 km elevated fully air-conditioned rail system in Mumbai, Two-Lines in the Mumbai Metro project are also proposed being structured and to be implemented through PPP model.

Power Sector

The most important factor which can act as a constraint on economic growth of a country is the

availability of energy and power (including generation, transmission and distribution). India is both a major power producer as well as a major power consumer. The Central Electricity Regulatory Commission (CERC) is expecting the private sector to play an increasingly important role in strengthening the power transmission and distribution operations. This is similar to the existing trend in the power generation field. There is tremendous scope in emerging India for augmenting the country's power generation, transmission and distribution sector and private players must play a vital role in all respect in this direction.

The following policies and initiatives have been taken by the Ministry of Power, GoI, for promoting PPP model in the power infrastructure sector :

- Electricity Act, notified in June 2003, allows State Electricity Reforms Commissions (SERC) to fix tariffs through a transparent process of bidding as per guidelines issued by the Central Government.
- 28 States have signed the tripartite agreement for one time settlement of the dues of State Electricity Boards to the Central Public Sector Undertakings, and 27 States issued the bonds amounting to Rs. 290 billion.
- 50,000 MW hydroelectric initiatives launched in May 2003.
- 100% FDI permitted in Generation, Transmission & Distribution of power – the government is keen to draw private investment into the sector.
- Policy guidelines and framework for setting up of mega power projects : Electricity Act, 2003, National Electricity Policy 2005, and Mega Power Policy 2006.
- **Incentives** : Income tax holiday for a bloc of 10 years in the first 15 years of operation; waiver of capital goods import duties on mega power projects (above 1,000 MW generation capacity).
- **Independent Regulators**: Central Electricity Regulatory Commission for Central PSUs and inter-State issues. Each State has its own Electricity Regulatory Commission.
- Hydel Station of Himachal Pradesh; Koldam, Tehri Dam, Sewa-Li, North Karanpura 500 mw, Kahalgaon, Barh, Unchahar, Dulhasti Tehri Pump Storage 904 mw, Dadri, Damodar Valley Corporation, Tala (Bhutan), Badarpur and joint project in Haryana – 4870MW generation projects.
- MoU has been signed with Petronet LNG Ltd for supply of 7.3 mmscmd gas for the following new power projects: 350 mw combined cycle Pragati Phase – II gas-based power station near existing Pragati Power Station and 1,000-mw

combined cycle gas turbine Pragati (Phase III) power project at Bawana.

- Many private firms like CESC, Tata Power, KEC International, Jyoti Structure, Lanco Infrastructure, Kalpataru Power, PTC India, PFC and ABB are working in close collaboration with public sector power generation and transmission companies for generation, transmission and distribution of power.

Road Transport and Highways Sector

Traditionally, the road transport projects were financed only out of the budgetary grants and were controlled/supervised by the Ministry of Road Transport & Highways, GoI. The Road Transport & Highways Sector has attracted very limited private sector participation in the past. While the traffic has been constantly increasing at a rapid pace, the traditional system of financing road transport & highways projects through budgetary allocations has proved to be inadequate. The National Highway Development Programme (NHDP), too, actively sought PPP model. It was in this context that the necessity for exploring the innovative means of financing the highly capital intensive road transport & highways projects was felt.

PPP effort is mostly prominent in Road Transport & Highways sector in India :

- Ongoing Build-Operate and Transfer (BOT) involving with PPP projects:

In a BOT project, the private sector is required to meet the upfront cost and the expenditure on annual maintenance. It will enjoy the right to recover the entire upfront cost along with the interest and a return on investment out of the future toll collection.

BOT (Toll) Scheme : As on April 2007, 79 projects have been taken up valued about Rs.22,249 crores with a length of about 3,613 kms on BOT (Toll-based projects). Out of this, 29 projects have been completed and 50 projects are under construction.

- The NHDP has been extended to seven phases, covering 65,000 kms of national highways, from the previous two phases, involving 13,000 kms.

- Bharat Joro Projects (Golden Quadrilateral Projects) for development of 10,000 kms of roads connecting state capitals with National Highways – launched in collaboration with private construction firms, both domestic and foreign.

- National Highways Act, 1956, Amended in 1992, to open the way for more PPP projects. As per some estimates, projects worth about Rs.46,500 crore are under various models of PPP efforts in different states.

- 100% FDI up to Rs.1,500 crore allowed.

Civil Aviation Sector

It is noteworthy that there has been a significant uptrend in domestic and international air traffic. On account of this, at present, improvement of airport infrastructure is a focused area for the government policy. The Government has declared 2011-12 as '*Civil Aviation Centenary Year*' and set up a high power committee headed by the Minister of Civil Aviation, Praful Patel. For instance, Mumbai and Delhi airports are being modernised and restructured with private participation at an estimated cost of US \$4 billion for the period 2006-2016.

GoI has undertaken the following policy measures and initiatives regarding this matter :

- The government has allowed the restructuring and privatisation of Delhi, Kolkata and Mumbai airports, and construction of Greenfield International airports at six metro cities. New T3 Terminal at Indira Gandhi International Airport, Delhi, ranks among the largest in the world and one of the few that can receive aircraft as large as the dream-liners. Navi-Mumbai International airport estimated cost Rs.10,000 crore project also in the process of finalising deals under PPP route.
- To allow PPP projects in expansion and modernisation of airport infrastructure.
- To build world-class airports with modern technology and efficient management practices in airport operations.
- To make the airport user friendly and achieve higher level of customer satisfaction.
- To lay special emphasis on the development of infrastructure for remote and inaccessible areas.
- To provide airport capacity ahead of demand.
- To provide the facilities of multi-modal linkages.

Port Development Sector

Ports and global maritime trade serve in a big way to enhance the logistics and, eventually, the GDP of the country. An efficient port is a national asset and brings in huge shifts in economic development. Ports have finally come into the spotlight, and PPP investments have sped up implementation. PPP model in infrastructure projects, more specifically in ports development, commenced on a large scale across the globe sometime in the 1990s. Each country has followed its own model for PPP and India has not been an exception either. What stands out, in terms of uniqueness, is the high degree of transparency in today's bidding process for building terminals in the major ports. Further, the level of standardisation of documents and the concession agreement is outstanding and has been done for the first time in

the world. However, the Indian coastline is dotted with ports under the jurisdiction of the Central Government (major ports) as well as that of the State Government (non-major ports). The development of the ports, under the purview of the State Governments, has taken either the PPP route wherein they are bided for – or the MoU route.

Presently, in the Port sector, the experience with PPP model has been very encouraging. The Port sector has not only been able to attract private investments for large number of infrastructure of projects but has also benefited from cost effective efficient port operation ushered in by private players. Attracting private capital through PPP model projects has been achieved in the Port sector because of a favorable and investment-friendly policy framework that was put in place by the Shipping Ministry, GoI.

Some of the policy initiatives taken by the Shipping Ministry are :

- 100% Foreign Direct Investments (FDI) under port development projects automatic route.
- 100% income tax exemption for a period of 10 years.
- Standardisation of bidding documents to ensure uniformity and transparency in the award of projects.
- Model Concession Agreements (MCA) have been standardised and simplified.
- Tariff setting mechanism modified with tariff being set upfront by the Tariff Authority for Major Ports (TAMP); and also needs to be reviewed in the changing context.
- A comprehensive legislation consolidating the Indian Ports Act, 1908, and the Major Port Trust Act, 1963. The Port Trusts should adopt the '**Land Lord**' port model in the long run to ensure more efficient service and to promote EXIM trade.
- The Mumbai Port has installed a Vessel Traffic Management System (VTMS) to handle high-density traffic efficiently. Many ports in southern India including the Chennai port – are in the process of finalising deals to instal the VTMS.

Other Initiatives

- The government has initiated the National Marine Development Program (NMDP), which envisages investment of US \$13.6 billion (US \$1.4 billion a year) over 2004-2014. .
- Sager Mala project launched for integrated development of ports, shipping and inland waterways.
- Construction of deep seaports in Andaman and Nicobar Islands to facilitate the movement of international vessels and cargos.

- From 2003-2010, traffic through major ports grew at a CAGR of 8.45%. Traffic volumes at major ports increase from 345 million tones per annum to 560 million tones per annum, an increase of 63%. Major ports and their total traffic handled have increased from 10% in 1995 to 31.5% in 2010. (Source: Report from the Shipping Ministry, GoI)

- 24 PPP projects involving an investment of Rs.6,486 crores have been completed and are under operation. Another 19 PPP projects are under implementation involving an investment of about Rs. 12,498 crores and 21 more projects are under bidding. A dozen projects are scheduled to be awarded before the end of this financial year. These projects include International Container Terminals at Jawaharlal Nehru Port Trust (JNPT) at Mumbai, International Container Transshipment Terminal at Vallerpadm, LNG Regasification Terminal at Cochin, Mega Container Terminal at Chennai and Ennore, Krishnapatnam Port at Nellore (A.P.), Pipavav at Gujarat for Container Freight Station (CFS), Mundra Port and Special Economic Zone in Gujarat for coal receiving terminal, besides these the new coal births in Paradip, Tuticorin and Vizag among others.

Conclusion

For solving the countless socio-economic problems of the country, PPP efforts have been playing a valuable role. Most countries of the world have accepted it as a quick road to economic success. Even the communist countries like China and Vietnam are increasingly depending on the PPP model for solving their economic problems. India, though late in realising the potential of PPP projects, is fast catching up with the rapidly growing countries by utilising the devices of PPP model in various sectors, especially in infrastructure. In this context considerable public opinion—from the government as well as from the civil society—is needed to make PPP projects a great success in India. It would be ideal for the Government to facilitate similar strategies for many projects in the PPP model and find the way. The media has an important role to play in popularising the PPP model as a modern vehicle for rapid economic growth.

However, the policies and programs relating to the PPP based projects need to be carefully monitored and supervised by the government in order to protect the larger interest of the people and the country. It is also felt that a clear investment-friendly policy framework—backed by adequate government regulatory mechanisms—are required for successful planning and implementation of the PPP projects in all the sectors of development including defense and security establishment of the country. Strict enforcement of the relevant laws and regulations should also be done along with review of the same from time to time to cope with the emerging changes in the domestic and international business environment. The success of PPP projects only affirms its potential to address the country's infrastructure deficit, but challenges remain, because the financing, marketing, operations and maintenance hold the key to '*public-private tie-ups*' success in India. For instance, lack of a reasonable land acquisition policy and absence of independent regulators for enforcing contracts and settle disputes. □

References

- GoI "Report of the Committee on Infrastructure Financing, Department of Economic Affairs", Ministry of Finance, Government of India, New Delhi. (2007).
- Lall, Rajiv and Anupam Rastogi "The Political Economy of Infrastructure Development in Post-independence India", IDFC Occasional Paper series 2007/1, Infrastructure Development Finance Company, Mumbai. (2007).
- Rastogi, Anupam "The Infrastructure Sector in India, 2005", in 3i Network, India Infrastructure Report 2006: Urban Infrastructure", Oxford University Press, New Delhi (2006).
- "Raising Resources for Railway Projects", Economic and Political Weekly, 12-18 June, Mumbai. (2004).
- THE HINDU-Business Lines, 24th December, 2010 and 14th January 2011.
- The Economic Times, 30th December, 2010 and 31st December 2010.
- Report of Planning Commission, Government of India, New Delhi, September 2010.
- [http:// www.infrastructure.gov.in](http://www.infrastructure.gov.in)

Retirement

Shri Shyamalendu Nag has retired from the service of ICWAI on February 28, 2011. We wish him a happy and prosperous life beyond ICWAI.

Development and Public-Private Partnership

CMA Sudarshan Maity*

India is a nation with over 300 million poor people, a number that has barely declined over the last three decades of development. Thus, 63 years after independence, over a quarter of our population still remains poor! It is, therefore, essential that the Eleventh Five Year Plan (2002-2012) address the task of reducing the numbers of the poor frontally. It is clear that rapid growth will be essential to reduce the number of the poor and for sustainable poverty reduction, but for growth to benefit the poor proportionately, it will have to be accompanied by more rapid employment expansion than hitherto, greater investment in health, education, water/sanitation, and child nutrition than so far, and directly targeted poverty-reduction programs.

As per report, South Asia, including India, accounts for 23% of world population but hardly generates 2% of global income. It houses 40% of the world's poor and 57% of the world's underweight children. The farmers in these regions are poor and that farmer and non-farmer divide increased from 1 : 3 in 1980 to 1 : 5 in 2006. This highlights that poverty is building up in our rural areas and is cause of nearly 50% of our small and marginal farmers as Below Poverty Line (BPL).

Effective poverty reduction and progress towards the Millennium Goals are only possible if public and private players increase their joint efforts. Investments by private players are not only economically profitable, but also yield positive results with regard to development policy objectives.

The present Indian economy recorded a growth of 8.9% in the first half of the current fiscal, after registering a growth of 7.4% in 2009-10 and 6.7% in 2008-09. The most significant criteria for a continued growth rate of an economy rests on the provision of a quality infrastructure. According to the Planning Commission, an approximation of 8 percent of the Gross Domestic Product (GDP) needs to be invested. This would help in acquiring a prospective economy as stated in the 11th Five Year Plan. The government plans to reduce its fiscal deficit to 4.8% by 2011-12 as against budgeted 5.5% in the current year. It is targeting to bring it down to 3% of the GDP by 2015. The deficit can be overcome by ensuring much more private capital investment.

There is no single definition of Public-Private

Partnership (PPP). PPP broadly refers to long term contractual partnerships between public and private sector agencies, specially targeted towards financing, designing, implementing, and operating infrastructure facilities and services that were traditionally provided by the public sector. In a public-private partnership arrangement, government remains actively involved throughout the project's life cycle.

The Government of India defines PPPs as: 'A partnership between a public sector entity (sponsoring authority) and a private sector entity (a legal entity in which 51% or more of equity is with the private partner/s) for the creation and/or management of infrastructure for public purpose for a specified period of time (concession period) on commercial terms and in which the private partner has been procured through a transparent and open procurement system'. (Department of Economic Affairs, Ministry of Finance, Government of India, 2007a)

In terms of main types of PPP contracts, almost all contracts have been of the BOT/BOOT type. In a BOT project, the private sector is required to meet the upfront cost and the expenditure on annual maintenance. It will enjoy the right to recover the entire upfront cost along with the interest and return on investment out of the future toll collection for a specified period, after which ownership of the facility is transferred to the public sector. Other than BOT/BOOT the contract may be in the form of Lease-Build Operate (LBO), Build-Transfer Operate (BTO), Build-Build Operate (BBO) or Build-Own Operate (BOO) which is more or less similar to BOT/BOOT.

In an increasingly competitive global environment, governments around the world are focusing on new ways to finance projects, build infrastructure and deliver services. Public-private partnerships (PPPs or P3s) are becoming a common tool to bring together the strengths of both the sectors. In addition to maximising efficiencies and innovations of private enterprise, PPPs can provide much needed capital to finance government programs and projects, thereby freeing public funds for core economic and social programs.

Main Criteria for Public-Private Partnership

- A PPP represents collaboration, defined by contract, between the public and a private sector.

* M.COM, AICWA

- Co-existence of public and private sectors. The chief criterion of a PPP is that here both public and private sectors function together.
- The partners' contributions complement each other in a way that enables both to achieve their goals more efficiently within the given PPP than on their own.
- Each partner formulates clear goals and communicates them to the other partner.
- It is operated both by price system and the government directives.
- Government regulations and control of both public and private sectors.

Public-Private Partnership – Why?

Why would we invite the private partners in to public services/govt. services/govt. owned enterprise? Why should we consider public private partnership. These are :

- Faster economic growth of the country.
- Providing basic infrastructure and encourage private sector participation in infrastructure provision
- Providing policy stability to businesses to encourage investment and growth
- Due to inefficiency, overstaffing, and low productivity in government services and government-owned enterprises (GOEs)
- Poor quality of goods and services in public services
- Continuing losses and rising debts of for-profit government enterprises.
- Lack of managerial skills or sufficient managerial authority
- Insufficient funds for needed capital investment
- Under-maintenance of facilities and equipment
- Under-utilised and underperforming assets
- Increase in Theft and Corruption in Government Departments
- Creating employment opportunities by developing the services sector.

In order to meet such demands, various Public-Private Partnerships are being promoted for implementation of infrastructure and urban development projects. Public-private partnerships have significant benefits for both the public and private sectors. Government can reduce the costs and risks borne by taxpayers; the private sector can generate business opportunities; and the public can receive better or more accessible services.

Frameworks of Public-Private Partnership

Effectiveness

- Success in meeting the PPP objectives
- Effectively managing and monitoring the delivery of the program
- Scalability/replicability.

Efficiency

- Return on investment analysis
- Affordability (public sector support)
- Reduction of economic inequalities
- Developing and implementing a regulatory mechanism.

Equity and political considerations

- Equity (access for poor and rural populations)
- Political/trade union resistance
- Contingent on wider public sector reform
- Monopoly control
- Consumer's sovereignty protected.

Sustainability

- Economic returns to the private sector (within the medium to long term)
- Financing risk (within a long-term arrangement)
- Private sector appetitive and capability
- Local stakeholders buy-in.

PPPs are now a central feature of ongoing efforts to modernise public services and infrastructure. Some sectors like power, ports, roads and urban development have done very good progress compared to limited success in other sectors.

Some states have undertaken far more PPPs than others, and a much heavier use of PPPs in some sectors than others. As far as current status there have been at least 450 PPP projects awarded by the Public-Private Partnership Appraisal Committee (PPPAC) in main sectors which are underway, either in operational, have reached construction stage, or at least construction/implementation is imminent. These main projects include roads, urban development, tourism, energy, airports, railways and education. The total project cost is estimated to be about Rs. 2, 24,175.75 crore.

Out of the total projects, road projects covers 61% of the total number of projects and 45% (INR 102004.70 crore) by total value because of the small average size of projects. Ports, though account for 10% of the total number of projects, have a larger average size of project and contribute 30% (INR 66498.98 crore) in terms of total value. Urban development also accounts for 73 projects (16%) with projects value of INR 15288.47 crore.

Figure 1 : Sector-wise Awarded PPPs Project

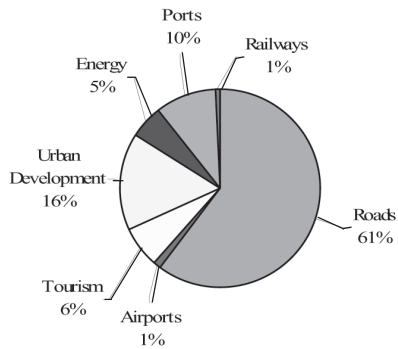


Figure 2 : Sector-wise Awarded PPPs Project Cost (Rs. in bn)

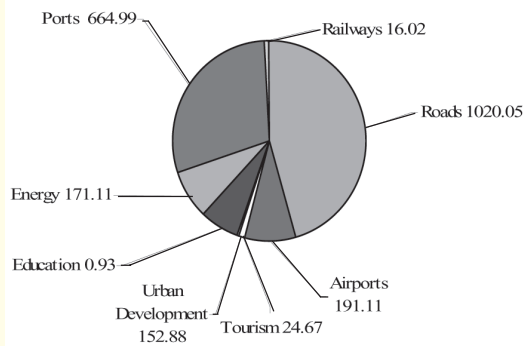


Figure 3 : State-wise PPP Project Allotments

State	Total Number of Projects	Project Cost (Rs. crore)
Andhra Pradesh	63	39279.43
Bihar	2	422.04
Chandigarh	1	15.00
Chattisgarh	4	838.00
Delhi	9	10,877.20
Goa	2	250.00
Gujarat	27	18,711.89
Haryana	2	756.00
Jharkhand	6	681.00
Karnataka	95	39,491.85
Kerala	11	11,972.50
Madhya Pradesh	37	7,788.55
Maharashtra	28	34,025.79
Orissa	26	7,623.44
Pondicherry	2	2286.00
Punjab	19	1,543.98
Rajasthan	49	5,253.41
Sikkim	24	17,110.59
Tamil Nadu	30	12,451.78
Uttar Pradesh	5	2,107.78
West Bengal	5	2,055.40
Inter-State	13	8,634.12
Total	450	224,175.75

Across States and Central agencies, the leading users of PPPs by number of projects have been Karnataka, Andhra Pradesh, and Rajasthan, with 95, 63 and 49 awarded projects, respectively, and the National Highways Authority of India (NHAI), with about 77 projects.

Public-Private Partnership – When most appropriate?

PPP can be successful if the responsibility and risks shared between the public and private partners bear a high degree of complementarity, thus creating opportunities for profitable activities for all partners involved. It has also been found that public-private partnership is not always beneficial to the nation. The PPP will be appropriate when:

- There is a significant opportunity for private sector innovation in design, construction, service delivery, or use of an asset;
- Clearly definable and measurable output specifications can be established suitable for payment on a services delivered basis;
- An opportunity exists for the private sector partner to generate non-government streams of revenue, to help offset public sector costs;
- Some risks can be transferred to the private sector;
- Projects of a similar nature have been successfully developed using a similar method; and,
- The private sector has sufficient P3 capacity (expertise and availability) to successfully deliver project objectives.

Foreign Private players' Participation in PPP projects

Private sector targeted towards financing, designing, implementing, and operating infrastructure facilities and services that were traditionally provided by the public sector. This has been a success story so far with the Government of India leading the process of promoting Public-Private Partnerships (PPPs) in India. The Central Government is working with the State Governments and all other stakeholders to expand the horizon of PPPs in almost all the areas for development in the country. It has created a favorable atmosphere, provided fiscal incentives and facilitated funding of PPP projects. The Government now allows FDI in most infrastructure sectors and other sectors to the extent of 100 percent.

India is in the global arena for increased foreign investments – both through the Equity markets – termed Foreign Institutional Investment (FII) – and Foreign Direct Investment (FDI). While its size and

growth-potential make India attractive as a market, the most compelling reason for investors to be in India is that it provides a high – Return on Investment. India is a free market democracy with a legal and regulatory framework that rewards free enterprise, entrepreneurship and risk taking.

Reasons for increasing Public-Private Partnership

- The Millennium Development Goals represent clear objectives with regard to reducing world poverty and have thus increased the pressure on all countries to present positive results.
- Limited governmental finance means require mobilising additional resources.
- Improve cost-effectiveness. By taking advantage of private sector innovation, experience and flexibility, PPP can often deliver services more cost-effectively than traditional approaches.
- Generate revenues, both by setting assets and then by collecting taxes.
- Reduce public sector risk by transferring to the private partner those risks that can be better managed by the private partner.
- Transferring risk to the private sector can reduce the potential for government cost overruns from unforeseen circumstances during project development or service delivery. Services are provided at a predictable cost, as set out in contract agreements.
- Service delivery and customer satisfaction is important today. PPP initiate or expand a service quickly and improve service delivery by allowing both sectors to do what they do best.
- Private sector partners are motivated to use facilities fully, and to make the most of commercial opportunities to maximise returns on their investments. This can result in higher levels of service, greater accessibility, and reduced occupancy costs for the public sector.
- Private sector partners can profit from PPP by achieving efficiencies based on their managerial, technical, and financial and innovation capabilities. They can also expand their PPP capacity and expertise – or their expertise in a particular sector – which can then be leveraged to create additional business opportunities.
- Reduce government debt, for instance, through debt-equity financing.
- Public-private partnership reduces government's capital costs, helping to bridge the gap between investment and development.
- By collaborating with the private sector, the state can make use of technical know-how otherwise not available.
- There is hope that collaboration with the private sector will lead to increased project sustainability and efficiency.
- Supply of infrastructure or other facilities that government cannot otherwise provide.
- In view of the worldwide opening of markets, developing countries are interested in forging contacts that will allow them to gain access to the international market.
- Large corporations are often pressured to restore public trust into the private sector and improve their image.
- Decentralise the economy and broaden the ownership of economic assets.
- Show commitment to economic liberalisation and increase business confidence.
- Many companies have invested in developing countries – e.g. with the aim of reducing production costs – and have continued to play an important role in these countries.
- Other companies are seeking to open new markets and are, therefore, interested in sharing the knowledge and networks of development agencies.
- Public-private partnerships accelerate economic development.
- Satisfy foreign lenders and attract foreign investment and encourage return of flight capital.
- Improve living standards.

Mamata Banerjee, Minister for Railways, Govt. of India also welcomes the private sector to participate for development in railway project, She said, in her budget speech 2010-2011 for construction of multilevel parking and provides houses to all its employees in the next 10 years through PPP model.

Criticism of Public-Private Partnership

The need for the private sector to take on more responsibility in the fight against poverty is widely acknowledged. For economic development and rural development, PPP promotion is compulsory in today's life. Despite of its benefits, there are many constraints which required to be overcome by the government. These are :

- It is hardly possible to reconcile the interests of the private sector in profitability and income maximisation with the governmental objectives of poverty reduction and sustainable development within a single project.
- Opposition by workers, public officials and bureaucrats – Private participation in public

services opposed by workers, public officials and bureaucrats.

- Loss of Jobs – Workers and officials fears for loss of job and opposed the private participation.
- Loss of Control – Government may loose control due to private participation.
- Most sectors face a lot of hindrance in enabling a regulatory framework as well as a consolidated policy.
- A PPP contains the risk that governmental funds are misused to subsidise private interests.
- PPPs enable companies to externalise social and ecological costs (to the public partner).
- PPPs can lead to preferential treatment of certain companies and can thus cause a distortion of normal trading conditions.
- Particularly in the basic service and infrastructure sector (energy, water, health) PPPs are problematic, as they may lead to

selling off the basic public services and neglecting the interests of the poor.

