**PRESS RELEASE**

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# Report of the National Transport Development Policy Committee

The High Level National Transport Development Policy Committee (NTDPC), chaired by Dr. Rakesh Mohan, former Deputy Governor, RBI, will be presenting its Report to the Prime Minister Dr. Manmohan Singh tomorrow in the presence ofthe Deputy Chairman, Planning Commission, Shri Montek Singh Ahluwalia, Members in-charge of the Transport Sector in the Planning Commission, as also the Members of the Committee.

The NTDPC was set up in 2010 to assess the transport requirements of the economy for the next two decades in the context of the changes in economic, demographic and technological trends expected at local, national and global levels; and to recommend a comprehensive and sustainable policy for meeting such requirements.

The Committee comprised of Secretaries of central ministries, private sector representatives, and eminent persons/experts from the transport sector. The Committee held consultations with State Governments in 2012-13 and also received technical assistance from the Asian Development Bank and the World Bank in its work. The Interim Report of the Committee was earlier submitted to the Government in April, 2012.

The Report sets the conditions for a coherent *system based* transport strategy for the two decades beginning with the 12$^{th}$ Five Year Plan to the end of its 15$^{th}$. The Report represents new thinking on how to look at different sectors in an integrated fashion and suggests mechanisms and measures for carrying this approach forward in a manner that reduces the resource costs involved.

To enable sustained high economic growth over the next two decades, investment in transport would need to increase from the current about 2.6 per cent of GDP to about 3.3 per cent in the 12$^{th}$ Plan, and then stabilise at about 3.7 per cent of GDP until 2032. Based on the macro modelling framework utilised, the projections envisage that with appropriate economic pricing and adequate regulation, sustainability can be achieved in the transport sector; and resources can be attracted from both private and public sectors. Moreover, the resource projections suggest that the country can become more ambitious in transport projects in the 13$^{th}$ Plan and beyond.

While the Report addresses sectoral issues in detail, it addresses a number of wider issues that affect the transport system as a whole. Its focus is on cross-cutting themes underlying transport strategy and the resulting investment programmes. It is not so much about specific solutions, as it is about developing human resource capacity, and developing responsive institutions for achieving the overall strategy and outcomes envisaged.

The Report emphasises the need for modernisation and expansion of all segments of the transport system. One of the significant findings of the Committee is that there is lack of expertise within the whole transport system: from policy making to designing and execution. The Report thus focuses specific attention on developing research and human resource capacity at all levels, and developing responsive institutions for achieving the overall strategy and outcomes envisaged. It also proposes reform measures in regulation, rationalisation of fiscal regimes and *embedding safety concerns* in all transport planning and execution.

Taking note of the weak institutional framework for policy, planning and coordination in transport at the central and state levels the Report argues for decentralised coordination keeping in view the federal nature of the country. To this end, the Report advocates re-aligning transport governance and proposes establishment of Offices of Transport Strategy at the national and state level within the $12^{th}$ Plan period. The Report also recommends a unified Ministry of Transport at the centre, with similar merger of transport functions at the state level. At the metropolitan city level it advocates the formation of Metropolitan Urban Transport authorities. These institutions should be embedded with adequate technocratic capacity in both quality and quantity.

In its vision for a modern transport system for the country, the Report also takes cognizance of the probable growth rate of energy usage in transportation and its impact on environment, and has made several recommendations with regard to policy on emissions standards, pollution control, use of information and communication technology, and advocates a Life Cycle Analysis approach to transport planning. With regard to transportation of energy commodities, which is a greater challenge to the economy, the recommendations include concentration of investment in railways and proactive action in port development, including coastal shipping. The Report has devoted exclusive chapters for Transport Development in the North East and another on Promoting International Connectivity between India and the South and South East Asia regions.

