



India Infrastructure Update



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POWER

Mega Power Projects in for a Bonanza

The finance ministry has proposed an expansion of the mega power policy, so as to enable all thermal power projects of 1000 mw (and above) and hydel projects of 500 mw to get a complete waiver of customs duty on project imports. A cut in the customs duty on transmission projects from 25% to 5% has also been proposed. The proposed exemption will have a major impact on tariffs with an estimated reduction in capital costs by 15%. At current market rates, the fixed cost element in the tariff is around Re 1.30 per unit. With this proposal, rates could be lowered by 20 paise per unit under the proposed mega power policy.

The earlier policy, framed eight years ago, was restricted to eight projects of which only one - NTPC's Simhadri project - has started construction. The new policy is expected to cover all thermal power projects of 1000 mw (and above) and all hydel projects of 500 mw and above. The move is aimed at facilitating more capacity addition at lower costs. The mega power policy status will provide for a complete waiver on customs and excise duty on all project imports for the plant. States have also been requested to relax sales tax on such projects. The government has proposed a similar status for the Dabhol plant in its package, which has been reworked to reduce costs.

Narmada Power Project by October

The Narmada Hydroelectric Development Corporation (NHDC), a joint venture between National Hydroelectric Power Corporation (NHPC) and the Madhya Pradesh government, is aiming to complete its project by October 2003, two years ahead of the schedule. As of now, however, of the 87 villages, rehabilitation and resettlement work has been completed in only 20. Also delaying the progress of the project is the shifting of a 57-km stretch of railway line, connecting Kolkata and Mumbai, which the railways have promised to shift by August 2004. The project has reached a milestone with the fitting of the first 350 tonne rotor in its first 125 mw turbine.

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NHPC targets 4300 mw in 10th Plan

National Hydroelectric Power Corp (NHPC) has set its target at completing projects worth 4300 mw within the 10th plan period (2002-07). Realising that the country's energy gap could be bridged by the estimated hydroelectric potential of 150,000 mw, the central government has taken proactive measures to ensure that clearances for hydroelectric projects are made easier. NHPC plans to complete the Chamera-II project in Himachal Pradesh by June 2003, followed by the Dulhasti project in J&K in December, 2003. These two projects will generate approximately 700 mw. Moreover, NHPC expects to commission the Dhauliganga project in Uttaranchal and Teesta-V project in Sikkim next year. Work on the mega Indira Sagar project in Madhya Pradesh is also on schedule.

Moreover, NHPC proposes to add 14432 mw of power during the 11th Plan period. It expects approval for four projects with an installed capacity of 1672 mw soon, and will be ready to award the work for these projects immediately after the government sanctions are received.

AP Genco Tops Hydel Power Generation

With the commissioning of the fifth 150 mw unit of the Srisailem Left Bank Power project (SLBP), the AP Power Generation Corporation Limited (AP Genco) has become the largest hydel power generation utility in the country with 3432 mw of installed capacity. The project has a 900 mw capacity and comprises six 150 mw units. With 3432 mw of installed capacity, AP Genco now has the ability to produce more hydel power than the National Hydro Power Corporation. AP Genco has also become the third largest power generating utility in the country, after National Thermal Power Corporation and the Maharashtra State Electricity Board. AP Genco's installed capacity also forms about 63% of the total capacity of about 10,200 mw in AP. The SLBP is designed generate between 700 mn units to 2000 mn units during monsoon months, using the surplus water released from the Srisailem reservoir.

However, with almost all the reservoirs in the Krishna basin having gone below the minimum drawdown level, there will be no hydel power generation in Andhra Pradesh from April 10, 2003. Due to the failure of the South-West and North East monsoons last year, AP recorded a rainfall deficit of 37%, the highest deficit in the last four decades. As a result, the hydro generation during the year has been pegged at 3300 mn units as against a projected requirement of 6999 mn units. As per the APTRANSCO, the residual water present will be required for emergency 'black-start' operations in the event of breakdown of thermal power generation.



Eight Power Projects on Fast Track

The power ministry is trying to expedite the financial closure of eight power projects. The projects, which have been put on a fast track, include three hydel power projects - Maheshwar Hydel in Madhya Pradesh, Dhanwari Sunda in Himachal Pradesh and Vishnuprayag in Uttaranchal. Also in the list are five projects in Andhra Pradesh, where the state government has proposed an incentive-linked payment security mechanism in place of an escrow cover.

