

योजना आयोग
भारत सरकार
Planning Commission
GOVERNMENT OF INDIA

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NEWS AND VIEWS

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"No matter how carefully you plan your goals, they will never be more than pipe dreams unless you pursue them with gusto"

W. Clement stone

Polity

- **UGC goes over University's Head:** The University Grants Commission (UGC) came out as virtually running Delhi University (DU) on Tuesday, after 57 of the university's 64 colleges that had offered the Four-Year Undergraduate Programme (FYUP) last year said they would comply with the commission's orders to switch to the three-year programme. An extraordinary day on campus saw the university spokesperson saying Vice Chancellor (VC) Dinesh Singh had resigned, only for the announcement – which was greeted with dancing and celebration by the VC's detractors – to be subsequently denied. Separately, the Supreme Court refused to stay the UGC's June 20 directive scrapping the FYUP, and asked the petitioner, a former president of the Delhi University Teachers' Association, to approach the High Court. DU had on Monday forwarded the orders of the UGC to the principals of the colleges. This UGC directive followed its directives of June 20 and June 22, telling the university to scrap FYUP, and to admit students for 2014-15 only to the three-year course. On Monday, hours before the first cut-offs for admission were to be announced, colleges deferred the process, complaining of "conflicting guidelines" from UGC and DU. Around 3 on Tuesday afternoon, DU media coordinator Malay Neerav said, "The Vice Chancellor has resigned. And this is the single line of conversation I have been asked to communicate." Soon afterward, there were reports that three other senior DU officials, Pro Vice Chancellor Sudhish Pachauri, Dean of Colleges Malashri Lal and Director, South Campus Umesh Rai, too had resigned. (The Indian Express).

Economy

- **Slow progress of monsoon spells trouble on growth, price fronts:** The tardy progress of the monsoon has triggered fears of a fall in economic growth and a rise in inflation. There has been a deficit of 37 per cent in cumulative rainfall from June 1 across the country, with the monsoon yet to advance to Central and Western India. "There is a very small chance of the monsoon reviving in the next four-five days. The forecast is that rains will revive in the first week of July," said Shivanand Pai, Head of the Long Range Forecasting Division at India Meteorological Department (IMD), Pune. The current dry phase cannot be attributed to the El Nino weather phenomenon, which is still developing. A sub-par monsoon could pose challenges for the Centre, which is trying to reverse the slowdown in the economy and improve investor sentiment. Though June accounts for about 15 per cent of the total precipitation, the dry spell has set off alarm bells in the farm sector. "The delay in rains is a cause for concern. June is almost gone and there is hardly any rain. This will delay the crops and trigger a shift in cropping patterns," said BV Mehta, Executive Director, Solvent Extractors Association of India. According to the Agriculture Ministry, till June 20 the oilseeds acreage, at one lakh hectares, was down 85 per cent over last year. Acreages of rice and pulses, key kharif crops, were lower by 54 per cent and 31 per cent respectively over the previous year. (Business Line).

Planning

- **Govt mulls Rs 1-lakh-cr road financing corp:** The government plans to set up a finance corporation with a corpus of Rs 1 lakh crore, in partnership with Japanese investors, to fund projects in the road sector. The Japanese partners are likely to have a 26 per cent stake in the corporation, with assured returns of nine per cent, according to a highly-placed road ministry source. Road Transport Minister Nitin Gadkari had already held two meetings to discuss setting up of the corporation and a final decision was expected shortly, said an official asking not to be named. He added the toll revenue of around Rs 5,000 crore, which the road transport ministry gets, would be securitised to raise money. The move comes after the ministry's unsuccessful attempts to bid out projects to the private sector. Now, it wants to focus on financing projects through government funds. "Executing projects through the private sector is not feasible under the current economic conditions," the official said. In 2012-13, of the 7,464-km build-operate-transfer (BOT) target, only 1,115.75 km were actually awarded. Similarly, in 2013-14, of the targeted 5,000 km through the public-private partnership (PPP) mode, only 287 km were awarded through three projects, as the bids did not find takers among private-sector players. Another 2,500 km of projects were awarded under the EPC mode. For the 2014-15 financial year, the target was to award 3,000-3,500 km of road projects through the BOT route and another 5,000 km through the engineering, procurement and construction (EPC) route, another ministry official said. (Business Standard).