While the main section of this Report looks at these broader systemic issues and makes recommendations on how to achieve these goals, the second section, looks at specific sectors, and what needs to be done to take these to the next stage of development commensurate with our aspirations as a nation. These are:

Railways
Road and Road Transport
Civil Aviation
Ports and Shipping
Urban Transport

The Executive Summary and the full report of the High Level Committee on National Transport Development Policy can be accessed on the official website of the Planning Commission http://planningcommission.nic.in/

The main observations and recommendations contained in the Report are given in the Annex to this release.

**ANNEX**

## Report of the National Transport Development Policy Committee

Following are some of the findings and recommendations contained in the Report:

### NTDPC's Approach

- Prior thinking on transport policy in India has been too project-centric.
- Coherent *system-based* strategy adopted in the Report cuts across modes of transport, administrative geographies, and integrates capital investment with regulatory and policy development.
- Intermodal linkage between the different transport systems.
- There is less of a focus on specific solutions, and more on developing human resources capacity and responsible institutions that can adapt to changing realities.
- Hitherto, transport policy did not focus enough on connectivity with other countries, and in border areas and the current Report highlights the significance of promoting connectivity within South and South East Asia regions.
- Special attention is also given to the transport needs of the North-East

### Trends in Growth of Transport

- **Freight Transport is projected to grow 6 to 7 times, and passenger traffic about 15-16 times over the next two decades, with the assumption of resumption of rapid economic growth of 7 to 9 percent per annum.**
- Railways and roads constitute the major chunk in the total transport spending. The share of modes other than railways and roads, which was around 15 per cent of total expenditure on transport in the first three Plans, escalated to 30 per cent in the Fourth and Fifth Plans, only to settle down at about 28 per cent in the Tenth plan and Eleventh Plan.
- In the last decade, the civil aviation sector has grown at a phenomenal pace, and India has emerged as the world's ninth largest civil aviation market. The air traffic density (1000 passengers per million urban population) in India is very low at 72. China (282) is four times higher; Brazil (231) three times; Malaysia (1,225) 17 times, USA (2,896) 40 times, and Sri Lanka (530) more than seven times higher.
- The performance of Indian ports has generally deteriorated over the years except for a brief period from the late 1990s to the mid 2000s. The gap between the growth in traffic and growth of port capacity is apparently widening. Port traffic is expected to grow by about 40 per cent from the current 914 million tonnes to about 1,279 million tonnes by the end of the 12th Plan. Thus, rapid upscaling of port capacities and commensurate financing is urgently required.

- As regards Shipping, in 1990, the Indian fleet's share was as high as 35.5 per cent of the overseas trade, and the balance was carried by foreign vessels. But by 2011-12, the Indian flag share was only 10.9 per cent.
- Inland waterways in India are underdeveloped as a mode of transportation, despite their inherent advantages of fuel efficiency, environment friendliness, hinterland connectivity to less developed rural regions, and its capacity to shift large volumes of cargo from congested roads
- **India's transport networks are severely constrained for capacity. India must adopt a holistic approach in designing integrated transport networks, and with substantial logistics infrastructure yet to be built, India can still make amends to reach a more desirable and efficient state for its transport system.**
- **While retaining the role for the government in infrastructure funding, there is a logical need for stepping up private investment to both fill the investment gap and also allow increased flow of public investment in perhaps commercially unviable but economically and socially important investment decisions**.

