

Government withdrew Companies Bill, Pension Fund Regulatory and Development Authority Bill

Two important bills slated for passage this session have been yanked back from Parliament for fresh tweaks, in another embarrassing climb down by a government attempting to convey an impression of decisiveness after being pilloried for months over paralysis in policymaking.

The government withdrew the Companies Bill and Pension Fund Regulatory and Development Authority Bill on Wednesday after the BJP opposed the first and coalition ally Trinamool Congress withdrew its support for the other.

The passage of the two bills during the ongoing winter session was key to the government's efforts to show it had finally managed to wrest back the initiative after the failure to push FDI in multi-brand retail earlier this month.

Trinamool leader and West Bengal Chief Minister Mamata Banerjee on Tuesday withdrew her party's backing for the pension bill. In a letter to Finance Minister Pranab Mukherjee, she said her party could not accept the bill in its present form and asked for a fresh review.

The government had already made substantial changes to its original legislation after initially rejecting recommendations on it by a parliamentary panel. At a meeting with senior BJP leaders on Monday, Mukherjee had agreed to accept the recommendations on the legislation made by the parliamentary standing committee on finance. Accordingly, an amended bill was prepared that fixed foreign investment ceiling at 26% and offered assured returns to subscribers.

The government, which had thus secured the backing of the BJP for the bill, could have gone ahead with the legislation, but chose not to do so for fear of antagonising an important ally. Strident opposition from Banerjee was also responsible for scuttling FDI in retail.

While the government had the BJP's support on the pension bill, it did not have as much luck on the Companies Bill as the main Opposition party forced it to send the legislation back to the standing committee on finance headed by senior BJP leader Yashwant Sinha.

At a meeting with the finance minister on Wednesday morning, BJP leaders Sushma Swaraj, Arun Jaitley and Sinha objected to the government's claim that it had in general accepted the recommendations of the standing committee.

The BJP leaders also argued that since the government had consulted other stakeholders after the standing committee gave its report on the Companies Bill in August 2010, it should be sent back to the committee again. Despite the seeming setback, the Companies Bill is unlikely to face major obstacles or delays, with the standing committee likely to take it up on January 6. Officials expect it to be presented in Parliament in the budget session.

Industry was still disappointed. "Industry has waited quite long for this bill. Further delays will create uncertainties especially at the time that national accounts and reports are being finalised," said Rajiv Kumar, director-general of lobby group Ficci.

The developments over the Pension Bill will represent a bigger setback to the government, dashing its hopes to pitch it as one of its showpiece legislation on financial sector reforms in the current session of Parliament.

Analysts said the government's inability to shepherd the legislation underscored the lack of coordination within the alliance on policy issues, which could make governance tougher.

(Economic Times)