Tesla's drive to make the cut

The iconic EV maker's demand for duty cut on imported vehicles reopens a longstanding debate between domestic and foreign car-makers in an emerging market segment

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Elon Musk rarely stays out of controversy in whatever market he operates. But the latest one, a request for a duty cut on Tesla's iconic electric vehicle (EV), has revealed an old fissure between automakers in India, with homegrown manufacturers on one side and global manufacturers on the other. The two have been split on the matter for several years. The only thing that has changed is the context. Triggered by Tesla lobbying with the Indian government for an import duty cut, the debate now centres on EVs. Earlier, the arguments were over a duty cut on internal combustion engine or ICE-powered cars.

India levies an import duty of 100 per cent on imported cars if the CIF (cost, insurance and freight) value exceeds $40,000 or has a petrol or diesel engine with a displacement of greater than 3,000 cc and 2,500 cc, respectively. For cars that have a CIF value of less than $40,000, the duty is 60 per cent. Tesla's EV, which the company plans to start selling in India from this year, will have a CIF exceeding $40,000 and will, therefore, attract a 100 per cent duty. But the Elon Musk-founded firm is seeking a duty cut of 60 per cent for this category.

Unsurprisingly, Indian manufacturers are not in favour of such a sharp cut; they believe that a duty cut will be in contravention of the thrust on make-in-India and affordable EVs through the Faster Adoption and Manufacturing of Electric Vehicles or FAME II incentive scheme.

"The Indian government, through FAME II eligibility criteria, has set the right direction for the country to accelerate the adoption of EVs. The eligibility criteria has always emphasised affordable EVs and localisation as per the Phased Manufacturing Plan (PMP). We are sure the government will remain consistent to the philosophy and principles of FAME II," P B Balaji, chief financial officer, Tata Motors, told reporters last week during a post-earnings call.

Tata Motors' anxiety on the issue is understandable. The company has an aggressive plan to tap India's nascent EV market. It currently sells the e-Nexon in the personal mobility segment and targets a fourth of its total passenger vehicles sales coming from EVs in the foreseeable future. As part of the larger strategy, the Mumbai-headquartered firm will introduce 10 e-cars before 2025.

But Tesla's call for an import duty cut has added heft to the demand of the local arms of global luxury carmakers who have been lobbying for a lower duty on imported cars. They are, therefore, endorsing Musk's proposal.

"A duty cut on imported e-cars will propel demand and have a trickle-down effect even on the mass market segment," said Santosh Iyer, vice-president - sales and marketing at luxury car market leader, Mercedes. According to Iyer, for a market like India that is at a nascent stage in its EV evolution with underdeveloped charging infrastructure, a cut will help manufacturers test market before going ahead and committing investments to localisation.

He said the FAME II scheme and other policy measures such as a lower 5 per cent GST on EVs and exemption of road tax and registration charges have helped lower e-car prices. But the price point is still high. A cut will help pass on the benefit to buyers. Iyer says this for a reason. The Mercedes EQC costs ₹1.11 crore on-road in Delhi, while Audi e-tron costs ₹1.25 crore. Even MG Motors' ZVS and Hyundai Kona, the EV offerings from MG Motor India and Hyundai, have found only a few takers owing to their very high sticker price.

Balbir Singh Dhillon, head - Audi India, echoed a view similar to Iyer's at the virtual launch of the company's maiden EV offering, e-tron, last month. "While a lower GST on EVs and exemptions help, a duty cut will help further," said Dhillon. Audi eyes 15 per cent of its total sales coming from EVs by 2025.

Pawan Goenka, who recently superannuated from Mahindra and Mahindra and now heads the Steering Committee for Advancing Local Value-Add and Exports, a joint government-industry panel tasked with fast-tracking the growth of the Indian manufacturing sector, suggests a middle ground. "Tesla wants import duty reduction. I think the government should consider lowering the 100 per cent slab to 60 per cent for EVs," he said in a tweet last week.

Analysts also believe an import duty cut on EVs will spur growth and help create a market for high-end vehicles. "This is a good opportunity for India to open its market. The companies here don't have to compete amongst themselves but also with other countries," said Puneet Gupta, associate director at IHS Markit, a sales forecasting and market research firm.

The average middle class Indian aspires for such models and tends to benchmark the mass market purchase with the best, hence a lower duty will help companies seed the market, says Gupta. Moreover, it will pave the way for luxury car makers in India who have seen sales being stuck in neutral gear since the last decade, to introduce more e-cars.