## Overall Investment in Transport

- If the country is to maintain a sustained high growth path over the next 20 years, a *new thrust* for more investment in overall infrastructure is inevitable. Fastest growing countries in Asia have consistently invested around 8-10 per cent of their GDP in infrastructure during their high growth period.
- Sustainability of high economic growth would require continuing high growth of exports of goods and services which in turn is dependent on best transport connectivity and linkages.
- NTDPC projections suggest that it should be feasible to raise adequate financing for transport investment from both domestic and foreign sources. Public sector investment will remain important and around 70 percent of public sector investment would need to come from central and state budgetary sources.
- **NTDPC therefore recommends that the overall investment in infrastructure should increase from an expected 7 percent of GDP in the 12$^{th}$ Plan to 8.1 percent in the subsequent 3 Plans till 2032**. Public sector investment in infrastructure should rise marginally, from 4 per cent of GDP during the 12$^{th}$ Plan to 4.3 to 4.5 per cent in the next three Plans, and private sector investment from 3 percent to 3.7 percent over the same periods.
- **Annual Investments in transport should increase from Rs. 2.2 trillion ($45 billion) in 2011-12 to Rs. 3.8 trillion ($70 billion) during the 12$^{th}$ Plan, and rise further to about Rs. 14 trillion ($250 billion) in the 15$^{th}$ Plan period (2027-2032). This implies an increase in investment from about 2.7 percent of GDP in the 11$^{th}$ Plan to 3.3 percent in the 12$^{th}$ Plan, and further to 3.7 percent in later Plan periods.**
- **In order to arrest the significant erosion of Railways in its share of traffic there is need for a shift in emphasis toward greater investment in railways**. Annual investment in railways should increase from Rs. 300 billion ($6.5 billion) in 2011-12 to Rs. 900 billion ($17 billion) during the 12$^{th}$ Plan, and rising to Rs. 4.6 trillion ($85 billion) in the 15$^{th}$ Plan period. This implies an increase from about 0.4 percent of GDP during the 11$^{th}$ Plan to about 0.7 percent in the 12$^{th}$ Plan, and further to 1.0-1.1 percent in the following Plan periods.

## Strategy

- **Government must adopt an integrated transport strategy** guided by drivers such as long-term and largely irreversible nature; their far-reaching, game-changing effects on the economy and so on transport; their indifference to business cycles; and their relative immunity to financial and economic shocks.
- **The overall aim of the integrated strategy should be to uncover an optimal modal mix** that reflects the full resource costs of each transport mode for each type of commodity transported over various distances and terrains.
- **Pricing in the transport sector should conform closely to the cost of services and actual resources used in its production**, having regard to scarcity values of these inputs. **Subsidies should be limited to those areas where their retention on societal considerations is overwhelmingly justified** and must be made as explicit as possible so that they are clearly identifiable to ensure transparency.
- Other recommendations, inter alia, include
  - Provisions in the Motor Vehicles Act (1988, as amended) should be effectively implemented.
  - The network of dedicated freight corridors must be speedily completed
  - Smaller new ports should be constructed at regular intervals along the coast to increase the number of origin-destination pairs and to increase the attractiveness of coastal shipping
  - Important regulatory agencies for inspecting shipments of food, pharmaceuticals, textiles and biological matter should have on-airport offices. These agencies and laboratories should be integrated into a common information technology system shared with customs, airports and cargo service provider.
  - With respect to the movement of liquids and gases via pipeline, **a National Pipeline Grid** could be established along the lines of the National Electricity Grid
  - Logistics parks should be established at major transportation hubs including at the origin and destination points of Dedicated Freight Corridors (DFC), and at major industrial centres or near major urban conurbations
  - A new central body, the **Central Logistics Development Council (CLDC)** comprising of industry members, ministry representatives, and financial and academic institutions should be set up with the mandate of promoting the logistics industry

## Institutions for Transport System Governance

- India's transport policy environment is fragmented between modes and level of government, with infrastructure investment planning, policymaking, regulatory oversight (to the extent that it exists), and financing strategies scattered across and within levels of government. India's governance of regional transport corridors is also somewhat more centralized than international practice for intergovernmental division of responsibility.
- An "integrated" approach to transport planning does not mean centralised decision-making, but rather setting up of systems for information flow, knowledge generation,

and continuous, interactive dialogue between relevant organisations throughout the project cycle

- **NTDPC recommends establishment of an Office of Transport Strategy (OTS) at the national level** within the 12th Plan period to design and coordinate transport strategy. OTS to be
    - an independent agency associated with the Planning Commission; and
    - with resources to build a strong technical team, manage and analyse transport data, and assert itself as a compelling advocate of policies that leverage transport for development goals
- OTS to provide ongoing technical support for sectoral investment programmes to build on the work of the NTDPC
- Offices of Transport Strategy to also be established at the state level.
- Statutorily and financially empowered **Metropolitan Urban Transport Authorities (MUTAs) to be established at the metropolitan city level.**
- **India needs to have a single unified ministry with a clear mandate to deliver a multi-modal transport system** that contributes to the country's larger development goals including economic growth, expansion of employment, geographic expansion of opportunities, environmental sustainability, and energy security. Therefore, in the medium term, a unified **Ministry of Transport is recommended**, as is the practice in almost all other countries, with similar merger of transport functions at the state level to follow.

