

Infrastructure Creation: Integrating the Nation

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The Finance Minister at the start of his budget speech indicated that India needed investments over Rs 50 trillion in infrastructure to “increase growth of GDP, connect and integrate the nation with a network of roads, airports, railways, ports and inland waterways and to provide good quality services”.

He declared that the government was committed to this and would ensure the required investment. The challenge is not so much in the allocation of funds as in strategizing appropriately and ensuring timely implementation

The 2018-19 Union Budget recognizes a total allocation of Rs 5.97 trillion in infrastructure. This compares with an expected expenditure of Rs 4.94 trillion in 2017-18. The infrastructure allocations have not only been increasing in absolute terms, but also as a share of total budgetary allocation. The allocations have been going up in all the sub-sectors of infrastructure including railways, roads, aviation, etc.

The single largest entity spend is for the Indian Railways. The thrust in the current budget has been on capacity creation, including track doubling, third and fourth line works; 5,000 km of gauge conversion; redeveloping 600 railway stations; and introduction of modern train-sets. The proposed gauge conversion would make the country broad gauge based unigauge system. The budget also has a special focus on suburban railways including Mumbai and Bengaluru. The spend on Mumbai would be part of Phase 3A of the Rs 0.55 trillion Mumbai Urban Transport Project (MUTP).

The Union Budget includes a total outlay of Rs 1.21 trillion on road infrastructure. The spend is part of the approved Rs 5.35 trillion Bharatmala Project, which includes development of economic corridors, efficiency improvements on key

national corridors; and border, coastal and port connectivity roads.

Both the Railways and the National Highways Authority of India (NHAI) are expected to source funds beyond just internal surpluses and budgetary support. The Railways, apart from the traditional sourcing through bonds, are expected to bring in funds through public-private partnerships (PPPs), especially in railway station redevelopment and rolling stock manufacturing. The NHAI would use schemes like toll, operate and transfer (TOT) and raising equity from the market using road assets that have crossed the transfer phase of the earlier build, operate and transfer (BOT).

In the maritime sector, the focus is on spends as part of the Sagarmala Project. In aviation, the focus is on improving airport capacity, developing new airports and increasing connectivity to unserved airports and helipads.

Other domains of infrastructure spend include the 99 smart cities and rural infrastructure through development of rural roads, houses, electricity, sanitation, irrigation and water supply.

Bandwidth for Spending

One of the important challenges with the increased allocations is our ability to spend it effectively. For

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example, even though the allocation for railways from Gross Budgetary Support (GBS) in 2017-18 was Rs 0.55 trillion, the expected actual spend has been revised downward to Rs 0.42 trillion. Consequently, the GBS provision for 2018-19 has been kept at Rs 0.55 trillion, without any increase and almost identical to the previous year's provision.

The inability to spend is a function of insufficient governmental bandwidth in putting out well-written project documents and quick processing of permissions; lack of legal and judicial bandwidth; and the significant non-performing infrastructure assets that put limits on debt financing. Stalled permissions and/or legal issues have held up many projects mid way. A concerted effort to protect and unlock such assets is important. The Ministry of Road Transport and Highways (MORTH) must be commended for attempting to resolve legal issues in many projects, though there are many others still stuck.

It is rather unfortunate that though the budget gets such heightened annual attention, there is no mechanism of reviewing the budgetary performance, not just financially, but in actual outcomes achieved with an analysis of the causes. The annual economic survey is at best a document that looks at performance in an aggregate manner, albeit in different sub sectors. Budgets tend to focus on political rhetoric, often repeating the same activities. For example, the railway station development and the new airports development have been repeated in many successive budgets. While earlier budgets had schemes like Setu Bharatam (to remove level crossings on National Highways), Special Unit for Transportation Research and Analytics (SUTRA) and Special Railway Establishment for Strategic Technology and Holistic Advancement (SRESHTA), it is difficult to find the state of progress of these activities vis-a-vis their original intent.



Projectising as a Means of Directing the Spend

On the credit side though, the allocations in different sectors over the past few years have tended to be guided by long-term multi-activity project conceptualization like the PradhanMantri Gram SadakYojana (PMGSY), Sagarmala, High Speed Rail (HSR) and Bharatmala projects. The HSR and Bharatmala projects were announced in September and October 2017 respectively. (Of course, the Bharatmala is, in many ways, a modified version of the earlier National Highways Development Project.) Such conceptualization provides more stability and direction, rather than being buffeted by varying annual demands.

In spite of projectising, there are domains where we falter. For example, the BharatNet project (the earlier National Optical Fibre Network), which is to provide broadband connectivity to every Gram Panchayat, has had implementation issues, causing significant delays in timelines. Part of the problem was due to the implementation being 'handed over' to public sector undertakings, which did not have this as a priority.