The power ministry, together with the concerned state governments, the Central Electricity Authority and banks and financial institutions, is working on ways to expedite the financial closure of the projects. All the projects, accorded techno-economic clearance by the Central Electricity Authority in the period between 1999 and October 2002, have been held up at some stage or the other due to the financial health of state electricity boards. From the 40 independent power projects expected to come up in the country, the power ministry has narrowed down its focus to nine projects with a generation capacity of 4287 mw.

Progress in AP Power Projects

With the Andhra Pradesh (AP) government honouring the escrow commitment extended to the Jegurupadu and Spectrum projects, financial institutions (FIs) are optimistic about the financial closure of five other private projects: The 520 mw Ramagundam project of the BPL group (approx. Rs 2.77 bn), the 468 mw Vemagiri project of the Ispat Power group (approx. Rs 1.7 bn), the 210 mw BSES-promoted power project, the 350 mw Kondapally project (Rs 1.1 bn) promoted by Lanco Industries and the 464 mw NCC/Gautami project.

The AP government has developed a business model that bypasses the requirement for the state government to provide upfront escrow as a precondition for institutions to lend to the project. The state government has instead provided measures to ensure payments for power purchase in case both the state electricity board and the Andhra Pradesh Transmission Company (AP Transco) default on payments.

The acceptance of the new payment mechanism has raised expectations that financial closure of these projects may now be expedited. FIs have however, called for some changes in the scheme, which include pegging the rate of return assumed for the projects at "more realistic terms".

New Power Projects on the Anvil in J&K

In a bid to surmount its power debts of more than Rs 6 bn, which it owes to the Northern grid, the state government of Jammu & Kashmir (J&K) is proposing the construction of new hydel projects with active private sector participation.

The government proposes to work within the guidelines laid down by the Indus Water Treaty on hydel projects. It will be according priority for small hydel power stations as big hydel projects are seen to have adverse ecological effects.

CEA Nod for New 660 mw VTP Unit

The Central Electricity Authority (CEA) has accorded techno-economic clearance to AP Genco for setting up of the Rs 27.06 bn, 660 mw Vijayawada Thermal Power Station Stage-IV. KfW Germany will provide a loan of Rs 10 bn for the project and the balance is expected to be arranged through loans from Rural Electrification Corporation, financial institutions and AP Genco's equity. According to AP Genco, the project was accorded a no-objection certificate by the AP Pollution Control Board in December last year. Coal for the project would be supplied from the Mahanadi Coalfields at Talcher. The financial closure for the project is expected to be completed by March 2004 and the unit is likely to be commissioned in 2007. The station with an installed capacity 1260 mw is one of the best in the country and has created several benchmarks with respect to power production. Ranked first in the country for its performance in 2001-2002, the 'super critical technology' of the proposed unit is expected to increase the efficiency of power production.

NTPC expands capacity in Vindhyachal Station

The National Thermal Power Corporation (NTPC) is adding another 1000 mw capacity to its Vindhyachal thermal power unit in Madhya Pradesh. NTPC has awarded the contract for building the steam turbine, the main part of the generator, to BHEL for Rs 1.9 bn. The project cost of the stage III of the unit is estimated at over Rs 4 bn. Vindhyachal is already NTPC's largest unit with a capacity of 2260 mw. Stage I of the unit comprises six plants of 210 mw each, while the stage II comprises 2 units of 500 mw each.

The stage III expansion of Vindhyachal station will be completed as a priority project during the current plan period. NTPC will be awarding the contract for construction of the main plant to BHEL in a couple of days, following which, other contracts pertaining to building coal-handling/ash-handling plants and civil works will be awarded.

Draft agreement to buy power from DPC ready

The Maharashtra government has put into place a preliminary draft power purchase agreement (PPA) to buy power from Enron's Dabhol Power Project. The Maharashtra State Electricity Board (MSEB) has submitted a preliminary draft of the PPA for the phase I of the project to IDBI and is awaiting a reply from the lender. MSEB, IDBI and the Union government are in consultation with GE and Bechtel for inspecting DPC machinery and preparing an estimate of the cost to be incurred for restarting the project.

However, the board has yet to receive the mandatory approval from the Maharashtra Electricity Regulatory Commission (MERC) for the rate and quantum of electricity to be purchased from DPC. The MSEB had stopped buying power from DPC in May '01 after it rescinded a PPA with the US multinational.

Bhel Bags Rs 1.58 bn MP Power Project

Bharat Heavy Electricals (Bhel) has bagged a Rs 1.58 bn worth project from the Madhya Pradesh State Electricity Board for setting up a 500 mw capacity unit at the Birsinghpur thermal power station.



