Concerns with Over-Regulation

What is the issue?

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Commercial decisions in the country are routinely subjected to over-regulation, warranting the need for greater play of market forces.

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What is the airlines case?

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- The two airlines, IndiGo and Spice Jet, recently decided to charge a fee for their online check-in service.
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- The decision was made to make up for higher costs that the airlines were facing.
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- But the protests from flyers prompted the civil aviation ministry to review the decision to see whether it falls within the regulated pricing framework.
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- This has madeIndiGo to tweak its decision and say passengers doing web check-in will not have to pay for all the seats.
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- This is unfortunate as charging for a preferred seat while doing online check-in is a usual practice followed by many airlines globally.
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- Also, there is no legislation that bars airlines from charging a fee for specialised services.
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- Yet, the ministry issued a review notice for such a decision.
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What is the ATM industry case?

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- The RBI had mandated a minimum net worth of Rs 100 crore for service providers and their sub-contractors handling cash management logistics on behalf of banks. Click here to know more
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- It also directed that cash vans transporting money must have CCTVs, GPS connectivity, tubeless tyres, hooters and wireless communication systems.
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- Implementing the new guidelines will lead to additional costs.
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- Hence, the Confederation of ATM Industry (CATMi) warned that almost half the installed ATMs could be closed down by the end of the current financial year because of onerous regulatory requirements.
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- This is because both the ATM industry and the banks are not willing to pass on the additional costs to consumers.
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What should have been done?

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- **Airlines case** – The amount that an airline charge for web check-in is a decision best left to the markets.
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- Competing airlines should be allowed to figure out what works for them and what doesn’t.
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- Hence, policymakers should not interfere in the functioning of the everyday markets.
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- **ATM case** - The parties concerned should have reached out to the RBI, demanding either a relaxation in compliance norms or an extension of the deadline.
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- Also, if a service is being provided, the customer must bear the cost.
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- Thus the ease provided by web check-ins and ATM is a convenience for which customers should be willing to pay.
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Source: Business Standard

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