



India Infrastructure Update



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POWER

GMR Group aims to generate 3,300MW in five years

The GMR Group, one of India's fastest growing infrastructure companies, has announced plans to generate 3,300MW of power in the next five years. Currently, the Rs 25bn group generates 800MW of power from its three power plants in Karnataka, Andhra Pradesh and Tamil Nadu.

The plans for additional power generation are intended to meet the severe power shortage in south India. The financing for the project will be through a mix of debt and equity. The group usually adopts a 70:30 debt to equity ratio for its power projects. The new power generation capacities will be through both coal and coal-based projects and gas. The GMR Group currently generates 220MW in Karnataka, 200MW in Chennai and is about to begin generating on 370MW at Vemagiri in the East Godavari District in Andhra Pradesh.

Delhi clears 1,000MW project in Bawana

The Delhi Cabinet has approved a proposal to set up a 1,000MW gas-based power plant at Bawana in the Capital. The estimated project cost is Rs 36.5bn. The project is expected to be developed by private corporate players through a process of competitive bidding. Tata Power had earlier evinced interest in setting up a generation unit at Bawana, although it is not clear yet whether the power plant will be a joint venture.

Currently, Delhi has three power plants, at Indraprastha, Pragati and Rajghat. Pragati Power, which is a gas-based project, became operational only last year. Peak demand in the city during May 2004 was 3,500MW and this figure is likely to shoot up to 4,000MW by 2008. The Bawana plant is expected to help the city tide over the surge in power demand. The government will soon appoint consultants to work out the logistics of the project.

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Government to restart Dabhol power project

The Prime Minister will constitute a group of ministers (GoM) to take decisions regarding restarting the mothballed Dabhol power project. The group will have the power to extend Central guarantee to financial institutions for raising loans from the market to restart generation. Generation was stopped following a payment crisis and dispute with Maharashtra authorities over power tariffs two years ago.

The Ministry of Finance had proposed providing a guarantee of over Rs 30bn to a Special Purpose Vehicle (SPV) to be floated by FIs to revive the project wherein the SPV would buy out offshore lenders. The Dabhol Power Company would be put up for auction. The highest bidder would negotiate with foreign lenders. After paying their dues, domestic lenders - IDBI, SBI, ICICI and others - would be paid for their exposure of about Rs 48bn in DPC.

The new promoter would liquidate DPC and the new company would strive to start power generation from March 2005.

32MW wind farm to be set up

A 32.4MW wind farm will be set up in Karnataka by MSPL Ltd, which is a company involved in iron ore mining. The total investment planned for the project is Rs 1.33bn.

Rabo India has played a key role in structuring and financing the transaction for MSPL. The project was partially financed by Rabo India and the Singapore branch of Rabobank. MSPL is among the pioneers in systematic and scientific mining in India and is one of the largest exporters of iron ore in India. The company sees wind energy as an alternative stable revenue stream.

West Bengal to get green power projects

Two Birla companies, Hindustan Motors and Texmaco, are among the 23 companies that have been given allotment letters to set up green power projects in West Bengal. While HM, the GP-CK Birla group flagship, will set up a captive power plant of 6MW at its Uttarpara factory where the Ambassador vehicle is made, KK Birla group company Texmaco will sell 2.7MW of hydel power from Darjeeling district. HM will use rice husk, a major renewable energy source for power generation. Texmaco will sell power to the West Bengal State



Electricity Board (WBSEB).

The West Bengal Renewable Energy Development Agency (WBREDA) has selected 23 companies to produce about 100 MW (composite capacity) power. The estimated investment is around Rs 7.5bn. It is expected that the power units will be set up by 2007 and there will be a substantial reduction in greenhouse gas emission due to these plants.

According to the state government, there is a potential for generating 400MW of power from renewable energy sources. It has been decided that 150MW of the 400MW will be developed through private participation and another 50MW will be produced by the WBREDA jointly with the WBSEB. The state already generates 22 MW power from non-conventional energy sources, providing power to 1,000 villages.

Eight new power projects in pipeline

The Ministry of Power has announced that there are a total of eight new power projects totaling 9000MW in the pipeline, awaiting financial closure and other clearances. This is in addition to the eight projects with an aggregate capacity of 3000MW that have already achieved financial closure with the help of the Ministry. The spate of new power projects are meant to reduce the average energy deficit, which currently stands at about 7 per cent. The peaking shortage is around 11 per cent.