Editorial

- **Can's be half pregnant:** With prime minister Narendra Modi now holding meetings on the price of natural gas, and oil ministry sources indicating that a decision will be taken over the next 24-48 hours, the question is what will be decided. All manner of possibilities are being touted, from using net calorific valuation instead of the gross calorie method suggested by the Rangarajan panel to a cost-plus regime where companies such as ONGC and Reliance are paid their costs in addition to a fixed mark-up. A host of other alternatives thrown up include just freeing up gas prices for new fields, removing Japanese prices from the Rangarajan formula and replacing this with the price of gas in Russia—the last is a suggestion from the Parliamentary Standing Committee that examined the matter some years ago, and something many top BJP leaders swear by. Most of the objections have been dealt with by this newspaper over several months and are quite flawed. While much has been made of Rangarajan including Japanese import prices into the gas formula, since these prices are based on what is called a 'netback' basis—or the price the exporter gets—including Japan adds just \$0.3 per mmBtu in the Rangarajan price of around \$8.3. As for including Russian prices, it is worth keeping in mind the most recent Russia-China deal which values gas at anywhere between \$11-13 per mmBtu. (The Financial Express)

Government to apply diesel formula for LPG, kerosene

■ Increasing prices in small doses could improve central finances in 2 years

By Bureau
New Delhi, June 24

FUEL FOR THOUGHT

Current under-recovery of oil marketing companies

On kerosene

₹32.87/litre

On LPG

₹432.71/cylinder



KEROSENE
₹1/litre hike saves subsidy by ₹850 cr per annum



DOMESTIC LPG
₹1/refill hike saves subsidy of ₹100 cr per annum

BUOYED by the success of the gradual increases in the price of diesel that has led to the under-recovery on the fuel being nearly wiped out, the government is considering similar price increases for domestic cooking gas and PDS kerosene. If implemented, this could result in the most potent subsidy reform the country has ever witnessed and significantly improve government finances over two to three years.

The ministries of petroleum and finance, sources said, are discussing the options of hiking domestic LPG price by a modest ₹10 per cylinder and the price of PDS kerosene by ₹2 a litre every month. The final decision on the issue will be taken by Cabinet Committee on Political Affairs (CCPA).

Every rupee increase in kerosene price would lead to a Rs 850 crore annual reduc-

tion in under-recovery of oil marketing companies, while a ₹1 increase in the price of LPG refills would reduce the same by an annual ₹100 crore.

These staggered hikes would take a long time to end the current losses of ₹32.87/litre of kerosene and ₹432.71 per domestic cylinder refill, but the government believes these would

CAN'T BE HALF PREGNANT

SEE EDIT: PAGE 6

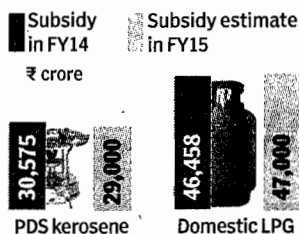
lead to market-linked fuel prices in the long run.

Interestingly, the proposal has come up when the Indian basket of crude oil has rallied 4.55% this month from \$106.88 per barrel on June 2 to

PROPOSAL

To increase kerosene prices by ₹1-2/litre every month; domestic LPG by ₹5-10/refill every month

Final decision to be taken by CCPA



months) and the government aims to make the fuel's price totally market-determined. Every dollar increase in global crude oil price, for instance, could raise the price of diesel by about 40 paise a litre.

In FY 14, the under-recovery on PDS kerosene stood at ₹30,575 crore, while it was ₹46,458 crore for LPG.

In the current financial year, government expects the same on kerosene to be around ₹29,000 crore, while for domestic LPG it should be around ₹47,000 crore at the average crude oil price of \$107 per barrel.

In January 2013, the previous Congress-led UPA government decided to raise diesel prices by up to 50 paise per litre every month. This is being continued after the BJP came to power in May.

In FY14, the Centre paid ₹70,772 crore of oil subsidy while upstream firms ONGC, Oil India and GAIL (India) shared an additional burden of ₹67,021 crore.

\$111.75 a barrel on June 23. Every dollar increase in the global crude oil price impacts diesel subsidy by ₹3,300 crore, while the impact on domestic LPG is ₹400 crore and ₹700 crore for PDS kerosene.