- Fear of foreign ownership.

Conclusion

Despite several criticisms, PPPs are gaining ground. Several initiatives have been undertaken by the Government of India to enable a greater PPP framework in order to eradicate the above-mentioned constraints. Various foreign as well as private investments by waving-off charges are encouraged. The goal is to combine the best capabilities of the public and private sectors for mutual benefit.

At present, PPPs are clearly more widespread in the basic services and infrastructure sector, particularly in urban areas. There are many PPP projects for urban development which are concerned with the restoration and expansion of basic water and power supply. Public-private partnership ensures a better government and a better society. □



THE INSTITUTE OF COST & WORKS ACCOUNTANTS OF INDIA

12, Sudder Street, Kolkata - 700 016

CANCELLATION OF REGISTRATION UNDER REGULATION 25(1) OF CWA ACT, 1959 REGISTRATION NUMBERS CANCELLED FOR JUNE-2011 EXAMINATION UPTO

ERS/002184, NRS/ 001793-2546,2601-3012 (except 3007,3008,3009),3101-3103,3141-3175
SRS/ 007040, WRS/005094, RSW/ 077028, RAE/005848

RE-REGISTRATION

The students whose Registration Numbers have been cancelled (inclusive of the students registered upto 31st December-2003) as above but desire to take the Institute's Examination in June-2011 must apply for DE-NOVO Registration and on being Registered DE-NOVO, Exemption from individual subject(s) at Intermediate/Final Examination of the Institute secured under their former Registration, if any, shall remain valid as per prevalent Rules.

For DE-NOVO Registration, a candidate shall have to apply to Director of Studies in prescribed Form (which can be had either from the Institute's H.Q. at Kolkata or from the concerned Regional Offices on payment of Rs.5/-) along with a remittance of Rs.2000/- only as Registration Fee through Demand Draft drawn in favour of THE I C W A OF INDIA, payable at KOLKATA.

With Season's Greetings.

Date : 21st December, 2010

Arnab Chakraborty
Director of Studies

Public-Private Partnership and its Application in India

Dr. Sukamal Datta*

CMA Tamal Taru Roy**

Abhik Datta***

Public-Private Partnerships (PPPs) are one of the most popular reforms in the last decade of twentieth century. Both the developed and developing countries now follow PPP model to overcome economic infrastructure bottlenecks. It is observed from a study that in Europe more than a thousand partnerships have been signed in European Union alone, representing an investment of about 200 billion euros between 1990 and 2005. Most of the PPPs are being promoted for implementation of infrastructure projects. PPP may be described as a private business investment where two parties comprising government as well as private sector undertaking form a partnership. Simply, PPPs refer to arrangements in which the private sector supplies infrastructure assets and services traditionally provided by the government. In many countries the investment strategy of the government primarily relies on promoting investment through a combination of public investment with private participation through PPPs.

Development of infrastructure and providing basic civic services to the citizens has been considered as the primary activities of a government. But the government is unable to meet all the basic needs of its citizens through traditional means due to growing population, urbanization and other developmental trends. The paucity of fund led the government across the world to search for private sector to supplement public investments and provide public services through PPPs. According to the contemporary thinking on PPPs in different countries like UK, Australia and South Africa, PPPs are considered as alternative form of public procurement whereby public infrastructure and/or services are procured through the private sector. The Federal Government's PPP office of Canada acts as a resource centre and promoter of the benefits of rationale for using PPPs, rather than acting in an advisory role. Brazil also intends to offer detailed guidance at national level to the states in the development of PPPs.

PPP Concept

We may mention some international definitions of PPP that may bring out some common core elements regarding PPP concept. To identify eligible projects or arrangements that could be recipients of

desired benefits or applicable procedures or treatment, definitions of PPP are required.

India

As per Viability Gap Funding (VGF) scheme of India's Ministry of Finance, PPP is a project based on a contract or concession agreement, between the government or statutory entity on the one side and the private sector entity on the other – for providing an infrastructure service on payment of user charges.

According to the Scheme and Guidelines for the India Infrastructure Project Development Fund, issued by the Ministry of Finance, Government of India, PPP is a partnership between a public sector organization and a private sector organization, i.e. a legal organization where private partners hold more than 50% equity, for the creation and/or management of infrastructure for public purpose for a specified period of time and, in which the private partner has been procured through a transparent and open procurement system.

International Monetary Fund (IMF)

IMF defines PPP as an arrangement in such a way where private sector supplies infrastructure assets and services that traditionally have been provided by the government and the concerned risk is transferred from the government to the private sector. PPPs are mainly involved in infrastructural projects such as schools, roads, bridges and tunnels, light rail network, water and sanitation plants, and air traffic control.

Asian Development Bank (ADB)

According to the Asian Development Bank, PPP is a range of possible relationships between public and private entities in the context of infrastructure and other services. The public entities are governments including ministries, departments, local bodies or state-owned entities and the private entities may be local, national or international investor or business enterprises with technical or financial expertise which are relevant to the concerned project.

United Kingdom (UK)

UK describes the PPP as the arrangement of joint

* Principal, Naba Ballygunge Mahavidyalaya (C.U.)

** Associate Professor, Naba Ballygunge Mahavidyalaya

***PAT, Cognizant Technology Solutions India Pvt. Ltd.

working between the public and private sector where it covers all types of collaboration across the interface between public and private sectors to deliver policies, services and infrastructure.

United States of America (USA)

According to the National Council for PPP of USA, PPP is the collaboration between public sector and private sector entities which makes a contractual agreement between a public agency (federal, state or local) and a private sector entity.

It is observed in the above definitions that there are some common elements of PPP: (i) contracts or arrangement between a government and private entity, (ii) substantial risk transfer to meet government or social needs, and (iii) focus on service delivery to meet public service or infrastructure needs. PPP is the model through which it can accomplish the specified roles, risks and rewards contractually, so as to provide incentives for maximum level to achieve the desired results.

PPP Models in Practice

There are several PPP models that allocate responsibilities and risk between the public and private entities in different ways. Some commonly used PPP models are discussed in brief :

(i) Build Operate and Transfer (BOT) : It is a contractual arrangement between public sector entity and private sector entity whereby the concessionaire undertakes the construction – including financing – of a given infrastructure facility and the operation and maintenance thereof. The concessionaire operates the facility for fixed period of time for which it is allowed to charge facility users like tolls, fees, rentals and charges. The private sector entity transfers the facility to the government at the end of the fixed term.

(ii) Build and Transfer (BT) : It is a contractual arrangement between the public sector entity and the private sector entity where the latter undertakes the financing and construction of a given infrastructure or development facility and offer its completion handed over to the government which will pay the private sector entity on an agreed value of investment plus a reasonable rate or return thereon.

(iii) Build Own Operate and Transfer (BOOT) : It is a contractual arrangement between the public sector entity and the private sector entity where the government grants concession to the private sector entity which is responsible for the construction, financing, operation and maintenance over a period concession before transferring the project to the government. During the period of concession the private sector entity owns and operates the facility and collects all revenues to recover its financing and investment costs including operating and maintenance costs and makes a reasonable margin of profit.

(iv) Build Transfer and Operate (BTO) : It is a contractual arrangement between public sector entity and private sector entity in which the public sector offers the private sector to build an infrastructural facility so that the private sector builds the facility on turn-key basis. After the satisfactory competition of the project, the title is transferred to the implementing agency. The private sector operates the facility on behalf of the implementing agency under a certain agreement.

(v) Build Own and Operate (BOO) : It is a contractual arrangement between public sector and private sector where the latter is authorized to finance, construct, own, operate and maintain an infrastructure facility from which the private sector is allowed to recover its total investment and other expenses plus a reasonable return thereon through collection of tolls, fees, rental etc. from the users of the facilities.

All the PPP models allow the public agencies to tap private sector's technical, financial and management resources in such a way that the government can fulfil its objectives with the active help and co-operation of the private sector.

PPPs in India

India is the second-most populous country in the world and is fast moving towards becoming the first. Our country has a population of more than 1 billion people with an annual growth rate of 1.93. According to a study conducted by the government it is estimated that 50% of the population of India (about 700 million) will live in cities by 2025 which led the government try to provide world class infrastructure facilities, connectivity, utilities and access to basic civic amenities to all city dwellers to improve the quality of life. But the Central Government and/or State Government cannot take the full responsibilities due to financial and resource constraints. As a result the government invites the private sectors to provide infrastructural facilities.

The government faces crucial problems for the development of national highway, power, transport, airports and seaports due to lack of skilled manpower, financial resources, project management expertise etc. The government constraints open up huge opportunities for the private sector to build up infrastructural development projects through PPP model. We cannot deny the fact that to provide international level infrastructural facilities the government must invite the private sector because the government alone cannot raise the huge fund required for investment in infrastructure. The most important area of infrastructure development is highways, airports, and ports. The deficiency in infrastructure is observed because the

government is unable to match the infrastructure with high growth of Indian economy and expected high growth in future also. According to the Planning Commission, Rs. 20,56,150 crore was projected during the Eleventh Plan period (2007-2012) which was more than twice the investment during the Tenth Plan. To fulfil the target of the Tenth Plan 40,000 km of new highways are required, traffic handling capacity of ports has to be increased from 737 million tonnes to 1,500 million tonnes and power generation capacity had to be increased by 60,000 MW. The Tenth Plan had set an ambitious target of increasing the total investment in infrastructure from about 5% of GDP in the Tenth Plan to 9% of GDP by the terminal year (2011-12) which implies an increase from Rs. 9,06,074 crore in the Tenth Plan to Rs. 20,56,150 crore during the Eleventh Plan.

Traditionally, infrastructure has been created and funded through public sector but to achieve the investment target in the Eleventh Plan period the government faces distinct challenges. As a result, the Central Government launched a Viability Gap Funding (VGF) scheme in 2007, while setting up a Public-Private Partnership Appraisal Committee (PPPAC) and India Infrastructure Finance Company Ltd. to promote PPPs in infrastructure projects. These have been done because the government has scarcity of financial resources as well as suffering from lack of capacity within the government to implement the ambitious target. To achieve the target the strategy of the government is to rely significantly on promoting investment through PPP model.

It is, therefore, the government which essentially relies on private participation for funding financially viable infrastructure projects in order to bridge the gap. And a substantial part of investment in infrastructure sector like irrigation, inland waterways, water resources management, rural infrastructure and in the economically disadvantaged regions have expected to come from the public sector because the private sector is not at all interested to invest there due to the fact that those projects are not economically viable. The project proposals of PPPs are appraised by the Planning Commission and approved by the PPPAC. Until 2009, the PPPAC had approved 144 projects involving an investment of Rs.1,30,915 crore. Private sector expertise along with efficiencies in operation and maintenance has been invited by the government for better quality of public services under PPP model.

The government has taken initiative to promote PPPs which resulted in the award of a large number of PPP concessions in national highways and ports. Four metro airports at Delhi, Mumbai, Bangalore and Hyderabad are being developed and operated by private entities through PPP concessions in the airport

sector. Concessions for the operation of container trains have been awarded to a number of private entities in railway sector.

The terms of the project agreements for awarding concessions are usually complex because of the nature of risk involved and involvement of project sponsors, lenders, government agencies and regulatory authorities.

Model concession agreements for PPP Projects published by Planning Commission for different sectors are:

- National Highways
- State Highways
- Operation and Maintenance of Highway
- National Highways (six lanes)
- Urban Rail Transit Systems
- Non-Metro Airports
- Greenfield Airports
- Port Terminals
- Operation of Container Trains
- Re-development of Railway Stations
- Procurement-cum-Maintenance Agreement for Locomotives
- Transmission of Electricity

It is observed that about 34% of total investment in infrastructure during the first two years in the Eleventh Plan came from private sector as compared to about 25% during the Eleventh Plan. For inviting private sectors in PPP models in state sectors several concessions have been awarded in roads, ports and urban infrastructure. Ministry of Finance, Govt. of India has created an India Infrastructure Project Development Fund (IIPDF) to provide loans for PPP projects for covering the development expenses. The Govt. of India understood that the local financial markets would be unable to provide sufficient fund for continuous growth of investment in PPPs. Considering the constraints of local financial markets the World Bank undertook a detailed review of financing patterns, trends and the constraints to expanding PPP financing as perceived by market participants. India Infrastructure Finance Company Limited (IIFCL) had been established as a non-banking company for providing long-term loans to the PPP entities for financing infrastructure projects where long gestation period is involved. IIFCL raises funds from domestic and inter-national markets on the strength of government guarantees. It also provides financial assistance up to 20% of the project costs. Government of India has waived off charges to encourage foreign as well as private investments to enable a greater PPP framework in India.

Now we may turn our analysis towards sector-wise and state-wise PPP project in India.

Table 1 : Sector-wise PPP Projects in India as on November 15, 2009 (Sample size 450)

Sector	Total No. of Projects	Value of Contracts Rs. Crore
Airport	5	19,111.00
Education	1	93.32
Energy	24	17,100.59
Ports	43	66,498.95
Railways	4	1,611.69
Roads	271	1,02,004.70
Tourism	29	2,467.08
Urban Development	73	15,288.47
Total	450	2,24,175.80

Source : Compiled from Public Private Partnership India Data Base, Deptt. of Economic Affairs, Ministry of Finance, Government of India

Table 2 : PPP Projects in Central and State Sectors as in December 2009

SL. No.	Sector	Completed Projects		Projects under Implementation		Projects in Pipeline		Total	
		No. of Projects	Project Cost (Rs. crore)	No. of Projects	Project Cost (Rs. crore)	No. of Projects	Project Cost (Rs. crore)	No. of Projects	Project Cost (Rs. crore)
A	Central Sector								
1	National Highway	39	13,698	64	41,911	81	76,341	184	1,31,950
2	Major Ports	23	5,762	13	10,509	29	18,466	65	34,737
3	Airports	3	5,883	2	18,777			5	24,660
4	Railways			4	4,717	50	90,000	54	94,717
	Total(A)	65	25,343	83	75,914	160	1,84,807	308	2,86,064
B	State Sector								
1	Roads	96	6,384	69	60,865	86	39,482	251	1,06,731
2	Ports	20	19,704	37	51,549	18	17,436	75	88,689
3	Airports			1	500	13	4,120	14	4,620
4	Railways			1	500	3	312	4	812
5	Power	7	8,971	8	28,392	34	62,032	49	99,395
6	Urban Infrastructure	51	6,105	74	19,738	67	45,838	192	71,681
7	Other Sectors	2	120	19	3,653	31	22,534	52	26,307
	Total(B)	176	41,284	209	1,65,197	252	1,91,754	637	3,98,235
	Grand Total(A + B)	241	66,627	292	2,41,111	412	3,76,561	945	6,84,299

Source : Compendium of PPP Projects in Infrastructure, Planning Commission, Government of India

Table 2 shows the number of projects with project cost completed under implementation and in pipeline in December 2009 both for central sector and state sector. It is depicted from Table 1 that 65 projects with an investment of Rs. 25,343 crore in central sector and 176 projects with an investment of Rs. 41,284 crore in state sector have been completed. Projects under implementation in central sector are 83 with an investment of Rs. 75,914 crore and in state sector are 209 with an investment of Rs. 1,65,197 crore and another 412 projects with an investment of Rs. 3,76,561 crore in the pipeline in December 2009. The Central Government has taken initiatives to meet the growing demand for infrastructure in the key sectors such as

It is observed from Table 1 that road project account for highest number of projects (271 or 60%) and highest value of contracts (Rs. 1,02,004.70 crore or 46%). From the point of view of contract value, second position goes to ports (30%) and third position goes to energy (7.6%). Minimum investment under PPP project is in education—only Rs. 93.32 crore in one project. PPPs in health and education sectors remain largely untapped in India though, at present, some activities are found in these sectors.

Status of PPP projects in the Central Sector and in the State Sector may be discussed on the basis of Table 2.

railways, national highways, airports and major ports, and, accordingly, numerous PPP projects have been awarded and in many cases those PPP projects are in operation.

In India, State Governments also participated in the development of world class infrastructure, especially in the sectors assigned to the states by the constitution. State highway, state ports and urban infrastructure are included in the states' list. But power is in the concurrent list where distribution and intra-state transmission is totally with the states periphery. In all these sectors the State Governments are implementing several infrastructure projects under PPP mode. PPP in the state sector completed

96 road projects with an investment of Rs. 6,384 crore, 20 non-major ports with an investment of Rs. 19,704 crore and 7 power projects involving an investment of Rs. 8,971 crore. At the same time, in the road sector, 69 projects with an investment of Rs. 60,856 crore and in non-major ports 37 projects involving an investment of Rs. 51,549 crore are under implementation. There are 86 projects in the road sector with an investment of Rs. 39,482 crore, 34 power projects with an investment of Rs. 62,032 crore, and 67 urban infrastructure projects involving an investment of Rs. 45,838 crore in the pipeline.

Observations and Findings

The Central Government and some states have sufficiently progressed in developing infrastructure needed for broad and robust PPP programmes, some states have developed policies and approached some sectors only and some other states are yet to seriously consider the PPP mode. As a result, there exists considerable diversity among different states – both in the strength of policy and legal frameworks.

Some State Governments are still at an early stage in the development of their PPP mode. It is important to note that the right frameworks and capacities are to be improved in these states and agencies where PPP programmes are going to be pursued.

Some policy rationale for PPPs is still limited to the use of PPPs as a source of investment of capital when the public sector lacks funds.

Policies for attracting private participation and innovation with different structures have met with varying degree of success. Some sectors like roads, ports, energy, airports and urban infrastructure have

done very good progress but other sectors' success is very limited.

In PPP project, private investors demand higher rate of return than the government's bond rate, though most of all the income risk associated with the project was born by the public sector.

The Government has taken a number of initiatives during the Tenth and Eleventh Plan to promote development of infrastructure in general and private participation in particular – formed the Committee on Infrastructure (COI), a Cabinet Committee on Infrastructure (CCI), Public Private Partnership Appraisal Committee (PPPAC), Empowered Committee (EC), Validity Gap Funding (VGF) Scheme and India Infrastructure Finance Company Limited (IIFCL).

To create world class infrastructure large investment is required which necessitates exploring the scope of fulfilling the deficit of fund through PPPs in all the areas of infrastructure.

India has to tap local and foreign investors in PPP mode as a business destination. Development of Indian infrastructure may be compared with infrastructure rating of Brazil and China which indicate that India has some way to go in infrastructure development before it can match its peers. So, we have to select right PPP model for a right project at a right time through realistic planning that would provide meaningful and hassle-free infrastructure development and, ultimately, would increase the infrastructure at international standards and thereby sustain the overall development of our country. □

ANNOUNCEMENT

The Management Accountant – April, 2011 will be a special issue on 'ROLE OF CMAs IN IFRS ERA'. Articles, views and opinions on the topic are solicited from readers to make it a special issue to read and preserve. Those interested may send in their write-ups by e-mail to rnj.sumita@icwai.org, followed by hard copy to the Research & Journal Department, 12 Sudder Street, Kolkata-700016 to reach by 15th March, 2011.

ANNOUNCEMENT

The Management Accountant – May, 2011 will be a special issue on 'CRISIS MANAGEMENT IN INFRASTRUCTURE SECTOR'. Articles, views and opinions on the topic are solicited from readers to make it a special issue to read and preserve. Those interested may send in their write-ups by e-mail to rnj.sumita@icwai.org, followed by hard copy to the Research & Journal Department, 12 Sudder Street, Kolkata-700016 to reach by 15th April, 2011.

Public-Private Partnership in Financial Market Regulation : a Case of Credit Rating Agencies

Dr. Mausumi Bhattacharyya*

Background to the partnership

Global financial markets have undergone remarkable changes over the last four decades. The number of participants and their anonymity has increased while the investment strategies have become more complex and diversified. Plenty of new and complex credit products have been created through securitisation and the capital market has largely replaced the banks so far intermediation is concerned.

With the opening up of the economies, individual countries started going global in search of capital. All these developments contributed in an increasing information asymmetry in the financial market. Within the process of globalization of capital the role of the State and its law has significantly diminished and many of the supervisory duties undertaken earlier by the State have been outsourced to private entities. The developments in this direction are two folds: on the one hand is the privatization of law as evidenced by the rise of contract as the determining instrument of relationships; and, on the other, is the hybridization of State regulatory activities where State-agencies act in consort with private entities to accomplish a range of activities hitherto undertaken by the State (Ford, John, 2005).

The pace of globalization has forced these developments as the State has been unable to maintain its grip – both financially and intellectually – over the ever-increasing demands made on it by the financial communities. This calls for the emergence of private or semi-private bodies in the regulation of financial markets. Here come the credit rating agencies (CRAs) as private bodies to supplement the State regulatory endeavours. Credit rating agencies are the information intermediaries that evaluate the creditworthiness of a borrower. Throughout the globe CRAs have managed to earn State-confidence which, ultimately, got translated into State-dependence.

Credit ratings in market supervision

The credit rating industry is characterized by the fact that States worldwide use private credit ratings as a reference point in financial regulations. Although rating industry started its journey in 1909, there was little growth in regulatory licenses in the US up to 1973. There was no major credit rating-dependent regulation till early 1970s, after which credit rating became a global phenomenon. A surge in the

enactment of rating-based regulations in the US marked the beginning of a new chapter in the history of financial market supervision. Regulatory dependence on credit rating increased in 1973 with the US Securities and Exchange Commission (SEC) adopting the rule to recognize some credit rating agencies as Nationally Recognized Statistical Rating Organization (NRSROs). In this context Partnoy (2002) observed:

“Since 1973, there have been credit rating dependent rules and regulations promulgated under the Securities Act of 1933, the Securities Exchange Act of 1934 and various banking, insurance and real estate regulations. NRSROs even have been cited in a few federal district court opinions”.

Then on, there have been a huge number of financial market regulations in the US, which rely explicitly on the NRSRO designation. Presently, there are ten NRSROs recognized by the SEC.

In India, credit ratings have started to be used in financial market regulations since mid-1990s. SEBI uses ratings in the regulation of mutual funds, listing of debentures, investor protection guidelines, IPO grading and collective investment schemes, while RBI banks heavily on ratings for regulating commercial papers, SMEs, primary dealers in government securities, commercial banks, mortgage backed securities, NBFCs and financial institutions. Besides, Insurance Regulatory and Development Authority also incorporated credit ratings into the regulations of governing insurance sector.

Regulatory incorporation of ratings

The most significant purpose of rating based regulations is the protection against systemic risk (Balling, 2004). The State intends to check the accumulation of excessive risk at certain points in the financial system in order to prevent contagious events like bank runs. Confidence in the financial system by all its participants is an important component of financial stability. Dumez and Jeunema (1997) described it as ‘public good’. The State aims at increasing confidence. It has an aspect of consumer protection as well. By prohibiting investments of certain funds (e.g. Mutual Funds in India) in securities

* Sr. Lecturer in Commerce, Serampore College, Hooghly, W.B.

rated below investment grade, regulators use credit ratings as a consumer protection tool. Similar restrictions exist in the US regarding investment of Pension Funds. Thus, credit ratings are an attractive instrument in financial regulation. Rating-based regulations centre around three broad areas : disclosure requirements, investment requirements, and capital requirements (Adams, Mathieson and Schinasi, 1999).

The pro-regulation arguments may be summed up as :

Firstly, Credit ratings serve to define disclosure requirements. Appropriate credit rating may lower legislative obligations, or may even be a path to completely avoid supervision. The underlying target is to free low risk companies from unnecessary regulatory supervision. Rating-based regulations minimize the need for detailed regulatory oversight by the market regulators. By matching market recognition and regulatory recognition of CRAs, regulators relieve themselves of their supervisory functions (Brookfield and Ormrod, 2000).

Secondly, regulators use credit ratings to impose investment restrictions on certain financial institutions. By prohibiting the holding of low rated securities, the overall risk portfolio of the investor can be rationalized. This may help minimize the possibility of default and consequent jerk which may affect the market stability.

Thirdly, by linking credit ratings with issuers' capital requirements, regulators give a signal of riskiness of assets and, accordingly, stipulate appropriate capital to insure against default (Dittrich, 2007).

Finally, primary aim of using credit rating in regulations is to prevent financial market instability. High credit rating appears to provide investors with some degree of security against default. Thus, regulatory use of credit rating establishes that credit ratings carry an additional value other than informational or reputational relevance. Since rating industry is reputation driven, ratings reflect a sense of assurance attached to the instrument rated. Thus, ratings are a simple instrument to influence the behaviour of market participants. Regulators repose trust on ratings as this influence leads to informed market behaviour.

Legitimacy dilemma

CRAs are entrusted all over the world with the certification function (Sinclair, 2005). By making ratings mandatory for security issues, market regulators have turned CRAs into the seller of regulatory license. Due to this license mechanism,

CRAs have become defacto regulators of the financial market. A section of critics holds that it is better to refrain from giving legitimacy to any rating agency. They presume that the market will play its role in disciplining the system. But the problem lies at the core of the industry's oligopolistic nature. Unless there are sufficient alternatives, market can hardly discipline the system. Given the limited number of rating agencies in operation, an aggrieved market player is left with very little choice. Therefore, certain level of supervision on the part of market regulators is warranted. It is more so because regulators themselves bank on ratings while framing various regulations. Unless the regulators are convinced of the objectivity of rating methodologies, CRAs' independence from outside influences, their credibility and adequacy of resources, how can the regulators act on their ratings? Quite naturally, a pro-regulation argument may be advanced in favour of some degree of checks and balances on the overall functioning of the CRAs. After all, rating is a business and is driven by profit motive. They may be asked to comply with some regulations as do thousands of other profit seeking concerns. The investors, who are vulnerable to any jerks in the market, may then feel a little more secured.