In the context of rural infrastructure, the PMGSY has been one of the most

successful infrastructure projects. The second decadal phase of this project has been advanced to be completed by 2019 (instead of 2021), so that the third phase can be put in place. Apart from deeper penetration, the rural road network is focusing on improved maintenance and two-sided connectivity to facilitate not just physical connectivity, but also services. In the context of rural electricity, the focus is shifting from village-level connectivity to household-level connectivity. In terms of sanitation, though the focus is on building toilets, full effectiveness can be achieved only by changing the behavior to increase usage. This needs 'marketing' like efforts.

Inter-sectoral Issues

However, a related challenge is one of examining inter-sectoral implications. For example, it is not clear whether building and connecting more airports is the way to go, given the improving road connectivity. More airports will reduce the catchment per airport, reducing frequency of service and thus putting the overall viability in question. For example, Hubballi and Belagavi are less than 100 kilometers apart with excellent road connectivity, but still wish to have modern airports with just a couple of flights a day each.

Budget for the Railways

In keeping with the Government's focus on strengthening the Railways network in the country the General Budget 2018-19 has enhanced the allocation for the Ministry. Railways' Capex for the year 2018-19 has been pegged at Rs.1,48,528 crore. A large part of this will be devoted to capacity creation. 18,000 kilometers of doubling, third and fourth line works and 5000 kilometers of gauge conversion would augment capacity and transform almost the entire network into Broad Gauge 4000 kilometers of railway network are to be commissioned for electrification during 2017-18.

12000 wagons, 5160 coaches and approximately 700 locomotives are being procured during 2018-19, and the work on Eastern and Western dedicated Freight Corridors is on going. A major programme has been initiated to strengthen infrastructure at the Goods sheds and fast track commissioning of private sidings.

The Finance Minister assured that adequate funds will be available under Rashtriya Rail Sanraksha Kosh. Over 3600 kms of track renewal is targeted during 2018-19. There will be increasing use of technology like "Fog Safe" and "Train Protection and Warning System". 4267 unmanned level crossings in the broad gauge network will be eliminated in the next two years.

Modern train-sets with the state-of-the-art amenities and features are being designed at Integrated Coach Factory, Perambur. The first such train-set will be commissioned during 2018-19. Redevelopment of 600 major railway stations is being taken up by Indian Railway Station Development Co. Ltd. All stations with more than 25000 footfalls will have escalators. All railway stations and trains will be progressively provided with wi-fi. CCTVs will be provided at all stations and on trains to enhance security of passengers.

The Finance Minister has informed that 90 kilometers of double line tracks are being added to Mumbai's transport system at a cost of over Rs.11,000 crore. 150 kilometers of additional suburban network is being planned at a cost of over Rs.40,000 crore, including elevated corridors on some sections. In Bengaluru, a suburban network of approximately 160 kilometers at an estimated cost of Rs.17,000 crore is being planned to cater to the growth of the metropolis.

Foundation for the Mumbai-Ahmedabad bullet train project, India's first high speed rail project was laid on September 14, 2017. An Institute is coming up at Vadodara to train manpower required for high speed rail projects.

It would take under two hours to reach either airport from their catchment. As a comparison, there are many parts in Bengaluru where reaching the airport would take more than two hours. An overall approach to air connectivity by integrating roads, and keeping a focus on access time rather than distance would be the way to go. For example, in hilly areas, airports closer to one another may still be okay.

Another inter-sectoral domain is that of intermodal connectivity between the metro and the railways. Bengaluru and Delhi are examples where such connectivity has as of now been compromised, leading to poor service quality for customer transfer, and resulting in reduced demand. It does make one reflect on the need for basic smartness, rather than what is implied by 'smart' cities.

There are inter-sectoral issues between energy and transportation. The government has demonstrated significant awareness of this matter. Electric traction in railways is being promoted, with significant allocations. Similarly, the government has announced that the policy would be to convert all road vehicles to electric vehicles by 2030. In the road instance, the industry is not fully in agreement with the government, both in terms of the announced timeline and the focus on electric vehicles over hybrids.

Conclusion

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BUDGET 2018-19
Railways

- ❖ All time high allocation; Capex for 2018-19 pegged at Rs. 1,48,528 crore
- ❖ 600 major railway stations to be redeveloped
- ❖ All stations with more than 25,000 footfalls to have escalators
- ❖ Wi-Fi and CCTVs to be provided progressively on all trains and stations
- ❖ Modern train-sets with state-of-the-art amenities to be commissioned