In its role as a facilitator, the Power Ministry has set up a green channel to coordinate with other concerned ministries and financiers to help power projects in getting quicker clearances for financial closure. Financial institutions lending to the power sector have also been urged to fine-tune their services in line with the changed market conditions, in order to help enhance the viability of the power projects. The future aim is to ensure that low tariff projects should have no problem of sale of power or payment by utilities.

The new projects, though not facing financial problems, are enmeshed in issues of power purchase agreements, coal linkages and transportation of fuel, which will be sorted out soon. According to the Power Ministry, the power sector requires an investment of Rs 8,000bn for power generation and associated works in the next eight years. Private players will have to play a greater role to achieve this target, and the government is willing to extend full cooperation to the private sector. In this regard, the Power Ministry is holding periodic meetings with the Ministries of Petroleum, Coal and Environment and Forests to ensure faster clearance of power projects.

NTPC may enter LNG business

The National Thermal Power Corporation (NTPC) is exploring the possibility of entering the Liquefied Natural Gas (LNG) supply business. In order to do so, NTPC, which supplies a quarter of the country's power, has set up a small group to examine the viability of this business. If viability is established, NTPC is likely to set up an LNG-based plant along the coast

in the Eleventh Plan period.

The company hopes to take out gas from the depths of the ocean in the West Asian countries, liquefy it to manufacture LNG, transport it to domestic shores, re-gassify it and sell it in the coastal areas at around \$3 per million British thermal units (mmbtu).

NTPC is confident that it is possible to sell LNG at \$3 per mmbtu through the LNG route, even though the only LNG supplier in the country, Petronet LNG Ltd, offers gas at around \$4.5 per mmbtu.

Cheap nuclear power on the anvil

The Indian nuclear establishment expects to bring down the cost of electricity to Rs 3.22 a unit in the year 2011 using the 500MW Prototype Fast Breeder Reactor (PFBR) currently under construction at Kalpakkam. The next set of fast breeder reactors will be able to produce power for Rs 2.40 a unit, according to officials at the Indira Gandhi Centre for Atomic Research. The Rs 34.92bn PFBR project is being implemented through a newly formed public sector company, Bharatiya Nabhikiya Vidyut Nigam Ltd (BHAVINI).

The cost of electricity will be lower due to three factors. First, equipment costs will fall because of volume orders and standardized design. Second, the time taken to construct reactors will shorten (from an average of 7-8 years to 6 years or less) due to the experience gained from the PFBR project. Finally, better financial packages from the government will help bring down the project cost, and hence the cost of electricity.

Mega power projects planned on Godavari

The Andhra Pradesh government is considering taking up mega hydropower projects on the Godavari river and retaining them as public sector units, in order to cater to the power needs of the new irrigation projects it has proposed.

In order to do this, the state Chief Minister Y.S. Rajasekhara Reddy has approached the chairman of the Industrial Development Bank of India (IDBI) to formulate a bankable scheme ranging from Rs 10bn to Rs 15bn for the projects. The IDBI, on its part, has responded favourably to the request and has agreed to prepare a project report. It has also offered consultancy services and support to the state government in implementing various projects.

Furthermore, the Andhra Pradesh government has invited the IDBI to participate in its development ventures in view of the bank's considerable experience and expertise. Various industry sectors have sought assistance from IDBI for natural gas projects, development of ports and airports, biotechnology, bio-diesel, agriculture, pharmaceuticals, apparel and leather parks.

Currently, Andhra Pradesh accounts for as much as 9.8 per cent of cumulative assistance sanctioned by IDBI up to June 2004. This translates into Rs 214.46bn out of IDBI's total countrywide sanctions of Rs 2,188.45bn.



India, Pakistan discuss cooperation in energy sector

In what can be hailed as a step forward, India and Pakistan have discussed areas of bilateral cooperation in the energy sector. This includes the possibility of laying a pipeline from Jalandhar to Lahore to export diesel, and Indian firms helping their Pakistani counterparts in setting up Compressed Natural Gas (CNG) infrastructure.