However, the debate continues over whether ratings should be used for regulatory purposes or not. The concern expressed by Moody may be cited in this context. Moody apprehended that the use of ratings by the regulators is tending to change and perhaps undermine the objectivity of the rating process. Issuers pay for the rating not to establish credibility with investors but to obtain what is—in effect—a license from regulators.

In fact, the regulatory use of ratings is not accompanied by an act of authorisation or financial support. CRAs are not government agencies; they are private firms that spontaneously evolved in the market. In this case, the principal does not create the agent by an act of delegation but forces an existing autonomous organisation. The relationship between the regulatory agencies and the CRAs can better be described as a principal-trustee relationship.

Every scam puts the market-gatekeepers under scanner. CRAs, being a gatekeeper, cannot just shrug off their responsibilities in those crises (Bhattacharyya, 2010). The basic problem lies with the way rating agencies are treated in the legal systems and the consequent degree of importance that is attached to the services of these information intermediaries. The problem was not the erroneous ratings, as such; the problem was that these erroneous ratings were incorporated into law. Most importantly, ratings determine how much capital regulated institutions

need in order to own the bonds. Since ratings determine the capital requirements, they have profound influence on how financial institutions invest in their assets. The regulatory reliance on ratings, in effect, makes the rating agencies de facto allocators of capital in the system. Regulators should not blindly rely on ratings for the assessment of bond holding risks; rather they should allow the market to complement the ratings. CRAs must be held accountable for the lapses in their services along with other gatekeepers.

Conclusion

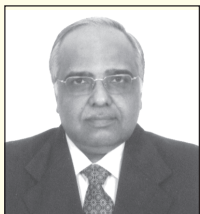
Credit ratings have become a regulatory mandate throughout the globe. India is no exception to it. SEBI and RBI—the two pillars of financial market—have long been working in partnership with CRAs for financial market supervision. Following the corporate scams and consequent shock-waves on the corporate credibility, the regulators need to review the justification of this partnership. It must be kept in mind that no amount of regulation can assure an absolutely fault-free financial system. However, investor education and activism may bring about a significant change in the way the market operates.

Regulations can do their bit, but it is ultimately the conscious market participants who can change the landscape of the Indian financial system for a better tomorrow. The true spirit of law lies in the internalization of certain values in the existing system. Law intends to provide a minimum requirement of compliance, beyond which the system is expected to pull itself up for developing a more disciplined culture. CRAs, as an integral part of market regulatory system, need to look beyond mere compliance requirements; rather, they should build up strong ethical-moral standards for themselves for upholding

the broader social cause. Then only, CRAs can justify their partnership with the market regulators. □

References

- Adams C.D., J Mathieson and G Schinasi (1999). *International Capital Markets : Development, Problems and Policy Issues*, IMF, Washington DC.
- Balling, Morten (2004). Objectives and Theoretical Foundations of the European Commission's 1999 Action Plan Concerning the Framework for Financial Markets. *Journal of International Banking Regulation*, 5 (3).
- Bhattacharyya, Mausumi (2010). Corporate Fiascos and the Role of Credit Rating Agencies. *The Management Accountant*. Vol. 45. No 3. March.
- Brookfield, David & Phillip Ormrod (2000). Credit Agency Regulation and the Impact of Credit Ratings in the International Bond Market. *European Journal of Finance*, 6 (4).
- Dittrich Fabian (2007). The credit rating industry: competition and regulation. Can be retrieved at <http://ssrn.com/abstract=991821>.
- Dumez, Hervé & Alain Jeunema, (1997). *Financial Regulation: From Economic Analysis to Practical Experience*. in Alain Jeunemaître (Ed.) *Financial Markets Regulation: A Practitioner's Perspective*, (pp. 3-24) Basingstoke.
- Ford, John (2005). Rating, Dating and the Informal Regulation and the Formal Ordering of Financial Transactions: Securitisations and Credit Rating Agencies. In Michael B. Likosky (Eds.), *Privatising Development*, Martinus Nijhoff Publishers, Netherlands.
- Partnoy Frank (2002). The paradox of credit rating. in Levich, M., Majnoni, G. & Reinhart C (ed.), *Ratings, Rating Agencies and the Global Financial System*. Kluwer Academic Publishers, USA.
- Sinclair, Timothy J., (2005). *The New Masters of Capital: American Bond Rating Agencies and the Politics of Creditworthiness*. Cornell Studies in Political Economy, Cornell University Press, New York.



At the Helm

Shri M. L. Jhunjhunwala has been elected as Vice President of Indian Spinners Association (ISA). Presently, Shri Jhunjhunwala is working as President of RSWM Limited., which is a multi-locational and multi-product company with specialization in blended and synthetic textiles and also a Group company of LNJ Bhilwara Group. He is having rich experience in the same line. Shri Jhunjhunwala is a Member of ICWAI.

Building Blocks to a Successful Public-Private Partnership

Prof. P.Srinivas Subbarao*

R. S. R. Kiran**

G. V. L. Srikanth***

A Public-Private Partnership is a long-term contractual agreement between a government agency and a private partner for the delivery of goods or services. Public-Private Partnership is a mutually beneficial relationships between the public and private sectors, which are an effective way to bridge gaps between demand and resources, quality and accessibility, and risk and benefit. Public-private partnerships can take various forms and include both collaborative (non-legal binding) or contractual (legally binding) agreements. A successful partnership between the public and private sectors depends on all of the people involved with the project. Problematic public-private partnerships usually result from non-technical challenges that arise in the working relationship. This paper explains the modes of PPP and strategies required for successful public-private partnership in India.

Public-private partnership (PPP) is a funding model for a public infrastructure project such as a new telecommunications system, airport, or power plant. The public partner is represented by the government at a local, state and/or national level. The private partner can be a privately-owned business, public corporation or consortium of businesses with a specific area of expertise. PPP is a broad term that can be applied to anything from a simple, short term management contract (with or without investment requirements) to a long-term contract that includes funding, planning, building, operation, maintenance and divestiture. PPP arrangements are useful for large projects that require highly-skilled workers and a significant cash outlay to get started. They are also useful in countries that require the state to legally own any infrastructure that serves the public.

A Public-Private Partnership is a long-term contractual agreement between a government agency and a private partner for the delivery of goods or services. As partners, each party shares in the potential risks and rewards inherent in the delivery of the goods or service, including financial risks and responsibilities, and quality assurances for the taxpayer. Public-Private Partnerships are not privatisations because the government entity involved in the agreement retains control and ownership of the project.

The Canadian Council for Public-Private Partnerships defines a public-private partnership as “a cooperative venture between the public and private sectors, built on the expertise of each partner, that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards.”

Other working definitions are more precise and speak to the characteristics and changes that must

occur. According to Wendell C. Lawther’s 2002 report, Contracting for the 21st Century: a Partnership Model, public-private partnerships are further defined as: “Relationships among government agencies and private or nonprofit contractors that should be formed when dealing with services or products of highest complexity. In comparison to traditional contractor-customer relationships, they require radical changes in the roles played by all partners.”

Governments benefit from public-private partnerships (PPP) by gaining access to corporate expertise and experience in management, strategic planning, innovative problem solving, labour market expertise, skills development, efficient delivery of goods and services, product development and logistical support.

Public-private partnerships can take various forms and include both collaborative (non-legal binding) or contractual (legally binding) agreements.

Contractual Partnerships : The Traditional View

Depending on the type of contract, the following levels of *contractual* partnerships exist:

Time & Materials (T&M) : Under this type of contractual partnership, the public sector customer has the most control during the term of the relationship. There are no performance-based measured outcomes; thus, performance thresholds have not been identified, and there are no reporting mechanisms for performance.

* Ph.D., M.Phil., MBA (IB), FDP (IIMA), M.Com., Professor & Head of the Department, Department of Management Studies, Commerce & HRM, M.R.P.G. College, Vizianagaram 535 001

** Asst. Professor, Department of Management Studies, M.R.P.G. College, Vizianagaram 535 001.

*** Asst. Professor, Department of Management Studies, M.R.P.G. College, Vizianagaram 535 001.

Firm Fixed Price (FFP) : Under this type of contractual partnership, the public sector customer has less control and must define the deliverable for the contractor. Outcomes are identified as “deliverables”, and typically not in the form of metrics – nor are they measured during the course of the contract. There is a desired “to-be” state in mind, but uncertainty regarding “how” to reach those outcomes is assumed by the private sector supplier.

Performance Based : This type of contractual partnership is actually a marriage of T&M and FFP with joint solution design meetings and mutually agreed upon service level agreements (SLAs). Performance thresholds and reporting mechanisms are jointly established between public sector customer and private sector supplier, there are stated objectives and outcomes by the public sector, and performance is measured on a predetermined and consistent basis.

Shared-in-Services Savings : Under this type of contractual partnership, the public sector customer has relinquished control to the private sector supplier and the private sector supplier assumes most or all of the risk in this contractual scenario. This arrangement is usually referred to as an A-76 in the federal government – a total outsourcing arrangement. The private sector supplier has the most control and the public sector customer should justify this arrangement by knowing their total cost of ownership of doing this business before outsourcing.

Collaborative Partnerships

Collaborative partnerships are non-legal working relationships that often occur between the public and private sectors to meet a common objective or goal. Primarily goodwill gestures, collaborative partnerships are often used to provide knowledge exchange or collective leverage resources for a specified goal.

It is not uncommon for technology firms and state IT organisations to collaborate to explore new technology that mutually benefits both parties. For example, organisations often establish an advisory board, stakeholder group or governance body which includes private sector representatives. These groups may be formed to assist with strategic planning, to provide on-going expertise and guidance, or to target specific issues or projects. These bodies may be standing committees or they may be task forces, convened for short term, tactical purposes. No matter what the title or structure of these entities, they create an environment to foster collaboration and partnerships. These collaborative efforts provide an open forum for both public and private entities to exchange ideas and promote the interest of the

technology community and government to provide better services and meet new citizen demands.

A collaborative partnership like the CLC can be used to respond to infrequent emergency situations or calamities that impact government and their ability to deliver services. In 2005, a significant number of private sector technology companies responded to requests from government leaders to provide assistance to the recovery operations, in response to Hurricanes Katrina and Rita. These firms were not bound by contractual obligations to offer assistance; rather they recognised a critical situation and the overarching public need. The result was effectively working together toward a common goal. Much can be learned through these intense and immediate circumstances if we take the time to reflect.

Models of PPP

Different models of PPP funding are characterised by which partner is responsible for owning and maintaining assets at different stages of the project.

Examples of PPP models include :

- **Design-Build (DB)** : The private-sector partner designs and builds the infrastructure to meet the public-sector partner’s specifications, often for a fixed price. The private-sector partner assumes all risks.

- **Operation & Maintenance Contract (O & M)**: The private-sector partner, under contract, operates a publicly-owned asset for a specific period of time. The public partner retains ownership of the assets.

- **Design-Build-Finance-Operate (DBFO)** : The private-sector partner designs, finances and constructs a new infrastructure component and operates/maintains it under a long-term lease. The private-sector partner transfers the infrastructure component to the public-sector partner when the lease is up.

- **Build-Own-Operate (BOO)** : The private-sector partner finances, builds, owns and operates the infrastructure component in perpetuity. The public-sector partner’s constraints are stated in the original agreement and through on going regulatory authority.

- **Build-Own-Operate-Transfer (BOOT)** : The private-sector partner is granted authorisation to finance, design, build and operate an infrastructure component (and to charge user fees) for a specific period of time, after which ownership is transferred back to the public-sector partner.

- **Buy-Build-Operate (BBO)** : This publicly-owned asset is legally transferred to a private-sector partner for a designated period of time.

- **Build-Lease-Operate-Transfer (BLOT)** : The private-sector partner designs, finances and builds a facility on leased public land. The private-sector partner operates the facility for the duration of the land lease.

When the lease expires, the assets are transferred to the public-sector partner.

- **Operation License** : The private-sector partner is granted a license or other expression of legal permission to operate a public service, usually for a specified term. (This model is often used in IT projects.)

- **Finance Only** : The private-sector partner, usually a financial services company, funds the infrastructure component and charges the public-sector partner interest for use of the funds.

Building blocks for a successful partnership

A successful partnership between the public and private sectors depends on all of the *people* involved with the project. Problematic public-private partnerships usually result from non-technical challenges that arise in the working relationship. Lack of executive and project leadership, insuperable communication issues, or deficiencies in planning and defined processes can create barriers to collaboration. Unfortunately, the technology often is the “scapegoat” within an unsuccessful partnership. Similarly, if nothing appears broken from a technology perspective, and the operation is apparently running smoothly, the working relationship may be deemed successful when – in truth – the partnership lacks key building blocks for success.

Outlined below are some of the building blocks for a successful partnership :

1. **An Assurance from Executive Leadership** : A successful partnership can result only if there is assurance from “the top” of both the government and private sector organisation to work together. The most senior public officials must be willing to be actively involved in supporting the concept of public and private partnerships, and take an hostile leadership role in the development of each given collaborative venture. A well-informed political leader can play a critical role in minimising misperceptions about the value to the public of an effectively developed partnership.

2. **A Statutory groundwork for Partnering** : Equally important, there should be a statutory foundation for the implementation of public and private partnerships within the state organisation. Too often, state laws may limit or lack clarity regarding the formation and management of public and private sector partnerships. Without this clarity, leaders often view these collaborative partnerships as risky ventures and cannot take advantage of innovative and creative solutions. A number of states have established effective statutory frameworks to foster collaborative work with the private sector.

3. **Direct Public Sector Participation** : Once a partnership has been established, the public-sector must remain actively involved in the project or program at all levels. On-going supervision of the performance of the partnership is important in assuring its success. This monitoring should be done on a daily, weekly, monthly, or quarterly basis for different aspects of each partnership (the frequency is often defined in the business plan and/or contract) from an outcome basis.

4. **A carefully developed plan** : You must know what you expect of the partnership before hand. A carefully developed plan (often done with the assistance of an outside expert in this field) will substantially increase the probability of success of the partnership. This plan most often will take the form of an extensive, detailed contract, clearly describing the responsibilities of both the public and private partners. In addition to addressing areas of respective responsibilities, a good plan or contract will include a clearly defined method of dispute resolution (because not all contingencies can be foreseen).

5. **Efficient Communication with Stakeholders** : More people will be affected by a partnership than just the public officials and the private sector partner. Affected employees, the portions of the public receiving the service, the press, public labour unions and relevant interest groups will all have opinions and, frequently, significant misconceptions about a partnership and its value to all the public. It is important to communicate openly and candidly with these stakeholders to minimise potential resistance to establishing a partnership.

Both parties need to develop an effective communication plan. The communication management process provides a structured approach to creating and delivering effective information, defining audiences and delivery vehicles. The process helps ensure accurate and consistent messages are conveyed, by appropriate senders, to necessary audiences, through appropriate channels and vehicles at the right time. Successful implementation will positively affect the work environment and relationships with sponsoring organisations, employees and other stakeholders.

In order to be successful, a communication strategy relies on the following critical success factors :

- Timely sharing of information
- Accurate and consistent messages conveyed to key audiences
- Realistic messages from trusted sources that set realistic expectations.

It is critically important that the project develop,

organise and prioritise its formal messages and informal communication with a rifle—not a shotgun—approach! This means aligning messages and sharpening them for specific audiences.

6. The Right Opportunity : Only a select number of government business problems are ripe for a true partnership. These should have the right characteristics—uncertainty, high complexity, challenging problems, etc. When forming a public-private partnership, it is critically important that both parties set and manage reasonable expectations, especially the state government sector.

7. The Right Partner : The “lowest bid” is not always the best choice for selecting a partner. The “best value” in a partner is critical in a long-term relationship. A candidate’s experience in the specific area of partnership being considered is an important factor in identifying the right partner.

Magnitude of Effective Public-Private Relationships*

Traditional Contractor-customer _____ Public Private Partnership

Complexity/Uncertainty

Risk

Cost-Sharing

Trust

Commitment

Coordination

Low _____ High

**Contracting for the 21st Century: A Partnership Model (January 2002), Wendell C. Lawther, IBM Endowment for The Business of Government*

Growth in PPP in India (from PPP data base of GoI)

Development and use of PPPs for delivering infrastructure services has now at least 11 years of precedence in India, with the majority of projects coming in line in the last 5 years. Policies in favour of attracting private participation as well as innovation with different structures have met with varying degrees of success. Some sectors like telecommunications, power, and ports and roads, have done very good progress compared to limited success in other sectors.

Some states have undertaken far more PPPs than others, and a much heavier use of PPPs in some sectors than others. As far as current status of projects in place, as per our database, there have been at least 450 PPP projects in our main sectors of focus where a

contract has been awarded and projects are underway in the sense that they are either operational, have reached construction stage, or at least construction implementation is imminent. The total project cost is estimated to be about Rs. 2,24,175.75 crore (sector-wise investment details in Table 1 & 2 in Annexure 1).

The road projects account for 60% of the total number of projects and 45% by total value because of the small average size of projects. Ports—though account for 10% of the total number of projects—have a larger average size of project and contribute 30% in terms of total value. The potential use of PPPs in e-governance and health and education sectors remains largely untapped across India as a whole, though off-late there have been some activities shaping in these sectors.

Across states and central agencies, the leading users of PPPs by number of projects have been Karnataka, Andhra Pradesh, and Rajasthan, with 95, 63 and 49 awarded projects, respectively, and the National Highways Authority of India (NHAI), with about 77 projects.

In terms of main types of PPP contracts, almost all contracts have been of the BOT/BOOT type (either toll or annuity payment models) or close variants.

In terms of approach to provider selection, almost all the projects in the sample were competitively bid (either national or international competitive bidding) with the negotiated ones (through MOUs) primarily coming from the railway PPP projects, which is understandable given the lack of clear policy framework and standard contract still date.

In terms of contract award method the International Competitive Bidding yielded 39% of total investment in India followed by Domestic Competitive Bidding with 33%, the detailed method of bidding is mentioned in Table-3 in Annexure-I.

Conclusion

PPP offers more business opportunities to the private sector because the private sector can be engaged to deliver a full suite of services and will have better market creditability due to public participation. The potential risks of PPP—which include loss of control by government, accountability issues, lack of competition, reduced quality or efficiency of service, undeniable service etc.,. But many government organisations are tapping the private sector for capital, technology, and expertise to finance, develop, and manage public-sector infrastructure projects for water, transportation, energy, and telecom, which can become catalysts for economic growth.

The number of PPP projects under way, the types

of PPP contracts in use and the country's political and economic policies and institutions enable PPPs to stimulate a country's economic growth, with success dependent on the right framework and knowledgeable and trusted advisors – public and private – to

assist with structuring, screening, and procuring high-value PPP projects. PPPs can be winning partnerships – governments meet obligations without debt, the public receives better or more services, and the private sector is presented with a wider market. □

Annexure I

Table 1 State wise figures of PPP Projects in India

States	Total Number of Project based on value of contracts					
	Total Number of Projects	Based on 100 crore	Between 100 to 250 crore	Between 251 to 500 crore	More than 500 crore	Value of contracts
Andhra Pradesh	63	1062.93	1554.27	3188.53	33473.7	39279.43
Bihar	02	4.00	0.00	418.04	0.00	422.04
Chandigarh	14	15.00	0.00	0.00	0.00	15.00
Chhattisgarh	04	70.00	304.00	464.00	0.00	838.00
Delhi	09	95.00	0.00	408.20	10374.00	10877.20
Goa	02	30.00	220.00	0.00	0.00	250.00
Gujarat	27	130.06	277.22	3360.90	14943.71	18711.89
Haryana	02	0.00	0.00	756.00	0.00	756.00
Jharkhand	06	131.00	550.00	0.00	0.00	681.00
Karnataka	95	980.39	1692.55	12203.31	24615.60	39491.85
Kerala	11	114.00	112.00	615.50	11131.00	11972.50
Madhya Pradesh	37	1027.32	1117.28	2694.95	2949.00	7788.55
Orissa	16	235.10	0.00	500.00	6888.34	7623.44
Pudducherry	02	0.00	0.00	419.00	1867.00	2286.00
Punjab	19	537.26	434.72	572.00	0.00	1543.98
Rajasthan	49	523.92	783.79	833.00	3112.70	5253.41
Sikkim	24	175.59	558.00	2669.00	13708.00	17110.59
Tamil Nadu	30	143.31	555.60	6412.87	5340.00	12451.78
Uttar Pradesh	05	0.00	0.00	1458.57	649.21	2107.78
West Bengal	05	0.00	200.00	1214.40	641.00	2055.40
Inter-State	13	160.45	195.00	2294.67	5984.00	8634.12
Total	450	5638.83	9299.93	41582.78	167739.21	224175.8

Source : <http://www.pppindiadatabase.com>

Table 2 Sector-wise figures of PPP Projects in India

States	Total Number of Projects	Based on 100 crore	Between 100 to 250 crore	Between 251 to 500 crore	More than 500 crore	Value of contracts
Airports	05	0.00	0.00	303.00	18808.00	19111.00
Education	01	93.32	0.00	0.00	0.00	93.32
Energy	24	175.59	558.00	2669.00	13708.00	17110.59
Railways	04	0.00	102.22	905.00	594.34	1601.56
Roads	271	3162.50	55256.49	32861.87	604 53.92	102004.70
Tourism	29	742.56	674.52	0.00	1050.00	2467.08
UrbanDevelopment	73	1283.86	1468.52	2403.91	10132.00	15288.47
Total	450	5638.83	9299.93	41582.78	167739.21	224175.8

Source : <http://www.pppindiadatabase.com>

Table 3 Showing Sector-wise and contract-wise method of PPP project in India

States	Total Number of Projects based on Contract Award Method				
	Total Number of Projects	Domestic Competitive Bidding	International Competitive Bidding	Negotiated MOU	Value of Contracts (Rs. Crore)
Airports	05	0.00	1888.08.00	0.00	19111.00
Education	01	93.32	0.00	0.00	93.32
Energy	24	100.00	0.00	16014.59	17110.59
Ports	43	4816.00	24037.00	34519.95	66498.95
Railways	04	696.56	0.00	905.00	1601.56
Roads	271	1367.76	34161.90	1259.20	102004.78
Tourism	29	1367.76	982.32	0.00	2467.08
UrbanDevelopment	73	4645.83	9758.91	15.00	15288.47
Total	450	74583.67	87748.13	52785.84	224175.8

Source : <http://www.pppindiadatabase.com>



Hearty Congratulations to

Shri A. K. Verma, a M.Com, MBA & LLB and a fellow member of the ICWAI, for joining in Engineering Projects (India) Ltd. as Director (Finance) on February 2011. Widely experienced, both in domestic and international arena, particularly in the field of Costing of cash projects including financial modelling for BOT/ Annuity/ Concession projects, Project financing and like areas, Shri Verma has worked with IRCON International Ltd. and various other Public Sector Companies, before joining EPIL.

Public-Private Partnership in Port Sector—Guidelines and Regulatory Framework for Indian Major Port Trusts

M. Ravichandran*

J. Kauthami**

Introduction

It has been assessed that major expansion is required in the port infrastructure sector in our nation to handle the sea voyage traffic on account of increasing foreign and coastal trade. In order to mobilise substantial resources required for the purpose and to improve efficiency, productivity and quality of service as well as to bring in competitiveness in port services, the port sector has been thrown open to private sector participation. This is in consonance with the general policy of liberalisation or globalisation of economy of the Government. It is expected that private sector participation would be resulted in reducing the gestation period for setting up new facilities or to help bring in the new or latest technology and improved management techniques.

Areas of Privatisation

The following areas have been identified for participation or investment by the private in Port Sector. These are indicative in nature and individual ports can expand the scope of activities after a consultation with the Central Government :

- i. Leasing out existing assets of the port trust
- ii. Construction or creation of additional assets which includes :
 - a) Construction and operation of container terminals
 - b) Construction and operation of bulk, break bulk, multipurpose and specialised cargo berths
 - c) Warehousing, container Freight Stations, storage facilities and tank farms
 - d) Carnage or Handling Equipment
 - e) Setting up of captive power plants
 - f) Dry docking and ship repair facilities
- i. Leasing of equipment for port handling and leasing of floating crafts from the private sector
- ii. Pilotage
- iii. Captive facilities for port based industries

Each port has power to identify specific projects for implementation through private sector participation.

Legal Framework

There is no legal bar to private sector participation in port facilities as per the provisions of the existing Major port Trusts Act, 1963, as listed out :

- i. Lease of port's movable and immovable property viz. land, existing berths or super structure or equipments etc. (According to definition given in the MPT Act, 1963 "Immovable property includes wharfage rights, all other rights exercisable on, over or in respect of any land, wharf, dock or pier").

(Section 34(1) & Section 42(3) read with Port Regulations, if any, made under Section 34(2).

ii. Construction or installation of wharf, dock, quay, stage, jetty, pier erection or mooring and reclamation of foreshore within the port limit by private parties.

iii. Performance of any of the services to be rendered by the ports under Section 442(i) by a private party on terms and conditions fixed with the approval of Central Government and recovery of charges by the private party for the service rendered by them.

(Section 46(1) read with Section 34)

iv. Lease, farm, sell or alienate the rights of the Board to levy rates to other party with the approval of Government.

(Section 42(3), Section 42(4) and Section 57)

Regulatory Framework

The Port will continue to maintain its regulatory role under Major Port Trusts Act, 1963. However, for purpose of fixing and revising port tariffs, an independent Tariff Regulatory Authority will be set up. The tariff so fixed would be a ceiling and both the private entrepreneurs and the port would be free to charge less than such notified tariff. Till such a Regulatory Authority is set up, the present procedure, namely, that of Ports fixing the tariffs with the approval of Central Government will continue.

