

INFRASTRUCTURE

Infrastructure development is accorded high priority by the Government of India. It is amply clear that the present unmet and projected future demand for infrastructure services, arising from the needs of a growing economy, will require massive investments in the sector over the next few years. Private sector investment has been necessitated not just by budgetary considerations, but also because the Government has redefined its role from that of an owner of assets and the sole provider of services to that of ensuring that infrastructure

services are actually delivered in a desirable manner. The Government of India has, therefore, taken a number of initiatives for the development of efficient infrastructure and towards creating an enabling environment for private participation and enhancing competition in the infrastructure sector. Some of the recent initiatives are outlined in Box 9.1. At the same time, the Government has endeavoured to create a regulatory framework, in the concerned sectors, that would protect the interests of consumers and safeguard the needs of the poor.

BOX 9.1

New Initiatives for Infrastructure Development

- The Plan outlay for key infrastructure sectors of Energy, Transport and Communications increased by 35 per cent, from Rs.45,252 crore in 1997-98 to Rs.61,146 crore in 1998-99
- The Union Budget, 1998-99, provided that the Government will evolve a guarantee scheme to cover the outstanding dues (estimated at Rs.10,000 crore) of Central PSUs such as NTPC and Coal India from SEBs. This would enable the former to raise resources either by securitising these debts or directly entering the market for tapping resources.
- The Indian Electricity Act, 1910 and Electricity (Supply) Act, 1948 have been amended to provide for private investment in power transmission.
- Following enactment of the Electricity Regulatory Commission Legislation, the Central Electricity Regulatory Commission was set up, with enabling provision for states to establish their own independent regulatory commissions.
- Procedures for extending sovereign counter guarantees, to a few Fast Track Power Projects, held up for long, have been simplified and the several counter guarantees issued.
- Foreign equity participation up to 100 per cent, subject to a ceiling of Rs. 1500 crore, allowed for electricity generation, transmission and distribution (except those of atomic reactor plants) and in construction and maintenance of roads, highways, vehicular bridges, toll roads, vehicular tunnels, ports and harbours.
- The tax holiday granted to the power sector has been extended from the year 2000 to the year 2003.
- The policy for issuing licenses for providing internet services in the country has been announced. There will be no license fee for the first 5 years and after 5 years a nominal license fee of Rupee 1 will be charged. Private internet service providers are allowed to provide internet international gateways after obtaining security clearance.
- To catalyse new road projects including four-laning of National Highways, the Union Budget, 1998-99, provided Rs.500 crore to the National Highways Authority of India.
- In the Union Budget for 1998-99 an additional tax at the rate of one rupee per litre on petrol has been imposed. This would generate Rs.790 crore in a year and the proceeds will be utilised to augment the corpus of the National Highways Authority of India.
- Concessions to imports of equipment for construction of National highways have been extended to other road construction projects.
- Inland waterways and inland ports accorded infrastructure status.
- A National Integrated Highway Project merging the golden quadrilateral connecting Delhi, Mumbai, Chennai and Calcutta with the East-West (Silchar to Saurashtra) and North-South (Kashmir to Kanya Kumari) corridors has been launched.
- The Government has announced that five cities will be identified for developing world class international airports. Subsequently, a task force under the Chairmanship of the Deputy Chairman, Planning Commission was set up to identify the locations. The task force has recommended that the existing Mumbai and Delhi airports and the proposed new airport at Bangalore be corporatised, as a first step.
- Necessary amendments have been made to the Companies Act, to put IDFC on par with other All India Public Financial Institutions regarding fiscal incentives and the fund raising benefits extended to these institutions.
- The Union Budget, 1998-99, permitted upto ten percent of the new accretion to provident funds to be invested in private securities of private sector infrastructure projects which have an investment grade rating from at least two credit rating agencies.
- SEBI has granted several relaxations to public issues by infrastructure companies as regards the size, mode, duration, minimum subscription and pricing of issues.
- The repeal of the Urban Land (ceiling and regulation) Act, 1976, for which an ordinance has been promulgated, will contribute significantly towards the development of urban infrastructure, especially housing.