## Regulation

- The combination of extensive economies of scale and scope and the fact that transport services are deemed essential to a broad range of users, make regulation absolutely essential in the provision of these services
- **Ministry of Transport as envisaged in the Report is a vital step towards good regulatory design along with independent regulatory institutions – with functional and financial autonomy - in each transport sector that includes a separate dispute settlement arrangement.**
- Set up or strengthen such regulatory institutions that would guard against exercise of monopolistic power, ensure efficient and competitive pricing, and enforce safety and environmental regulations.
- The boundaries between Competition Commission of India (CCI) jurisdiction and the sector regulators will have to be established over time by precedent.
- **Legal structure in the transport sector needs to be simplified.** Existing sector-specific enactments need to be unified into a single statute.
- Life cycle analysis should be used to facilitate decisions related to inter-modal choices and intra-modal improvements in order to minimise adverse environmental impact of transport projects

## Energy and Environment

- Energy usage in transportation has been growing at rates corresponding to the growth in transportation itself, which is predominantly dependent on petroleum products. Most studies predict energy consumption by the transport sector will increase by factor of 2 to 4 over current levels, by 2030.

- The transport sector is a key contributor to $CO_2$ emission, though India has come a long way over the last two decades to establish vehicle emission and fuel quality standards, and to develop compliance mechanisms for them. However, there is a need to review current and future standards accordingly to ensure that the country does not fall behind the world's latest developments
- **Bharat IV fuel quality standard should be implemented nationwide by the middle of this decade, with a target to reach Bharat VI by 2020.**
- **Tighten and enforce vehicle standards to drive further innovation in emissions control, reaching European levels in 20 years**
- **Establish National Automobile Pollution and Fuel Authority (NAPFA) that will be responsible for setting and enforcing vehicle emission and fuel quality standards in India**
- **Government to set up an auto fuel policy committee every five years to ensure air quality for our citizens**
- **Adequate and quality public transport systems should be assured in all cities with population above 500,000 and safe Non-Motorised Transport options should be available everywhere**

## Transportation of Energy Commodities

- Sustaining economic growth at 8-10 per cent per annum over the next two decades will require massive increases in power generation and transportation of bulk commodities such as coal, iron and steel. Energy imports are the pre-eminent component of our trade imbalance and current account deficits, and a major source of vulnerability to price shocks
- India's requirements for bulk commodities are expected to grow rapidly over the next two decades by a factor of 4; Intensity of steel use is expected to go up by a factor of 8; and domestic coal, which accounts for half freight volume in Indian railways, is expected to witness an increase in production by over 2.5 times during this period.
- The rail network which is one of the main modes of transport for dry bulk commodities is already stretched to capacity with almost all the major trunk routes bearing traffic well above their designed capacity.
- Recommendations, inter alia, include
  - A strategic bulk transport planning group that monitors developments and potential developments in coal and other fuel markets, renewable energy technologies, and domestic fuel supply, should be established
  - **Priority for Critical Feeder Routes for Coal and Iron & Steel**
  - **Need to focus on tri-state region of Odisha, Jharkhand and Chhattisgarh**
  - Promote coastal shipping from coal producing areas on the eastern coast.
  - Private sector participation investment models to be explored
  - In order to carry the much higher volumes of bulk commodities over the next two decades, Indian Railways will have to take big strides in improvements of transport infrastructure by focusing on infrastructure enabling higher axle loads; specialised wagon and loading technology; and longer trains.
  - Selection of sites for mega ports to be influenced by the transportation nees of coal and petroleum

