After a hike, Railways talks discount

Occupancy-based discount is an effort to augment revenue by increasing number of passengers during lean periods

SHINE JACOB
New Delhi, 5 January

After opting for a passenger fare hike effective January 1, the Indian Railways is planning to come up with an occupancy-based discount system for passengers across mail, express, superfast, and premium trains. The discounts would be available on trains where occupancy rate is low.

This is seen as an effort to augment revenue by increasing the number of passengers during lean periods, on non-remunerative routes with a stiff competition from roads and some long-run trains having larger running time with more stoppages.

"We are working on a slab-based discount model, which will be applicable on all trains where occupancy is an issue," confirmed a senior official.

According to the ministry, the average occupancy of different types of trains, including Shatabdi Express, on an end-to-end basis ranged between 70 per cent and 100 per cent in 2018-19.

This will not be the first time that the national transporter is wooing passengers by doling out discount sops. It is already offering 10 per cent discount on vacant berths after the preparation of first chart in all trains. In addition, graded discounts are available in flexi fare trains where class-wise occupancy is less than 60 per cent.

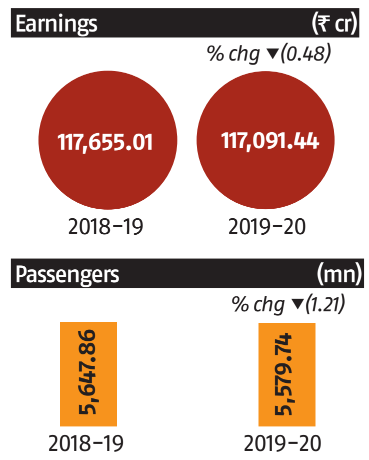
Higher revenue from passenger segment is vital for the Indian Railways that is struggling to meet its earnings target for 2019-20. As a step towards this, various initiatives for fair rationalisation are being planned by the Board and the recent fare hike was one such move. From January 1, the national transporter had raised passenger fares across classes ranging from 1 paisa to 4 paisa for every kilometre, excluding suburban and season tickets.

For April to November period, it has fallen short of earnings target by 12.28 per cent to around ₹16,391 crore. Though the target for the period was ₹133,482.68 crore, the earnings were seen at ₹117,091.44 crore. Interestingly, this is almost similar to the last year's earnings of ₹117,655.01 crore. The hike was crucial for the financial health of the Railways, which was staring at a higher operating ratio too. "Such crisis will make an organisation stronger," Railway Board Chairman V K Yadav told the media last week. Industry sources highlight that the hike was marginal as the financial impact was only a 'minimal' ₹2,300 crore.

Interestingly, going for a slab-based discount approach may be a difficult task for policymakers, too, as demand is not uniform in the Railways — it depends on lean and peak periods, non-remunerative routes, distance, and timing of the trains.

At present, graded discounts are given in Rajdhani, Shatabdi, Duronto, and Humsafar trains where class-wise occupancy is less than 60 per cent, four days prior to scheduled departure of train. Based on this model, 20 per cent discount is given for up to 70 per cent occupancy and 10 per cent discount between 70-80 per cent based on the last fare under the flexi mechanism. Beyond 80 per cent, no discount is provided. These initiatives were launched in premium trains after passengers started opting for airlines after the introduction of flexi fare system, leading to low occupancy in several trains.

BEHIND SCHEDULE



Figures for Apr–Nov period; passenger figures include suburban and non-suburban
Source: Railways

Govt may put out list of 6,000 NIP projects soon

Data to explain why private sector investment is estimated to be low

SUBHOMOY BHATTACHARJEE
New Delhi, 5 January

In the next few days, the finance ministry expects to put out a detailed list of about 6,000 projects which form the basis for the National Infrastructure Pipeline (NIP) report.

The data would provide answers to questions from analysts about the lack of private sector participation in the NIP. The report shows that till 2025, the government expects the private sector to chip in with only 22 per cent of the total infrastructure spend in the country, by value.

"We have not got details from the private sector on specific projects," said a top government source, requesting anonymity. "The industry chambers have provided estimates on how much project inflow the private sector is likely to finance, but most individual companies have not given the data on their future spending. Hence, the details of their year-wise spending plans could not be ascertained, the source said.

"The report released by Finance Minister Nirmala Sitharaman last week is the executive summary of sorts of the proposed pipeline," said the source.