The Port should ensure that private investment does not result in the creation of private monopolies, and that private facilities are available to all users on equal and competitive terms. However, in the case of berths constructed or taken on lease by private entrepreneurs, they would be permitted to give priority berthing to their own ships and they would service other ships on a first-come-first-served basis.

The private entrepreneurs will be obliged to protect the national interests like national security whenever necessary and required, and also honour priority berthing orders of Central Government in this regard. The private entrepreneurs will also abide by the various statutory requirements on the protection of the environment, antipollution measures, safety, conservancy, etc. and also abide by the directives

* MIBA., MBA., M.Phil., M.Com., Ph.D., Assistant Professor, Department of Management Studies, Anna University of Technology (Main Campus), Tiruchirappalli 620 024.

** Final Year MBA(Finance), Department of Management Studies, Anna University of Technology (Main Campus), Tiruchirappalli 620 024.

issued by the Government or Port in this regard from time to time.

The Ports can take steps to frame regulations under relevant sections of Major Port Trust Act consistent with these guidelines to enable sector participation in Port Sector with the approval of the Central Government. Till such regulations are framed, cases will continue to be governed by these guidelines.

Feasibility Report

In the case of identified projects for private sector participation, the Ports may prepare feasibility reports either through their inhouse expertise or by engaging competent consultants after following the normal procedure of tendering or shortlisting. Approval of the Ministry of Surface Transport to undertake the feasibility study will be taken wherever necessary.

Tenders will be invited for the project based on the Feasibility Report. The cost of preparation of the Feasibility Report would be recovered from the successful tenderer.

Projects to be executed through private sector participation need not be posed for approval of the investment to EFC or PIB. Even feasibility report for such projects need not go for clearance of Committee of PIB. Since the cost of feasibility reports is ultimately to be recovered from the successful tenderer.

In the case where captive facilities are desired feasibility reports may be conducted by the entrepreneur or PSU desirous of constructing the facility. However, the feasibility report would be seen or scrutinised by the Port to see whether it meets the Port's approval.

Guidelines on Privatisation

(i) Leasing out existing assets of the Port.

As far as leasing out the existing facilities to the private sector is concerned, such proposals should be normally considered only if such leasing will result in additional investment and augmentation or up-gradation of the existing facilities or equipment and in increased traffic throughput or profitability or improvement in quality of service or better productivity. The proposals will be considered on a case to case basis on merits, subject to :

(a) The need will be assessed by the Port Trust Board.

(b) Open tenders will be issued for leasing of existing assets to the private sector.

(c) The period of lease will be decided upon by the respective Port Trust in each case, with the maximum period not exceeding 30 years. At the end of the lease period the assets will revert back to the Port free of cost including equipment and augmented portion assets, if any.

(d) The lessee will undertake to keep the property of the Port leased to him in good condition and return it to the Port at the end of the lease period in good condition subject for fair wear and tear.

(e) Bids will be invited based on two-cover system consisting of technical and financial bids. Financial bids of only those bidders will be opened who have been technically qualified.

(f) The bidders will be asked to indicate in their financial bids

- An upfront fee for the lease
- Royalty per tonne of the cargo to be handled
- The minimum cargo which they will be willing to guarantee
- The lease rent per unit area, and
- Any other financial parameter to be specified depending upon the facility to be leased.

(g) Comparative financial evaluation of offers received from bidders who have been technically qualified will be based on the concept of maximum realisation to the Port on Net Present Value basis calculated by using discounting rate as periodically fixed by the Government. Royalty for the purpose of analysis will be based on the minimum traffic which the entrepreneur guarantees.

(h) In case any additional equipments are required to be put up by the entrepreneur, the Port will ensure that private entrepreneur puts up modern equipment and in new condition.

- (ii) Construction or creation of additional assets:
- Construction and operation of container terminals
 - Construction and operation of bulk, break bulk, multipurpose and specialised cargo berths.
 - Warehousing, Container Freight Stations, storage facilities and tank farms.

Conditions

a) The need for the project and the optimum land or waterfront required will be assessed by the Port Trust Board.

b) The requirement should be consistent with the Perspective Plan or Master Plan or Land Use Plan of the Port.

c) Open tenders will be invited for private sector participation on B.O.T. basis.

d) The period of licence including construction period will be decided upon by the respective Port Trust in each case, with the maximum period not exceeding 30 years.

e) At the end of the BOT period, all the assets shall revert back to the port free of cost.

f) Bids will be invited based on two-cover system consisting of technical and financial bids. Financial bids of only those bidders will be opened who have been technically qualified.

g) The financial evaluation will be done on the basis of maximum realisation to the Port. The bidders will be asked to indicate in their financial bids

- An upfront fee for the licence
- Royalty per Tonne of the cargo to be handled
- The minimum cargo which they will be willing to guarantee
- The lease rent per unit area of land or waterfront, and
- Any other financial parameter to be specified depending upon the facility to be created.

h) Comparative financial evaluation of offers received from bidders who have been technically

qualified will be based on the concept of maximum realisation to the Port on net Present Value basis calculated by using discounting rate as periodically fixed by the Government. Royalty for the purpose of analysis will be based on the minimum traffic which the entrepreneur guarantees.

i) It will be ensured by Port that the private entrepreneur puts up equipment using modern technology and in new condition.

Carnage or Handling Equipment

a) The need for providing carnage or handling equipment by the private sector on an existing berth will be assessed by the Port.

b) Open tenders will be issued for private sector participation on B.O.T. basis.

c) Bids will be invited based on two-cover system consisting of technical and financial bids. Financial bids of only those bidders will be opened who have been technically qualified.

d) The financial evaluation will be done on the basis of maximum realisation to the Port. The bidders will be asked to indicate in their financial bid

- An upfront fee for the licence
- Royalty per tonne of cargo to be handled, and
- The minimum cargo handling which the entrepreneur is willing to guarantee, or pay for.

e) The period of licence shall be fixed by the Port Trust in each case keeping in view the useful life of the equipment. At the end of the licence period, the assets will revert to Port Trust free of cost.

f) The private entrepreneur will be required to instal equipment using modern technology and in new condition.

g) The financial bids will be calculated on the basis of NPV of the returns to the Port, using a discount rate fixed periodically by the Government.

Setting up of Captive Power Plants Conditions

i. The need for the project will be assessed by the Port.

ii. Guidelines of Ministry of Power and other authorities like Central Electricity Authority or State Electricity Board etc. have to be followed and clearances if any obtained :

a) Open tenders will be invited with the stipulation that modern machinery or technology will be installed and in new condition.

b) Bids will be invited based on two-cover system consisting of technical and financial bids. Financial bids of only those bidders will be opened who have been technically qualified.

c) The private sector participation would be on BOT basis with a license period to be decided by the Port Trust in each case with a maximum period not exceeding 30 years (including construction period) after which the facility will revert back to Port free of cost.

d) The tariff for the electricity sold to the Port would be fixed by the Port Trust in terms of the tender.

It should, in any case, not be more than the State Electricity Board tariff applicable to the Port.

e) The Port may charge an upfront fee and lease rent for the land for the Captive Power Plant at market rates. The basis of financial evaluation will be the lowest tariff quoted for sale of electricity to the Port.

f) Environmental clearances and other statutory clearances will be obtained by the Port Trust.

g) The electricity requirement of the Port should be fully met and thereafter the entrepreneur may be permitted to sell its surplus power.

h) Specified level of supply of power to the Port will be maintained by the BOT developer, failing which penalties should be imposed.

Dry docking and ship repair facilities

The basic principles will be the same as per Models

(ii) (1), (ii) (2) and (ii) (3) as above. However :

a. Financial evaluation will be based upon :

– An upfront fee

i. The minimum guaranteed amount which the entrepreneur undertakes to pay per annum.

ii. The lease rent per unit area for the land/ waterfront.

The financial evaluation will be based on the concept of maximum realisation to the Port, using NPV analysis.

iii. Leasing of equipment or floating crafts from the private sector.

iv. Pilotage

a. The need will be assessed by the Port Trust Board, on the basis of existing floating crafts or pilots.

b. Tenders with eligibility for only Indian Nationals will be floated in a two cover procedure.

c. The period of contract will be decided by the Port Trust Board.

d. Subject to being technically qualified or short listed by the Tender Evaluation Committee, the bidders will be financially evaluated on the basis of least cost to the Port.

v. Captive facilities for Port based industries.

Cases where 100% captive facilities (land or waterfront) including captive oil jetties platforms or SBMs are sought by Port based industries, including Central or State PSUs, may be considered, if they do not conflict with the Master Plan of the Port. Such cases may be considered, without recourse to a tender, provided such industries are port specific and are approved by the concerned administrative Ministries, and the industry is willing to pay the maximum realisation which the port may determine taking into account all relevant factors. For this purpose, a port-based industry will be one which requires 100% captive berths or back-up area for the purposes of import of raw material and/or export of finished products and transportation of raw materials or finished products. General guidelines of BOT, wherever applicable, will be applied to cases of captive facilities.

General tender conditions and procedure

Private participation will be on the basis of open

Contd. to page 218

Relevance of 'Cost of Capital' in investment decision making

V. Gopalan*

'Cost of Capital' is relevant while structuring the capital requirements of a company, for deciding the right mix of means of financing and for assessing the success or otherwise of any project. It forms the basis of return any investment has to earn so as to maximize shareholder wealth. As the goal of any firm is not only to remain profitable but as well to constantly increase their shareholder wealth, any investment shall not only return at least its cost of capital but aim at getting greater than its cost of capital.

It acts as a benchmark to achieve minimum acceptable rate of return from a project and also helps management in formulating an optimum capital structure. Invariably the funding of a project has to be from out of mix/combination of debt, retained earnings, equity, preference capital, bonds, external borrowings through Special Purpose Vehicles, through Leveraged Buy Outs etc. But, it is helpful to make a distinction between cost of new equity, cost of investing retained earnings including the depreciation provision and cost of debt funds. It is very essential as the 'economic cost' of each component has to be measured in terms of the 'investment value' of the common stock of the entity.

The 'Weighted Average Cost of Capital' is often used as a benchmark, or "**hurdle rate**" when evaluating new investment opportunities. Therefore, cost of capital is not a cost as such and it is only a 'hurdle' rate. 'Hurdle rate' is defined as the required rate of return in a discounted cash flow analysis, above which an investment makes sense and below which it does not. Often, this is based on the firm's cost of capital or weighted average cost of capital, plus or minus a risk premium to reflect the project's specific risk characteristics, also called 'required rate of return'.

'Cost of capital' is the rate of return to at least maintain the value of shareholders' holding if not increasing their value through the proposed investments.

Cost of capital and risk assessment

'Cost of capital' is necessary not only to assess return at zero risk but more for ascertaining return for the business risks and for the financial risks. 'Business risk' means the risk that a business will experience during a period of poor earnings and resultant failure. The risk is greatest for cyclical or relatively new industries. Business risk impacts both the shareholders and the lenders, since the firm may be unable to pay dividends and interest adding to the possibility of repayment defaults. Every company carries the business risk that it will produce insufficient cash flow and the risk can come from a variety of reasons – some systemic and others non-systemic. Financial risk arises on account of mix of debt and equity. Higher the leverage, higher is perceived to be the financial risk in times of down-trend.

Hence, the lenders expect higher return from highly leveraged firms. An investment decision is taken knowing fully well the contingent risks as above but the estimation of 'cost of capital' supports decision making as to how much risks can be taken at any given point of time.

Investments are in the nature of greenfield investments, expansion schemes, investments towards modernization of production facilities, diversification projects, and/or by way of inorganic growth strategy. Irrespective of the nature of investment involving capital outlay and the size of such investment, there is always an underlying necessity to mix the capital in proper proportion so as to derive the long term benefits and to maximize shareholder wealth and, in this context, the 'cost of such capital' has been relevant

Implicit vs Explicit cost

'Cost of capital' can be either 'explicit' or 'implicit'. Explicit cost of any funding is the discount rate that equals the present value of the funds received when compared to the present value of the expected cash outflows. The outflows as stated above are in the nature of interest, repayment, dividend etc.

It is normally assumed that if a business has large amount of retained earnings or funds at its disposal at any given point of time, the funds are available free of charge as there is no financial obligation attached to usage of these funds. It should, therefore, be remembered that it is not the real cost but the opportunity cost, the cost of forgoing another or many other opportunities in the process. It is called 'implicit cost', the rate of return in comparison to the other alternative best investment opportunities forgone if the firm were to decide to go ahead with the proposal under consideration.

It is 'International cost of capital' and not domestic any longer

Capital is always a scarce resource and justifiably so. The globalization effect forces one to calculate and compare the returns on capital on an international scale for the most attractive investment opportunities around the globe. Capital allocation considerations are

* FCA, AICWA, ACS, MD, Janhar Management Consultancy Pvt Ltd, Chennai

becoming increasingly important as both the capital providers and seekers are sensitised to all factors associated with the availability of and return on capital.

Risks associated with raising capital is a growing concern

Gone are the days when analysts were concentrating on whether businesses added or destroyed value. Now, it is more on risks associated with raising capital and their costs so as to mitigate and manage the associated risks. Risk adjusted capital allocation remains a major challenge to many companies, post liberalisation.

Future vs Historical costs

In management decision making on investment decisions, it is relevant to assess the 'Future costs' as 'Historical costs' have no relevance. Many a times, while doing the capital budgeting estimates, the historical costs with some adjustments are taken not realising that this one single assumption can mislead the entire decision making. For calculating the future costs, the market information taking into account the global level changes have to be factored properly.

It is not fixed all through the investment horizon

It is also ignored that the cost of capital is not the same throughout the lifespan of the investment for two reasons : (1) the composition of the capital keeps changing at very frequent intervals; and (2) the changes in the 'floating costs' on borrowings and also the government policies such as tax laws etc. would keep changing either way the cost of capital.

Contd. from page 216

competitive bidding. The tenders would be based on two cover system consisting of technical and price bids. After the issue of tender document, the port may arrange one or more pre-bid conferences for clarifications, if necessary.

The tender document will not give any kind of guarantee for financial returns to the entrepreneur. The tender document should provide that port property, if any, being transferred to the entrepreneur, will be kept insured at the cost of the private entrepreneur. The private entrepreneur would not be permitted to transfer any asset by way of sub-lease, sale, sub-contract or any other method without the previous approval of the Port. The investors will not be allowed to abandon the services abruptly or dispose-off land, machinery and other assets or to convert them partly or fully into non-port use.

All the provisions of the Major Port Trusts Act, 1963, Bye-Laws, Rules and Regulations made thereunder, any administrative or other directions given under the said Act, or the Scale of Rates or a statement of conditions prescribed under the said Act, the Customs Act, and all other statutory enactments in relation to the Port including labour laws shall be fully observed and complied with by the Licensee, and the Port shall be fully observed and complied with

Therefore, the cost of capital is not a fixed cost for the entire duration of the investment horizon.

Traditional approach vs Modigliani and Miller approach

Traditionally it is assumed that with every increase in debt component, the weighted average cost of capital would reduce as the debt component has tax shelter associated with it. But it is to be remembered that when the debt component goes up, the profitability would face adverse consequences and the risk perception of the investors would increase their expectations from equity and this is what the 'Modigliani and Miller approach' says.

Cost of capital of Private Equity (PE)

Raising capital is never easier for new enterprises in their initial days and there is uncertainty and difficulty always faced by them in this regard. In such a scenario, PE funding is one of their alternatives and it is not without paying disproportionately higher cost. PE investments are typically sourced from one or more of Strategic investors, High Net worth Individuals (HNIs), PE funds etc. PE is not limited to venture capital, but also capital for leveraged buy-outs, management buy-outs and later stage growth capital. PE is expensive as investors typically require an internal rate of return of approximately 30% p.a. or sometimes even greater. Unless proper evaluation of the profitability of the investment is done, increasing the cost of capital by introducing PE funding as a source of capital would hamper the future prospects of the firm. □

by the Licensee, and the Port shall be kept indemnified harmless from all claims or demands in this behalf, including any claims from labour.

The Tariff Regulatory Authority (TRY) to be set up may fix a ceiling tariff and leave the private entrepreneur free to charge up to the ceiling at the rates to be notified by the entrepreneur. If the Tariff Regulatory Authority is satisfied, a suitable periodic increase(s) in tariff may be permitted on justified grounds. At the time of revision of tariff, again, the revised tariff would only be a ceiling, with the Port and the entrepreneur having the freedom to charge below that tariff.

Where Central or State Public Sector Undertakings are Port-based industries and wish to create port facilities for their own captive use, they may be treated under the guidelines for port based industries. Other Central or State PSUs who wish to create port facilities as a common user facility and not for their own captive use need to come through the tendering route at par with private entrepreneur. However, Public Sector oil units would be treated as being port specific for the purpose of allowing them captive facilities and captive oil jetties or SBMs without recourse to the tender procedure. □

Between a Rock and A Hard Place : Tax Overlaps Between Central Excise and Service Tax Laws

P. Ravindran*

When tribes multiply, communities come into being. When communities multiply, nation-states become inevitable. When nations become all-powerful, empires are created. Even the best empires will in time become pages in history books. But taxes? They seem to be for ever. When taxes do multiply, confusions abound and disputes become legion. In the modern era, it is not a simple task for the State to impose just any tax and get away with it. In a constitutional, republican democracy informed by public opinion and bounded by the rule of law, every tax requires a minimum of moral justification for acceptance and adherence. Taxation is no longer a sovereign power *sans* legal and practical limitations. Among the many tools that keep taxing power in check is the essential and useful concept of 'taxable event'. No tax is payable unless, first and foremost, something is done or some event occurs to incur a tax liability as per a clear written provision duly passed by a competent legislature acting *intra vires*. The *taxable event* is what gives a distinct 'color' and 'skin' to the tax. Without it, the emperor (taxman) has no clothes! The purity of a 'tax' is always tested on the touchstone of the 'taxable event'. The 'taxable event' imposes a burden on the taxing state to prove the distinctiveness of a tax, to set it apart from its cousins, near and distant. Without a taxable event put in clear terms, multiple taxation of the same items will be the order of the day.

However, often the State feels a compulsion or has some propensity to introduce new taxes and ever more to expand them. When taxes multiply like kitten, it becomes difficult to maintain the purity of Tax 'DNA', separating the taxes from commingling in effect and becoming almost indistinguishable except in name. Double taxation then becomes endemic. Such things have been happening with increasing frequency, of late. One reason could be the framers' unfamiliarity with similar provisions in 'neighboring' tax systems. The introduction of Service Tax since 1994 and its inexorable march and marathon expansion over a decade and a half have posed conflicts of overlapping taxation with corresponding provisions in the Central Excise law. In this article, we will look at several areas where there has been identical taxation between the provisions of Central Excise Law and the

Service Tax Law. The following overlaps will be discussed in particular :

- Software licenses
- Royalty linked to sale of manufactured products
- Tyre re-treading
- Repair of excisable goods by manufacturer in his factory
- Production or processing of goods on behalf of clients.

Software Licences

The new age product of software has defied normal tax understandings and mystified tax administrations. It has become a *tax cross-roads* where virtually all the indirect taxes—Customs, Central Excise, VAT and Service tax—intermingle and cut across. The question whether software is goods or service has been defying a clear answer. Therefore, disputes abound. The scenario regarding software is quite complex between Central Excise law and Service Tax law. Among the various categories of software, both products and services, we will look at the all-important category of software licenses and study how this class has been dealt with in the two tax systems. Before that, a few facts are in order. It should be noted that it is a universal myth in the software industry that there is no 'sale' of software as such but only a 'licensing' of it. It is understandable, given the high-stake gambit of developing software. It is to be distinguished from the sale of say, a car or a music system or a piece of jewellery. The software is often obtainable only against a license. The license has a set value and the 'purchase' of the license leads to the acquisition of the underlying software. That software will often be made available through electronic download. In this arrangement, the software is not priced and not sold as such. It is the license that is traded. This is the reason why the VAT authorities also have their finger in the software tax till. The license itself is subject to selling and re-selling in the market.

The Coverage of Software Licences under the Central Excise Tariff Act

It may be surprising for the esteemed readers of

* B.Sc, PGDM (Germany), M.L., (PhD), Advocate – Indirect taxes & IPRs

this illustrious journal to hear that the Central Excise law that deals with manufacture of goods includes software licenses in its smothering embrace. Since the Central Excise Tariff is almost in alignment with the Customs Tariff, the same holds good in the customs arena as well. Here is how the software licenses are brought into the central excise net by means of its specific inclusion in the Central Excise Tariff Act, 1985, read with its Tariff Schedule. The relevant tariff entry is reproduced a : Please forget that the unit of quantity of sale for software licenses is given as ‘Kilogram!’. The software license trade will be aghast at this! It is another matter whether such software licenses which are intellectual products should be mixed in the company of postage stamps, cheques, bank notes and share certificates. No one can conjecture whether the Tariff framers had in mind a factory manufacturing the software licenses in sheer plenty! If the law is blind, so must be law-makers. May they be forgiven, for they did not seem to understand what they did!

Tariff Item	Description of goods	Unit	Rate of duty
(1)	(2)	(3)	(4)
4907	Unused postage, revenue or similar stamps of current or new issue in the country in which they have, or will have, a recognized face value; stamp-impressed paper; bank notes; cheque forms; stock, share or bond certificates and similar documents of title.		
4907 00	– Unused postage, revenue or similar stamps of current or new issue in the country in which they have, or will have, a recognized face value; stamp-impressed paper; bank notes; cheque forms; stock, share or bond certificates and similar documents of title:		
4907 00 10	– Unused postage, revenue or similar stamps of current or new issue in the country in which they have, or will have, a recognized face value.	Kg.	Nil
4907 00 20	– Bank notes ...	Kg.	Nil
4907 00 30	– Documents of title conveying the right to use Information Technology software	Kg.	Nil
4907 00 90	– Other	Kg.	Nil

The definition of Information Technology software which is common with the definition given in the Service Tax Law is :

“Information Technology software” means any representation of instructions, data, sound or image, including source code and object code, recorded in a machine-readable form, and capable of being manipulated or providing interactivity to a user, by means of an automatic data processing machine”.

Thus, it can be seen that the Central Excise law which can tax only the manufacture and removal of excisable goods has treated software licenses (which are synonymous with the excisable category of documents of title conveying the right to use the Information Technology software) as excisable goods. The only relief, of course, is that the tax rate is NIL. It appears that when service tax was imposed on such software licenses, the framers of such law were either unaware of the excisability of software licenses as per tariff entry No. 4907 00 30, or they did not mind it and went for a virtual double taxation of software licenses under both Central Excise and Service Tax Law. The subsequent tax reliefs in the form of notifications exempting the tax value of either tax from the ambit of the other tax when either tax was paid do not mitigate the rigor of double taxation in the first place.

The Coverage of Software Licences also under service tax law

The statutory description of Information Technology service goes like this:

“Taxable Service” means any service provided or to be provided to any person, by any other person in relation to information technology software, including

- (i) development of information technology software,
- (ii) study, analysis, design and programming of information technology software,
- (iii) adaptation, upgradation, enhancement, implementation and other similar services related to information technology software,
- (iv) providing advice, consultancy and assistance on matters related to information technology software, including conducting feasibility studies on implementation of a system, specifications for a database design, guidance and assistance during the startup phase of a new system, specifications to secure a database, advice on proprietary information technology software,
- (v) providing the right to use information technology software for commercial exploitation including right to reproduce, distribute and sell information technology software and right to use software components for the creation of and inclusion in other information technology software products,

(vi) Providing the right to use information technology software supplied electronically.

As can be seen from the above description, the software licenses which provide the right to use the underlying IT software are treated as a service activity and brought under the Service Tax Law. There is a clear case of double taxation in effect in software licenses. The Government should ideally decide whether they want to treat software licenses as goods or as a service. If it is the intention of the Government to retain service tax levy on software licenses, it should be made clear by deleting the Tariff entry relating to software licenses under Heading No. 4907 00 30 under the Central Excise Tariff as well as making suitable changes to the definition of software products, off-the-shelf as well as customised, classified under Chapter 85 of the Tariff. That the software licenses are taxed at 'NIL' rate under the Central Excise Law should not be an excuse for prolonging the lack of clarity in the taxation of such software licenses. A resolution of this double taxation will have a salutary impact on the existing VAT liability on such software licenses.

Sale-Linked Royalty

In these days of liberal globalisation, it is very common for technology to change hands around the world. Many Indian manufacturing industries receive transfer of technical know-how from abroad. The consideration for such transfer of know-how often involves payment of royalty which is linked to the sale value of the goods manufactured using such know-how and sold in India. Thus, the royalty payout is a part and parcel of the sale value of the manufactured goods on which excise duty is payable. There is no exemption or abatement for royalty in Central Excise Valuation law. The royalty, therefore, would have suffered excise duty in the hands of the manufacturers before being remitted to the know-how providers abroad. However, the Service Tax Department has been relentless in treating royalty as a taxable service and the manufacturers have been fastened with the liability to pay service tax under the reverse charge mechanism in accordance with Section 66A of the Finance Act, 1994. The Department of Service Tax has sought to tax royalty paid against the receipt of technical know-how from abroad, under Consulting Engineer Service and, more recently, under Intellectual Property Service.

Here is an obvious case of double taxation of royalty paid out of the sale proceeds of duty-paid excisable products. Perhaps there ought to be an exemption to exclude Service Tax on royalty when such royalty has already suffered Central Excise Duty in the hands of Indian manufacturers.