## Fiscal Issues

- The current transport pricing system is an accumulation of multiple taxes and user charges implemented at different points of time at varying levels of governance and is quite different across modes and states. This is partly due to the existing constitutional provisions.
- Action should be taken to evolve a simple and rational road transport tax structure that promotes economic efficiency and environmental sustainability.
- **It is recommended that the Ministry of Finance may convene an Empowered Committee of State Finance Ministers to undertake this exercise on collaboration with the Road Transport Ministry to rationalise and simplify this tax structure into a single composite tax.**
- There is a need to integrate tax administration related to interstate movement of freight and passengers through information and communication technology (ICT) at national, state and regional level
- **A "single window" clearance system for all types of taxes and charges at state border will greatly reduce transaction cost**
- Indian Railways should develop a system of accounting of depreciation and internalisation of all costs into its pricing system through user charges. Once the depreciation costs are accounted for, cross-subsidisation or direct subsidisation may still exist in its current form. **It is important to emphasise that public transport pricing is widely used as an instrument of poverty alleviation**. We do not recommend completely doing away with cross-subsidisation.

## Information and Communication Technology in Transport

- ICT technologies have proved to be crucial in transport sector– be it the smart cards that allows seamless movement across modes or the seamless ticketing systems or RFID baggage tags or the flight information system or the single window approach in Ports or the "Flow-Through Gate" which reduces congestion, or the GPS tracking and ICT can also be used to integrate transport systems with other systems resulting in reduced energy use and greater customer satisfaction
- Initiatives for further development of ICT in transport in India requires a strong institutional foundation for development and implementation that can focus on standards and process, policy, consulting and project management, training, research and development.
- **It is recommended that an autonomous central level Indian Institute of Information Technology in Transportation (IIITT) be established to develop the overall framework of ICT enablement in Indian transport sector.**
- IIITT to assist the government ministries and departments related to transportation in all the functional areas and will coordinate with all other proposed central-level sub-sector institutions, as well as state and city-based institutions

## Research and Human Resource Development

- At present knowledge gaps exist in all areas of activity, namely Design, construction, operation, management, maintenance, safety, demand management, project management, use of technology and finance

- International experience has shown that it is important to establish transport planning as a high-status occupation as well as to decentralize the institutional system and build institutions and networks for the next two decades.
- **It is recommended that 1 per cent of investment in each transport sector be earmarked for quality institution and capacity building** in both public and private sectors
- Initiate process to **set up a variety of research institutions**: Indian Institute of Transport Research, Indian Institute for Transportation Statistics, Roads Standards Institute, and others
- **Set up centers of excellence** in selected universities and research institutes in each transport sector
- **Sponsor further education** for 2-5 per cent of existing personnel in transport-related engineering organizations, both public and private.
- **A Task Force should be constituted by the Planning Commission** to prepare a report on the number of new special bachelors and masters degree programmes that need to be set up at different institutions around the country for training of the workforce necessary over the next ten year period in the transport sector.

## Safety

- The existing rates of fatalities and the rate of increase in accidents are both unacceptably high. At present, there is very little expertise, data or information available in India to address issues of safety scientifically for any mode of transport.
- Transportation safety management has seen a shift from being action based to one that is explicit and quantitative.
- **Establish independent National Safety Boards for road, railways, water/marine and air headed by professionals at the highest levels. These boards should be independent of the respective operational agencies.**
- **Road Safety Boards to be established at the State level**
- **Safety policies to be announced before the end of 2015 with measurable indicators for evaluation in each sector for a five-year and 10-year period**.
- Set up safety departments within operating agencies at different levels for ensuring day-to-day compliance with safety standards and study effectiveness of existing policies and standard

## Promoting International Transport Connectivity

- South Asia region stands out with having the least developed transport connectivity between its constituent countries and is also among the least inter-connected region in economic terms.
- Potential of ASEAN-India trade and investment agreements can be realized only through full transport connectivity and linkages. The overall forward strategy needs to link the soft and hard aspects of transport infrastructure development.
- *Inter alia*, **measures recommended include**:
    - **Improved road access to border posts** through reclassification of the last few km of all road corridors up to international borders along identified corridors so they are treated as part of National Highways and thus maintained better.

