THE ECONOMIC TIMES

Union Cabinet clears proposal to amend arbitration and conciliation law

By ET Bureau | 27 Aug, 2015, 04.21AM IST

The Union Cabinet on Wednesday cleared a proposal to amend the country's arbitration and conciliation law, with an aim to make settlement of commercial disputes quick and cost-effective.

NEW DELHI: The Union Cabinet on Wednesday cleared a proposal to amend the country's arbitration and conciliation law, with an aim to make settlement of commercial disputes quick and cost-effective.

The Arbitration and Conciliation Bill, 2015, seeks to make it imperative for arbitrators to settle disputes within 12 months. The period could be extended up to another six months by the parties beyond which any extension could be granted only by a court "on sufficient cause". The Bill has a provision to cut the fees of arbitrators if the court finds that the delay has been caused due to arbitrators.

It also provides for rewarding arbitrators with extra fees if the matter is disposed of within six months and the parties agree to pay more.

"This is just Union Cabinet's approval but we have a long way to go. However, the government's initiative is in line with ease of doing business," said Vyapak Desai, partner at law firm Nishith Desai & Associates. "This (one year to settle disputes) is a very ambitious deadline even compared to foreign jurisdictions. In certain cases, due to complexities of the issues involved, it may require more time for a fair and proper adjudication of an issue."

Giving more teeth to arbitration tribunals, the Bill seeks to empower them to grant all kinds of interim measures that courts provide. This would make tribunals' directives enforceable in the same manner as those of courts.

The Bill proposes to allow "fast tracking" of arbitration wherein the parties may agree that their dispute be decided with the help of a "fast track procedure". In such cases, disputes have to be resolved within six months. Once a tribunal decides on a case, a challenge thrown to its verdict needs to be decided equally quickly by a court.

According to the Bill, merely filing of an application to challenge an award would not automatically stay its execution. "Award can only be stayed where the court passed any specific order...," it proposes.

MORE RELIEF FOR ROAD DEVELOPERS

The government has sweetened the exit terms for road developers to speed up investment in a sector that is key to the performance of the economy.

Under the new terms, 100% equity divestment will be allowed two years after the completion of all road projects carried out on a build-operate-transfer model. For projects awarded before 2009, only 74% divestment was allowed in the earlier policy.

The Cabinet Committee of Economic Affairs has also allowed road developers to use the money raised through divestment to retire debt or invest in new infrastructure projects. The earlier policy said that the developer could use the money only to complete other languishing projects.

The new exit policy is expected to attract bids for public-private partnership projects as it would help unlock equity from completed projects, making it potentially available for investment in new projects.

PAY COMMISSION TERM EXTENDED

The Cabinet extended the term of the 7th Central Pay Commission by four months to December 31, which could mean a delay in the implementation of salary hikes for government employees.

The commission's 18-month term was to end on August 27. In case of a delay in the implementation of new pay scales, the government will offer arrears.

The pay commission award is a big fiscal burden on the government but it tends to provide a onetime shot to the economy though a demand boost.

ROYALTY ON CRUDE OIL

The CCEA has approved budgetary allocation for incremental royalty on crude oil if the rates in a contract with an oil field operator are lower than what states actually charge.

So far, the difference was being paid by the Oil Industry Development Board. The expected expenditure in the current fiscal year would be about Rs 56 crore, comprising Rs 30 crore for Arunachal Pradesh and Rs 26 crore for Gujarat, considering oil price at $50 a barrel and exchange rate at Rs 60 to a dollar, the government said. The changes apply to 28 discovered fields.