India proposed to export at least 1.5mn tons of diesel to Pakistan's Punjab province, which currently imports the fuel from Kuwait and other Middle East countries through the Karachi port. Pakistan currently imports 4.5mn tons of diesel every year. Indian Oil Corporation (IOC) has submitted a proposal to export surplus diesel to Pakistan. New Delhi also offered Islamabad assistance in setting up city gas distribution network and a retail system for use of CNG in running automobiles.

HPCL to upgrade refineries for future Euro norms

Public sector firm Hindustan Petroleum Corp Ltd (HPCL) has announced plans to invest over Rs 28bn to upgrade its two refineries at Mumbai and Vizag. The projects will involve removing bottlenecks in HPCL's primary and secondary processing units and improving current processes in order to attain higher volumes and better fuel quality.

By de-bottlenecking the processing units at its Mumbai refinery, HPCL will be able to increase its refinery capacity from 5.5mn tons to 7.9mn tons. Engineers India Ltd (EIL) has already been awarded Rs 11.5bn contract to carry out the Mumbai refinery upgradation. Meanwhile, HPCL's Vizag refinery will spend Rs 16.3bn to upgrade its primary and secondary processing units and increase its capacity from 7.5mn tons to 8.3mn tons. Currently, both the Mumbai and Vizag units produce petrol and diesel meeting Euro-II standards. The investment in refinery upgradation has become necessary because of government plans to implement Euro-III and Euro-IV vehicular emission norms in the country in phases by 2010. Both projects are expected to take 30 months for completion.

ONGC to invest in coastal SEZ, Ministry objects

A Memorandum of Understanding (MoU) signed between Oil and Natural Gas Corporation Ltd (ONGC) and the Karnataka Industrial Areas Development Board (KIADB) envisages total investments worth Rs 250bn to develop a coastal special economic zone (CSEZ) at Mangalore. This includes setting up of an LNG terminal for importing 10-12MTPA of LNG and building a 1,500MW lean gas power plant.

However, the Ministry of Petroleum and Natural Gas has advised ONGC against the MoU, on the grounds that the oil

major should stick to its core competencies of exploration and production of crude oil. The Ministry has warned ONGC against extensive 'diversification'.

Duties on fuels slashed

In a bid to cushion customers from the steep rise in the international price of crude oil and stem the inflation rate, the government of India has cut import duties and other taxes on fuels. The reductions in excise and import duties were intended to prevent further increases in the domestic price of fuels, since petroleum products are among the most highly taxed commodities in India.

Additionally, higher fuel prices threaten to escalate the rate of inflation. Since fuel is an essential commodity, a hike in crude oil prices will have a cascading effect on other commodities, thereby taking inflation rates even higher.

The government cut customs duty on petrol and diesel from 20 per cent to 15 per cent, and halved customs duty on LPG and kerosene to 5 per cent. The excise duty on petrol has been lowered from 26 per cent to 23 per cent while the excise duties on diesel and kerosene have dropped from 11 per cent and 16 per cent to 8 per cent and 12 per cent respectively.

New price band mechanism

The government has fixed a price band within which public sector oil marketing companies can revise the prices of petrol and diesel every fortnight based on fluctuations in the world market, without prior consultation with the Ministry of Petroleum. Under this arrangement, oil marketing companies can revise petrol and diesel prices by up to 10 per cent every fortnight. If the companies seek to raise or lower prices beyond this price band, they will have to consult the ministry.

It is hoped that the price band will help modulate prices in such a manner that the government will intervene only in the case of abnormal fluctuations in the international oil market. In normal circumstances, the price band grants autonomy in pricing decisions to oil marketing companies.

Subsidies on cooking gas, kerosene to continue

The government has announced that the deadline for phasing out subsidies on cooking gas and kerosene has been extended to April 2007. The funding for the subsidy bill for these two products will come from two quarters – budgetary allocation and public sector oil and gas companies.

Funds will be earmarked either in the supplementary budget or in next year's allocation. Meanwhile, Oil & Natural Gas Corporation Ltd (ONGC), GAIL (India) Ltd. and Oil India Ltd are to bear one-third of the subsidy bill amounting to about Rs 12bn during the first quarter of the financial year. The rest would be accounted for by the Centre's budget.