- **modification of these domestic laws and regulations to the needs of international traffic**
- **standardization of technologies**, including track, signaling and rolling stock, in order to introduce commodity specific freight wagons
- **Improvement of port and trade facilitation measures though simplification of procedures**
- Lowering non-physical barriers.
- **Trade through all modes should be opened up** so that there are enough options available to traders. Multimodal routes need to be identified and developed and institutional reform undertaken at the borders
- **testing facilities need to be made available at land borders so that consignments do not have to be sent across to other places for testing**
- a dedicated **Joint Task Force to be constituted** to promote International Transport Connectivity in the Region

## Highlights of Sector-specific Recommendations

### Railway

- Massive capacity expansion of the railways must be undertaken for both freight and passenger traffic in a manner that has not taken place since independence.

- **This will require significant organisational reform of Indian Railways. There is need for institutional separation of roles into policy, regulatory and management functions.** The Ministry of Railways (or the unified Ministry of Transport in the future) should be limited to setting policies; a new Railways Regulatory Authority would be responsible for overall regulation, including the setting of tariffs; and the management and operations should be carried out by a corporatized entity, the Indian Railways Corporation (IRC) to be set up as a statutory corporation, which would retain many of the quasi governmental powers endowed to the Railways under the current Act. Existing railways corporations such as CONCOR, DFCCIL, and the like will become subsidiaries or joint ventures of the IRC.
- Strategy for freight business should include Dedicated Freight Corridors (DFCs) and setting up of a focused business organisation for multimodal transport of non-bulk commodities
- Strategy for passenger services should include augmentation of supply, shift of focus to long distance and inter-city transport, upgradation of speed and development of select High Speed Rail corridors.
- **Single biggest challenge is capacity creation and a vision similar to that of NHDP is required to transform railways by 2032**.
- **Accounting system to be revamped into a company account format in line with the Indian GAAP**.
- **Establishment of National Board for Rail Safety & Establishment of Railway Research and Development Council**
- Corporatisation of existing public sector railways production units

- **Independent Rail Tariff Authority to be set up**
- **Priority to be given to projects to be taken up with Nepal and Bangladesh**

## Roads and Road Transport

- **Establishment of a dedicated Road Data Centre**
- **Systematic numbering of different classes of roads as per international practice**
- The current programme of PMGSY should be expanded to achieve universal connectivity to all habitations on time bound basis.
- It is necessary to formulate and implement a comprehensive master plan for the NE region covering all modes of transport including roads
- For capacity augmentation of state highways, every state should formulate and implement comprehensive state level programmes on the lines of the NHDP
- **To improve financing of roads, the accruals to the CRF may be enhanced by making levy of cess on fuel on ad valorem basis.** Meanwhile the cess of Rs 2 per litre may be increased to Rs 4 per litre.
- **The existing policy of levy of toll on two-lane roads needs to be done away with**. A two-lane highway on the primary network should be viewed as a basic minimum facility and provided through government budget including CRF
- **Special needs of connectivity to ports, airports, mining areas and development of power plants should be factored in development of the road programmes**
- To enhance technical capacity establish a national level dedicated road design institute. Similar institutes to be set up at the state level.
- **Establish Road and Road Safety and Traffic Management Boards as recommended by the Sundar Committee**.
- The government may consider not to treat maintenance of roads as a non-Plan activity so that it does not suffer ad-hoc cuts as is the current experience
- **The Motor Vehicles Act is in need of amendment to respond to the demand of road transport for the current century. The Sundar Committee has suggested the needed amendments. These need to be carried out**

## Civil Aviation

- Efforts should be directed at building complementary **regional**, national and international air networks
- **A National Master Plan should be prepared** which identifies clear economic reasons for building airports in generally specified locations
- **An Airport Approval Commission should be established** within MoCA to review the business plans of proposed airports prior to granting clearance
- **The regulatory and policy functions should be clearly separated**: the Ministry should focus on devising national policy, and on encouraging and guiding state governments in their efforts to develop the aviation sector
- **The Centre should progressively withdraw from airport operations where feasible and commercially sustainable.** With respect to other airports run by the AAI, the government should clarify the future role of the agency. As a first step, the AAI

should be separated into two distinct functions: Airport Operations and Air Navigation Services.