Tyre Retreading

When the Central Excise Tariff of India was expanded in 2005 from a system based on six-digit classification to one based on eight-digit classification, it was an unenviable task for the tax administration. Many products which were hitherto subaltern under subsuming categories like "other" or "miscellaneous" or "not elsewhere specified" had to be retrieved from the bottom of obscurity and brought up to see the light of the day. Thus, the eight-digit classification had to have more specific and explicitly described product categories than the earlier six-digit system. One of the effects of such a change relates to re-treaded tyres which has been brought under Central Excise Tariff net for the first time.

The tariff description is :

Tariff Item	Description of goods	Unit	Rate of duty
(1)	(2)	(3)	(4)
4012	Re-treaded or used pneumatic tyres of rubber, solid or cushion tyres, tyre treads and tyre flaps, or rubber – Re-treaded tyres		
4012 11 00	– Of a kind used on motor cars (including station wagons and racing cars)		
4012 12 00	– Of a kind used on buses or lorries		
4012 13 00	– Of a kind used on aircraft		
4012 19	– Other		

The re-treaded tyres are thus excisable goods and the fact that the excise duty is not yet mentioned in the relevant column does not detract from the strong statutory presumption of its excisability. The Central Excise Act defines excisable goods to mean the goods specified in the Tariff Schedule as being subject to a duty of excise. The phrase "as being subject to a duty of excise" has been interpreted by the Courts as only descriptive of the goods and it does not imply that the products should carry a specific and actual tax levy *Wallace Flour Mills Co Ltd vs Collector of Central Excise—1989 (44) ELT 598 SC*, citing the case of *Karnataka Cement Pipe Factory Industrial Estate vs Superintendent of Central Excise & Another—1986 (23) ELT 313 (Kar)*. Earlier, the Punjab & Haryana High Court had held that the expression "subject to a duty of excise" cannot mean the actual levy of excise duty—*Hindu Rubber Factory vs UOI—1980 (48) ELT 363 (P&H)*. It is not the fault of the makers of such re-treaded tyres that the Government introduced a tax entry for the treaded tyres without specifying the

tax rate. It is akin to an exemption in effect. There are many items which have been brought into the excise net in the Tariff but without levying any excise duty on them. The tariff column for the 'duty' is unfilled.

The Service Tax Department, unmindful of the statutory character of re-treaded tyres as excisable goods, has assiduously sought to bring the excisable process of tyre re-treading under the Management, Maintenance and Repair service. The element of double taxation in re-treaded tyres is obvious. The re-treaded tyre manufacturers are thus forced to pay Service Tax even though as makers of excisable goods they have no obvious liability to carry any Central Excise Duty or Service Tax burden.

Repair of Excisable goods in the Factory of Manufactures

It is not uncommon for a manufacturer of excisable goods to find that the goods manufactured and sold are rejected by the customers for reasons of quality or any other matter. The sales returns come back to the factory for possible repairs and reconditioning. The Rule 16 of the Central Excise Rules, 2002, provides for a procedure in this regard. The mechanism covers the reprocessing whether or not such activity amounts to manufacture. The point is that the entire activity under Rule 16 is an aspect of Central Excise Law. However, the presence of the over-arching service tax category of management, maintenance and repair service has been used by the tax administration to impose service tax on factory-made reprocessing of sales returns where such activity does not amount to manufacture. The element of double taxation inherent in this attempt is clear as daylight. The benefit of coverage bestowed under the Central Excise Rules is sought to be negated by the imposition of levy under maintenance and repair service under the Service Tax law.

Production or processing of goods on behalf of a client

Production of excisable goods for or on behalf of clients is obviously a manufacturing activity under Central Excise law. What amounts to a manufacturing activity is not an easy question to resolve. The definition of manufacture for Central Excise purposes does include even processing where it is essential for manufacture or where it leads to the completion or finishing of manufactured products. Therefore, when service tax law under the catch-all category of Business Auxiliary Service seeks to cover production or

processing of goods, the element of conflict with the Central Excise law is quite obvious. Even though the business auxiliary service excludes activities in the nature of manufacture of goods from the scope of its levy, confusion abounds. Notification no. 8/2005 issued under the BAS to exclude job work exempts the production or processing of goods for or on behalf of the client, provided that the goods are sent back to the client who should use them in or in relation to the manufacture of any other goods on which he ought to pay some amount of excise duty. If the proviso is not complied with, then the exemption provided to job work (which is synonymous with the tax entry of production or processing of goods for or on behalf of the client) will not be available. The condition is draconian when compared to a similar exemption provided to job work in a factory under Notification No.214/86 under the Central Excise Law. The Central Excise regime under this notification allows the receipt of the job worked goods by the client back into his factory, not only for further manufacture but also for removal, as such, without undertaking any process. It also provides for the removal of goods without payment of duty in certain circumstances such as export etc. Thus, the Service Tax law seeks to enter the dominion of the Central Excise law in the name of covering activities not amounting to manufacture (what is a manufacture is a dicey venture even at the best of times) and in the process imposes difficult conditions which have proved to be a tough compliance to the trade.

Conclusion

The above narration of the identical taxation in the systems of Central Excise and Service Tax shows that the more the Service Tax is expanded or the more Central Excise tariff is expanded into a higher digit classification, overlaps will result and issues of double taxation will come to the fore. We may do well to remember that there are many goods classified in the Central excise tariff, awaiting the actual writing of the duty rate in the relevant column and who knows what conflict they will cause vis-a-vis the Service Tax? The best way to avoid cases of overlap which are certain to increase over the years will be to integrate the Central Excise and Service Tax systems into a unified GST (Goods & Services Tax) at the Central level, pending a happy consensus on the nationwide GST. After all, riding two horses together should be difficult to both the rider and the horses!! □

TAXMANN'S
Service Tax & Excise
 Publications

**FINANCE
 BILL 2011
 EDITIONS**

Price : ₹

COMMENTARIES	JOURNALS
<p>SERVICE TAX HOW TO MEET YOUR OBLIGATIONS The most authentic & comprehensive commentary on Law Relating to Service Tax covering the entire gamut of Case Laws/Departmental Circulars & Notifications as well as statutory provisions 30th Edn., 2011 (2 Vol.) S.S. Gupta</p> <p>SERVICE TAX READY RECKONER Incorporating comprehensive & practical analysis of Taxable Services/Valuation of Taxable Services/Service Tax Procedures/Exemptions/ Import & Export of Service/Cenvat Provisions 16th Edition, 2011 V.S. Datey</p> <p>CENVAT - LAW & PRACTICE A comprehensive rule-wise Commentary on Law Relating to Cenvat Credit 24th Edition, 2011</p> <p>CENTRAL EXCISE LAW & PRACTICE A comprehensive commentary on Central Excise Law 17th Edition, 2011 V.S. Datey</p> <p>CUSTOMS - LAW PRACTICE & PROCEDURES A comprehensive Commentary on Customs Laws 8th Edition, 2011 V.S. Datey</p> <p>DICTIONARY For Chartered Accountants • Company Secretaries • Cost Accountants • Corporate Professionals Dhruva Duttachowdhury Price : ₹ 1975</p>	<p>SERVICE TAX TODAY A Fortnightly Journal on Service Tax Jan. to Dec., 2011 (24 Issues) 3100</p> <p>GOODS & SERVICES TAX CASES A Monthly Journal on Goods and Services Tax Jan. to Dec., 2011 (12 Issues) 1875</p> <p>WEEKLY UPDATED ONLINE DVD</p> <p>SERVICE TAX ONLINE [1994-2011] With Service Tax Computation & weekly updation Subscription for 12 months 4000*</p> <p>WEBSITE</p> <p>www.taxmann.com [Service Tax Module] Always updated case laws & statutes Since 1994 4400†</p> <p>COMBO OFFERS</p> <p>Service Tax Today with Service Tax Online Subscription for 12 Months 5100*</p> <p>Service Tax Today with www.taxmann.com (Service Tax Module) Subscription for 12 Months 4400†</p> <p>Service Tax Today with Goods & Services Tax Cases Subscription for 12 Months 3975</p>

† Inclusive of taxes & in-Print Service Tax Today Fortnightly
 * Inclusive of all taxes with 4 DVD updates & Weekly Internet updation

TO PURCHASE

Call Your Bookseller or
 Delhi 45562222
 Mumbai 9322247686
 Ahmedabad 9909984900

Live Taxmann Support at
www.taxmann.com

Pay Online
www.taxmann.com/Bookstore

Email
sales@taxmann.com

Skype at
taxmannindia

Fax
 +91-11-45562223

Post
TAXMANN
 59/32, New Rohtak Road,
 New Delhi - 110 005 (India)

Union Budget 2011-2012 Highlights

- Economy expected to grow at 9 percent in 2012, plus or minus 0.25 percent
- Inflation seen lower in the financial year 2011-12
- Plan expenditure seen at 4.41 trillion rupees in 2011-12, up 18.3 percent
- Gross tax receipts seen at 9.32 trillion rupees in 2011-12
- Non-tax revenue seen at 1.25 trillion rupees in 2011-12
- Disinvestment in 2011-12 seen at 400 billion rupees
- To boost infrastructure development with tax-free bonds of 300 billion rupees
- Food security bill to be introduced this year
- To permit Securities and Exchange Board of India (SEBI) registered mutual funds to access subscriptions from foreign investments
- Raised foreign institutional investor limit in 5-year corporate bonds for investment in infrastructure by \$20 billion
- Public debt bill to be introduced in parliament soon
- To allocate more than 1.64 trillion rupees to defence sector in 2011-12
- Corpus of rural infrastructure development fund raised to 180 billion rupees in 2011-12
- To provide 201.5 billion rupees capital infusion in state-run banks in 2011-12
- Removal of supply bottlenecks in the food sector will be in focus in 2011-12
- To raise target of credit flow to agriculture sector to 4.75 trillion rupees
- Gives 3 percent interest subsidy to farmers in 2011-12
- Cold storage chains to be given infrastructure status
- Capitalisation of National Bank for Agriculture and Rural Development (NABARD) of 30 billion rupees in a phased manner
- To provide 3 billion rupees for 60,000 hectares under palm oil plantation
- Actively considering new fertiliser policy for urea
- AC hospitals with more than 25 beds under service tax
- Service tax on hotel accommodation above Rs 1500 per day
- Life insurance services in area of investment now in service tax
- Excise tax on diapers and sanitary napkins reduced from 10 to 1 per cent
- No new tax exemption limits for women
- Basic food, fuel exempted from central excise duty
- Cut in import duties of raw material for mobile phones
- Investment in long-term infrastructure bonds will be qualified for deduction even for the assessment year 2012-13 up to Rs. 20,000
- Service tax remains at 10 per cent & the Process of service tax refunds will be simplified soon
- Foreign unit dividend tax rate cut to 15 percent for Indian companies
- Propose to reduce surcharge on corporate tax to 5 per cent
- Net tax to Centre will be Rs 6,64,457 crore. Non-tax receipts pegged at Rs 1,25,435 crore
- Financial Year 2012 gross tax receipts at Rs 9.32 lakh crore
- Senior citizen benefit to begin from 60 years. In the case of senior citizens 60-80 years, exemption limit increased to Rs. 2,50,000 and senior citizens above 80 years to Rs. 5,00,000 lakhs

- Exemption limit (other than women and senior citizens) on tax raised from 1.6 lakh to 1.8 lakh
- The terminal date for tax holiday u/s 80-IA(4)(iv) has been extended for a further period of 1 year i.e. up to March 31, 2012
- Tax will be deducted at the rate of 5% by notified infrastructure debt fund on any interest payable to non-resident
- Weighted deduction under section 35(2AA)(a) increased from 175% to 200%
- CBDT to provide special web facility for salaried persons
- Electronic filing of taxes available all over the country
- Propose to allow tax free infra bonds worth Rs 30000 cr for PSBs
- GST to be implemented in this session , & GST implementation requires strong IT support
- DTC to be implemented from Financial Year 2012
- Finance Minister expected to give some tax sops to salaried class
- Airline stocks falling as Domestic travel to pay Rs 50 service tax, Rs 250 on international travel
- MIDCAP index up 0.38%, Small cap index up 0.66%, BSE 500 index up 0.71%, PSU index up 1.96%, Oil & Gas index up 1.79 percent
- Education stocks Aptech, NIIT, Everonn, up 3-5 pct on budget proposals
- Law will be changed to enable RBI to issue more banking licences
- The definition of "charitable purpose" has been amended to increase the monetary limit from Rs. 10,00,000 lakh to Rs. 25,00,000 lakh
- MF can accept subscription foreign investors who meet KYC norms
- FIIs allowed to invest in MF schemes
- Service tax retained at 10 percent
- LED TVs, Hybrid car & Computer parts and mobile accessories to get cheaper
- Cut in import duties of raw material for mobile phones
- Domestic air tickets to get costlier, Hotel stay to get costlier
- Medical expenses (with AC rooms) to go up
- 10% excise duty on branded garments, -ve for textile cos
- Basic food, fuel exempted from central excise duty
- Travel service tax will increase
- Surcharge on domestic firms cut to 5% from 7.5%
- SEZ to come under MAT, MAT increased to 18.5%
- Financial Year 2012 health sector outlay at Rs 26760cr, up 20%
- Banks to cover 20,000 villages for opening accounts in Financial Year 2012
- Allocation Education sector up 40% , & Education sector allocated Rs 57,057 cr in Financial Year 2012
- Vocational schemes to be introduced for the employment of the youth
- To set up independent debt management office; public debt management bill to be introduced
- Rural broadband connectivity to be provided in 3 years
- Infrastructure spending to be raised by 23%
- Rs 300 cr to be allocated for oil palm production
- Upped priority home loan limit to Rs 25 Lakh Vs Rs 20 Lakh
- PPP model has been positive in Infra projects
- Private investment in Agro Processing Should Increase
- 50 new food parks to be implemented

INSTITUTE NOTIFICATION

Kolkata, the 25th January, 2011

NOTIFICATION

11-CWR (432-440)/2011 : In pursuance of sub-Regulation (3) of Regulation 11 of the Cost and Works Accountants Regulations, 1959, it is hereby notified that the Certificates of Practice granted to :

1. Shri Nemai Chandra Bhoumik, BSC,LLB,AICWA,12B, Chakraberia Road (North), 1st Floor, P.O. L.R. Sarani, Kolkata - 700020, (Membership No. 6017) is cancelled from 11th September, 2010 to 30th June, 2011 at his own request,
2. Shri Surendra Kumar Agrawal, BCOM,LLB,FICWA, 193/1, S. N. Roy Road, 1st Floor, P.O. Sahapur, Kolkata - 700038, (Membership No. 10901) is cancelled from 16th November, 2010 to 30th June, 2011 at his own request,
3. Shri K. V. Sridhar, BCOM.AICWA, New No. 7, Old No. 4, 11th Cross Road, Swimming Pool Extension, Malleshwaram, Bangalore - 560003, (Membership No. 13361) is cancelled from 21st December, 2010 to 30th June, 2011 at his own request,
4. Shri Jai Prakash Gupta, BA., AICWA, Empress Chawl 8/3, Bajeria, Nagpur -440018, (Membership No. 23897) is cancelled from 25th July, 2010 to 30th June, 2011 at his own request,
5. Shri K. Narayanan, MA, MPHIL,BGL,MCA,AICWA, 10, Thandavarayan Street, Triplicane, Chennai - 600005, (Membership No. 24815) is cancelled from 31st August, 2010 to 30th June, 2011 at his own request,
6. Shri Nagulapati Srinivasa Rao, BCOM,AICWA, Pent House, Meghana Enclave, Opposite Police Qtrs., Visalakshi Nagar, Visakhapatnam-530043, (Membership No.27508) is cancelled from 25th October, 2010 to 30th June, 2011 at his own request,
7. Mohd. Aarif, BCOM., AICWA, C/o. R. A. Hashmi, D-18, (Near Dr. Basudev Clinic), Lucknow- 226016, (Membership No. 28844) is cancelled from 4th October, 2010 to 30th June, 2011 at his own request,
8. Shri Samrat Ashok Mutagikar, MCOM.AICWA, C/o. Shri Prabhakar G. Vedpathak, 1001, A Ward, Near Alora Apartment, Mohit Park, Radhanagar Road, Kolhapur -416012, (Membership No. 29142) is cancelled from 31st August, 2010 to 30th June, 2011 at his own request,
9. Shri Nilam Prasad, BCOM(HONS),AICWA, 82/13, Jawpur Road, Dum Dum, Kolkata - 700074, (Membership No. 27132) is cancelled from 10.01.2011 to 30th June, 2011 at his own request.

Sd/-
(Brijmohan M. Sharma)
President

Kolkata, the 25th January, 2011

NOTIFICATION

16-CWR (8801-8807)/2011: In pursuance of Regulation 16 of the Cost and Works Accountants Regulations, 1959, it is hereby notified that in exercise of powers conferred by sub-section (1) (b) of Section 20 of the Cost and Works Accountants Act, 1959, the Council of the Institute of Cost and Works Accountants of India has removed from the Register of Members, the name of :

1. Shri Anupam Chandra Ray, BCOM,FCA,ACMA,ACIS, FCS, FICWA, Flat No. 4, L 'Acentir Apts - 1, 108, Pappamal Koil Street, Kuruchikuppam, Pondicherry - 605012, (Membership No. 535) with effect from 22nd August, 2009 at his own request,
2. Shri K. Subrayan, BCOM(HONS),FICWA, C-3, Lakshminarayana Apts., 9, Kumarappa, Mudali Street, Nungambakkam, Chennai - 600034, (Membership No. 1124) with effect from 19th October, 2010 at his own request,
3. Shri Sambhu Kumar Ghose, BCOM,ACA,AICWA, 1-F, Chakraberia Lane, Kolkata -700020, (Membership No. 2873) with effect from 26th February, 2008 at his own request,
4. Shri T. S. Krishnaswami, BCOM,AICWA, D4, Chamundeshwari Apartments, 13th Cross, Kalidasa Road, V. V. Mohalla, Mysore - 570002, (Membership No. 3110) with effect from 10th November, 2010 at his own request,
5. Shri Navinchand Hirji Luthia, BCOM,FCA,AICWA, Block No. 10, Jayesh A, 353/38, R. B. Mehta Road, Ghatkopar (East), Mumbai - 400077,(Membership No. 4688) with effect from 19th June, 2010 at his own request,
6. Shri Amarendra Bhattarjee, MCOM,AICWA, 97/3, B. T. Road, Kolkata - 700090, (Membership No. 5402) with effect from 1st April, 2010 at his own request,
7. Shri G. K. Shah, BCOM(HONS),AICWA, 110, Sunhari Premises, Opp. Jain Temple, High Tension Road, Subhanpura, Vadodara - 390023, (Membership No. 9847) with effect from 1st April, 2010 at his own request.

Sd/-
(Brijmohan M. Sharma)
President

Kolkata, the 25th January, 2011**NOTIFICATION**

16-CWR (8782-8800)/2011: In pursuance of Regulation 16 of the Cost and Works Accountants Regulations, 1959, it is hereby notified that in exercise of powers conferred by sub-section (1) (a) of Section 20 of the Cost and Works Accountants Act, 1959, the Council of the Institute of Cost and Works Accountants of India has removed from the Register of Members, the names of :

1. Shri M. Sreenivasa Rao, BCOM,BL,FCS,FICWA, 878, 'Shankara', 7th Cross, III Block, Koramangala, Bangalore - 560034, (Membership No. 141) with effect from 18th December, 2010,
2. Shri Sudhansu Chakravorty, BCOM,ACMA,AICWA, 42, Nicola Close, South Croydon, Surrey CR-2 6NB, England, (Membership No. 770) with effect from 5th March, 2010,
3. Shri Krishna Vishnu Khare, MCOM,AICWA, 35, Udyam Kunj, Gokhale Wadi, Rani Sati Marg, Malad (E), Mumbai - 400097, (Membership No. 902), with effect from 7th February, 2007,
4. Shri Rathindra Krishna Bose, BA,BCOM,FICWA, Room No. 114, Top Floor, 10, Old Post Street, Kolkata - 700001, (Membership No. 981) with effect from 15th August, 2010,
5. Shri V. S. Shah, BCOM,FICWA, 'Dipal', Opp. Krishna Society, 15, Overseas Housing Colony, Arunoday Society Road, Vallabh Vidyanagar - 388120, (Membership No. 1063) with effect from 16th July, 2010,
6. Shri Prabir Kumar Kar, BA,MBA,AICWA, Plot 3, Nabarun Co.-op.Housing Society, Mahatma Gandhi Road, Near Santoshree Palli, Thakurpukur, Kolkata - 700063, (Membership No. 1191) with effect from 2008,
7. Shri Rameshwar Singh Sharma, BCOM,FICWA, 2435/3, Old No. 314/2, Delhi Road, Near Ajit Cinema,Gurgaon - 122001, (Membership No. 1617) with effect from 5th December, 2005,
8. Shri Anupam Devadatta Tarkas, MCOM,LLB,FCA,FICWA, A- 11/8, Urmi Apartments, Fatehgunj, Behind Convent School, Vadodara - 390002, (Membership No. 1670) with effect from 13th September, 2010,
9. Shri A. K. Narasimhan, BA,AICWA, HIG 96, Old A.S.T.C., HUDCO, Hosur - 635109, (Membership No. 1694) with effect from 22nd December, 2009,
10. Shri N. P. R. Menon, BCOM.LLB.AICWA, 10 Vaishak, Mulund Om Society, P. K. Road Extension, Nahur, Mulund (West), Mumbai - 400080, (Membership No. 2127) with effect from 23rd February, 2003,
11. Shri S. Ramanathan, FICWA, 4, Khanabagh First Street, Triplicane, Chennai -600005, (Membership No. 2955) with effect from 28th September, 2010,
12. Shri Shivnarayan Kishanchand Pachisia, BA.LLB.AICWA, Flat No. 401, BHEEM -AA Wing, Indraprastha Enclave, N.L. Complex, Anand Nagar, Dahisar (East), Mumbai - 400068, (Membership No. 3204) with effect from 27th May, 2009,
13. Shri C. R. Reddy, MA(ECON),AICWA, 501, Khusali Co-op. Housing Society, Plot 19, Sector - 16, Kopar Kharine, Navi Mumbai - 400709, (Membership No. 2173) with effect from 6th July, 2008,
14. Shri Punam Chand Kochar, BSC,AICWA, 5, Chintamani Apartments, 51 A, Erandvana, Off. Prabhat Road, Karnataka High School Lane, Pune - 411004, (Membership No. 3755) with effect from 12th July, 2010,
15. Shri M. L. Chatterjee, MA (ECON),FICWA, 1/43, Rajendra Prasad Colony, Tollygunge, Kolkata - 700033, (Membership No. 4594) with effect from 26th November, 1997,
16. Shri Chandan Kumar Bandyopadhyay, MCOM,AICWA, Mayfair Residency, Flat No. N-201, 1028, Madurdaha, Kolkata - 700107, (Membership No. 4982) with effect from 12th April, 2010,
17. Shri Nirmal Kumar Dutta, BSC,AICWA, C/o. Shri S. K. Dutta, Canal Par, Panagarh Bazar - 713148, (Membership No. 23043) with effect from 2004,
18. Shri Tulsi Das Mundhra, BCOM,MA,FCA,AICWA, Mundhra & Co., 12/1, Lindsay Street, Kolkata - 700087, (Membership No. 277) with effect from 6th March, 1998,
19. Shri Peer Chand Jain, BCOM,AICWA, Daffriyan – Ka – Bas, Jodhpur-342001, (Membership No. 516) with effect from 28th June, 2005.

on account of death.

Sd/-
(Brijmohan M. Sharma)
President

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA

(Established by an Act of Parliament)

Examination Time Table & Programme - June 2011

Certificate In Accounting Technicians (CAT)

Day & Date	Time	Foundation Course (Entry Level) Part - I
Wednesday, 15 th June 2011	02.00 P.M. to 05.00 P.M.	Organisation and Management Fundamentals
Thursday, 16 th June 2011	02.00 P.M. to 05.00 P.M.	Accounting
Friday, 17 th June 2011	02.00 P.M. to 05.00 P.M.	Economics and Business Fundamentals
Saturday, 18 th June 2011	02.00 P.M. to 05.00 P.M.	Business Mathematics and Statistics Fundamentals

Day & Date	Time	Competency Level Part - II
Saturday, 11th June 2011	09.30 A.M. to 12.30 P.M.	Financial Accounting
Sunday, 12th June 2011	09.30 A.M. to 12.30 P.M.	Applied Statutory Compliance

Examination Fees

Inland Centres	Foundation Course (Entry Level) Part - 1	Rs. 730/-
	Competency Level Part - II	Rs. 730/-

- Application Forms for CAT Examination can be down loaded from Institute's website www.icwai.org and filed online also.
- Last date of receipt of Examination Application Forms without late fee is 11th April, 2011 and with late fee of Rs.100/- is 20th April, 2011.
- Examination Fees to be paid through Bank Draft of requisite fees drawn in favour of "ICWAI A/C CAT" payable at New Delhi.
- Students will send their Examination Application Forms along with the fees to Directorate of CAT at "ICWAI Bhawan", 3, Institutional Area, Lodi Road, New Delhi - 110003.
- Examination Centres : Agartala, Ahmedabad, Akurdi, Allahabad, Alwar (Rajasthan), Asansol, Aurangabad, Bangalore, Baroda, Bhilai, Bhopal, Bhubaneswar, Bilaspur, Bokaro, Berhampur(Ganjam), Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam, Faridabad, Ghaziabad, Guwahati, Hardwar, Howrah, Hyderabad, Indore, Jaipur, Jabbalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Neyveli, Noida, Panaji (Goa), Patiala, Patna, Pondicherry, Pune, Rajahmundry, Ranchi, Raigarh(Chattisgarh), Rourkela, Salem, Shillong, Solapur, Surat, Sahajahanpur, Thrissur, Tiruchirapalli, Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyanager, and Waltair.
- A candidate who is fulfilling all conditions will only be allowed to appear for examination.
- Probable date of publication of result : Foundation Course (Entry Level) Part - I is 2nd August, 2011 and Competency Level Part - II is 22nd August, 2011.

