

INFRASTRUCTURE

The availability of adequate and high quality infrastructure facilities provides the essential enabling environment for rapid overall development. Recognizing the growing need for sound infrastructure facilities and the constraints on public investment to meet the increasing demand for quality infrastructure, efforts are being made to design policies to encourage greater private provision of infrastructure services in ports, roads, power, telecommunications, urban infrastructure etc. A series of tax incentives and other concessions have been announced and regulations and procedures have been considerably simplified to facilitate investment in infrastructure services. Box 9.1 summarises some recent initiatives.

2. The Expert Group on Commercialisation of Infrastructure Projects had made a number of recommendations for greater commercialisation of infrastructure along with promotion of public-private-partnership. While some of the recommendations have been implemented (Box 9.2), others are currently under various stages of implementation by the concerned ministries.

Performance of Infrastructure during 1997-98

3. The six infrastructure industries, namely, Electricity generation, Coal, Crude oil, Refinery throughput, Steel and Cement, with a combined weight of 28.8 per cent in the Index of Industrial Production (IIP), averaged a growth of 4.6 per cent in April-February 1997-98, as compared to 3.5 per cent for the corresponding period of 1996-97. Electricity generation posted 6.7 per cent growth in April-February 1997-98, compared to 3.7 per cent growth registered in the corresponding period of 1996-97. This improved performance was mainly due to the turnaround

in the performance of hydro-electricity. Crude oil (3.3 per cent) has shown a turnaround in April-February 1997-98, as against the negative

BOX 9.1

New Policies Adopted for Infrastructure

- Coverage of the term "infrastructure" expanded to include telecom, oil exploration and industrial parks to enable these sectors to avail of fiscal incentives such as tax holidays and concessional duties.
- Holding companies/promoters allowed to raise External Commercial Borrowings (ECB) upto US \$ 50 million to finance equity in a subsidiary/joint venture company implementing infrastructure projects. This flexibility is given to enable domestic investors to meet domestic equity requirements.
- External Commercial Borrowings (ECB) permitted to be utilised for Rupee expenditure in infrastructure areas.
- Infrastructure Development Finance Company (IDFC) established as a private company with public funding to provide long term finance for the infrastructure sector.
- Telecom Regulatory Authority of India (TRAI) set up and started functioning from February 20, 1997.
- Capital base of National Highway Authority of India (NHAI) expanded substantially to Rs 500 crore.
- Policy on toll structure for four lane National Highways and other related issues announced on June 22, 1997.
- Tariff Authority for Major Ports (TAMP) set up in April 1997.
- Ordinance for setting up Central Electricity Regulatory Commission (CERC) at the Centre and State Electricity Regulatory Commissions (SERCs) in the States was promulgated on 25th April 1998.

BOX 9.2

Action taken on some of the recommendations of the India Infrastructure Report

1. Dividends be made tax free to the individual shareholder upto a reasonable level on the equity investment.	The tax on dividends in the hands of the shareholder has been abolished in the Union Budget for 1997-98.
2. Privately owned insurance companies, both domestic and foreign, be allowed and encouraged so that the debt market can be developed.	GIC allowed to float joint ventures in health insurance. Entry of selected Indian players allowed in health insurance.
3. The CRR and SLR stipulation in inter-bank borrowing be abolished for encouraging the emergence of a benchmark meaningful rate on the pattern of LIBOR.	CRR and SLR on net inter-bank liabilities have been abolished with effect from 26 th April 1997.
4. FII's be allowed to participate in debt market.	FII's allowed to invest in listed/to be listed debt securities and dated Government securities through the 100% debt fund route.
5. No restrictions be placed on the kinds of instruments in which Money Market Mutual Funds (MMMFs) can invest.	Prescription of limits on investment in individual instruments by MMMFs has been withdrawn and they are free to determine the extent of their investments in each instrument.
6. An Infrastructure Development Finance Corporation be set up to promote infrastructure investment.	IDFC was incorporated on 30 th January 1997 with an authorised share capital of Rs.5,000 crore comprising equity capital of Rs.4,000 crore and unclassified shares of Rs.1,000 crore.
7. The present restrictions in FII guidelines be removed for investment in infrastructure projects; or separate guidelines similar to FII guidelines without investment limits be issued.	FII's have been permitted to invest in unlisted companies in the same manner as they were allowed to invest in listed companies. SEBI has issued guidelines to this effect as well. This makes it possible for FII's to invest in infrastructure.
8. An autonomous regulatory body be set up for each infrastructure sector on the lines of SEBI.	TRAI and TAMP have been set up for telecom and port sectors. Ordinance has been promulgated for setting up a Central Electricity Regulatory Commission (CERC) at the Centre and State Electricity Regulatory Commissions (SERCs) in the States on April 25, 1998.

growth (-9.3 per cent) recorded in the corresponding period of 1996-97. Coal, saleable steel and refinery throughput have registered lower growth rates in April-February 1997-98 than in April-February 1996-97. For the first time since April 1997, cement has recorded a higher growth

rate (9.4 per cent) in April-February 1997-98 than in the corresponding period of 1996-97. Revenue earning goods traffic on railways and cargo handled at major ports have exhibited increase in growth rates (Table 9.1).

TABLE 9.1
Trends in the Performance of Infrastructure Sectors

	Unit	April-February*				Change over previous year								
		1996-97*	1995-96*	1997-98	1985-90 (Avg.)	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1996-97@	1997-98@	
		<i>(per cent)</i>												
Energy														
1	Coal Production	Mn. tonnes	285.6	253.3	263.3	6.4	8.3	3.9	3.3	3.2	6.4	5.7	6.8	3.9
2	Electricity generated (Utilities only)	Bn. kwh	394.5	358.7	382.8	9.4	8.5	5.0	7.4	8.5	8.3	3.8	3.7	6.7
	(a) Hydro-electric	"	68.6	63.7	67.6	3.5	1.4	-4.0	0.8	17.2	-12.1	-5.4	-5.7	6.2
	(b) Thermal (incl.nuclear)	"	325.9	295.0	315.2	12.3	11.1	8.1	9.5	6.1	14.6	5.9	5.9	6.8
3	Petroleum													
	(a) Crude oil	Mn. tonnes	32.9	29.9	30.9	3.3	-8.1	-11.2	0.3	19.3	9.1	-6.5	-9.3	3.3
	(b) Refinery throughput	"	62.8	57.3	59.4	8.0	-0.7	4.0	1.5	3.8	3.9	6.9	7.1	3.6
4	Cement	Mn. tonnes	76.2	68.4	74.8	8.7	5.9	5.0	6.8	7.6	11.2	9.5	9.2	9.4
Transport and communications														
1	Railway revenue- earning goods traffic	,	409.0	367.6	387.4	5.6	6.2	3.6	2.5	1.7	7.0	4.7	4.8	5.4
2	Cargo handled at major ports	"	227.3	204.4	228.1	6.9	3.3	5.7	7.6	10.0	9.1	5.6	5.4	11.6
3	Telecommunications: New telephone connections provided (DELS)	'000Nos.	2564.0	1599.8	2054.9	16.6	51.5	34.2	24.5	44.0	23.3	17.5	10.9	28.4
* Provisional. @ April-February														