Home ministry allows 74 per cent telecom FDI

The Home Ministry has withdrawn its earlier objections to raising the FDI limit in telecom companies to 74 per cent on security grounds. This go-ahead will help the Union government push through with the FDI increase.

Under the former government, the Home Ministry has cited objections to FDI clearance on the basis of reports submitted to it by various security agencies. For instance, the Intelligence Bureau (IB) had stated that telecommunications is too vital a national service with a critical role in the security of the country and there should therefore be no dilution of the policy of FDI cap of 49 per cent. The security and intelligence agencies have even wanted the government to set up bodies to monitor security bodies in telecom services.

However, the change of government seems to have led to a change in the security perception of telecom services. It is also likely to trigger a fresh round of controversy over FDI in telecom as both the Left and the RSS have been vehemently opposing the move.

Fixed wireless base grows at a high rate

In the last few months, the fixed wireless segment has emerged the fastest growing market, with the subscriber base growing three times faster than the mobility market. Industry figures show that the fixed wireless market or the WLL (F) segment has grown at a monthly rate of 10-13 per cent in comparison to a mere 3-4 per cent growth for the CDMA segment and 4-5 per cent for the GSM segment.

The main reasons for the huge growth in fixed wireless phones are easy availability, convenience and swift installation. Fixed wireless phones can be shifted anywhere in the short distance charging area (usually the area within a city). Although these phones look like regular landline phones, they have several advantages over them. For example, they can be carried from one place to another when one needs to shift a home or an office and they are less susceptible to failure. Wire lines have a tendency to deteriorate in case of heavy rains.

However, that the subscriber base of the fixed wireless phones, at around 2mn, is smaller than that of the other wireless segments. While CDMA mobile operators have a subscriber base of around 8.6mn, the GSM segment has a subscriber base of 32mn. MTNL and BSNL figures are not included in the CDMA segment as the current monthly figures were not available.

Alcatel shifts focus to enterprise solutions

French telecom giant Alcatel has declared that it is changing its strategy in India. The focus will now shift to the enterprise solution segment and turnkey projects. Earlier, Alcatel's primary focus in India was on GSM, transmission equipment,

and Intelligent Network (IN) systems, where it is the largest player in the country.

Alcatel's interesting the enterprise solutions can be explained by the fact that the BPO segment is growing very fast and Genesys, its subsidiary, is the worldwide leader in call centre software. Alcatel expects about 50 per cent of its total business to come from the enterprise solution segment. This segment in India is currently valued at between Rs 100-150bn and is experiencing rapid growth.

Alcatel has already entered into an alliance with GTL and ABSI to implement its enterprise solutions for voice, data, and applications. Its products are based on the Internet Protocol (IP) technology.

BSNL user base up 10 per cent in August

Public sector telecommunications firm Bharat Sanchar Nigam Ltd (BSNL) has witnessed an increase of over 10 per cent in its subscriber base during August 2004. Leading private sector players like Reliance Infocomm, Bharati Tele-Ventures and Hutch reported growth of less than 4 per cent during the same period.

In August 2004, BSNL added 0.6mn subscribers, which is the highest ever monthly addition by any company since the inception of cellular mobile telephony. BSNL is also the only cellular provider with a waiting list of subscribers.

Bharati Tele-ventures and Hutch reported 3.6 per cent (8.3mn) and 3.2 per cent (6.2mn) growth in their subscriber bases respectively in August 2004, while Reliance Infocomm saw a 3.5 per cent (7.8mn) increase in its mobile subscriber base.

The other public sector firm, MTNL, had a total subscriber base of 4.3mn including 1.95mn subscribers in Delhi and 2.4mn in Mumbai. Of the total subscribers of MTNL, the majority are fixed line subscribers (4.2mn), while the remaining 0.1mn are WLL(M).

TRAI recommendations on broadband rejected

The Departments of Telecom and Space and the Ministry of Finance have together rejected almost all important recommendations made by the Telecom Regulatory Authority of India (TRAI) with regard to the much-awaited broadband policy. These recommendations include unbundling of local loop, lowering of spectrum fee for broadband services, open sky policy for DTH operators, lowering of customs duties on import of equipment and removal of service tax. Consequently, the policy, likely to be tabled in Parliament shortly, may turn out to be more of a vision document.