C. Bose

Sr. Director (Examination)

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA
(Established by An Act of Parliament)
Examination Time Table & Programme - June 2011

Programme for Syllabus 2008

Day, Date & Time	Intermediate 09.30 A.M. to 12.30 P.M.	Final 02.00 P.M. to 05.00 P.M.	Foundation 02.00 P.M. to 05.00 P.M.
Saturday 11 th June, 2011	Financial Accounting	Capital Market Analysis & Corporate Laws	
Sunday 12 th June, 2011	—	Financial Management & International Finance	
Monday 13 th June, 2011	Commercial and Industrial Laws & Auditing	Management Accounting Strategic Management	
Tuesday 14 th June, 2011	Applied Direct Taxation	Indirect & Direct- Tax Management	
Wednesday 15 th June, 2011	Cost & Management Accounting	Management Accounting- Enterprise Performance Management	Organisation and Management Fundamentals
Thursday 16 th June, 2011	—	Advanced Financial Accounting & Reporting	Accounting
Friday 17 th June, 2011	Operation Management and Information Systems	Cost Audit & Operational Audit	Economics and Business Fundamentals
Saturday 18 th June, 2011	Applied Indirect Taxation	Business Valuation Management	Business Mathematics and Statistics Fundamentals

Examination Fees

Group (s)	Final Examination	Intermediate Examination	Foundation Course Examination
One Group (Inland Centres) (Overseas Centres)	Rs. 950/- US \$ 100	Rs. 850/- US \$ 90	Rs. 800/- US \$ 60
Two Groups (Inland Centres) (Overseas Centres)	Rs. 1800/- US \$ 100	Rs. 1600/- US \$ 90	

- (a) Application Forms for Foundation Course, Intermediate and Final Examinations are available from Institute's Headquarters at 12, Sudder Street, Kolkata, Regional Councils and Chapters of the Institute on payment of Rs. 30/- per form. In case of overseas candidates, forms are available at Institute's Headquarters only on payment of US \$ 10 per form.
(b) Students can also download the Examination Form from ICWAI Website at www.icwai.org. In case of downloaded form Rs. 30/- should be added extra towards the cost of the form.
(c) Students can also submit the form online.
- Last date for receipt of Examination Application Forms without late fees is 11th April, 2011 and with late fees of Rs. 300/- is 20th April, 2011.
- Examination fees to be paid through Bank Demand Draft of requisite fees drawn in favour of the Institute and payable at Kolkata.
- Students may submit their Examination Application Forms along with the fees at ICWAI, 12 Sudder Street, Kolkata - 700016 or Regional Offices or Chapter Offices. Any query can be sent to Sr. Director (Examination) at H. Q.
- Finance Act 2010, involving Assessment Year 2011-2012 will be applicable for the subjects Applied Direct Taxation (Intermediate), Applied Indirect Taxation (Intermediate) and Indirect & Direct - Tax Management (Final) for the purpose of June 2011 term of Examination under Revised Syllabus 2008.
- Examination Centres: Agartala, Ahmedabad, Akurdi, Allahabad, Asansol, Aurangabad, Bangalore, Baroda, Berhampur(Ganjam), Bhilai, Bhopal, Bhubaneswar, Bilaspur, Bokaro, Calicut, Chandigarh, Chennai, Coimbatore, Cuttack, Dehradun, Delhi, Dhanbad, Durgapur, Ernakulam, Faridabad, Ghaziabad, Guwahati, Hardwar, Howrah, Hyderabad, Indore, Jaipur, Jabbalpur, Jalandhar, Jammu, Jamshedpur, Jodhpur, Kalyan, Kannur, Kanpur, Kolhapur, Kolkata, Kota, Kottayam, Lucknow, Ludhiana, Madurai, Mangalore, Mumbai, Mysore, Nagpur, Naihati, Nasik, Neyveli, Noida, Panaji (Goa), Patiala, Patna, Pondicherry, Pune, Rajahmundry, Ranchi, Rourkela, Salem, Shillong, Solapur, Surat, Thrissur, Tiruchirapalli, Tirunelveli, Trivandrum, Udaipur, Vapi, Vashi, Vellore, Vijayawada, Vindhyannagar, Waltair and Overseas Centres at Dubai and Muscat.
- A candidate who is completing all conditions will only be allowed to appear for examination.
- Probable date of publication of result : Foundation - 2nd August 2011 and Inter & Final - 22nd August 2011.

C. Bose
Sr. Director (Examinations)

TAXMANN

International Financial Reporting Standards®

IFRS®

Official pronouncements
issued at 1 January 2011



In Press

IFRSs FOR NON-FINANCE EXECUTIVES

T.P. Ghosh



In Press

Illustrated Guide to IFRSs

Amitabha Mukherjee

In Press

ALSO AVAILABLE

IFRS® for SMEs

- International Financial Reporting Standard (IFRS®) for Small and Medium-sized Entities (SMEs)
- Basis for Conclusions
- Illustrative Financial Statements Presentation and Disclosure Checklist

International Financial Reporting Standards® Price : ₹ 575
for set of 3 books

IFRSs for Finance Executives

T. P. Ghosh Price : ₹ 875

Understanding IFRSs

T. P. Ghosh Price : ₹ 1575

IFRSs Simplified

T. P. Ghosh Price : ₹ 975

Accounting Standards and Corporate Accounting Practices

T. P. Ghosh Price : ₹ 3050
(for a set of three volumes)

Students' Guide to Accounting Standards

D.S. Rawat January 2011 Edition Price : ₹ 455

Social Accountability in

Global Supply Chain Management

S.S. Mishra Price : ₹ 375

Company Accounting Standards Rules

Price : ₹ 295

Corporate Financial Reporting

Prof. Jawahar Lal 3rd Edition Price : ₹ 400

Financial Accounting for Managers

T.P. Ghosh 4th Edition Price : ₹ 425
with Free CD

Guide to Financial Instruments

Mukesh Kumar Thakur (Chartered Accountant) Price : ₹ 250

A Guide through

International Financial Reporting Standards (IFRSs®)

Including the full consolidated text of the Standards and Interpretations and accompanying documents approved for issue by the International Accounting Standards Board at 1, July 2008 with extensive cross-references and other annotations

Price : ₹ 3950
for a set of two Hard Cover Volumes

TO PURCHASE

Call Your Bookseller or

Delhi 45562222

Mumbai 9322247686

Ahmedabad 9909984900

Pay Online

www.taxmann.com/Bookstore

Email

sales@taxmann.com

SMS

TAXMANN TO

56161

Post

TAXMANN

59/32, New Rohtak Road,
New Delhi - 110 005 (India)



THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA

12, Sudder Street, Kolkata - 700 016

ELECTIONS TO THE COUNCIL AND REGIONAL COUNCILS, 2011

Kolkata, the 3rd March, 2011

NOTIFICATION

Election Code of Conduct for Observance by the Candidates and their Authorized Representatives during the Elections

No. EL-2011/ECC : With a view to maintain a healthy and peaceful atmosphere during the election process and for ensuring a free and fair election, the Returning Officer has issued an Election Code of Conduct as approved by the Council in exercise of the powers vested in the Council under sub-rule (1) of Rule 16 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended (the Rules), is hereby notified.

The Election Code of Conduct contains instructions and norms to be followed by candidates and their authorized representatives appointed under these Rules and members during the entire election process including at the polling booths and counting centre(s).

The Election Code of Conduct shall be in addition to that prescribed by the Cost and Works Accountants Act, 1959 as amended (the Act) and the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended and shall come into force from the date of issue of notification under sub-rule (2) of Rule 4 of the Rules.

The Election Code is deemed to be guidelines of the Council under clause (1) of Part II of the Second Schedule of the Act and it is obligatory for each candidate to comply with the Election Code of Conduct.

Election Code of Conduct

1. No candidate would indulge in any activity, which may aggravate differences or create hatred or cause tension between different castes and communities, religious or linguistic.
2. There should be no appeal to caste or communal feelings for securing votes. Mosques, Temples or other places of worship shall not be used as forum for election propaganda.
3. All candidates shall avoid scrupulously all activities, which are corrupt practices, such as providing incentive to voters, intimidation of voters, giving presentations to voters etc.
4. No member shall use any loud speaker near the polling booth for the purpose of transmitting information connected with the election.
5. All contesting candidates shall :
 - (a) cooperate with the officers on election duty in complying with the restrictions to be imposed on the plying of vehicles on the polling day;
 - (b) supply to their authorized representatives suitable badges or identity cards to be used in polling booths and counting center(s) ;
 - (c) refrain from serving or distributing liquor to the members on polling day and during twenty four hours preceding the day of polling.
6. Excepting the voters, no one without a valid pass from the Returning Officer shall enter the polling booths.
7. If the candidates or their agents have any specific complaint or problems regarding the conduct of the elections, they may bring the same to the notice of the observer.
8. After the notification for the election is issued by the Council, the contesting members shall not announce any financial grant in any form or make promises therefor or announce any projects or schemes of any kind, which may be aimed at influencing the voters.
9. The contesting candidates for the election, shall not preside over or share dais, stage, platform and/or participate in the programmes and activities including Modular Training Programmes organized by the Institute, Regional Councils, Chapters and such other programmes as may be specified by the Returning Officer from time to time as speaker, paper writer, faculty member, presenter of bouquets, flowers, garlands,

mementoes, gifts or in such other capacity as the Returning Officer might decide from time to time to ensure free and fair elections.

10. The contesting candidates and/or their authorized representatives shall not use any infrastructure, forum including programmes, by whatever name called, manpower, machinery, facilities or communication medium – electronic or otherwise of the Institute, its Regional Councils and Chapters in any manner whatsoever. While there is no bar for participation in any event/programme organized by the Institute and/or its Regional Councils/Chapters, as an ordinary participant, however, the event/programme shall not be used for publicity/electioneering in any form whatsoever. This restriction is equally applicable to any other meeting/event/programme by whatever name called.

11. No programme announcement shall include name(s) of the contesting candidates.

12. Proceedings of the programmes conducted by the Institute / Regional Councils / Chapters shall be published only after proper editing so that the name(s) of any contesting candidate(s) is/are not mentioned in the proceedings.

13. No photograph of a contesting candidate including as part of a group shall be published at any place in any journal, newsletter or its equivalents, website or otherwise. In case it is not possible to segregate the contesting candidate from the group photograph by way of his position in the photograph, publication of the photograph shall be dropped.

14. The names of contesting candidates shall not be published by way of congratulations for any achievement or by way of elevation, on the move, or in any other capacity.

15. No publicity of programme(s) and their coverage by the Institute/Regional Councils/Chapters, in a manner covering contesting candidates, will be given in any of the journals, newsletters or its equivalents, website or otherwise.

16. No article, write-up, report, column and the like by any contesting candidate will be allowed for publication / inclusion in the journal, newsletter or its equivalents, website or otherwise.

17. No brochure/any other material covering contesting candidates including written communication(s) of programme(s) organized by the Institute / Regional Councils and Chapters shall contain the name or reference of any contesting candidate in any manner whatsoever. This prohibition is not, however, applicable for the brochure / other material as aforesaid already printed for sending to the intended readership or audience, or name required to be given under any specific legal requirement.

18. No brochure/publicity material including written communications printed in respect of any programme held before or after issue of notification shall contain the photograph / reference to any of the contesting candidates in any manner whatsoever.

19. The contesting candidate(s) shall not raise any question at any programme organized by Regional Council and Chapters so as to attract the attention of the audience to gain visibility / publicity.

20. No interview other than given in a non-professional capacity to newspaper(s), electronic media and the like by contesting candidate(s) in any manner whatsoever is permissible.

21. In the event of any invitation being received by a candidate from any other outside agencies such as Industry Associations like CII, FICCI, ASSOCHAM, Chambers of Commerce etc., and Voluntary Bodies like Rotaries, Non-Government Organisations etc. for participation in any of their events/programmes etc., in any capacity – professional or otherwise, while there is no bar for participation in such an event/programme, as an ordinary participant, however, the said event/programme shall not be used for the purpose of publicity/electioneering in any manner whatsoever. The restrictions shall be applicable not only for any event/programme held within a candidate's own constituency but outside his constituency including overseas events/programmes as well. The contesting candidate shall not preside over or share dais, stage, platform likely to have members of the Institute as part of audience.

22. Organisation of parties or participation in any party or providing any form of entertainment, e.g., musical nights and the like, with the direct and/or indirect involvement of the candidate in any form/manner whatsoever is prohibited.

23. The contesting candidate(s) shall not maintain a separate website as a part of electioneering or for the purpose of election. The website maintained by a Firm/member in practice, in accordance with the relevant Council Guidelines is outside the purview of the Code.

24. The journal/newsletters published in any form including electronic mode shall not use the column "Council Member/Chairman Page/Writes"; and in replacement thereof, the nomenclature "Committee Writes", "Council/Regional Council Writes"/"Managing Committee Writes" as the case may be, shall be used. Alternatively, it may be a column in the name of the "Editor". The name(s) of the editor/publisher of the newsletters etc. can, however, be printed, wherever the same is legally required to be mentioned.

Disciplinary Action

Attention of the members is also invited to the provisions of Rule 41 and 42 of the Cost and Works Accountants (Election to the Council) Rules, 2006 which provides for disciplinary action against members contravening the election norms set out in the said rules. For the convenience and ready reference of members, Rules 41 and 42 are reproduced hereunder. Members and contestants are requested to adhere to the requirements stipulated in the Rules.

41. Election Expenses. :

(1) No candidate, whose name has been included in the final list of nominations under Rule 15, shall incur expenditure above an amount to be fixed by the Council for this purpose.

(2) Every such candidate shall file an account of expenses incurred for the election in a format approved by the Council, within fifteen days of notification issued under Rule 36.

(3) A member shall be deemed to have brought disrepute to the Council under item (2) of Part IV of the First Schedule of the Act if, in connection with an election to the Council of the Institute, he is found to have contravened the provisions of Sub-rule (1) or Sub-rule (2).

42. Disciplinary action against member in connection with conduct of election :

(1) A member shall be deemed to have brought disrepute to the Council under item (2) of Part IV of the First Schedule of the Act if, in connection with an election to the Council of the Institute, he is found to have contravened the provisions of Sub-rule (2) or all or any of the clauses of Sub-rule (3) or Sub-rule (4) of this rule.

(2) Only one manifesto or circular shall be issued by a candidate in relation to the election in the period commencing from the date of issue of final list of nominations to the candidates.

(3) A manifesto or circular issued shall conform to the following requirements in the interest of maintaining dignity in the election, namely:

(a) A manifesto or circular shall contain information regarding the candidate himself and shall not make any reference, directly or indirectly, to any other candidate;

(b) The information, which a candidate may furnish in a manifesto or circular regarding himself, shall not differ in any material respect from the information furnished by the Institute to the voters under rule 9. A candidate may, however, include in such manifesto or circular, any additional information not contained in the information furnished under rule 9;

(c) A manifesto or circular shall neither contain any appeal to the voters on the basis of caste or on communal, religious, regional or sectional lines nor any tall claim;

(d) The distribution of a manifesto or circular shall be restricted only to the members of the constituency concerned;

(e) A certified copy of such manifesto or circular shall be sent to the Returning Officer by speed/registered post within 15 days of its issue ;

(f) While a candidate may repeat, in any form, the manifesto or circular issued under Sub-rule (2) of this Rule without changing its contents, however, he shall not issue more than one manifesto or circular.

(4) A member shall not adopt one or more of the following practices with regard to the election to the Council, namely :-

(i) Bribery, that is to say, any gift, offer or promise of any gifts or gratification to any person by a candidate or any other person, with his connivance, with the object directly or indirectly of: -

(a) inducing a member to stand or not to stand as a candidate at an election or rewarding him for act or omission ; or

(b) inducing to withdraw his candidature or rewarding such withdrawal ; or

(c) inducing a voter to vote or not to vote at an election, or as a reward for act or omission ;

Explanation : For the purpose of this clause, the term “gratification” is not restricted to pecuniary gratification or gratifications estimable in money, and it includes organising parties or providing any other form of entertainment, and all forms of employment for reward; but it does not include the payment of any expenses bonafide incurred at or for the purpose of any election.

(ii) Undue influence, that is to say, any direct or indirect interference or attempt to interfere on the part of a candidate or any other person, with his connivance, with the free exercise of any electoral right ;

(iii) The publication by a candidate or by any other person, with his connivance, of any statement of fact which is false, and which he either believes to be false or does not believe to be true, in relation to the personal character or conduct of any candidate or in relation to the candidature or withdrawal of any candidate, being a statement reasonably calculated to prejudice the prospects of that candidate’s election;

(iv) The obtaining or procuring or abetting, or attempting to obtain or procure, by a candidate or by any other person, with his connivance, any assistance for the furtherance of the prospects of the candidate’s election from any person serving under the Government of India or the Government of any State, other than the giving of vote by such person, if he is a member entitled to vote;

(v) The hiring or procuring, whether on payment or otherwise, of a vehicle by a candidate or by any other person, with his connivance, for the conveyance of voters;

(vi) Resorting to disorderly behaviour or misbehaviour within the zero tolerance zone to be determined by the Returning Officer of the polling booth and/or venue for counting of votes;

Explanation. – For the purpose of this clause, canvassing for votes, distribution of visiting cards, pamphlets, manifestos, letters, hand-outs, circulars and the like, erection of any stall and display of any banner shall be treated as disorderly behaviour/misbehaviour.

(vii) Exhibiting or placing any notice or sign board relating to the election by a candidate or by any other person with the connivance of the candidate at any time and any where during the election period including on the date/s of polling within a distance of 200 meters from the polling booth;

(viii) Non-compliance with any of the directives or circulars or instructions issued by the Returning Officer under these Rules in any matter relating to elections;

(ix) Contesting the election representing a political party or on political lines;

(x) Any act specified in clauses (i) to (ix) when done by a member, who is not a candidate, but is acting with the concurrence or connivance of a candidate ;

(xi) The receipt by a member or an agreement by a member to receive any gratification :

(a) as an inducement or reward for standing or not standing as a candidate; or

(b) as an inducement or reward for withdrawing his candidature; or

(c) as an inducement or reward for himself or any other person for voting or refraining from voting ; or

(d) as an inducement or reward for inducing or attempting to induce any voter to vote or refrain from voting; or

(e) inducing or attempting to induce any candidate to withdraw his candidature;

(xii) Contravention or misuse of any of the provisions of these Rules or making of any false statement knowing it to be false or without knowing it to be true, while complying with any of the provisions of these Rules.

Notwithstanding anything contained hereinabove, the Council may cause investigation into the conduct of any candidate or authorized representative in any other circumstances for violation of Election Code of Conduct.

Kaushik Banerjee
Returning Officer

**(PUBLISHED IN PART III SECTION 4 OF THE GAZETTE OF INDIA)
THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA**

NOTIFICATION

Kolkata, the 3rd March, 2011

ELECTIONS TO THE COUNCIL AND THE REGIONAL COUNCILS, 2011

The present (four-year) term of the Seventeenth Council will come to an end on July 21, 2011. For the purpose of constituting Eighteenth Council on July 22, 2011 and four Regional Councils for the term 2011-2015, elections to the Council and to the four Regional Councils will be held as per the following notifications:

NOTIFICATION

Kolkata, the 3rd March, 2011

Dates of elections to the Council and the Regional Councils and other matters

No. EL-2011/1 : In pursuance of clause (a) of sub-section (2) of Section 9 of the Cost and Works Accountants Act, 1959 as amended (the Act) read with Rules 3 & 4 and other applicable Rules of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended (the Rules) and Regulations 114, 115, 117, 118 & 121 and other applicable Regulations of the Cost and Works Accountants Regulations, 1959 as amended (the Regulations), the Returning Officer of the Institute of Cost and Works Accountants of India hereby notifies the following for the conduct of elections to the Council and the Regional Councils in the year 2011 :

1.	Date of issue of Notification for the purpose of Rule 4 of the Rules	Thursday, the 3 rd March, 2011
2.	In pursuance of Rule 4 read with Rules 9, 10, 11, 12, 14, 21, 28, 29, 30, 32 and 35 of the Rules and Regulations 114, 115, 117, 118 & 121 of the Cost and Works Accountants Regulations, 1959 and other applicable Rules and Regulations, the Council has fixed the following dates for the conduct of elections, viz.	
	(a) the last date and time for receipt of nominations [Rule 4 (2) (a) and 9]	Friday, the 25 th March, 2011 up to 6:00 P.M.
	(b) the date and place of scrutiny of nominations [Rule 4 (2) (b) and 12]	Monday, the 28 th March, 2011 & Tuesday 29 th March, 2011 at the Headquarters of The Institute of Cost and Works Accountants of India, 12, Sudder Street, Kolkata - 700 016.
	(c) the last date and time for withdrawal of nominations [Rule 4 (2) (c) and 14]	Friday, the 8 th April, 2011 up to 6:00 P.M.
	(d) the date and time of polling [Rule 4 (2) (d)]	Friday, the 3 rd June 2011 (From 8:00 A.M. to 7:00 P.M.)
	(e) the last date and time for receipt of applications for permission to vote by post [Rule 4 (2) (e) and 28]	Thursday, the 31 st March, 2011 up to 6.00 P.M.
	(f) The last date and time for receipt by post of ballot papers back from voters [Rule 4 (2) (f)]	Friday, the 27 th May, 2011 up to 6:00 P.M.
	(g) the date and time of commencement of counting of Votes [Rule 4 (2) (g) and 32]	Friday, the 10 th June, Saturday, the 11 th June, 2011 and Sunday, the 12 th June, 2011 (from 10.00 A.M. onwards each day)
	(h) The date of declaration of results [Rule 4 (2) (h) and 35]	Monday, the 13 th June, 2011
3.	Fee for election fixed by the Council (Rule 10)	Rs. 10,000/- (Rupees ten thousand only)
4.	Security Deposit payable by the candidate [Rule 11]	Rs. 20,000/- (Rupees twenty thousand only)
5.	Names of the members of the panel for scrutiny of nomination papers [Rule 12]	1. Shri P.K. Jena, General Manager, HRD Cell, Reserve Bank of India, 6, Sansad Marg, New Delhi - 110 001. 2. Shri D.S. Chakrabarti, Senior Vice President and CFO, M/s. Haldia Petrochemicals Ltd., 1, Auckland Place, Kolkata-700 017. 3. Shri Kaushik Banerjee Returning Officer, The Institute of Cost and Works Accountants of India, 12, Sudder Street, Kolkata - 700 016.

**Kaushik Banerjee
Returning Officer**

NOTIFICATION

Kolkata, the 3rd March, 2011**Elections to the Council of the Institute of Cost and Works Accountants of India**

No. EL-2011/2 : In pursuance of sub-rule (1) of Rule 9 of the Cost and Works Accountants (Election to the Council) Rules, 2006, the Council of the Institute of Cost and Works Accountants of India hereby notifies that:

- (a) Total number of members to be elected to the Council from all regional constituencies under clause (a) of sub-section (2) of Section 9 of the Cost and Works Accountants Act, 1959 as amended. 15 (Fifteen)
- (b) Number of members to be elected for each regional constituency as specified in Rule 8 read with Schedule 3 and Rule 3 read with Schedule 1

Name of the Constituency	Number of members to be elected
Western India Regional Constituency	4 (Four)
Southern India Regional Constituency	4 (Four)
Eastern India Regional Constituency	4 (Four)
Northern India Regional Constituency	3 (Three)
Total : 15 (Fifteen)	

The Council invites nomination of candidates who desire to stand for elections to the Eighteenth Council scheduled to be held on 3rd June, 2011. They should deliver their nominations in the manner specified in Rule 9 of the Cost and Works Accountants (Election to the Council) Rules, 2006 to Shri Kaushik Banerjee, Returning Officer, The Institute of Cost and Works Accountants of India (By Name) in a closed envelope superscribing on it "Nomination for Council Election 2011 - 2015" at the Headquarters of The Institute of Cost and Works Accountants of India, 12, Sudder Street, Kolkata - 700 016 so as to reach him not later than 6:00 P.M. on Friday, the 25th March, 2011.

Candidates may visit the Institute's website: www.icwai.org for familiarizing themselves with the Cost and Works Accountants (Election to the Council) Rules, 2006. The nomination shall be in the form approved by the Council of the Institute under sub-rule (3) and as specified in Rule 9 of the said Rules. Nomination forms can be downloaded from the website of the Institute.

Nominations shall be accompanied by a fee of Rs.10,000/- (Rupees ten thousand only) by Demand Draft, payable at Kolkata, drawn in favour of the Secretary, The Institute of Cost and Works Accountants of India as provided in Rule 10. Candidates can submit maximum number of ten nominations as per sub-rule (2) of Rule 9.

Every candidate standing for election in addition to fee as provided in Rule 10, shall pay, irrespective of the number of nominations filed under Rule 9, an amount of Rs.20,000/- (Rupees twenty thousand only) by Demand Draft payable at Kolkata, drawn in favour of the Secretary, The Institute of Cost and Works Accountants of India, as security deposit as provided in Rule 11.