The ministry feels the numbers on the list would explain why private sector participation has been estimated to be so low.

Private sector projects made up about 38 per cent of the infrastructure projects during the Eleventh Five Year Plan (2007-2012). It slid to about 30 per cent in the next five-year period (2013-18).

The current estimate of 22 per cent over 2019-25 shows an equally steep dip. The official said the percentage is expected to go up, but would be visible only after the companies announce specific programmes on the ground and as communications to the stock exchanges.

Incidentally, the NIP also shows a tapering off of projects nearer to 2025. The source said this would reverse once ministries are sensitised to appraise projects on their financial implications, year wise.

India's first NIP is modelled on similar annual exercises in the UK, the US, and some other countries

That investment in infrastructure has been low is evident from the data on capital formation in the economy. A *Business Standard* report notes that growth in gross fixed capital formation, a proxy for investment, fell to a 19-quarter low in the July-September period of fiscal year 2019-20. It grew by just one per cent in Q2FY20, compared to a 4.04 per cent growth in the previous quarter, as per data released by the Central Statistics Office. As a share of GDP, the metric shrank to 27.8 per cent during the quarter, against 29.7 per cent in the previous quarter.

India's first NIP is modelled on similar annual exercises in the UK, the US, and other countries. The ministry hopes to make the data available from now through the year, and it will be revised annually.

India had built up estimates of this sort in the erstwhile Planning Commission, but those ran every five years. There is also a list put out by the infrastructure and project monitoring division of the ministry of statistics and programme implementation, but this is only about government projects and is often not updated due to lack of data from the concerned ministries.

A government release earlier this year said, "The National Infrastructure Pipeline would include greenfield and brownfield projects costing above ₹100 crore each. Other qualifications for inclusion in the pipeline for the current year will include availability of a DPR (detailed project report), feasibility of implementation, inclusion in the financing plan and readiness/availability of administrative sanction."

In addition to the data set, the ministry might also come up with a reform score card for the public to understand how key ministries appraise projects. Both these are expected to be open to public inspection, almost on a real time basis, which is a first for India.

Once the data is put up on the finance ministry's website, any investor, domestic or foreign (such as sovereign wealth funds) would be able to do their homework instead of having to run to the ministries to obtain information. It is expected that the list would be seen as a sign of commitment to the projects by the concerned agencies, and also enable investors to make more informed subsequent inquiries.

"Infrastructure Priorities for Job Creation in India", a report released by the IDFC Institute in September 2019, notes that investment in the sector would spur job creation. "There is enough evidence from around the world to suggest that infrastructure investment could lead to substantial job creation," it says.

Vivek Dehejia, lead author of the report, adds that better infrastructure such as roads, reliable supply of electricity and water, and so on, would allow companies to spend less on these and, instead, invest more in their core business. "For firms in the industrial region...for every 10 per cent increase in cost savings... 4.3 per cent more jobs will be created," the report said.

New Year begins on positive note

EXIM MATTERS

T N C RAJAGOPALAN

The government's New Year gift is extension of the time limit to avail of the service tax and central excise dispute resolution scheme by 15 days. And, a spate of notifications giving effect to some provisions of the Finance (Number 2) Act, 2017 and decisions of the Goods and Services Tax (GST) Council at its 38th meeting.

The Sabka Vishwas (Legacy Dispute Resolution) scheme was announced in July, with the aim of settling pending disputes on service tax and central excise duty. The government issued many notifications, clarifications, user manual and a list of FAQs to get a good response for this very attractive scheme. However, doubts persisted and there were some glitches in the online filing of applications. These were mostly resolved by mid-December, enabling the trade to take advantage of the scheme, mostly in the last two weeks before the deadline of end-December.

The government issued many notifications, clarifications, user manual and a list of FAQs to get a good response for the Sabka Vishwas scheme

Till the morning of December 31, about 133,631 tax payers, of a total of 184,000, had taken advantage of the scheme. The applications involved tax dues of ₹69,550 crore and the amount payable by applicants was ₹30,627 crore. This appears to fall short of the government's expectations. The finance minister, in her Budget speech, had said that more than ₹3.75 trillion was blocked in pending litigation. It appears that where large amounts are involved, taxpayers prefer to fight out the cases rather than take the scheme. The government says to ensure tax payers do not miss the opportunity, the last date for availing of the scheme was being extended till January 15. It is likely that more small tax payers will come forward before the revised last date.