The under-recovery on diesel is now down to ₹1.62 per litre (thanks to gradual price increases of 50 paise a month) over several

Slow progress of monsoon spells trouble on growth, price fronts

37% deficit in cumulative rainfall from June 1; IMD sees a revival in July

VISHWANATH KULKARNI
Bangalore/New Delhi, June 24

The tardy progress of the monsoon has triggered fears of a fall in economic growth and a rise in inflation. There has been a deficit of 37 per cent in cumulative rainfall from June 1 across the country, with the monsoon yet to advance to Central and Western India.

"There is a very small chance of the monsoon reviving in the next four-five days. The forecast is that rains will revive in the first week of July," said Shivanand Pai, Head of the Long Range Forecasting Division at India Meteorological Department (IMD), Pune.

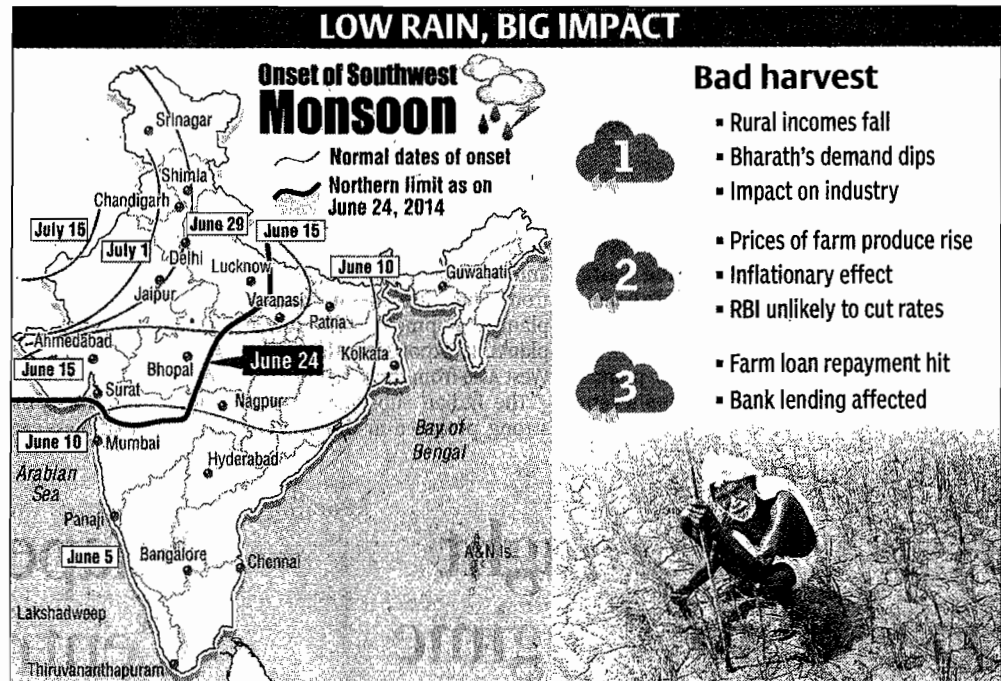
The current dry phase cannot be attributed to the El Nino weather phenomenon, which is still developing.

A sub-par monsoon could pose challenges for the Centre, which is trying to reverse the slowdown in the economy and improve investor sentiment.

Though June accounts for about 15 per cent of the total precipitation, the dry spell has set off alarm bells in the farm sector.

"The delay in rains is a cause for concern. June is almost gone and there is hardly any rain. This will delay the crops and trigger a shift in cropping patterns," said BV Mehta, Executive Director, Solvent Extractors Association of India.

According to the Agriculture Ministry, till June 20 the oilseeds



Bad harvest

- Rural incomes fall
- Bharath's demand dips
- Impact on industry
- Prices of farm produce rise
- Inflationary effect
- RBI unlikely to cut rates
- Farm loan repayment hit
- Bank lending affected

acreage, at one lakh hectares, was down 85 per cent over last year. Acreages of rice and pulses, key kharif crops, were lower by 54 per cent and 31 per cent respectively over the previous year.

Need for imports

Though granaries are brimming with cereals, the country may have to step up import of edible oils and pulses to meet rising demand. "We expect edible oil imports to increase to about 11 million tonnes this year, higher than last year's 10.4 mt," Mehta said. Last year India imported edible oil worth a whopping ₹60,000 crore.

For the consumer, the price and

availability of edible oils should not be an issue this year on account of the global surplus, Mehta added.

However, prices of commodities such as onions, potatoes and vegetables have seen a spike in recent weeks, forcing the Centre to intervene and set the base price for onion exports.

