

Outlook

9.72 One of the important conclusions of the above review of infrastructure development is that the demand for infrastructure services continues to outpace supply. Unless these shortfalls are met by creating new capacities in power, telecom, rail, roads and ports, there would be serious constraints on faster industrial and overall economic growth. Social welfare considerations also make it imperative that a minimum supply of water, housing, power and transport services are made available to every citizen. In fact, one of the biggest challenges facing the Indian economy today is to step up infrastructure investment and to upgrade the technology for better services.

9.73 Another important lesson is that greater private sector participation in infrastructure development is essential not only due to constraint government resources but also to improve the quality of services and the delivery system. Although considerable progress has been made in attracting private investment, much more needs to be done for sectoral reforms, rationalization of user charges and strengthening of institutional, legal and regulatory framework for ensuring fair competition among private and public operators and protecting consumer interests.

9.74 Private sector investments have taken place in independent power projects, telecom, new port sites, roads, and airports. The pace of private investment in infrastructure depends on the availability of long term debt finance for such projects at reasonable rates. Appropriate reforms in insurance, pension and provident funds will help channelize investments for infrastructure projects.

9.75 Independent regulatory bodies have been set up in power, telecom, ports, and insurance sectors, with a mandate to address the evolving trends in various sectors or attracting private investment. However, the regulators need to be allowed greater autonomy in decision making and financial matters. Concerned ministries of the regulatory bodies have adopted different approaches towards the regulatory process. There is a need to look at the existing regulatory legislation and to bring a comprehensive and uniform approach to regulation in infrastructure.

9.76 The Power network is critical infrastructure for overall economic development. Despite significant reforms in the power sector such as, setting up of a regulatory authority and opening power generation to private investment, the performance of the power sector have been disapproving. The private investors in the sector are deterred by high risks of non-payment by financially weak SEBs which are sole buyers. The large investment flows may not materialize unless the important issue of commercial viability of SEBs is properly addressed and re-structuring of SEBs, unbundling of risks initiated by several States, are expedited. There is an urgent need to rationalize the present system of tariff setting, and develop a scientific method for long-term demand forecasting. The captive power generation also needs to be encouraged to reduce the large gap between demand and supply. With appropriate policies and institutional arrangements, power generated by such captive plants could be optimally utilized.

9.77 Private sector participation in the telecom services, especially basic services, did not take off as initially expected because of various impediments. The Government has announced several policy measures in order remove these constraints. It is hoped that this will benefit the private sector licensees. There is a need to improve competition into all services. Some major policy issues that still need to be addressed in the telecom sector include tariff re-balancing with the objectives of cost based prices, transparency of subsidies and better targeting improvement in operational efficiency. Opening of Internet telephony and convergence of services and single license regime.

9.78 There is a considerable progress in the roads sector as assured user charges in terms of additional cess is being levied on Petrol and High Speed Diesel and creation of Central Road Fund. This will help in the process of strengthening and expanding the road system to meet passenger and freight traffic requirements is underway. However so far, private investments in the roads have been primarily in small projects. Inadequacy of policy and regulatory framework necessary for addressing complexities of private-public partnerships has refrained larger investors from

entering the sector. The model concession agreement for investment on BOT basis that has been finalized helps mitigate some of these uncertainties. Highway development projects need to be clubbed along with related utilities (like gas and repair stations, telephone booths, motels, rest-room facilities, etc) to make the project more attractive. Formulation of investment packages, which offer roadside amenity development along with investments in roads and bridges to the investors, could attract larger scale of investments. Integration and coordination of various Centrally sponsored and state programs for rural roads and eliminating of duplication of efforts to avoid wastage of limited resources is essential.

9.79 The present level of productivity in the port sector is very low. Though the productivity of terminals has improved, there is a long-way to go to reach a situation when berths should await for cargo. Major Ports are being corporatized. A definite time frame and milestone standard have to be worked out. The

mega ports that are being developed on the east and west coast could be for general cargo handling as well as specialized cargo depending on their hinterland

9.80 The existing modal mix of traffic between railways and roads with the predominant share of roads is non-optimal. As railways are less energy intensive and more environment friendly there is need for railways to regain its share in traffic through capacity augmentation aided by corrective pricing policies and organizational charges. The Indian railways need to reinvent to meet the changing needs that have been generated in the process of economic development. There is a need for re-balancing the tariffs of Indian Railways to reduce the rate of cross subsidization. Rail Tariff Authority on the lines of Telecommunication Regulatory Authority needs to be set up with the mandate to fix tariff on rational basis. There is a need to refocus the investment strategy with high priority to augmentation of capacity on high-density corridors, and ensuring the safety and reliability of services.