Kaushik Banerjee
Returning Officer

NOTIFICATION

Kolkata, the 3rd March, 2011**Elections to the Regional Council of the Institute of Cost and Works Accountants of India**

No. EL-2011/3: In pursuance of sub-regulation (2) of Regulation 114 and Regulation 118 of the Cost and Works Accountants Regulations 1959 as amended, the Council of the Institute of Cost and Works Accountants of India hereby notifies that the elections to the Regional Councils shall be held in the manner as specified hereunder :

Name of the Regional Council	Number of members to be elected
Western India Regional Council	8 (Eight)
Southern India Regional Council	9 (Nine)
Eastern India Regional Council	8 (Eight)
Northern India Regional Council	7 (Seven)
Total : 32 (Thirty two)	

The Council invites nomination of candidates, who desire to stand for elections to a Regional Council to be held on 3rd June, 2011. The nominations shall be delivered to Shri Kaushik Banerjee, Returning Officer, The Institute of Cost and Works Accountants of India (By Name), in a closed envelope superscribing on it "Nomination for Regional Council Election 2011-2015" at the Headquarters of The Institute of Cost and Works Accountants of

India, 12, Sudder Street, Kolkata – 700 016 so as to reach him not later than 6:00 P.M. on Friday, the 25th March, 2011.. Nomination forms can be downloaded from the Institute’s website: www.icwai.org.

Candidates for elections to a Regional Council shall pay a fee of Rs.5,000/- (Rupees five thousand only) in favour of the Secretary, The Institute of Cost and Works Accountants of India, payable at Kolkata by virtue of sub-regulation (2) of Regulation 117 of the Cost and Works Accountants Regulations 1959 as amended.

Every candidate standing for election a Regional Council in addition to fee as provided in sub-regulation (2) of Regulation 117, shall pay, irrespective of the number of nominations filed, an amount of Rs.10,000/- (Rupees ten thousand only) by Demand Draft payable at Kolkata, drawn in favour of the Secretary, The Institute of Cost and Works Accountants of India, as security deposit as per proviso to sub-regulation (3) of Regulation 117 of the Cost and Works Accountants Regulations, 1959 as amended.

By virtue of Regulation 118, except to the extent provided in Chapter XI of the Cost and Works Accountants Regulations, 1959 as amended, the elections to the Regional Councils shall be held by the Council and The Cost and Works Accountants (Election to the Council) Rules, 2006 shall apply to the elections to the Regional Councils mutatis mutandis.

Kaushik Banerjee
Returning Officer

NOTIFICATION

Kolkata, the 3rd March, 2011

Constitution of Regional Councils of the Institute of Cost and Works Accountants of India

No. EL-2011/4 : In exercise of the powers conferred by sub-section (1) of Section 23 of the Cost and Works Accountants Act, 1959, the Council of the Institute of Cost and Works Accountants of India, hereby notifies the constitution of Regional Councils as under in pursuance of sub-regulation (1) of Regulation 114 of the Cost and Works Accountants Regulations, 1959 for the four Regional constituencies notified by the Central Government vide Notification published in the Gazette of India Extraordinary, Part II, sub-section (ii) of Section 3 as S.O. 1331 (E) dated 20th November, 2003 under clause (a) of sub-section (2) of Section 9 of the Cost and Works Accountants Act 1959, namely :

Sl No.	Name of the Regional Constituency
1. Western India Regional Constituency :	Comprising the States of Chattisgarh, Goa, Gujarat, Madhya Pradesh and Maharashtra and the Union Territories of Dadra and Nagar Haveli and Daman and Diu;
2. Southern India Regional Constituency :	Comprising the States of Andhra Pradesh, Karnataka, Kerala and Tamil Nadu and the Union Territories of Lakshadweep and Pondicherry;
3. Eastern India Regional Constituency :	Comprising the States of Arunachal Pradesh, Assam, Bihar, Jharkhand, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Sikkim, Tripura and West Bengal and the Union Territory of Andaman and Nicobar Islands;
4. Northern India Regional Constituency :	Comprising the States of Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab, Rajasthan, Uttaranchal and Uttar Pradesh and the Union Territories of Chandigarh and Delhi.

Kaushik Banerjee
Returning Officer

NOTIFICATION

Kolkata, the 3rd March, 2011

Payment of fee for elections to the Council and elections to the four Regional Councils of the Institute of Cost and Works accountants of India

No. EL-2011/5 : In pursuance of sub-rule (1) of Rule 10 of the Cost and Works Accountants (Election to the Council) Rules, 2006 specified under the Cost and Works Accountants Act, 1959 (as amended by the Amendment Act, 2006), it is hereby notified that a candidate shall pay a fee of Rs.10,000/- (Rupees ten thousand only) for elections to the Council, irrespective of the number of nominations that may be filed by him. By virtue of sub-regulation (2) of Regulation 117 of the Cost and Works Accountants Regulations 1959, a candidate shall pay a fee of Rs.5,000/- (Rupees five thousand only) for elections to the Regional Councils, irrespective of the number

of nominations that may be filed by him. The fee shall be paid by Demand Draft, drawn in favour of the Secretary, The Institute of Cost and Works Accountants of India, payable at Kolkata.

Kaushik Banerjee
Returning Officer

NOTIFICATION

Kolkata, the 3rd March, 2011

Payment of Security Deposit for the elections to the Council of the Institute of Cost and Works Accountants of India

No. EL-2011/6 : In pursuance of sub-rule (1) of Rule 11 of the Cost and Works Accountants (Election to the Council) Rules, 2006 specified under the Cost and Works Accountants Act, 1959 (as amended by the Amendment Act, 2006), it is hereby notified that in respect of elections to the Council of the Institute for the term 2011-2015, a candidate for election, in addition to fee as provided above, shall pay irrespective of the number of nominations filed, an amount of Rs.20,000/- (Rupees twenty thousand only) as security deposit, which shall be forfeited if he fails to secure not less than 2% of the original votes polled in the concerned regional constituency. By virtue of proviso to sub-regulation (3) of Regulation 117 of the Cost and Works Accountants Regulations, 1959 as amended, a candidate for Regional Council elections of the Institute for the term 2011-2015, in addition to fee as provided above shall pay, irrespective of the number of nominations filed, an amount of Rs.10,000/- (Rupees ten thousand only) as security deposit, which shall be forfeited if he fails to secure not less than 3% of the original votes polled in the concerned regional constituency. The security deposit shall be paid by Demand Draft, drawn in favour of the Secretary, The Institute of Cost and Works Accountants of India payable at Kolkata.

Kaushik Banerjee
Returning Officer

NOTIFICATION

Kolkata, the 3rd March, 2011

Notification of Recognition of Qualifications for the purpose of Sub-rule (4) of Rule 9 read with Schedule 4

No. EL-2011/7 : In pursuance of sub-rule (4) of the Rule 9 read with Schedule 4 of the Cost and Works Accountants (Election to the Council) Rules, 2006, relating to nominations for elections, the Council has resolved that for the purpose of sub-clause (a) of clause (2) of Schedule 4, the following qualifications have been recognized by the Council :

- i) All degrees awarded by the Universities recognized by Government.
- ii) Professional – Associate/Fellow Membership of The Institute of Chartered Accountants of India, Associate/Fellow Membership of The Institute of Company Secretaries of India, Associate/Fellow Membership of The Chartered Institute of Management Accountants, UK and CMA Certification of The Institute of Management Accountants, USA.

Kaushik Banerjee
Returning Officer

NOTIFICATION

Kolkata, the 3rd March, 2011

No. EL-2011/8: In pursuance of sub-rule (3) of Rule 6 of the Cost and Works Accountants of India (Election to the Council) Rules, 2006, it is hereby notified that the list of members eligible to vote (list of voters) from the various constituencies for elections to the Eighteenth Council and the four Regional Councils of the Institute of Cost and Works Accountants of India is available for sale with effect from 3rd March, 2011 on payment of the price mentioned below from the Headquarters of The Institute of Cost and Works Accountants of India, 12, Sudder Street, Kolkata - 700016 :

Region	Price per printed book (Rs.)	Price per CD (Rs.)
Western India Regional Constituency	250.00	100.00
Southern India Regional Constituency	250.00	100.00
Eastern India Regional Constituency	250.00	100.00
Northern India Regional Constituency	250.00	100.00

The list of voters is also available for sale at the respective Regional Council offices at Mumbai, Chennai, Kolkata & Delhi and the Chapter offices of the Institute of Cost and Works Accountants of India.

Kaushik Banerjee
Returning Officer

NOTIFICATIONKolkata, the 3rd March, 2011

No. EL-2011/9 : The Council in exercise of the powers vested under sub-rule (1) of Rule 41 of the Cost and Works Accountants of India (Election to the Council) Rules, 2006 has fixed the following ceiling of expenditure to be incurred by a candidate for elections to the Council and the Regional Councils :

Election	Expense (Rs.)
Council	5,00,000/-
Regional Councils	3,00,000/-

In pursuance of sub-rule (2) of Rule 41, every candidate for elections to the Council and the Regional Councils shall file an account of expenses incurred for the election in the format approved by the Council within fifteen days of notification issued under Rule 36. Formats as approved by the Council are printed in the Journal of the Institute and also available on the Institute's website www.icwai.org.

In pursuance of sub-rule (3) of Rule 41, a member shall be deemed to have brought disrepute to the Council under item (2) of Part IV of the First Schedule of the Cost and Works Accountants Act, 1959 as amended if, in connection with an election to the Council of the Institute, he is found to have contravened the provisions of sub-rule (1) or sub-rule (2).

Kaushik Banerjee
Returning Officer

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA

12, Sudder Street, Kolkata - 700 016

NOTIFICATIONKolkata, the 3rd March, 2011

No. ICWAI/EL-2011/10 : In pursuance of Rule 6 read with Schedule 2 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, the Returning Officer of the Institute of Cost and Works Accountants of India is pleased to publish the following list of members of the Institute in Western India Regional Constituency eligible to vote in the next elections to the Council of the Institute of Cost and Works Accountants of India and to the Western India Regional Council to be held on 3rd June 2011 vide Notifications dated 3rd March, 2011 published in the Gazette of India.

List of Voters
Explanatory Notes

1. In the List of Voters, which is topographically arranged, the cities and towns in the region and the names of members in each city or town have been arranged alphabetically.

2. The letters 'FICWA' after a member's name denote that he is a Fellow member of the Institute and the letters 'AICWA' after a member's name denote that he is an Associate member of the Institute.

3. The figure in brackets given at the end of an entry is the Membership Number of the member.

4. Against the name of each city or town indication has been given whether the voting there would be by poll or by post.

5. In places where the voting is to be by poll, the number **B-1, B-2, B-3, B-4, B-5, B-6, B-7, B-8, B-9, B-10, B-11, B-11A, B-12, B-13, B-14, B-14A, B-15, B-15A, B-16, B-16A, B-17, B-18, B-19, B-20, B-21, B-22, B-23, B-24 and B-25** indicated against the serial number of the entry relating to a voter is the number of the polling booth at which he will be required to cast his vote.

The addresses of the polling booths in Western India Regional Constituency are :

Polling Booth No.	Address
B-1	Ahmedabad Chapter of Cost Accountants, 303-304, 'SARAP', Behind Gujarat Vidyapith, Opp. Navjivan Press, Ashram Road, Ahmedabad - 380014.
B-2	Aurangabad Chapter of Cost Accountants, Flat No. A-9/10, Chetan Super Market, Trimurti Chowk, Jawahar Colony, Aurangabad - 431005.

Polling Booth No.	Address
B-3	Gujarat Narmada Valley Fertilizer Corporation Ltd., P.O. Narmada Nagar, Dist. Bharuch, Bharuch - 392015.
B-4	Bhilai Chapter of Cost Accountants, ICWAI Bhawan, Civic Centre, Bhilai - 490006.
B-5	Bhopal Chapter of Cost Accountants, 182, Akanksha Building, II Floor, M. P. Nagar, Zone I, Bhopal - 462011.
B-6	Bilaspur Chapter of Cost Accountants, C/o. O/o, General Manager (Fin.) SECL Head Quarters, Seepat Road, Bilaspur - 495006 (C.G.).
B-7	Radhabai Sathe Kanyashala High School, Rajaji Road, Ramnagar, Opp. Bank of India, Dombivli (E) - 421201.
B-8	Indore-Dewas Chapter of Cost Accountants, 303, Shyam Tower, Near Hotel President, 164/2, R.N.T. Marg, Indore - 452001 (M.P.)
B-9	Shri GH Gosrani Commerce College, Oshwal Education Trust, Near Gokul Nagar, Indira Gandhi Marg, Jamnagar - 361004.
B-10	Kalyan-Ambarnath Chapter of Cost Accountants, Sai Chintan Co-op. Hsg. Soc. Ltd. Dhobi Ghat, Maratha Section - 32, Ulhasnagar - 421004.
B-11	Kolhapur-Sangli Chapter of Cost Accountants, 1170/E, Jyotichandra Apartments (Basement), Rajaram Road, Takala, Kolhapur - 416001.
B-11A	Kutch Gandhidham Chapter of Cost Accountants, C/o. Tolani Institute of Management Studies, Opp. Railway Crossing, Lilashah Ashram Road, Adipur-Kutch (Gujarat) - 370205.
B-12	Western India Regional Council, "Rohit Chambers", 4 th Floor, Janmabhoomi Marg, Fort, Mumbai - 400001.
B-13	D.G. Ruparel College of Arts, Science and Commerce, Opp. Matunga Road Station (W.Rly.), Senapati Bapat Marg, Mahim, Mumbai - 400016.
B-14	Ramniranjan Jhunjhunwala College of Commerce & Economics, Ghatkopar (West), Mumbai - 400086.
B-14A	Mulund College of Commerce, Mulund (W), Mumbai - 400080.
B-15	SIES College of Arts, Science & Commerce, Sion (West), Mumbai - 400022.
B-15A	N. M. College of Commerce, Vile Parle (W), Mumbai - 400056.
B-16	Parle Tilak Vidyalyaya Association's M.L. Dahanukar College of Commerce, Dixit Road, Vile Parle (East), Mumbai - 400057.
B-16A	Sheth M. K. High School, Complex Factory Lane, Borivli (W), Mumbai - 400092.
B-17	ICLES' Motilal Jhunjhunwala College of Arts, Science & Commerce, Plot No. 53, Sector - 9A, Amlendu Roye Marg, Vashi, Navi Mumbai - 400703.
B-18	Nagpur Chapter of Cost Accountants, ICWAI Bhavan, 243/3, Laxminagar, Nagpur - 440022.
B-19	Nashik-Ojhar Chapter of Cost Accountants, 2nd Floor, Prasanna Arcade, Old Agra Road, Nashik - 422002.
B-20	Modern College of Arts, Science and Commerce, Shivaji Nagar, Pune - 411005.
B-21	S. S. Ajmera Junior College, Pimpri, Pune - 411018.
B-22	Rotary Club of Raipur, Jalbihar Colony, Raipur (C.G.) - 492 001
B-23	Surat-South Gujarat Chapter of Cost Accountants, B-210, Tirupati Plaza, Near Collector Office, Athwa Gate, Surat - 395001.
B-24	VPMS Institute of Management Studies, Chendani Bunder Road, Creek Land, Thane - 400601.
B-25	Baroda Chapter of Cost Accountants, 242, Phoenix Complex, Near Suraj Plaza, Sayajigunj, Vadodara - 390005.

Kaushik Banerjee
Returning Officer

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA

12, Sudder Street, Kolkata - 700 016

NOTIFICATION

Kolkata, the 3rd March, 2011

No. ICWAI/EL-2011/10: In pursuance of Rule 6 read with Schedule 2 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, the Returning Officer of the Institute of Cost and Works Accountants of India is pleased to publish the following list of members of the Institute in Southern India Regional Constituency eligible to vote in the next elections to the Council of the Institute of Cost and Works Accountants of India and to the Southern India Regional Council to be held on 3rd June 2011 vide Notifications dated 3rd March, 2011 published in the Gazette of India.

List of Voters Explanatory Notes

1. In the List of Voters, which is topographically arranged, the cities and towns in the region and the names of members in each city or town have been arranged alphabetically.

2. The letters 'FICWA' after a member's name denote that he is a Fellow member of the Institute and the letters 'AICWA' after a member's name denote that he is an Associate member of the Institute.

3. The figure in brackets given at the end of an entry is the Membership Number of the member.

4. Against the name of each city or town indication has been given whether the voting there would be by poll or by post.

5. In places where the voting is to be by poll, the number **B-26, B-27, B-28, B-29, B-30, B-31, B-32, B-32A, B-33, B-34, B-35, B-36, B-37, B-38, B-39, B-40, B-41, B-42, B-43, B-44, B-45, B-46, B-47, B-48, B-49, B-50, and B-51** indicated against the serial number of the entry relating to a voter is the number of the polling booth at which he will be required to cast his vote.

The addresses of the polling booths in Southern India Regional Constituency are :

Polling Booth No.	Address
B-26	Bangalore Chapter of Cost Accountants, 81, Mallikarjuna Temple Street, Basavanagudi, Bangalore - 560004.
B-27	Institution of Agricultural Technologists (IAT), No.15, Queen's Road, Bangalore - 560052.
B-28	Southern India Regional Council of ICWAI, 4, Montieth Lane, Egmore, Chennai - 600008.
B-29	Southern India Chamber of Commerce & Industry, 6, Indian Chamber Buildings, Esplanade, Chennai - 600108.
B-30	South Indian National Association, Sastri Hall, No.40, Luz Church Road, Mylapore, Chennai - 600004.
B-31	C. Kandaswamy Naidu College for Men, Anna Nagar East, Near Round Tana, Anna Nagar, Chennai - 600040.
B-32	The Stenographers' Guild, 1, Guild Street, T. Nagar, Chennai - 600017.
B-32A	Chellammal Women's College, No.112, Anna Salai, Guindy, Chennai-600032.
B-33	Silver Jubilee Hall, Cochin Chapter of ICWAI, ICWAI Bhawan, CC/62/689, Judges' Avenue, Kaloor, Cochin - 682017.
B-34	Coimbatore Chapter of Cost Accountants, ICWAI Bhawan, 13/14, SFI Apts., Sathiamoorthy Road, Ramnagar, Coimbatore - 641009.

Polling Booth No.	Address
B-35	Hyderabad Chapter of Cost Accountants, ICWAI Bhavan, Ground Floor, 1-2-56/44A, Gaganmahal Road, 5th Street, Himayatnagar, Hyderabad – 500029.
B-36	YMCA of Greater Hyderabad, Secunderabad Branch, S. P. Road, Secunderabad – 500003.
B-37	Kothagudem Chapter of Cost Accountants, Opp. Musif Magistrate Court, Writers' Basti, Dist.- Khammam, Kothagudem – 507101. (A.P.)
B-38	Mathematics Building of the Baselius College, Baselius College, K.K. Road, Kottayam – 686001.
B-39	Madurai Chapter of Cost Accountants, 6, North Vadambokki Street (Upstairs), Madurai – 625001.
B-40	Mangalore Chapter of Cost Accountants, S.D.M. College Building, Mahatma Gandhi Road, Kodialbail, Mangalore – 575003.
B-41	D. Banumaiah's College of Commerce & Arts, New Sayyaji Rao Road, Mysore – 570024.
B-42	Sri Aurobindo Vidyalaya, Block 19, Neyveli – 607803. (T.N.)
B-43	Palakkad Chapter of Cost Accountants, Kit's College Building, Court Road, Palakkad – 678001.
B-44	Pondicherry Chapter of Cost Accountants, 12, Third Street, Jeyanagar, Reddiarpalayam, Pondicherry – 605010.
B-45	Access Point IT Services India (P) Ltd., 5/324, Thirugnana Sambandam Street (Next to Bharat Gas), Junction Main Road, State Bank Colony, Salem – 636004.
B-46	Thrissur Chapter of Cost Accountants, ICWAI Bhawan, XX/577/3, Sourabhya, Dilkush Lane, Kottappuram, Thrissur – 680004.
B-47	Tiruchirappalli Chapter of Cost Accountants, 48 (Old 34-A), Bharathidasan Salai, Cantonment, Tiruchirappalli – 620001.
B-48	Trivandrum Chapter of Cost Accountants, ICWAI Bhawan, T.C. 31/677/00, Jawahar Lane, Vellayambalam, Thiruvananthapuram – 695010.
B-49	Ranipet-Vellore Chapter of Cost Accountants, ICWAI Bhawan, 16, No.7A, R.G. Nagar, Bharathi Nagar, 3 rd . Main Road (Opp. Balaji Theatre), Katpadi, Vellore – 632007.
B-50	Vijayawada Chapter of Cost Accountants, ICWAI Bhawan, 58-6-14, Karanamgari Street, Patamata, Vijayawada – 520010.
B-51	Visakhapatnam Chapter of Cost Accountants, ICWAI Bhawan, Opp. Port Stadium, National Highway 5, Akkayyapalem, Visakhapatnam – 530016.

Kaushik Banerjee
Returning Officer

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA

12, Sudder Street, Kolkata - 700 016

NOTIFICATION

Kolkata, the 3rd March, 2011

No. ICWAI/EL-2011/10: In pursuance of Rule 6 read with Schedule 2 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, the Returning Officer of the Institute of Cost and Works Accountants of India is pleased to publish the following list of members of the Institute in Eastern India Regional Constituency eligible to vote in the next elections to the Council of the Institute of Cost and Works Accountants of India and to the Eastern India Regional Council to be held on 3rd June 2011 vide Notifications dated 3rd March, 2011 published in the Gazette of India.

List of Voters Explanatory Notes

1. In the List of Voters, which is topographically arranged, the cities and towns in the region and the names of members in each city or town have been arranged alphabetically.

2. The letters 'FICWA' after a member's name denote that he is a Fellow member of the Institute and the letters 'AICWA' after a member's name denote that he is an Associate member of the Institute.

3. The figure in brackets given at the end of an entry is the Membership Number of the member.

4. Against the name of each city or town indication has been given whether the voting there would be by poll or by post.

5. In places where the voting is to be by poll, the number **B-52, B-53, B-54, B-55, B-56, B-57, B-58, B-58A, B-59, B-60, B-61, B-62, B-63, B-64, B-65, B-65A, B-66, B-67, B-68, B-69, B-70, B-71, B-72, B-73, B-74, B-75, B-76, B-77 and B-78** indicated against the serial number of the entry relating to a voter is the number of the polling booth at which he will be required to cast his vote.

The addresses of the polling booths in Eastern India Regional Constituency are :

Polling Booth No.	Address
B-52	Asansol Chapter of Cost Accountants, ICWAI Bhawan, Rajpara, Budha, Dist. Burdwan, Asansol - 713301.
B-53	South Orissa Chapter of Cost Accountants, Giri Road, Near Gita Bhawan, In front of PWD Office, Berhampur - 760005.
B-54	Cuttack-Bhubaneswar Chapter of Cost Accountants, A-122/2, Nayapalli, Nilakantha Nagar, Bhubaneswar - 751012.
B-55	Bokaro Steel City Chapter of Cost Accountants, ICWAI Bhavan, Institutional Area, Sector - 5, Bokaro Steel City (Jharkhand) - 827006.
B-56	Raj College, BBA/BCA Building, Burdwan - 713 101.
B-57	Revenshaw University, Post Office, College Square, Cuttack - 753003.
B-58	Dhanbad-Sindri Chapter of Cost Accountants, ICWAI Bhavan, Saraidhela, Dhanbad (Jharkhand) - 828127.
B-58A	Oil India Limited, General Building, Duliajan - 786 602, Assam.
B-59	Durgapur Chapter of Cost Accountants, ICWAI Bhawan, Nehru Avenue, (Nr. Nirmala Petrol Pump) Durgapur - 713205.
B-60	Icon Academy, Chandmari, Rajgarh Road, Guwahati - 781003.

Polling Booth No.	Address
B-61	Howrah Chapter of Cost Accountants, ICWAI Bhavan, 1/2, Baje Shibpur Road, Shibpur, Howrah - 711102.
B-62	Jamshedpur Chapter of Cost Accountants, Room No. 19, Russi Mody Centre for Excellence, Jubilee Road, Jamshedpur - 831001.
B-63	The Institute of Cost and Works Accountants of India, 12, Sudder Street, Kolkata - 700016.
B-64	Eastern India Regional Council, 84, Harish Mukherjee Road, Kolkata - 700025.
B-65	Dhakuria Sriramroy Institution, 10 & 11, Gariahat Road (South), Kolkata - 700031.
B-65A	Kanungo Park Recreation Club & Library, Garia, Next Lane of Dinabandhu Andrews College, Kolkata - 700 084.
B-66	All India Manufacturer's Organization, West Bengal State Board, ILACO House, Ground Floor, 1 & 3, Brabourne Road, Kolkata - 700001.
B-67	Park Institution, 12, Mohan Lal Street, Kolkata - 700004.
B-68	Labony Abasik Samity (LAS), Local Centre, Salt Lake City, Kolkata - 700064.
B-69	Behala High School, Behala, Kolkata - 700060.
B-70	Mahatma Gandhi Memorial High School, Nabapalli, Barasat, Kolkata - 700126
B-71	Naihati Narendra Vidyaniketan, 114, Jan Mohammad Ghat Road, Dist. North 24 Pgs., Naihati - 743165.
B-72	Patna Chapter of Cost Accountants, 3 rd . Floor, Kumar Tower, Boring Road Crossing, Patna - 800001.
B-73	Ranchi Chapter of Cost Accountants, 303, Giridhar Plaza, Harmu Road, Ranchi - 834001.
B-74	Rourkela Chapter of Cost Accountants, ICWAI Campus, ILS School, Sector - 17, Rourkela - 769003, Orissa.
B-75	Sambalpur Chapter of Cost Accountants, Finance Dept., Mahanadi Coal Fields Ltd., At/ Po-Jagruti Vihar, Burla, Sambalpur (Orissa) - 768020.
B-76	Serampore Chapter of Cost Accountants, ICWAI Bhawan, Srishti Apartment, 89, G.T. Road(West), Serampore - 712203.
B-77	Sodepur Club, F-14, School Road, Dist. North 24 Pgs., Sodepur, Kolkata - 700110.
B-78	Raja Peary Mohan College, Uttara, Hooghly, Pin - 712258

Kaushik Banerjee
Returning Officer

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA

12, Sudder Street, Kolkata - 700 016

NOTIFICATION

Kolkata, the 3rd March, 2011

No. ICWAI/EL-2011/10 : In pursuance of Rule 6 read with Schedule 2 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, the Returning Officer of the Institute of Cost and Works Accountants of India is pleased to publish the following list of members of the Institute in Northern India Regional Constituency eligible to vote in the next elections to the Council of the Institute of Cost and Works Accountants of India and to the Northern India Regional Council to be held on 3rd June 2011 vide Notifications dated 3rd March, 2011 published in the Gazette of India.