RBI may hold rates

Wholesale Price Inflation in May spiked to a five-month high at 6.01 per cent on rising food prices. Given the inflation situation, the Reserve Bank is unlikely to cut policy rates for now, bankers said.

Rating agency Crisil has decided

to look at the monsoon situation and the Union Budget together and then take a call on whether the 6 per cent GDP growth forecast made earlier should be revised or not. But Crisil sees a downside risk to the 6 per cent GDP forecast made earlier for fiscal year 2014-15.

"We have not taken a call (on revising the GDP forecast). Rains could revive in July or August. But the current predictions are not encouraging. There is definitely a risk to agriculture. How much damage the shortfall in rains will cause is difficult to say," said DK Joshi, Chief Economist at Crisil.

(With inputs from KR Srivats, Aditi Nigam)

Govt may relax company law provisions for private firms

Private companies may be exempted from related party transactions

KR SRIVATS

New Delhi, June 24

Private companies may be exempted from complying with the new company law provisions on related party transactions (RPTs).

This forms part of several relaxations proposed by the Corporate Affairs Ministry (MCA) for private firms.

The Ministry has now come out with a draft notification which, among other things, provides for exemption to private companies with regard to compliance with provisions on related party transactions.

The new company law had wanted private companies to comply with detailed provisions on such transactions, including the most stringent one of seeking nod from disinterested directors and shareholders.

"The latest MCA proposal will free private companies from the hassle of getting disinterested vote and should definitely bring cheer to them," Lalit Kumar, Partner, J Sagar Associates, a law

firm, told *Business Line*. Getting a disinterested vote is generally not possible in a private company situation where there are few members who are mostly related to one another, he added.

Interestingly, the RPT provisions in the erstwhile company law (1956 Act) did not exempt private companies.

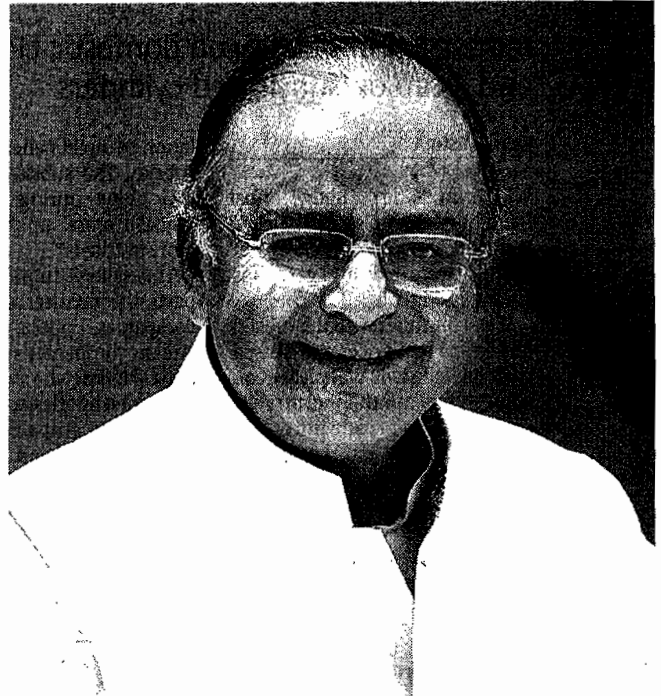
"So the current proposal under the new company law is a major shift for private companies as far as the RPT are concerned," Kumar said.

Audit cap

Another proposal that could spell some good news for the audit fraternity is the exclusion of private companies from the audit cap norm.

According to this proposal, audits of private companies would not be counted for deciding on the audit cap of 20 audits per partner.

In all, the Ministry has proposed 13 changes to the norms involving private companies.



Arun Jaitley, Finance and Corporate Affairs Minister

These include provisions relating to acceptance of public deposits, voting rights, restrictions on board powers and loans to directors besides managerial remuneration.

While the draft notification would be placed before each house of the Parliament, suggestions and comments are invited from the public till July 1, the Ministry said in a circular.

Commerce, Industry Secretaries point out opportunities, concerns to PM

SEZs, labour law issues discussed

OUR BUREAU
New Delhi, June 24

Prime Minister Narendra Modi met Secretaries from the Commerce and Industry Ministry on Tuesday who outlined the work programme of their departments and pointed out areas of concern.