In the Finance (No 2) Act, 2019, the fifth schedule contained amendments to the Customs Tariff Act, 1975. These were mainly intended to rectify certain errors, create a few new entries and align some entries with the global Harmonised System of Nomenclature (HSN). The government has now issued notifications giving effect to the amendments, from January 1.

Consequently, many Customs exemption notifications have also been amended. The notification of the commerce ministry harmonising Exim Codes in the Indian Trade Control (Harmonised System) of Classification of Import and Export items with the Customs Tariff takes effect from the same date. However, till last Thursday, the Director General of Foreign Trade had not issued a public notice amending the corresponding HSN Codes under the Merchandise Exports from India Scheme. The commerce ministry had also not made the changes needed to remove some unwarranted restrictions that had crept into its notifications.

The Finance (No 2) Act contained certain amendments to the Central GST Act, 2017, that have now come into effect. These include a higher threshold exemption limit and alternate composition scheme for service providers, mandatory Aadhaar submission, facility for the taxpayer to transfer amounts from one head to another in the electronic register, etc. However, the provisions relating to the Appellate Advance Ruling Authority have still not taken effect.

In the 38th meeting of the GST Council, several decisions were taken, one of these through a process of voting. A notification now gives effect to its recommendations.

The government has started the new year on a positive note. Hopefully, the momentum will be sustained through the year.

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States staring at ₹1-trn revenue gap after GST compensation withdrawal

States might be facing a consolidated revenue gap of up to ₹1.23 trillion on account of withdrawal of compensation after the five-year GST transition period ends on June 30, 2022, says a report by economic think tank NIPFP.

At the time of implementation of the GST on July 1, 2017, the Centre had promised to compensate states for loss of revenue for five years at an agreed formula. "If the GST compensation is withdrawn after June 30, 2022, consolidated revenue gap of states would vary between ₹1 trillion to ₹1.2 trillion depending on expected tax buoyancy and reliability of data sources," the report said. PTI

Centre has taken steps without waiting for Budget, says FM

Finance Minister Nirmala Sitharaman on Sunday said the Centre has taken steps to address the challenges faced by various sectors without waiting for the Budget. She also said that GST collection, which crossed ₹1 trillion per month mark during the last two months, will remain "good" in coming days.

Stating that the Centre does not differentiate between BJP-ruled states and non-BJP ruled states, she said dues were not being held back by the Centre, and funds were being given as per the recommendation of 14th Finance Commission PTI

STATSGURU

The valves of infra pipeline

LAST WEEK, THE GOVERNMENT came up with an ambitious plan for infrastructure investment. Among other things, the plan highlights the areas of importance and the sharing of responsibility between the government and the private sector.

The report showed that infrastructure investments during the targeted six years — FY20 to FY25 — is expected to be front-loaded, with spending of nearly ₹20 trillion in FY21 and FY22 (Chart 1).

Spending worth ₹12 trillion is to be done in the five years without a time plan, meaning that they may add up in any year. Roads, Railways, cities and housing account for half of the proposed infrastructure pipeline (Chart 2).

It also lays down the vision of the government in terms of the future of jobs: About 50 million people are expected to leave farming from 2012 to 2030, the transition being underway. About 30 million are expected to join industry work, while the services sector is expected to gain a massive 180 million employees (Chart 3).

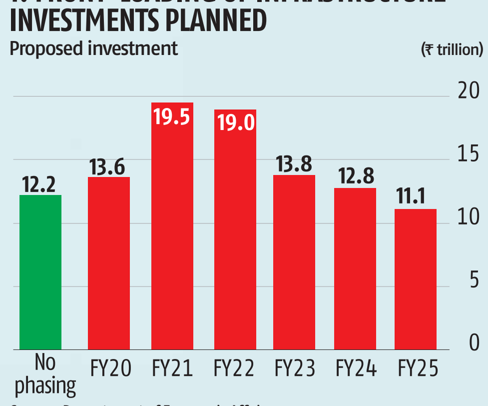
Nearly 80 per cent of the plan is to be funded by Central and state governments, and public sector enterprises, while the private sector will be contributing about a fifth (Chart 4). In the central government's share, more than half of the commitment is being attributed to state owned enterprises-led off-budget spending (Chart 5).

But the real worry would be revenue mobilisation. None of the revenue streams of the Central government have matched the required growth in the current fiscal year (Chart 6), partly due to relief in the corporate tax rate and the economic slowdown.

