

Outlook

9.97 Several initiatives have been made to attract private investment in infrastructure development. There has been some success, with increase in private participation in power, telecommunications, ports and roads, but the potential has not been fully exploited. A major problem coming in the way of private sector participation is the rationalisation of user charges, with many infrastructure sectors suffering from the levy of inadequate user charges. Bankable investments cannot be made in infrastructure projects unless they can be financed by the levy and collection of appropriate user charges. However, these have to be affordable so that the infrastructure service is used adequately. In fact, there is no difficulty in attracting private investment in areas such as telecom, roads, and ports where there are adequate returns on investment. The establishment of a regulatory framework is also very critical for encouraging private investment in infrastructure sector. A regulator that is fair to consumers and sensitive to the needs of investors is absolutely necessary for infrastructure development.

9.98 Economic liberalisation in the 1990s brought about major changes in the telecom sector. Steps have been taken to restructure the incumbent monopolies in order to introduce a level playing field in the sector. Competition has been introduced through an increase in private participation, which in turn has led to substantial reduction in tariffs, and improvement in teledensity. With the growth of information technology the spread of telecom services has become even more important: there is now an urgent need to deliver telecom services into rural areas more rapidly. The key issue for the future will be the evolution of a regulatory regime that recognises convergence of telecom, IT and media. Accordingly, the Communication Convergence Bill 2001 has already been introduced in Parliament. Once this Bill is passed it will enable better regulation of the closely connected fields of telecommunications, information technology, and broadcasting.

9.99 The power sector continues to face deficiencies even though the regulatory reforms process has been initiated about a decade back. The sector has not been able to attract adequate private investment because of the financial unviability of State Electricity Boards (SEBs). There is urgent need to implement the much delayed power sector reforms, such as rational tariff-fixation by the State Electricity Regulatory Commissions (which are now in place in most States), unbundling of SEBs specially at the distribution end, and reduction in theft and T&D losses. Progress in such reforms would help in reducing the gap between the cost of supply and revenue realised per unit of electricity generated. Only then will the generation and distribution of power become economically viable. Bulk consumers should also be allowed to access power from producers paying suitable wheeling charges to the transmission and distribution companies. While reforming the power sector it must be ensured that needs of the rural sector are met, by making universal service obligations a part of the reform process.

9.100 Improvement in the transport infrastructure of the country will be essential for the achievement of accelerated growth of GDP in the coming years. Major acceleration in GDP growth will imply faster growth in industry in particular. Such growth will place heavy demands on the transport sector. In the context of an increasingly competitive international environment for manufactured goods the cost incurred in transportation has a significant bearing on the competitiveness of Indian products. Thus the supply of transportation services has to be improved and made more efficient in its entirety.

9.101 Indian Railways have long been the backbone of the Indian transport infrastructure. The country has been fortunate in the existence of a widespread rail network across the country. However, the railways have experienced significant financial deterioration over the last decade. This has hampered their ability to modernise and to achieve higher efficiency levels for the benefit of their customers, both passengers

and freight. Consequently the share of the railways in the transport sector has been declining for quite some time. The time is now ripe for the railways to launch a bold new programme for directed investments for modernisation and expansion of the key remunerative routes. This will be difficult to do without significant organisational reforms. The railways will need to phase out subsidies in passenger fares while re-balancing freight tariffs to economically competitive levels. They will also need to reorient themselves to a much more customer focussed approach in the provision of both freight and passenger services.

9.102 The launch of the National Highway Development Programme and the Prime

Minister's Gram Sadak Yojana has provided a new radical thrust to the modernisation and expansion of roads in the country. The availability of adequate finances from the petrol and diesel cess has helped greatly in making these programmes financially viable. The participation of the private sector in the NHDP is also helping to leverage the cess resources available. These resources can be further leveraged through the levy of affordable tolls on the NHDP network. A number of innovative approaches are being tried out in this context. With the progress in implementation of these programmes that has accelerated in the past year the country can look forward to a modern road network within the next 5-6 years.