The meeting was also attended by Commerce & Industry Minister (Independent Charge) Nirmla Seetharaman.

"The meeting was significant because it not only gave the Prime Minister an idea of what was going on in the Commerce and Industry Ministry, but also gave the Secretaries the opportunity to point out what they expected from the Government, especially in the forthcoming Budget," a Government official told *Business Line*.

The Commerce Ministry is the nodal Ministry for the Special Eco-



Narendra Modi

nomie Zones designed to promote exports, but currently facing a rough time due to global down-turn and imposition of the minimum alternate tax and dividend distribution tax on units and developers.

The Commerce Ministry has been making a case for removal of MAT and DDT on SEZs and extension of other benefits to units in the zones.

Negotiating future Free Trade

Agreements better and leveraging more from the existing pacts is also an area of focus.

The Department of Industrial Policy & Promotion, which is part of the Commerce & Industry and looks after issues related to industry and foreign investments, has been implementing the National Investment and Manufacturing Zones (NIMZs). These zones seek to create manufacturing enclaves with world class infrastructure and hassle-free operations to increase the share of manufacturing in India's GDP to 25 per cent.

"The DIIPP wants labour laws in NIMZs to be relaxed," a Government official said.

The further opening up of a number of sectors including defence, railways and construction development is also being driven by the DIIPP.

The Prime Minister is holding meetings with the heads of all Ministries and Departments to understand priorities and concerns.

BENCHMARK FOR PERFORMANCE

Go for ISO Certification, Govt Depts Told



Govt plans to push all departments to get certified

AMAN SHARMA
NEW DELHI

Stressing that chief minister's office of Gujarat under Narendra Modi has already achieved an ISO-9001 certification for "administration and overall governance", the Cabinet Secretariat is planning a renewed push to what was UPA's brain-child of aiming for the prestigious global certification for all central government departments.

The Cabinet Secretariat recently impressed upon all government departments that the chief minister's office in Gujarat had already achieved the ISO-9001 certification way back in 2009 during the tenure of Narendra Modi as chief minister.

This was after the Gujarat CMO was audited by a third-party for performance standards. The certification for the CMO is valid till January 15, 2014, after which a re-certification process will be undertaken by a third-party audit.

Only four central ministries or departments earned an ISO-9001 certification in the UPA tenure. They are Department of Personnel and Training (DoPT), Ministry of Steel, Defence Research and Development Organisation and Department of Agricultural Research. A government official said UPA started the exercise in 2011 by including implementation of ISO-9001 certification in the results-framework document (RFD) for the year 2011-2012 but the results were "far from satisfactory".

STANDARD CHECK

This will ensure the new govt can claim that it has achieved a benchmark on performance standards

GOVERNMENT OFFICIAL

The new government now plans to push all government departments to get the prestigious global certification soon. The government official termed the prime minister's moves to ensure cleanliness in government offices, usage of technology and fixing deadlines for work delivery, as part of preparing the government departments to achieve ISO-9001 certification.

"This will ensure the new government can claim that it has achieved a benchmark on performance standards. All ministries and departments are being asked to promptly engage a certification agency to help them apply for ISO-9001," the government official said. The government departments will have to overhaul their working style and systems to impress the International Organisation for Standardisation in Geneva that coordinates the ISO-9001 certification which is a generic quality management system and codifies quality standards in every area of organisation's functioning.

Time to put Economy on High-growth Path: FM

OUR BUREAU
NEW DELHI

Finance minister Arun Jaitley has said it is time to take measures that will put the country on a faster pace of growth and restore investor confidence. "I would say this is a challenging time... And, it is challenging because in the last two years, the economy has moved at a slow pace... Whatever steps have to be taken in this direction, this is the time for it and you will have to wait for this," said Jaitley, who is also minister for defence and corporate affairs.

Talking to reporters on the sidelines of an Indian Navy function, Jaitley said the economy grew at a sub-5% rate for two consecutive years, adversely impacting revenue collection.

"To make the economy grow at a faster pace and reinstate the trust of investors in it, to make plans for bringing it back on track by holding consultations with stakeholders, I have done that in the last three-four weeks," he said.

Jaitley, who is likely to present the new government's maiden budget on July 10, has held talks with various stakeholders, including industry and agricultural bodies.

The government will be presenting the budget as the country faces high inflation, particularly in food prices and a significant fiscal deficit.