- **DGCA should be replaced with a Civil Aviation Authority** responsible for the operational regulation of airlines and aircraft covering areas such as air-worthiness, safety and licensing, with separate divisions for air-space management, environment, competitiveness, and consumer protection
- **Air accident investigation should be made independent of the DGCA** (or from its proposed new replacement, a Civil Aviation Authority), and a fully autonomous Accident Investigation and Safety Board is proposed
- The taxation regime that applies to the entire industry should be revised in view of the distortionary nature of the present system of taxes and their unbundling from the economic tax base.
- Consideration should be given to the development of disused or low-traffic secondary airports, where state governments could support their revival to stimulate air taxi operations for business and tourism.
- **The government should clarify the future role of Air India**. In the present environment, reasons for government to operate an airline in a highly competitive, volatile, and capital-intensive environment must be clearly defined.
- The government must decide clear and stable rules governing the foreign ownership and operation of domestic airlines.
- The regulation of tariffs at airports operated under the PPP model must be strengthened with more careful accounting of benefits and costs to various stakeholders, restructuring of tariff schedules, and with a view towards maintaining the dynamism of Indian civil aviation.
- There is an absence of formally recognised educational programmes at the degree and diploma level in the field of civil aviation. Budgetary support should be provided, and industry support encouraged, for the expansion of aviation programmes at universities, especially at the graduate level
- **The establishment of a non-lapsable exclusive fund to provide explicit and direct subsidies to airlines as a form of viability-gap funding is a preferable alternative to ensuring service to remote and inaccessible, and so financially non-profitable, areas of the country**

## Ports

- At present, there is no comprehensive and coherent strategy for the location of ports in the country or indeed for the overall investment programme in these ports. **There is a strong need to put in place an overarching long-term theme for national port development that prioritises and guides investments while also paving way for regulatory reforms and suitable governance structure**.
- **A key government priority should be to invest in four to six Mega Ports over the next 20 years, with two to three on each coast and an expert group should be expeditiously set up to undertake detailed studies to identify potential location and modalities for creation of Mega Ports**
- **The governance structure of Major Ports needs significant change** in the form of corporatisation and decentralisation. While the term 'privatisation' has often been used in the context of port reform processes, it actually refers to the introduction of private sector into the public domain by privatising terminal services under a landlord port regime. **To implement the shift, a three-step approach is recommended**:

- Transform the current port trusts into statutory landlord port authorities. The ownership of these port authorities should be public. They would own the land and only when they become landlords would they function as the neutral regulatory authority for the terminal operators.
- Subsequently, unbundle all Major Ports and corporatise terminal operations of port trusts as public sector corporations.
- The corporatised public sector terminal operators could potentially be disinvested, listed, and possibly privatised at a later stage.

➢ **Priority should be given to developing coastal shipping** by setting up coastal terminals at major ports and developing five to six non major ports as designated coastal shipping ports.

➢ Development of inland water transport with adequate intermodal connectivity can help to reduce the congestion on roads and rail and reduce CO2 emissions.

➢ **TAMP should be restructured under a new Major Ports Authority Act and allowed to regulate tariff setting on a normative basis till such time that it is found essential for lack of competition.** TAMP could also act as the Appellate Tribunal for all tariff-related matters where tariff is determined by service providers.