The only important recommendation of TRAI that has been accepted by DoT is that DTH operators will be allowed to operate Internet and broadband services. However, they will be required to take ISP licence for Internet services and VSAT licence for bi-directional Internet services.



On the unbundling of local loop, the TRAI recommendation had meant that it would be mandatory for telecom service operators to provide local loop to broadband service providers. DoT has rejected it on the ground that incumbent telecom operators are aggressively deploying DSL worldwide.

In India, MTNL and BSNL have aggressive plans for deploying broadband services. All the access providers are free to undergo any arrangement with the broadband service providers for local loop. They can appoint franchisees and are free to decide on sharing networks and pricing of infrastructure. DoT's view is that the telecom market has matured in India and the government should not intervene in such commercial matters. However, DoT has added that a decision on unbundling of local loop may be taken after reviewing the performance of MTNL and BSNL.

Although DoT had agreed on TRAI's recommendation of an open sky policy for both the DTH operators and VSAT service providers, the Department of Space (DOS) rejected this proposal citing security concerns. It added that the INSAT satellite has enough capacity for existing DTH operators. TRAI's recommendation on lowering of spectrum and licence fee for DTH operators has also been rejected by DoT. Meanwhile, the Finance Ministry rejected TRAI's recommendations that the service tax on ISPs be removed for five years and that import duties on equipment used for broadband services be lowered.

MTNL to launch fixed wireless phones

Mahanagar Telephone Nigam (MTNL) is launching fixed wireless phones/fixed wireless terminals (FWP/FWT) commercially. The move comes after competitors like Reliance have added more than 0.25mn FWPs in the past year. Despite the huge numbers added by the competition, MTNL has set a target of 40,000 FWPs for the year.

MTNL had earlier offered the product to residential users, more by way of a temporary phone till a fixed landline phone could be installed. It was also used in areas where phone lines were not available and it was not possible to put new cables.

MTNL's competitors, Reliance Infocomm and Tata Indicom, have been offering the FWP as an alternative for over a year. FWPs have found takers among the floating population in metros, especially since MTNL is choosy about giving fixed landline connections to those who living in rented premises. MTNL's tariffs for the FWP are in line with those offered by the competition, but the company plans to drop prices shortly to fight competition.

Idea to invest Rs 2.5bn in acquired circles

In an attempt to tap the huge potential of its new markets, Idea Mobile Communications is planning to invest nearly Rs 2.5bn in the three new circles that it has acquired from Escotel. These three circles are Kerala, western UP and Haryana, where the collective subscriber base has registered a growth of

135,000 in July 2004.

With a major spurt in its numbers in July, Idea has touched a figure of 0.5mn in Kerala. The growth in the UP market has been significant in the same period. This is because brand migration in these circles has been smooth. The company's earlier experience with RPG Cellular in Madhya Pradesh and Tata Cellular in Andhra Pradesh has helped in the smooth migration to the Idea brand from Escotel.

Idea's new investment plans will cover 250 new towns in these circles. The company had already enhanced capacity to cater to the new subscriber base. Moreover, its fresh look has found immediate acceptance. Idea Cellular, the parent company, has at present a subscriber base of 4.2mn nationwide.

TRAI for low entry fee for Phase II FM players

The Telecom Regulatory Authority of India (TRAI) has recommended a new licensing regime for the second phase of FM radio and migration of Phase I players to Phase II. This would comprise a one-time entry fee and a revenue share of 4 per cent. Consequently, the fixed annual licence fee, which escalates annually at the rate of 15 per cent (under the Phase I auction procedure) will be terminated.

TRAI has recommended a low entry fee with a view to maximizing the number of players and encouraging wide competition. Radio companies have been bleeding due to the existing high licence fee regime, so the TRAI recommendation will be a welcome relief if the Ministry of Information and Broadcasting accepts the proposal.

TRAI has also favoured migration of Phase I licensees to the revised Phase II regime, which comes as further reprieve for radio players. While the eligibility criteria is not being revised, bidders who have participated in Phase I, if asked to submit financial bids for Phase II, can do so only after withdrawing pending litigations and clearing dues.

There is also a recommendation that the existing restriction on news and current affairs be reviewed by the government and lifted after adequate safeguards are built in. It should be recalled that TDSAT has permitted some existing operators to pay just one third of the licence fee for the first half of the current year, pending final recommendations from TRAI.

