

The Gas Pricing Circus

Finally, the government is closer to fixing price for gas from RIL.

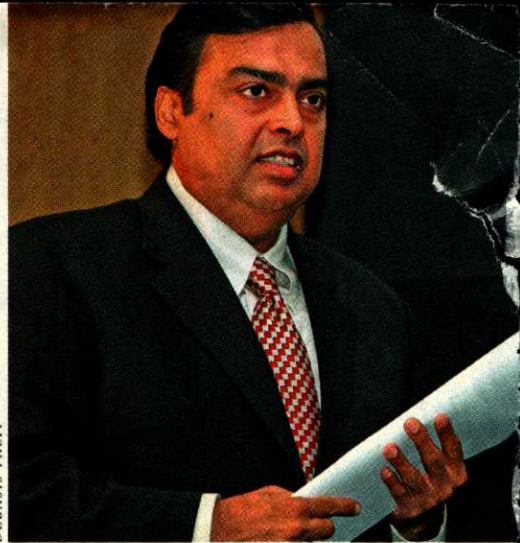
EARLY THIS MONTH, THE GOVERNMENT patted itself on the back for having tweaked its behemoth machinery and made it more business friendly. Apparently, the time taken for clearances to set up a business has come down from 305 days to 166 days. Ironically, around the same time, the largest company in the country and one that has excelled in government-controlled sectors like petroleum continues to struggle (as we got to press) to get its gas business off the ground. And, although a favourable resolution is in the works, fact remains it has already spent over 120 days (informal and formal consultations with the government) in getting a statutory approval for the price at which it plans to sell gas from its gas field off the coast of Andhra Pradesh.

And, the turning point is nothing less than the view of a short Cabinet, an Empowered Group of Ministers (EGOM) headed by Defence Minister Pranab Mukherjee. The EGOM was convinced of the case put forth by the Petroleum Minister Murli Deora on August 27 as to why RIL's gas price proposal ought to be approved, with minor alterations.

The question then is, was it any superior to the arguments made in defence of RIL's proposals over the last four months? Yes. Here's how: The Petroleum Ministry pointed out that the three key aspects of the production sharing contract between RIL and government—gas pricing policy, gas utilisation policy (GUP) as well as freedom to market gas—hold together and don't displace any one of three.

So, where was the trouble all this while if it simply meant reading

out the contract? It all began when Petroleum Minister Murli Deora, who was well within his rights to take a call on the price, decided to diffuse the decision making process at a bureaucratic level—he referred the gas pricing issue to the Cabinet Secretary K.M Chandrasekhar. The Cabinet Secretary's interpretation of the contract clearly sought to forsake two of the three pillars of the contract—the freedom to market gas and pricing policy. In his report, he argued for sectoral allocation of gas, in line with the arguments put forth by the ministries representing the interests of the large consumers—power and fertilizer. However, this interpretation of the GUP left out any scope for marketing freedom. As regards pricing policy, the Cabinet Secretary



RIL's Mukesh Ambani: Anxious wait

argued in favour of a policy that sought to balance the interests of the producers and consumers, clearly trashing any sense of open market pricing, and which again curbs marketing freedom. Not surprisingly, the Cabinet Secretary did not attend the second meeting of the EGOM on August 28.

AMD and Cheap Chips

The #2 chip maker is eyeing mobile devices for growth.

RICK HEGBERG, SENIOR VICE-President (Sales), Advanced Micro Devices (AMD), the world's second-largest microprocessor maker, is not unduly perturbed about market leader Intel's resurgence in the microprocessor market. That's because Hegberg feels AMD is making the right bets across the spectrum. In the high-end of the market, AMD has bought (for \$5.4 billion) ATI, a graphics card maker, and is bringing in more high-end graphics solutions.

But it is towards the lower-end of the market that AMD is making most of its moves. Recently, the company introduced its Geode processor in devices in India. This relatively cheap processor consumes only 1 watt of electricity, running a lot cooler than conventional processors. "We are introducing processes that will make processors in this segment of

the market much more capable. At the same time by innovating in manufacturing, we are trying to enhance affordability as well," says Hegberg.

He is also excited about AMD's move to smarter mobile devices. "Not just laptops, even your average mobile device is becoming smarter nowadays, and this means that mobiles need more processing power and this is an area that AMD is investing heavily in," he says. AMD's processors are already present in LG's Prada smart-phone, and Hegberg says that several more devices with AMD processors will come out soon, "We are working with all major phone manufacturers on this front", he says, "the mobile phone is the next computer." Unfortunately for AMD, its cross-town rival knows that as well.

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