HEAVY DUTY

Specifications	Import duty on cars (in %)
Cars CBUs* whose CIF** value is more than $40,000 or petrol engine > 3,000 cc or diesel engine > 2,500 cc	100
Cars CBUs whose CIF value is less than $40,000 and petrol engine < 3,000 cc and diesel engine < 2,500 cc	60

* CBU: Completely Built Unit; **CIF: Cost, insurance and freight
Source: Society of Indian Automobile Manufacturers

India will be short of 3.5 million cybersecurity jobs by year-end

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India is in dire need of cybersecurity professionals. With several recent incidents of data breach, India's cybersecurity journey so far proves this demand. But is the country ready to meet this demand and is it preparing a cybersecurity workforce for the unforeseen cyber future?

A report titled "India Cybersecurity Services Landscape" by Nasscom-Data Security Council of India (DSCI) predicts that the Indian cybersecurity services industry would grow at a compound annual growth rate (CAGR) of about 21 per cent to touch $13.6 billion by 2025. And by 2022, the industry, which generated a cumulative revenue of about $4.3 billion in 2019, is expected to grow to $7.6 billion. However, around 3.5 million jobs in the cybersecurity space will remain unfilled by the end of 2021.

What can be done to bridge the gap?

Hands-on training a challenge

Though there are some specialised courses available within and outside the country, hands-on training remains a challenge as most organisations are able to devise solutions only after an attack happens, says Govindraj Basatwar, head of Global Business for INKA Entworks, which specialises in digital rights management and mobile application security.

"The focus needs to be on proactively detecting and avoiding attacks. Security training experts should also increasingly work towards developing skills in the same area," he says. "Evolving tools in ethical hacking, too, can contribute tremendously to provide good use cases to emerging professionals."

According to a study by job portal Indeed, cybersecurity jobs saw a jump of 6 per cent in May 2020, just when Covid-19 started impacting IT. IT teams across sectors have also been planning to allocate more funds to fulfill their cybersecurity needs.

With 1.5 million software engineers produced every year, Indian IT does not lack in workforce. However, when it comes to specialised talent, it's really hard to find, says Raj N, founder of Zaggle (a B2B FinTech company) and ZikZuk (a neobanking platform).

While bridging this gap is a challenge, it is also an opportunity.

"Companies that are offering online courses should up their game in providing really great content and various course options to budding engineers," Raj N says. "Corporations should invest heavily in training and creating a powerful security team. And finally, service companies should use this opportunity to build a strong and large pipeline of such professionals for start-ups and SMEs (small and medium-sized enterprises)."

Upskilling and reskilling

While India is beginning to build a workforce that is ready for future cybersecurity demands, what organisations and companies can do right now is upskill and reskill existing employees.

"Upskilling and reskilling to meet the growing demand for cybersecurity professionals is the only option available, considering that it takes time to get newly trained professionals online," says R V Raghu, member, ISACA Emerging Trends Working Group, and director at Versatilist Consulting India Pvt Ltd.

A dedicated cybersecurity training and research institute is the need of the hour, adds Sandip Kumar Panda, co-founder and CEO, Instasafe, a cloud-based security services solution provider. "The government needs to be proactive when it comes to nurturing offensive and defensive cybersecurity capabilities, and the only way this can be done is by nurturing dedicated human resources and training them exclusively in such programmes. Elite institutes can include cybersecurity management, ethical hacking, and other cybersecurity oriented courses in their curriculum. Such measures will go a long way in solving the paucity of professionals in the cybersecurity field," he adds. As Covid-19 makes remote working a norm, and many organisations remain distracted, cyberattacks have increased and are likely to be reported more as digitalisation speeds up. And so, Indian institutes must ensure a more prepared workforce that can meet cyber criminals at their game.

Indian IT must also gear up by making ready the existing workforce through in-office training and reskilling programmes. While it might not be possible to know where the next breach will come from, remaining alert can certainly help.

Vaccination and the private sector

When confronted with a crisis, we have to fall back on govt institutions to work our way out of it

K M CHANDRASEKHAR

A few days ago, at a CII event, Union Commerce Minister Piyush Goyal castigated the private sector for having failed to fulfil their promises on Covid vaccination. He is reported to have said, "You all (in the private sector) demanded and I remember how you all fought with me and sought that vaccination be opened up for the private sector. Today, you are not even buying those 25 per cent vaccines allotted to you."