C&W to invest \$10mn in India

Cable & Wireless (C&W), the telecom and network services company is investing \$10 million in India over a period of 18 months. The company also plans to double its present staff of 170 during the same period. The investment amount will be divided equally between setting up nodes and increasing bandwidth and people and infrastructure development. The company also announced the launch of its Multi-Protocol Label Switching (MPLS) service in India as an extension of its managed data services portfolio offering in association with Reliance Infocomm.



Railways to develop 317 model stations

The Indian Railways has identified 317 stations across the country that will be developed as model stations with special amenities and facilities for disabled persons.

These facilities include special ramps, toilets, low-height taps and parking lots for disabled people to ensure optimum user satisfaction. So far, 33 stations have been developed and the work is in progress in the remaining stations. The Railways hopes to complete the model station project by March 2005.

Roads project scaled up

The Union government is planning to upgrade 34,000km of highways under the National Highway Development Programme (NHDP). The NHDP is to be executed by the National Highways Authority of India (NHAI).

At present, 20 per cent of the stretch of the National Highways continues to be single-lane. According to estimates, the cost of converting two-lane highways into four-lane works out to around Rs 40mn a kilometre. Turning one-lane highways into double-carriage roads is estimated to cost Rs 20mn a kilometre.

Once the stretches that require upgrading to two or four lanes are identified, the upgrading will be done in two phases of 17,000km each. While 14,000km of highways will be upgraded to four or six lanes in the first and second phases, another 10,000km will be widened in the third phase under the Pradhan Mantri Bharat Jodo Pariyojana. The third phase stretches will be identified on the basis of the traffic density and the connectivity to centres of economic and tourist importance.

Konkan Railways may be merged with Indian Railways

Konkan Railway Corporation (KRC) is likely to be merged with Indian Railways in an attempt to stem its mounting losses that have crossed Rs 30bn. A decision will be taken early next year when KRC's 15-year agreement with stakeholders ends.

A decision to this effect is expected early next year, when the corporation's 15-year agreement with stakeholders ends. A meeting between Indian Railways and the four stakeholder states – Goa (6 per cent), Maharashtra (22 per cent), Karnataka (15 per cent) and Kerala (6 per cent) – has been set for June 2005.

Railways to seek exclusion from downsizing plan

The Indian Railways will approach the Cabinet to seek exemption from the Central government's downsizing plan. The exemption is to be sought on the grounds of operational requirements and is likely to cover nine PSUs under the Railways.

The Railways, which employs over 1.5mn employees, sought

exemption from the downsizing plan on the ground that the traffic carried by it has increased six-fold since Independence, while asset creation had increased by only 50 per cent.

Instead, the Railways will soon be adopting a special voluntary retirement scheme (VRS) under which surplus staff can opt for retirement. Although the Railways had initially adopted the downsizing plan, it was found that crucial field categories were short-staffed. Manpower reduction will therefore only be carried out in areas where the staff is not needed, through the implementation of special VRS. According to an internal assessment of the Railways, the implementation of special VRS could cost over Rs 1,000mn.

Railways adopt measures to contain level crossing accidents

The Indian Railways has taken several steps to prevent accidents at the 19,000 unmanned level crossings in the country. Unmanned level crossing accidents, caused mostly by careless or errant road users, result in a heavy death toll. During the first quarter of the current fiscal year ending June 2004, 36 road users were killed and 100 injured in 18 unmanned level crossing accidents. In 2003-2004, 132 road users were killed and 156 injured in 86 accidents, and in 2002-2003, 147 road users were killed and 193 injured in 82 accidents.

The various measures include provision of pre-warning signals for road users, launching of periodic safety drives to check the alertness of train drivers and their mandatory whistling, and periodic publicity drives for educating road users through various means. The media, the village panchayats and other local bodies will be roped in to assist the Railways in this task.

There will also be joint ambush checks with civil authorities to nab errant vehicle drivers under the provisions of the Motor Vehicles Act, 1988 and the Railways Act, 1989. Whistle Boards along the tracks for trains, speed breakers and rumble strips for road users are also provided.