➢ **A new regulatory authority, Maritime Authority for Ports (MAP), should be constituted under a modernised Indian Ports Act, suitably empowered to regulate competition and port conservancy across all the major and non-major ports in the country.**

➢ **It is important that the Indian shipping industry be provided a level playing field for it to grow and compete globally with vessels under other flags. This will require rationalisation of restrictive policies, particularly related to imposition of a variety of direct / indirect taxes.**

## Urban Transport

➢ **Urban transport policies and strategies should be formulated with an "avoid, shift and improve" framework**

➢ **The primary responsibility for urban transport should lie with state governments. Over time, urban transport responsibilities should be devolved to metropolitan and city authorities, particularly for India's larger cities of more than 1 million**

➢ **Metropolitan Urban Transport Authorities should be set up as holistic and integrated decision making and coordinating bodies with adequate technical staff**.

➢ **Priority in planning for modes should focus on improving mobility through non-motorised transport, public transport and para transit, and personal vehicles in that order**

➢ **Dedicated non-lapsable and non-fungible Urban Transport Funds (UTF) should be set up at the national, state and city levels.** The UTFs should be funded in a robust manner as under:

- A Green Surcharge of Rs. 2 on petrol sold across the country
- A Green Cess on existing Personalised Vehicles should be levied at the rate of 4 per cent of the annual insured value for both car and two wheelers.
- Urban Transport Tax on Purchase of New Cars and Two Wheelers: At 7.5 per cent of the total cost of the petrol vehicles and 20 per cent in case of personalised diesel cars.

- **Consistent with the general proposition of decentralisation of responsibilities for urban transport, arrangements would need to be made so that urban transport funds thus collected devolve appropriately to state and city levels.** This devolution of resources to the state and city level transport funds should be on an entitlement basis and not at the discretion of the central government. **This proposal could be examined by the Finance Commission, perhaps beginning with the 14th Finance Commission**.

## Transport Development in the North East

- **Four-lane access to all state capitals in the North East needs to be ensured**
- **Road maintenance is a huge challenge for the NER. It is recommended that a policy decision be taken to cover maintenance expenditure under the Plan**.
- **NER Road Development Authority (NERRDA) to be established** under the aegis of Department of North East Region
- **Creation of airport hubs with hangars is strongly recommended for Guwahati, Agartala, Imphal and Dibrugarh.**
- **Promotion of helicopter services**
- Creation of locally trained manpower to run civil aviation infrastructure
- **Development of Guwahati airport as a full-fledged international airport**, as a gateway to ASEAN.
- **As regards rail link, planning and execution should be carried out in two phases – I (upto 2020) and II (2020-2032) with Phase I providing inter- and intra-regional connectivity and Phase II providing multi-modal hubs and trans-border connectivity.**
- New railway lines, one connecting Sittwe in Myanmar to Tirap in Arunachal Pradesh across Mizoram, Manipur and Nagaland and another line connecting Dhubri to Silchar via Meghalaya is considered essential to improve transportation in the region.
- Inland water transport in the NER, especially traffic across the boundary on international waters in Bangladesh, has exciting prospects for both countries.
- Inland water transport should be utilised for movement of over dimensional consignments to avoid congestion on roads especially in the Chicken's Neck area of the corridor between North Bengal area and Assam.
- **It is an opportune time for India to develop strategic long term view on intensifying international transport linkages from the north east region to its neighbours like Bhutan and Bangladesh as also the ASEAN countries, Myanmar in particular. For such international linkages to be productive there has to be even better transport integration of the region internally, and with the rest of India**.

## In conclusion, as an approach, this Report recommends

- the **need for modernisation and expansion of all segments of the transport system** and the building of capacity in all its aspects to accomplish this;
- **Institutions at national, state and local levels**, each embedded with adequate technocratic capacity in both quality and quantity;

- **setting up of new or operation of existing regulatory authorities** with adequate technical competence to mediate between the needs of producers and consumers, to promote competition and to regulate any consequences of monopoly power;
- **setting up or strengthening research and development institutions** on transport across the country; providing for education and nurturing of scientific talent for transport;
- **rationalisation of fiscal regimes** to remove distortions while raising revenue; and
- *most importantly*, ***embedding safety concerns*** in all transport planning and its execution.