Indications of a below-normal monsoon and conflict in oil-producing Iraq may add to the government's worries. Earlier this month, Prime Minister Narendra Modi had said he would administer "bitter medicine" to revive the



Defence minister Arun Jaitley with Navy chief Admiral RK Dhowan at Naval Commanders' Conference in New Delhi on Tuesday

economy. In line with this, the government effected a steep increase in rail passenger fares and freight charges. It is expected to unveil more measures to rationalise wasteful subsidies to slash the fiscal deficit and create space for spending on capital expenditure to boost growth.

On priorities for the defence ministry, Jaitley said the "slow pace" of acquisition of weapon systems is a matter of concern and the new government will work towards "expediting" the procurement process to meet the requirements of the armed forces.

Gadkari to Speed up Stalled Road Projects

Modi govt plans to build 30 km of road a day two yrs from now after clearing backlog

OUR BUREAU
NEW DELHI

The Narendra Modi government plans to build 30 kilometres of roads a day two years from now, after clearing the backlog of stalled projects.

It also proposes to switch to the EPC (engineering, procurement and construction) mode in place of the public-private partnership (PPP) mode to boost road construction

"Total road construction has gone down... Road projects worth about Rs 60,000 crore are stuck, mainly due to reasons such as land acquisition and environment and forest clearances," minister of road transport and highways Nitin Gadkari told reporters. Out of this amount, a large percentage has turned into non-performing assets (NPA) for banks.

Stalled projects will be up and running in the next three months. The ministry is trying to get faster clearances, Gadkari said. "When these projects start, some will take one year or more to complete. Right now, the average construction is to the tune of three km per day. After two years, I aim to take this target to 30 km per day," Gadkari said. The previous United Progressive Alliance government had set a target of 20 km per day in 2009 but less than half that goal was achieved due to hurdles such as delays in getting environment and forest clearances and land acquisition.

Gadkari, who also holds the shipping, rural development, panchayati raj and drinking water and sanitation portfolios, said he will head a group that will review the progress of the civil aviation and railway ministries, along with roads and ports, on a



"Total road construction has gone down... Road projects worth about ₹60,000 crore are stuck, mainly due to reasons such as land acquisition and environment and forest clearances"

NITIN GADKARI
Minister of Roads, Highways

monthly basis.

"Principal secretary to the Prime Minister and cabinet secretary will also be part of that group, the first meeting of which will be taken by me in the next 10 days," he said. Gadkari said that he is not satisfied with the work being undertaken by the Border Roads Organisation and had ordered its performance audit to enable him to decide whether it should continue to handle such projects.

The minister said National Highways Authority of India officials had been instructed to take immediate remedial measures at about 450 identified 'black spots' that are accident-prone to prevent loss of life.

The minister reviewed over 55 projects covering over 15,000 km over two days.

He also announced that a special corporation is proposed to be set up to undertake road projects in the Northeastern states of the country.

Govt mulls ₹1-lakh-cr road financing corp

Move to accelerate investments; Japan to have a share in corpus

MANSITANEJA
New Delhi, 24 June

The government plans to set up a finance corporation with a corpus of ₹1 lakh crore, in partnership with Japanese investors, to fund projects in the road sector. The Japanese partners are likely to have a 26 per cent stake in the corporation, with assured returns of nine per cent, according to a highly-placed road ministry source.

Road Transport Minister Nitin Gadkari had already held two meetings to discuss setting up of the corporation and a final decision was expected shortly, said an official asking not to be named. He added the toll revenue of around ₹5,000 crore, which the road transport ministry gets, would be securitised to raise money.

The move comes after the ministry's unsuccessful attempts to bid out projects to the private sector. Now, it wants to focus on financing projects through government funds. "Executing projects through the private sector is not feasible under the current economic conditions," the official said.

In 2012-13, of the 7,464-km build-operate-transfer (BOT) target, only 1,115.75 km were actually awarded. Similarly, in 2013-14, of the targeted 5,000 km through the public-private partnership (PPP)



Under Gadkari, road projects worth ₹40,000 crore cleared

Road Transport & Highways Minister Nitin Gadkari has given its go-ahead for ₹40,000 crore worth of road projects that were stuck for long due to environmental clearance, land acquisition and other issues.

mode, only 287 km were awarded through three projects, as the bids did not find takers among private-sector players. Another 2,500 km of projects were awarded under the EPC mode.