He talked about the lofty promises made by corporate chieftains. He said, "I remember one industry group said, 'I will do one crore vaccinations' and another said, 'We will go to remote areas and do it'. Nobody has gone to Bihar, Northeast, Jharkhand and Chhattisgarh to run campaigns to remove vaccine hesitancy and use up that 25 per cent quota."

The minister's ire seems justified. An article in the *Hindu Businessline*, published on July 22, says that in Andhra Pradesh, out of 3.5 million doses of vaccine allotted to the private sector, only 403,000 have been utilised, while in Tamil Nadu, out of 18.5 million doses administered, the share of private sector was only 5 per cent. This was apprehended by the Supreme Court a couple of months ago. A two-judge bench, responding to a suo motu writ petition on the liberalised vaccination policy announced by the government, said of private hospitals in their order of May 31 that "there is a simple issue at the core of their existence: that while they provide a public health service, they still remain private, for-profit entities". Profit making by private entities is, of course, justified. They have no access to taxpayers' money and they have to manage on their own. They are responsible to their owners, the shareholders, not to the public at large like government hospitals. They have to pay dividends to their shareholders and they have to ensure that share value remains high. However, this brings us to the larger question of the role of the public sector in governance.

My memory goes back to 2008-09. Relaxed monetary policies followed by the US Fed led to the sub-prime mortgage crisis when unsustainable home loans ballooned into an enormous debt crisis that engulfed not merely the financial sector in the US, but swept across the world, bringing country after country to its knees. India was as much a victim of this crisis as other countries. The government responded quickly and effectively with fiscal measures to stimulate demand as well as strong monetary action by the Reserve Bank of India (RBI) to infuse liquidity into the system. The combination of fiscal and monetary measures worked, demand perked up, confidence amongst producers soared, investment came back to normal levels and the economy was back on its feet.

The transition from the public to the private sector in large sectors of the economy has to be carefully calibrated

For monetary measures to work, excess liquidity in the market had to be channelled into credit both to producers and consumers. This involved working with the banks and, as Cabinet Secretary of the time, it was one of my responsibilities to ensure that financial liquidity was converted into productive credit that would bail the economy out. I held meetings with banks together with a deputy governor of the RBI. I found that banks were parking cash in the RBI far in excess of the stipulated statutory liquidity ratio. I had to persuade banks to release more money into the open economy. I found that public sector banks were far more responsive to the government than private banks. Not that I blame private banks. They, too, had a responsibility towards their investors and their depositors. The point I am making is only that when we are confronted with a crisis, we have to fall back on government institutions to work our way out of it.

I remember reading an interesting exchange between Bharat Bhushan and Anbumani Ramadoss in the *Business Standard* a few days ago on the vaccine issue. Bharat Bhushan had written that the Union health ministry, then under the care of Ramadoss, had closed down three public sector units, which could have added to vaccine production capacity at this crucial time. Ramadoss, in a rejoinder, said that vaccine production in the central public sector units were closed down because their products did not conform to WHO standards. He also said that he had started work on a big vaccine production unit at Chengalpattu near Chennai. Construction work was complete in 2017 and another investment of ₹300 crore would have made it operational. It could have produced, he said, 20 million doses and, in another six months, a billion doses. I do not know the rights and wrongs of what he said, but the fact remains that had the public sector been active, the government would have had both fallback support and an additionality.

The other option would have been to trust the private sector completely. The US, for example, under their Operation Warp Speed, liberally financed R&D efforts of private entities and placed huge advance purchase orders, thus making private research and manufacturing activity virtually fully financed and risk free. The National Accountability Office of the US had recommended such action, but would our counterpart organisation, the Comptroller and Auditor General (CAG), have adopted a similar approach? Besides, would we have the courage and the resources to provide big money to private entities in a potentially risky operation?

The fact is that the public sector and the private sector both have a role in the early stages of development. When Nehru talked of the commanding heights of the economy being occupied by the public sector, the fact was that only the State could have invested the huge amounts required at that time to set up the infrastructure industry.

The transition from the public to the private sector in large sectors of the economy has to be carefully calibrated. Privatisation must not become a dogma but a facilitator.

The writer is a former Cabinet Secretary