NABARD to give Rs 3bn for Andhra's rural roads

The National Bank for Agriculture and Rural Development (NABARD) has agreed to give financial assistance of Rs 3bn to repair rural roads in Andhra Pradesh. This project, which was earlier abandoned, has now been taken up by Andhra Chief Minister Y.S. Rajasekhara Reddy.

Andhra Pradesh has a rural road network totaling 1,03,800 kilometers. The fund from NABARD will be used to help the state promote its road development plans, which include improving the road network, with roads serving market centres and growth centres being high priority. NABARD has already been providing the state with financial assistance under the Rural Infrastructure Development Fund (RIDF), wherein it provides 90 per cent of the total amount as loan and the state government pitches in the remaining 10 per cent.



Airports modernization gets Left's green signal

After establishing its differences over privatization of airports, the Left parties finally gave the green signal to the Ministry of Civil Aviation for modernization of Delhi and Mumbai airports. The Standing Committee on Civil Aviation which gave the go-ahead in a detailed report to Parliament has asked for a projection of the finances needed for modernizing the two airports.

Meanwhile, the expressions of interest provided by ten consortia, including Reliance, Bharti Enterprises, Videocon and DLF to the Ministry of Civil Aviation for the two 74:26 modernization joint ventures are being examined by the inter-ministerial group (IMG). ABN Amro, the global financial advisors to the airport privatization project, and Air Plan, the global technical advisors, are expected to carry out the process of shortlist jointly.

The successful bidders for the two airports will form joint ventures with the Airports Authority of India, which will hold a 26 per cent stake in each of the two companies formed to carry out the revamp of the Delhi and Mumbai airports. Two oil PSUs – Indian Oil Corporation (IOC) and Bharat Petroleum Corporation (BPCL) – are also in the race for restructuring and modernizing the two airports. Their diversification gambit is in keeping with the attempt to build synergies in infrastructure development. The oil PSUs may either tie up with AAI to share the latter's 26 per cent equity stake, or form a JV with the existing consortia of private companies. The final decision on the JV partners will be decided by the end of this year.

Private players may enter aviation fuel business

The Airports Authority of India (AAI) has invited expressions of interest from oil companies for setting up aviation fuel stations at 72 airports around the country. So far a bastion of public sector oil companies, the AAI move is likely to see private players making a bid to enter the aviation fuel business.

Already, Reliance Industries, Essar Oil and Mangalore Refinery and Petrochemicals (MRPL) have put in EoIs. Since the AAI tender is for one-time permission to put up the facilities, an oil company that secures the contract will effectively have a natural monopoly over a particular airport.

Twin code for ports in east still adrift

Despite the Ministry of Shipping's request for two separate customs code numbers for the Calcutta port and the Haldia dock complex, there has been no change or commitment on part of the customs authorities. Such an arrangement, along the same lines as the two terminals at Jawaharlal Nehru port (JNPT), would ensure a smoother flow of cargo in the eastern ports.

The customs authorities have taken the stand that each port in the country can have only one code number. And since

Haldia forms part of the Calcutta port, it cannot be given a separate number and has to be included under the Calcutta code. The Ministry has repeatedly pointed out that at the port near Mumbai there are two separate customs code numbers for the JNPT terminal and the Nhava Shiva terminal. Since the particulars about consignments landing at Haldia have to be sought from the Calcutta port and traders have to shuttle between the two ports, it amounts to wastage of time, not to mention the increase the red tape.

Dubai Ports to invest in Cochin Port terminal

The Cabinet Committee on Economic Affairs has cleared a proposal by the Ministry of Shipping that will allow Dubai Ports International to set up an international container trans-shipment terminal at Cochin Port.

The UAE-based company which was awarded the contract will invest Rs 21.18bn in setting up the terminal, which will be executed in conjunction with Cochin Port Trust. Both parties will share the revenues.

New airports for non-metros

In a combined effort to promote tourism in the country with the Ministry of Tourism, the Ministry for Civil Aviation has announced its plans to develop 22 non-metro airports. In addition, there is also a proposal to start an attendant service called 'Swagat Seva' that will provide passengers with various airport procedures including immigration services in order to make their transit hassle-free.

Cities such as Jaipur, Udaipur, Mysore, Khajuraho and Guwahati receive a large number of tourists every year and are on the ministry's list of non-metro cities where new airports will be built. The infrastructure at these airports will be designed to facilitate the tourist experience, and this includes providing avenues for shopping, dining and entertainment.

