

# INFRASTRUCTURE

Provision of quality infrastructure services at reasonable cost, is a necessary condition for achieving sustained economic growth. In fact, one of the major challenges being faced by the Indian economy, as we enter the new millennium is to enhance infrastructure investment and to improve the delivery system and quality of services. Government recognizes the critical importance of the infrastructure sector and accords high priority to development of various infrastructure services such as power, telecommunications, seaports, airports, railways, roads etc. Investments in these sectors involve high risk, low return, lumpiness of huge investment, high incremental capital/output ratio, long payback periods, and superior technology. These prerequisites pose a constraint on the Government's efficient delivery

of quality infrastructure services. Government is moving away from its traditional role as a 'provider' of services to one of 'facilitator' and 'regulator' by ensuring that infrastructure services are actually delivered in a desirable manner. While liberalizing the rules and procedures, it has created an environment conducive for private participation including foreign investment in infrastructure sector. The government however, continues to safeguard the interests of the consumers and needs of the poor by providing appropriate regulatory framework. A series of tax incentives and concessions have been announced, regulations and procedures have been simplified for enhancing competition in this sector. Box 9.1 summarizes some of the recent initiatives.

**TABLE 9.1**  
**Trends in the Performance of Infrastructure Sectors**

	Unit	April - Dec.*				Change over previous year							
		1997-98	1998-99*	1998	1999	1985-90 (Avg.)	1994-95	1995-96	1996-97	1997-98	1998-99	1998-99@	1999-2000@
<b>I. Energy</b>													
(per cent)													
1 Coal Production	Mn.tonnes	295.9	292.3	206.7	205.6	6.4	3.2	6.4	5.7	3.6	-1.2	0.2	-0.5
2 Electricity generated (Utilities only)	Bn. kwh	420.6	448.4	330.8	355.3	9.4	8.1	8.4	3.8	6.6	6.5	7.0	7.4
(a) Hydro-electric	„	74.5	82.7	64.6	63.2	3.5	17.5	-12.2	-5.5	8.6	8.8	14.9	-2.2
(b) Thermal (incl.nuclear)	„	346.1	365.7	266.2	292.1	12.3	5.6	14.8	6.1	6.2	5.7	5.2	9.7
3 Petroleum													
(a) Crude oil	Mn.tonnes	33.9	32.7	24.4	24.3	3.3	19.3	9.1	-6.5	2.9	-3.4	-4.1	-0.4
(b) Refinery throughput	„	65.2	68.5	46.6	56.8	8.0	4.1	3.9	7.2	3.7	5.2	3.1	21.9
<b>II. Cement</b>	Mn.tonnes	83.1	88.0	62.5	72.5	8.7	9.9	6.6	8.6	12.8	5.9	4.2	15.9
<b>III. Transport and communications</b>													
1 Railway revenue-earning goods traffic	„	429.4	420.9	306.3	330.7	5.6	1.7	7.0	4.7	5.0	-2.0	-2.5	8.0
2 Cargo handled at major ports	„	251.7	251.7	184.3	201.3	6.9	10.0	9.1	5.6	10.6	0.0	0.0	9.2
3 Telecommunications: New telephone connections provided (DELs)	'000Nos.	3259.0	3792.0	1649.7	2199.9	16.6	44.0	23.3	17.5	27.1	16.4	26.1	33.4
*Provisional.		@ April-December.											

**BOX 9.1**  
**New Initiatives for Infrastructure Development**

**General Measures**

- Uniform tax holiday of 15 years for all infrastructure sector projects.
- Creation of Foreign Investment Implementation authority to smoothen flow of FDI into the infrastructure sector.
- The import duty structure for project imports rationalized.

**Power**

- Mega Power Project policy announced.
- Restructuring of SEBs to be encouraged; new transmission and distribution systems to get fiscal benefits given to infrastructure sector.

**Telecom**

● **New telecom policy announced**

- Domestic long distance calls to be opened up.
- Department of Telecom Services (DTS) to be corporatised by 2001.
- DTS/MTNL to enter as third cellular operators.

● **TRAI reconstituted through an ordinance**

- Clear distinction between the recommendatory and regulatory functions of the Authority.
- Mandatory for government to seek recommendations of TRAI in respect of matters dealing with need and timing for introduction of new service providers and the terms and conditions of license to a service provider.
- Composition of Authority *i.e.* TRAI has been changed.
- Separate disputes redressal body known as “Telecom Disputes Settlement and Appellate Tribunal” has been set up.

● **Specific Targets for Telecom**

- Make available phone on demand by 2002.
- Encourage development of telecom in rural areas and increase rural tele-density from the current level of 0.4 to 4.0 by the 2010.
- Achieve telecom coverage of all villages in the country by 2002.
- Provide internet access to all district headquarters by 2002.
- Resources for meeting the Universal Service Obligation (USO) would be raised through a universal access levy which would be a percentage of revenue earned by all operators under various licenses.
- Existing licence holders of basic and value added services allowed to switch over to a revenue sharing agreement.
- Provide high-speed data and multi-media capability using technologies including ISDN to all towns with a population greater than 2 lakh by 2002.

**Roads**

- A new cess of Re.1 per litre on HSD imposed to generate funds which will be transferred to Central Road Fund. Most of it will be used for development and maintenance of State Roads and National Highway etc.
- Model Concession Agreement for BOT road project more than Rs. 100 crore and less than Rs. 100 crore finalized.

**Railways**

- Indian Railway Catering & Tourism Corporation (IRTC) Ltd. incorporated as a Government Company with the objective of upgrading and managing rail catering and hospitality
- Indian Railways have issued Letters of Intent for ownership, operation and management of two luxury trains in private sector.

**Civil Aviation**

- Restructuring of airports of Airport Authority of India (AAI) through long-term leasing route.

**Urban Infrastructure**

- Special Package for Housing construction and Services which will facilitate development of urban infrastructure.