For the 2014-15 financial year, the target was to award 3,000-3,500 km of road projects through the BOT

route and another 5,000 km through the engineering, procurement and construction (EPC) route, another ministry official said.

Unlike the BOT model, the government funds the entire project under EPC and a developer undertakes the necessary construction work.

FOR A QUICK ROAD TO RECOVERY

A finance corporation, with a corpus of ₹1 lakh cr, on the cards for funding road projects

Japanese investors to have a 26% stake, with 9% assured returns

Toll income of ₹5,000 cr to be securitised

Move comes after bids for many projects did not find takers among private players, and the projects awarded earlier through the private mode got stuck

Govt clears ₹40,000-cr road projects

BS REPORTER
New Delhi, 24 June

The ministry of road transport and highways has approved road projects worth about ₹40,000 crore, besides setting a target of building 30 km of roads a day from 2016.

At a meeting on Monday, minister Nitin Gadkari reviewed about 250 projects, worth ₹60,000 crore. "These projects were mainly stuck due to issues related to land acquisition and environment and forest clearance issues. These stalled projects will be up and running in the next three months," the minister said at a conference on Tuesday.

The approved projects include ₹20,000-crore highway projects in Jammu & Kashmir, ₹15,000-crore road-building projects in the Northeast, a ₹6,000-crore road network in Uttarakhand and the realignment of roads in Himachal Pradesh.

Gadkari said, "The Jammu & Kashmir projects include two-laning and four-laning of national highways in the state and some road projects in Leh



(From left) Union Minister Nitin Gadkari with Madhya Pradesh Chief Minister Shivraj Singh Chouhan and Minister of State for Road Transport & Highways and Shipping Krishan Pal at a meeting in New Delhi on Tuesday

PHOTO: PTI

and Ladakh... Currently, average construction is about three km a day. After two years, we are targeting building 30 km a day."

At Monday's meeting, Gadkari sought a performance audit of the Border Roads Organisation, which built and maintained strategic roads across the country. He said the government would build these roads by awarding engineering,

procurement and construction contracts.

Gadkari, who also holds the shipping, rural development, panchayati raj and drinking water and sanitation portfolios, said he would head a group to review the progress of the civil aviation and railway ministries, along with those of roads and ports, on a monthly basis. "The principal secretary to the prime

minister and the Cabinet secretary will also be part of that group, the first meeting of which will be held in the next 10 days," he said.

In a separate development, India and Myanmar have signed a memorandum of understanding for a cross-border bus service between Imphal in Manipur and Mandalay in Myanmar.

Railways rolls back fare hike on 2nd-class suburban routes

No fare increase for travel up to 80 km; decision will add to the Railways' losses and subsidy pressure will continue to rise with increasing fuel costs

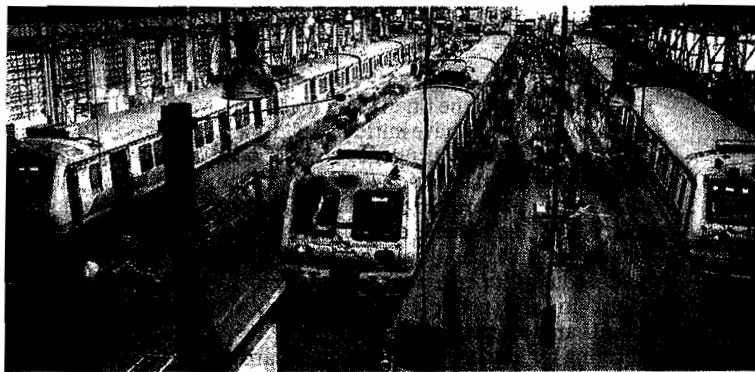
ANUSHA SONI
New Delhi, 24 June

The Narendra Modi-led government's "bitter pill" of rail fare hike was on Tuesday sweetened with a rollback for the second-class suburban segment up to 80 km. Also, fare hike for the monthly season pass for both suburban and non-suburban has been capped at 14.2 per cent. The hike will be effective from June 28.

About 94 per cent of suburban commuters travel by the second class. Of the total 7.5 million people who travel every day by Mumbai suburban rail, about 5.5 million avail monthly season tickets.