List of Voters Explanatory Notes

1. In the List of Voters, which is topographically arranged, the cities and towns in the region and the names of members in each city or town have been arranged alphabetically.

2. The letters 'FICWA' after a member's name denote that he is a Fellow member of the Institute and the letters 'AICWA' after a member's name denote that he is an Associate member of the Institute.

3. The figure in brackets given at the end of an entry is the Membership Number of the member.

4. Against the name of each city or town indication has been given whether the voting there would be by poll or by post.

5. In places where the voting is to be by poll, the number **B-79, B-80, B-81, B-82, B-83, B-84, B-85, B-86, B-87, B-88, B-88A, B-89, B-90, B-91, B-92, B-93, B-94, B-95, B-95A, B-96, B-97, B-98, B-99 and B-100** indicated against the serial number of the entry relating to a voter is the number of the polling booth at which he will be required to cast his vote.

The addresses of the polling booths in Northern India Regional Constituency are :

Polling Booth No.	Address
B-79	St. John's College, Agra - 282002.
B-80	Gauri Dharmashala, 106/320, Alopi Bagh, (Near Allahabad Bank), Allahabad - 211006.
B-81	B-12, 1 st Floor, Sangam Tower, Old R.T.O. Road, Bhilwara - 311001, (Raj)
B-82	Chandigarh-Panchkula Chapter of Cost Accountants, C/o. New Public School, Room No. 216, 2 nd Floor, Sector - 18B, Chandigarh - 160018.
B-83	Officers' Club, Yamuna Colony, Dehradun - 248001.
B-84	DAV Institute of Management, NH-3, NIT, Faridabad - 121001.
B-85	Ghaziabad Chapter of Cost Accountants, 34, 1 st Floor, Durga Tower, RDC Raj Nagar, Ghaziabad - 201002.
B-86	Gurgaon Chapter of Cost Accountants, 1 st Floor, P-9, Near Virasat Restaurent, Above Star Real Estate, New Colony, Gurgaon - 122001 (Haryana).
B-87	Hardwar-Rishikesh Chapter of Cost Accountants, Room No.1, HRDC, Sector 1, BHEL, Ranipur, Hardwar (Uttaranchal) - 249403.
B-88	Jaipur Chapter of Cost Accountants, ICWAI Bhawan, 3-A, Institutional Area, Jhalana Doongri, Jaipur - 302004.
B-88A	Jalandhar Chapter of Cost Accountants, 1 st Floor, Study Nest Building, Opp. Gurdawara Diwan Asthan, Chowk Central Town, Jalandhar City - 144001, Punjab.
B-89	ICWAI Bhawan, Plot No. 24, Near Railway Track, Mohanpura, Jodhpur.

Polling Booth No.	Address
B-90	Kanpur Vidya Mandir Mahila P.G. Mahavidyalaya, 7/147, Swaroop Nagar, Kanpur - 208002.
B-91	Kota Chapter of Cost Accountants, Lagat Bhawan, 6 - Basant Vihar, Kota (Rajasthan) - 324009.
B-92	Lucknow Chapter of Cost Accountants, ICWAI Bhawan, Vikas Khand - I, Gomti Nagar, Institutional Area, Lucknow - 226010.
B-93	SCO -32 (1st Floor), Feroze Gandhi Market, Ludhiana - 141001.
B-94	Northern India Regional Council of ICWAI, ICWAI Bhawan, 3, Institutional Area, Lodi Road, New Delhi - 110003.
B-95	Northern India Regional Council of ICWAI, C/o. Hindu Mahashava Bhawan, Mandir Marg, New Delhi - 110001.
B-95A	Central Office, Akhil Bharti Hindu Parishad, Hindu Mahashava, Mandir Marg, New Delhi - 110 001.
B-96	Laxmi Public School, X - 20, Institutional Area, Karkardooma, Delhi - 110092.
B-97	Red Roses Public School, D - Block, Saket, New Delhi - 110017.
B-98	Marigold Public School, Sector 19 (Adjoining GPO), Noida - 201301.
B-99	M. M. Modi College, Lower Mall, Patiala - 147001.
B-100	Udaipur Chapter of Cost Accountants, ICWAI Bhawan, 127, Sector - XI, Hiran Magri, Udaipur - 313001.

Kaushik Banerjee
Returning Officer

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA

12, Sudder Street, Kolkata - 700 016

Application for Permission to Vote by Post

No. EL-2011/11 : In pursuance of Rule 28 of the Cost and Works Accountants (Election to the Council) Rules, 2006, the form for permission to vote by post as approved by the Council is annexed herewith.

The duly filled in and signed form along with requisite evidence should be submitted to the undersigned latest within 31st March, 2011 up to 6.00 P.M.

Encl : Form

Kaushik Banerjee
Returning Officer

Form of Application Seeking Permission to Vote by Post

Shri Kaushik Banerjee,
Returning Officer,
The Institute of Cost and Works Accountants of India,
12, Sudder Street,
Kolkata - 700 016.
Dear Sir,

Subject : ICWAI Elections, 2011

I hereby apply for permission to vote by post under Rule 28 of the Cost and Works Accountants (Election to the Council) Rules, 2006 and give below the necessary particulars:

1. Full Name :
2. Membership No. :
3. Serial No. in the list of voters, if known :
4. Serial No. and address of the polling booth allotted :
5. Reason for seeking permission to vote by post :

(a) There has been a permanent change in my professional address duly* signed by an authorized personnel of the organization where the member is employed from the address published in the list of voters, to another place beyond a radius of fifty kilometers from the polling booth allotted to me as given below :

.....
.....

OR

(b) I am suffering from a permanent infirmity **, particulars of which are given below on account of which I shall not be able to exercise my vote on the date of election at the polling booth allotted to me.

Particulars of permanent infirmity :

.....
.....

6. Address to which the voting papers should be sent :

Date :

Place :

Signature of the Member

VERIFICATION

I declare that the particulars given above are correct to the best of my knowledge and belief.

Signature of the Member

Date :

Place :

* The applications must be supported by a certificate only signed by an authorized personnel of the organization where the member is employed.

** The application in this case must be supported by a certificate from a medical practitioner, not below the rank of a surgeon in any Government Hospital, confirming such permanent infirmity.

(DULY FILLED IN AND SIGNED HARD COPY OF THIS FORM IN ORIGINAL SHOULD BE SUBMITTED TO THE RETURNING OFFICER AT THE HEADQUARTERS OF THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA, 12, SUDDER STREET, KOLKATA - 700 016 LATEST WITHIN 31ST MARCH, 2011 UP TO 6.00 P.M.)

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA

12, Sudder Street, Kolkata - 700 016

Elections to the Council and Regional Councils, 2011

NOTIFICATION

Kolkata, the 3rd March, 2011

Application for Permission to Vote at a Polling Booth or Change of Polling Booth

No. EL-2011/12 : In pursuance of Rule 39 of the Cost and Works Accountants (Election to the Council) Rules, 2006, the form for permission to vote at a polling booth or change of polling booth as approved by the Council is annexed herewith.

The duly filled in and signed form should be submitted to the undersigned latest within 31st March, 2011 up to 6.00 P.M.

Encl : Form

Kaushik Banerjee
Returning Officer

Form of Application for Permission to Vote at a Polling Booth or for Change of Polling Booth

(Note: Clear indication has been given in the List of Voters as to who are entitled to vote at a particular Booth. This Form is provided for use of only those who wish to apply for a change, for which valid grounds will have to be provided in this Form and submitted within the specified time limit.)

Shri Kaushik Banerjee,
Returning Officer,
The Institute of Cost and Works Accountants of India,
12 Sudder Street,
Kolkata - 700 016.

Dear Sir,

Sub : Elections to the Council and Regional Councils, 2011

My name appears under Serial No. of the List of Voters of
..... India Regional Constituency. I hereby apply for permission to Vote –

At Polling Booth No. _____ Situated at –

I give below the necessary particulars :

1. Full Name _____
2. Membership No. _____
3. Name of Regional Constituency _____
4. Serial No. in the List of Voters _____

5. (a) Please state whether there has been a permanent change in your address from the one published in the Voters' List _____

(b) If so, please state your present address in full _____

6. Distance from the allotted Polling Booth (if the address is beyond 50 Kilometers from the Polling Booth) _____

7. Reason for the Change requested _____

Date Signature of the Member
Place Membership No.

***VERIFICATION**

I,, hereby declare that the particulars given above are correct to the best of my knowledge and belief.

Date Signature of the Member
Place..... Membership No.

(DULY FILLED IN AND SIGNED HARD COPY OF THIS FORM IN ORIGINAL SHOULD BE SUBMITTED TO THE RETURNING OFFICER AT THE HEADQUARTERS OF THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA, 12, SUDDER STREET, KOLKATA - 700 016 LATEST WITHIN 31ST MARCH, 2011 UPTO 6.00 P.M.)

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA

12, Sudder Street, Kolkata - 700 016

NOTIFICATION

Kolkata, the 3rd March, 2011

Election Expenses

No. EL-2011/13 : As per sub-rule of Rule 41 of the Cost and Works Accountants (Election to the Council) Rules, 2006 no candidate whose name has been included in the final list of nominations under Rule 15 of the said Rules, shall incur an expenditure above an amount to be fixed by the Council for this purpose. The Council has fixed the limit of expenditure as below:

- (i) Council Rs. 5,00,000 (Rupees Five Lakhs only)
- (ii) Regional Council Rs. 3,00,000 (Rupees Three Lakhs only)

Further as per sub-rule (2) of Rule 41 of the Rules every candidate shall file an account of expenses incurred for the election in the enclosed format within 15 days of notification issued under Rule 36 (Notification of the declaration of results) of the Rules.

Encl : Format of Election Expenses

**Kaushik Banerjee
Returning Officer**

Format for the filing Account of Expenses incurred by the candidate during Election to the Council-2011

[To be submitted within fifteen days of the date of declaration of the election result]

The Returning Officer
The Institute of Cost and Works Accountants of India
12, Sudder Street, Kolkata - 700 016.

Dear Sir,

Re : Filing of account of expenses incurred for Election to the Council

In accordance with the provisions of Rule 41 of the Cost and Works Accountants (Election to the Council) Rules, 2006, I, a candidate for election to the Council from India Regional Constituency, hereby file an account of expenses incurred by me in connection with the election to the Council of the Institute held in June, 2011.

Sl. No.	Item of Expenditure	Expenditure Incurred in (Rs.)
1.	Total Cost of Stationery including paper purchased for printing circular/ manifesto, Visiting Cards/Pamphlet/Handout/Letters and the like.	
2.	Total Printing cost (excluding stationery cost as above).	
3.	Total cost of vehicle used (excluding cost of travel by air, train, bus and the like).	
4.	Total Travel cost.	
5.	Total cost of stay, food etc.	
6.	Total cost of Postage.	
7.	Total cost of Telephone, Mobile, SMS, Fax, E-mail and the like.	
8.	Total cost of any other items not covered by the above. (please specify the names of items also)	
Grand Total		

I have noted that the ceiling fixed by the Council under rule 41 of the Cost and Works Accountants (Election to the Council) Rules, 2006 on election expenses (in aggregate under all possible heads) is Rs. 5.00 Lakhs (Rupees Five Lakhs only). Further, I have not incurred any expenditure as a candidate for the election other than those stated in the statement above.

I declare that the aforesaid statements of expenses are true to the best of my knowledge and belief.

Yours faithfully,

(Signature of the Candidate)

Place :

Name :

Membership No. :

Date:

Voter's Sl. No. :

Address :

.....

.....

.....

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA

12, Sudder Street, Kolkata - 700 016

NOTIFICATION

Kolkata, the 3rd March, 2011

Election Expenses

No. EL-2011/14 : As per sub-rule of Rule 41 of the Cost and Works Accountants (Election to the Council) Rules, 2006 no candidate whose name has been included in the final list of nominations under Rule 15 of the said Rules, shall incur an expenditure above an amount to be fixed by the Council for this purpose. The Council has fixed the limit of expenditure as below:

- (i) Council Rs. 5,00,000 (Rupees Five Lakhs only)
- (ii) Regional Council Rs. 3,00,000 (Rupees Three Lakhs only)

Further as per sub-rule (2) of Rule 41 of the Rules every candidate shall file an account of expenses incurred for the election in the enclosed format within 15 days of notification issued under Rule 36 Notification of the declaration of results) of the Rules.

Encl : Format of Election Expenses

Kaushik Banerjee
Returning Officer

Format for the filing Account of Expenses incurred by the candidate during Elections to the Regional Council-2011

[To be submitted within fifteen days of the date of declaration of the election result]

The Returning Officer
The Institute of Cost and Works Accountants of India
12, Sudder Street, Kolkata – 700 016.

Dear Sir,

Re : Filing of account of expenses incurred for Elections to the Regional Councils

In accordance with the provisions of Rule 41 of the Cost and Works Accountants (Election to the Council) Rules, 2006, I , a candidate for elections to the Regional Councils fromIndia Regional Council, hereby file an account of expenses incurred by me in connection with the elections to the Regional Councils of the Institute held in June, 2011.

Sl. No.	Item of Expenditure	Expenditure Incurred in (Rs.)
1.	Total Cost of Stationery including paper purchased for printing circular/manifesto, Visiting Cards/Pamphlet/Handout/Letters and the like.	
2.	Total Printing cost (excluding stationery cost as above).	
3.	Total cost of vehicle used (excluding cost of travel by air, train, bus and the like).	
4.	Total Travel cost.	
5.	Total cost of stay, food etc.	
6.	Total cost of Postage.	
7.	Total cost of Telephone, Mobile, SMS, Fax, E-mail and the like.	
8.	Total cost of any other items not covered by the above.(please specify the names of items also)	
Grand Total		

I have noted that the ceiling fixed by the Council under rule 41 of the Cost and Works Accountants (Election to the Council) Rules, 2006 on election expenses (in aggregate under all possible heads) is Rs. 5.00 Lakhs (Rupees Five Lakhs only). Further, I have not incurred any expenditure as a candidate for the election other than those stated in the statement above.

I declare that the aforesaid statements of expenses are true to the best of my knowledge and belief.

Yours faithfully,

(Signature of the Candidate)

Place :

Name :

Membership No. :

Date:

Voter's Sl. No. :

Address :

.....

.....

.....

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA

12, Sudder Street, Kolkata - 700 016

NOTIFICATIONKolkata, the 3rd March, 2011**Duties of Election Observers in pursuance of sub-rule (1) of Rule 23 of The Cost and Works Accountants (Election to the Council) Rules, 2006.**

No. EL-2011/15 : In pursuance of sub-rule (1) of Rule 23 of Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, the duties of the election observers as approved by the Council, are as follows :

1. To monitor and report to the Returning Officer that the guidelines issued for election, particularly for polling booths as well as the counting venues and also in respect of the Cost and Works Accountants Act, 1959 as amended, the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended and the Cost and Works Accountants Regulations, 1959 as amended and other applicable Acts, Rules and Regulations, are followed as per the said guidelines.

2. To perform their duties with respect to Code of Conduct issued by the Council of the Institute and also on the election expenses made by the contesting candidates. They shall report to the Returning Officer for the purpose.

3. To observe the polling, sorting and counting of votes and to monitor the fairness of the polling, sorting and counting procedures.

4. To ensure the impartiality of the persons in charge of the polling, sorting and counting of votes, and their commitment to the Cost and Works Accountants Act, 1959 as amended, the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended and the Cost and Works Accountants Regulations, 1959 as amended and other applicable Acts, Rules and Regulations.

5. To visit the geographical constituencies and polling and counting centres at any time without previous notice.

6. To attend all stages of the polling and counting, and particularly be present at the opening and closing of the ballot boxes.

7. To ascertain the freedom and fairness of the elections and the secrecy of the polling, and write reports to the Returning Officer to that effect.

8. The observers shall not interfere in any manner with the work of the elections or the officials engaged therewith, provided that they may formulate questions verbally or in writing.

Kaushik Banerjee
Returning Officer

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA

12, Sudder Street, Kolkata - 700 016

ELECTIONS TO THE COUNCIL AND REGIONAL COUNCILS, 2011

Kolkata, the 3rd March, 2011

NOTIFICATION

Guidelines for Issue of Election Manifesto or Circular

No. EL-2011/GMC : With the publication of Election Notification in the Gazette of India on 3rd March, 2011, the Election Code of Conduct has become applicable to the members generally as well as the contesting candidates and their authorized representatives.

In pursuance of Rule 39 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended (the Rules), the following guidelines are hereby notified for compliance by the contesting candidates for issue of election manifesto or circular :

1. The issue of the manifesto or circular should strictly conform to Rule 42 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as already notified vide Notification No. EL-2011/ECC dated 3rd March, 2011.
2. Only one manifesto or circular can be issued by the contesting candidates in relation to the election in the period commencing from the date of issue of final list of nominations to the candidates, which shall be restricted to the members of the constituency concerned. Such manifesto or circular shall include an e-mail or letter addressed to a specific person and circulated to many persons and personal letters mentioning about a candidature and seeking support as per sub-rule (2) of Rule 42 of the Rules.
3. The manifesto or circular may contain one passport size single coloured or black and white photograph of the contesting candidate.
4. The manifesto or circular should not contain any other photograph of the contesting candidate or of any other person either individually or in a group.
5. The manifesto or circular cannot be issued in forums like yahoo or other e-groups, any other group, e-mail group of members, any electronic media, press and the public at large.
6. Websites like www.facebook.com must not be used by the contesting candidate in any manner for electioneering purpose as well as for issue of a manifesto or circular.
7. An SMS message, e-mail and fax by a contesting candidate appealing the members to vote and/or support him/her shall be deemed to be a manifesto or circular under sub-rule (2) of Rule 42 of the Rules.
8. The manifesto or circular can be sent through post, SMS, e-mail, fax etc. However, if a candidate has already sent the manifesto or circular by SMS or e-mail or fax, he is not entitled to send any other written communication different from that already sent to the members in pursuance of sub-rule (2) of Rule 42 of the Rules.
9. The manifesto of only one candidate can be sent in a single envelope indicating the name of the contesting candidate as sender when sent by post. Similarly, an SMS message, e-mail and fax can be sent only from the phone number, e-mail address and fax number respectively of the contesting candidate.

Kaushik Banerjee
Returning Officer

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA

12, Sudder Street, Kolkata - 700 016

ELECTIONS TO THE COUNCIL AND REGIONAL COUNCILS, 2011

Sub : Election Manifesto or Circular

Ref. No. : EL-2011/GMC-2011

Kolkata, the 9th March, 2011

A query has been raised as to the number of manifestos or circulars that may be issued commencing from the date of issue of Election Notification on 3rd March, 2011 till the declaration of results on 13th June 2011. In pursuance of Rule 39 of the Cost and Works Accountants (Election to the Council) Rules, 2006 as amended, it is decided that only one election manifesto or circular shall be issued in the period commencing from the date of issue of final list of nomination to the candidate as provided in sub-rule (2) of Rule 42 of the said Rules.

Kaushik Banerjee
Returning Officer

For Attention of Practising Members

GUIDELINES FOR RENEWAL OF CERTIFICATE OF PRACTICE

The members of the Institute holding Certificate of Practice having validity upto 30th June, 2011 are requested to comply with the following guidelines for renewal of their Certificate of Practice :

1. In accordance with amendment to the Cost and Works Accountants Regulations, 1959 vide Notification dated 4th February, 2011 published in the Gazette of India, the Certificate of Practice shall be valid till the **31st day of March** every year unless it is cancelled under the provisions of the Act and these Regulations. The Certificate of Practice issued shall automatically be renewed subject to payment of renewal fees. Hence, application for renewal of Certificate of Practice upto **31st March, 2012** has to be made in the prescribed Form for Renewal of Certificate of Practice duly filled in and signed on both sides together with Renewal Certificate of Practice fee for Rs. 500/- and all other dues to the Institute on account of annual membership fees and entrance fees. The annual membership for Associate and Fellow Members are Rs. 500/- and Rs. 1000/- respectively. The entrance fee for Associate and Fellow Members are Rs. 600/- and Rs. 500/- respectively payable at a time at the time of application for admission. The fees may be paid by Demand Draft/Pay Order/Cheque payable at Kolkata if remitted by post to the Headquarters of the Institute. In case remittance is made through an outstation cheque, Rs.30/- is to be included towards bank charges. The fees may also be paid directly by cash at the Headquarters or by Cash/Demand Draft/Pay Order/ Cheque at the Regional Councils or Chapters of the Institute.

2. It may please be noted that under Section 6 of the Cost and Works Accountants Act, 1959, the annual membership fee and Renewal Certificate of Practice fee fall due on 1st April each year.

3. Special attention is invited to the fact that the validity of a Certificate of Practice expires on **31st March** each year unless it is renewed on or before the date of expiry in terms of amended Regulation 10 of the Cost and Works Accountants Regulation, 1959. Therefore, a member signing any document as a practicing Cost Accountant without having his Certificate of Practice renewed on or before the due date, makes the signed document invalid.

4. It may please be noted that mere payment of fees alone will not be sufficient for renewal of Certificate of Practice. Application in prescribed Form for Renewal of Certificate of Practice duly filled in and signed on **both sides is absolute necessary**. Soft copy of prescribed Form for Renewal of Certificate of Practice can be downloaded from Institute's website www.icwai.org under the option Members->Download->Forms.

5. It is also essential to furnish a certificate from the employer in the following form or in a form as near thereto as possible if the practicing member has undertaken any employment or there has been a change in employment :

“Shri is employed as (designation)
 in (name of Organisation)
 and he is permitted , notwithstanding anything contained in the terms of his employment,
 to engage himself in the practice of profession of Cost Accountancy in his spare time in
 addition to his regular salaried employment with us.

Signature of Employers
 under seal of Organisation”

6. In order to enhance professional competence and evolve a systematic mechanism to update knowledge of members in practice, a scheme of Continuing Education Programme (CEP) was introduced in the year 2003.

A revision of the said scheme has been made by the Council of the ICWAI in 2009 as follows:

- i. The member should undergo minimum mandatory training of 10 hours per year w.e.f. 2009-10.
- ii. The certificate of attendance for training will have to be enclosed with the application for renewal of Certificate of Practice

The detailed revised guidelines in this connection are available on Institute's website www.icwai.org under the option Members->Guidelines/Procedures->For Mandatory Training For all Members of ICWAI under Continuing Education Programme.

The requirement specified above does not apply to a member in practice who has attained the age of 65 years as on 1st July, 2011.

Further, in accordance with proviso to sub-regulation (1) of Regulation 10 of the Cost and Works Accountants Regulations, 1959 as amended, no Certificate of Practice and renewal thereof shall be issued unless a member has undergone minimum number of hours of such training to be undergone every year or such block of years or such other alternative conditions as may be determined by the Council by notification from time to time.

Hence, all practicing members are requested to send their application for renewal along with other requirements as indicated herein above immediately, in any case so as to reach the Institute Headquarters **not later than 31st March, 2011.**

For Attention of Members

Payment for Annual Membership Fee for 2011-2012

The Annual Membership Fee for 2011-2012 for all Associate and Fellow Members of the Institute shall become due and payable on 1st April, 2011 at the following rates:

Associate Annual Membership Fee : Rs.500/- (Rs. 125/- for members entitled to pay at reduced rate)

Fellow Annual Membership Fee : Rs.1000/- (Rs.250/- for members entitled to pay at reduced rate)

All members are requested to pay their respective membership fees along with arrears, if any, immediately and **not later than 30th September, 2011.**

The fees may be paid by Cash/Demand Draft/Cheque at the Headquarters/Regional Council offices/ Chapters of the Institute. The Demand Draft/Cheque should be drawn in favour of "The ICWA of India" and payable at Kolkata. In case of outstation cheque Rs.30/- is to be added towards Bank Charges.

NOTE : MEMBERS SHOULD ENSURE TO INDICATE THEIR NAME AND MEMBERSHIP NO. ON THE REVERSE OF CHEQUE/DEMAND DRAFT TO BE DRAWN IN FAVOUR OF "THE ICWA OF INDIA" PAYABLE AT KOLKATA IN CASE PAYMENT IS RENDERED BY CHEQUE/DEMAND DRAFT, IT SHOULD ALSO BE ENSURED NOT TO ENCLOSE ANY OTHER INTIMATION ETC. ALONG WITH THE REMITTANCE OF MEMBERSHIP FEE.