Higher borrowing would be needed to fund the intended capex, which would entail higher interest outgo in the coming years and affect private sector investment.

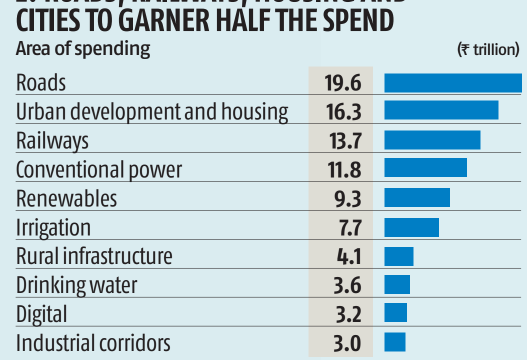
ABHISHEK WAGHMARE

1: FRONT-LOADING OF INFRASTRUCTURE INVESTMENTS PLANNED



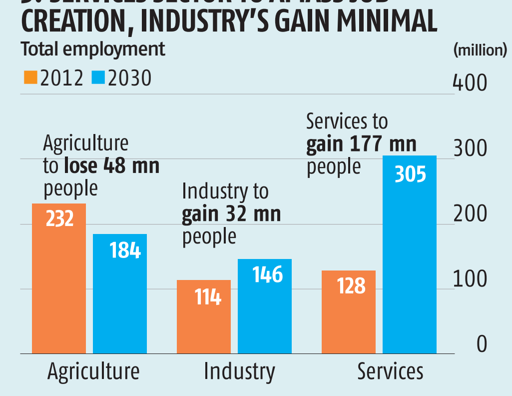
Source: Department of Economic Affairs

2: ROADS, RAILWAYS, HOUSING AND CITIES TO GARNER HALF THE SPEND

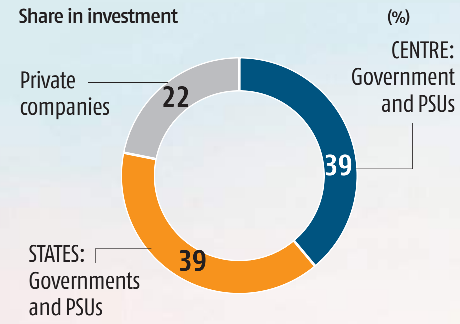


Source: Department of Economic Affairs

3: SERVICES SECTOR TO AMASS JOB CREATION, INDUSTRY'S GAIN MINIMAL

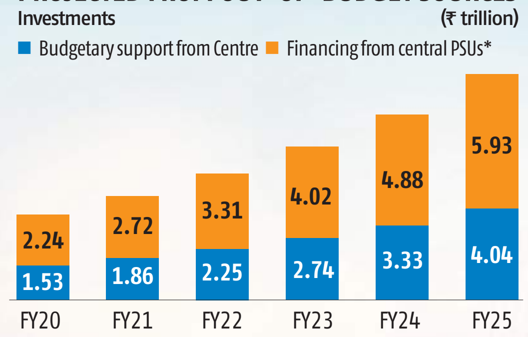


4: GOVERNMENTS TO DRIVE 4/5TH OF THE EXPECTED CAPEX



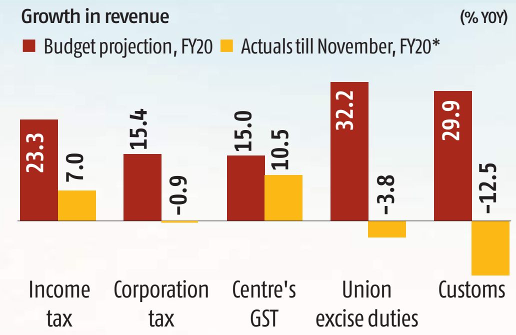
Source: Department of Economic Affairs

5: MORE AND MORE INFRA SPENDING PROJECTED FROM OUT-OF-BUDGET SOURCES



* Would include other off-Budget sources too
Excludes contribution from state governments and private enterprises
Source: Department of Economic Affairs

6: FALTERING REVENUES THE BIGGEST CHALLENGE



* Provisional accounts; Centre's GST means CGST
Source: Controller General of Accounts, Comptroller and Auditor General of India

StatsGuru is a weekly feature. Every Monday, *Business Standard* guides you through the numbers you need to know to make sense of the headlines

Compiled by BS Research Bureau