According to the June 20 order, a monthly season pass holder would have to pay for 30 journeys instead of the 15-17 journeys he was paying earlier. The new order brings some respite for the daily commuters with the fare hike capped to 14.2 per cent of the earlier fares. This means, after the rollback, a monthly pass for a single journey up to 65 km would cost only ₹270 against ₹450 earlier.

While the Railways had expected to generate about ₹900 crore extra through the change in monthly season



FINANCIAL PINCH

- Suburban passenger operations account for 53% of passenger volumes but contribute only 6-7% to revenue
- Number of suburban passengers for 2013-14 stood at 4,549.85 million – growth of about 1.7% over last year
- Of the total loss in passenger segment, which stood at ₹26,000 crore last year, suburban operations accounted for more than 50%
- The last fare hike for suburban operations was in January 2013, by 0.2 paise a km

ticket rules, after the rollback it would take a hit of about ₹550 crore. However, it could still end up making about ₹350 crore extra, as over 70 per cent of the commuters avail monthly season pass-

es and will fall in the purview of the fare hike of 14.2 per cent, which is inclusive of fuel adjustment component.

However, there is no rollback on

non-sub-urban passenger and freight fare hike. During the previous fare hike in October 2013 too, the Railways did not increase fares of suburban trains. This was last done in January 2013 by two paise a km.

The rollback decision will add to the Railways' losses and the pressure of the subsidy will continue to rise with increasing fuel costs. Suburban operations account for 53 per cent of the Railways total passenger volume. The Railways spends 30 paise for every km of the suburban rail network, earning 14 paise. Experts claim out of the total losses for the passenger segment, which stood at about ₹26,000 crore in 2013-14, over 50 per cent can be attributed to the loss-making suburban operations.

Former Financial Commissioner of the Railways Sivadasan said the disproportionate earnings/expenditure ratio was common for most suburban railway systems globally. "But most of them make up for it through other sources; raising non-fare box revenues is one of the ways, but one also has to provide quality services."

Unlike the non-suburban side, which has been registering declining volume, traffic in the suburban segment increased 1.7 per cent last year.

Time to take steps to put economy on high-growth path: Jaitley

PNS NEW DELHI

Faced with a "challenging" economy, Finance Minister Arun Jaitley has said that time has come to take measures that will put the country on a faster pace of growth and restore investor confidence.

"With regard to the Finance Ministry... This is a challenging time for it and it is challenging because in the last two years, the economy has moved at a slow pace... Whatever steps have to be taken in this direction, this is the time for it and you will have to wait for this," said Jaitley, who is also Minister for Defence and Corporate Affairs.

Talking to reporters on the sidelines of a Navy function, Jaitley said the econ-

omy grew at a sub-5 per cent rate for two consecutive years, adversely impacting revenue collection.

"To make the economy grow at a faster pace and reinstate the trust of investors in it, to make plans for bringing it back on track by holding consultations with stakeholders, I have done that in the last three-four weeks," he said.

Jaitley, who is likely to present the new government's maiden Budget early next month, has held talks with various stakeholders, including industry and agricultural bodies.

The Government will present the Budget when the country faces high inflation, particularly in the food segment, and a significant fiscal deficit.



With regard to the Finance Ministry... This is a challenging time for it and it is challenging because in the last two years, the economy has moved at a slow pace...

Whatever steps have to be taken in this direction, this is the time for it and you will have to wait for this

FINANCE MINISTER ARUN JAITLEY

Indications of a sub-normal Monsoon and the conflict in oil-producing Iraq may add to the government's worries.

Earlier this month, Prime Minister Narendra Modi had said he would administer "bit-ter medicine" to revive the economy.

On Friday, the Government announced a steep hike in rail passenger fares and freight charges. India assured the global community at a G20 meeting on Sunday that policies of the new Government will deepen the reform process to put the economy on a sustainable and balanced high-growth path.

On what can the armed forces hope from him in the Budget as he was both the Defence Minister and the Finance Minister, he said, "You

have to wait till July 10 (when the General Budget will be tabled in Parliament)."

Asked if the allocation for defence forces would be 2.5 to 3 per cent of the GDP, Jaitley said, "Let us not get into percentages and look at the absolute quantum. As the base of the economy expands, even a lesser percentage may increase the amount. Whatever amounts are necessary, our endeavour in due course is to make them available."

₹ 2.24 lakh crore was allocated for the defence forces in the Interim Budget presented by the previous government in February this year. The armed forces have been demanding a hike of over 20 per cent for their modernisation in the General Budget.