Autonomy to port trusts for leasing out land

The Ministry of Shipping has declared that the country's major port trusts are to get full powers to lease out port land for up to 30 years. The draft maritime policy reveals that the allotment of land will be carried out on an upfront premium basis, although port trusts will also be able to allot land on an annual lease rental basis.

Moreover, port trusts will be allowed to do away with the Minimum Guaranteed Throughput (MGT) requirement in land allotments that occurred in the past (subject to certain conditions). Port trusts will also be allowed to renew leases in favour of sitting occupants. They will be allowed to sublet/partially sublet lease premises and change the use of leased land. Fresh land allotments will be carried out through tenders, except in certain identified areas where the port trusts can choose to allot on the basis of nominations.



India to help Senegal in urban transport

India has announced a line of credit to assist Senegal in acquiring 350 buses to develop urban transport in the West African nation. This assistance has been extended under the Development Programme of Urban and Inter-Urban Transport in Senegal.

India already has a presence in SENBUS Industries, a joint venture vehicle assembly plant in Senegal. The African nation has also expressed its desire to acquire tractors and agricultural equipment from India using a \$15mn line of credit extended by New Delhi earlier.

Urban Local Bodies to be strengthened

The Union government has decided that reform in urban infrastructure and services will involve urban local bodies (ULBs) in a more active way than before. The emphasis will be on empowering ULBs through the implementation of the 74th Amendment, rather than the earlier method of incentive funding for states to carry out reforms. Under the Amendment, a model municipal law that seeks to decentralize the power of states and make ULBs more self-sufficient will take precedence.

Micro-finance scheme for urban poor

A group of former senior bankers and other experts have joined hands to create a dedicated micro-finance institution for the urban and semi-urban poor. Called Ujjivan Financial Services, the project has former representatives of Bank of Muscat, ING-Vysya, ChrysCapital and so on.

This one-of-a-kind organization is being set up in collaboration with Bangladesh's Grameen Bank. It is seeking to privately raise a capital of Rs 50mn, including a seed capital of Rs 7mn. Of this, approximately Rs 12mn have already been committed by friends and well-wishers, most of whom are NRIs. About Rs 3.5mn of the amount raised so far is domestic capital.

The model will be tested for a year, beginning 2005, with urban and semi-urban poor in Bangalore and then be rolled out in a phased manner to 10 other cities. The target customer base is of more than one million. The project hopes to break even in four years and be self-funded by the seventh year.

Andhra govt to focus on urban poor

The Andhra Pradesh government has announced its decision to create a special development package for the state's urban poor. As part of this urban poor development initiative package, the state government has already directed all municipalities and corporations to issue water connections to the urban poor at a cost of below Rs 1,200. White ration cardholders will be able to buy drinking water and sewerage connections in 12 equated installments totaling Rs 1,200.

In addition to water and sanitation facilities, the state government is also aiming to provide lighting to the urban poor at reasonable rates. In order to carry out its urban poor development initiatives, the state government will undertake studies of the staff pattern, tax structure and other features relating to the functioning of municipalities. These will be equipped with resources so that they are able to provide basic facilities to the urban poor.

ADB to invest in Kochi's solid waste management

The Asian Development Bank (ADB) has drawn up an investment plan for the solid waste management sector of Kochi. The plan includes intensive containerization, creation of an active team of refuse collectors, scientific land-filling using refuse material and setting up of an effective marketing network for compost sales. Other priority areas for ADB in Kochi are water supply, sanitation and sewerage, drainage and roads.

Bihar seeks funds to address urban woes

Unable to provide basic civic amenities to the people of Bihar, the state's 122 urban local bodies have appealed to the Centre for more funds. With this mission in hand, a four-member delegation of the elected representatives of the state's ULBs met the 12th Finance Commission team at Patna recently.

The ULB representatives sought an annual central grant of Rs 20bn for meeting basic infrastructure needs alone. In addition, they sought a minimum of Rs 5bn to put in place potable water supply systems and Rs 4bn to repair and construct drains and remove water logging. The 12th Finance Commission, which is headed by C. Rangarajan, has been also been urged to recommend to the Union government a further Rs 1bn as a special grant for solid waste management.

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