Reliance Reports Fourth Gas Find

Reliance Industries Ltd (RIL) has informed the government of its fourth gas discovery—Dhirubhai-4—with in-place gas volumes of 1700 bn standard cubic feet (bcf). The Dhirubhai-4 (D-4) discovery falls within the KG-DWN-98-3 (KG-D6) block awarded to Reliance under the first round of new exploration licensing policy. RIL has informed the petroleum ministry that the drilling stem tests conducted in the well F1 in the KG-D6 block, produced dry gas at the rate of 41.4 mmscfd, which as per Reliance, is the highest flow rate achieved in any of the wells tested so far in the KG-D6 block. Based on the results of the KG-D6-F1 well, Reliance considers Dhirubhai-4 as a non-associated natural gas discovery of potential commercial interest.

Earlier, Reliance had notified the government of its three discoveries — Dhirubhai-1, Dhirubhai-2 and Dhirubhai-3 — with estimated gas reserves of 7-8 trillion cubic feet. All the four gas discoveries lie in the same block — KG-DWN-98/3 — of the Godavari region.

India Seeks Alternate Oil Supplies

With the ongoing Iraq war threatening to be a prolonged one, India has initiated the process of tying up with oil-producing countries like Sudan and Angola and has also signed contracts for additional shipments from Kuwait. On the shipping front, the country has sent delegations to Saudi Arabia and Kuwait to ensure stability of shipping lines and routes. The petroleum ministry has developed a strategy focused on availability and price to ensure regular supplies of oil. On the price front, all oil companies have been directed to cut back on their margins for the time being to spare consumers from a steep price hike. Apart from contracting additional supplies from conventional suppliers, oil companies have signed up advance oil contracts for three months.

L&T Bags IOC Contract to Build Panipat Plant

Larsen & Toubro Ltd (L&T) has won an order of Rs 12.42 bn lump sum turn key contract to engineer, procure, construct and commission a PTA (Purified Terephthalic Acid) plant for Indian Oil Corporation Limited (IOCL). The plant is to be put up in IOCL's Refinery Complex at Panipat in Harayana as part of their Integrated Paraxylene - PTA Project. The plant is designed for an annual capacity of 553000 tonnes of PTA under technology license of Du Pont UK. Engineers India Ltd will be the client's Project Management Consultant. The plant is contracted to be executed in a tight schedule with mechanical completion scheduled for May 2005 with additional two months for commissioning. L&T, under its own engineering management, is planning to utilise the design and engineering services of Kvaerner E&C, UK, supported by Kvaerner Powergas, Mumbai.

Divestment of Oil PSUs Gets SC Nod

The Supreme Court has stated that the pending petition filed by the Federation of All India Petroleum Traders challenging the privatisation of oil PSUs HPCL and BPCL will not act as a deterrent to the union government in pursuing the disinvestment process in the two firms.

IOC to share Sudan Project with ONGC

State-owned Indian Oil Corporation (IOC) will buy 40% of ONGC Videsh Ltd's stake in the Greater Nile Oil Project (GNOP) in Sudan. ONGC Videsh Ltd. (OVL), the overseas arm of Oil and Natural Gas Corporation (ONGC), had earlier this month acquired Canadian Talisman Energy's 25 % stake in GNOP for \$720 mn. The government has decided that Talisman Energy's 25 % stake in GNOP will be shared between OVL and IOC in 60:40 ratio. ONGC has stated that its decision to farm-in IOC in the Sudan field will depend on what premium IOC offers.

Oil Exploration Efforts Get a Push: Naik

Petroleum Minister Ram Naik has stated that a systematic exploration for oil and gas in the country has resulted in seven out of a total of 26 sedimentary basins being upgraded to production status. The seven sedimentary basins are Assam Shelf, Assam-Arakan Fold Belt, Cambay, Cauvery, Krishna Godavari, Mumbai offshore and Rajasthan basins.

Work on Mahanagar Gas Pipeline Stopped

Due to three different incidents of CNG gas fires and leakages in Mumbai, the ministry of petroleum and natural gas has announced several measures to improve safety standards in the operation of gas utilities, in Mumbai as well as other cities. Mahanagar Gas, the Mumbai-based joint venture between Gail India and British Gas (BG), has been barred from laying any more gas pipelines in Mumbai, till it undertakes the requisite measures.

The utility, which supplies gas to 66,000 vehicles and 150,000 households, is currently undergoing a Rs 2.25 bn network expansion in Mumbai. The technical integrity of MGL's entire network is being studied by experts. MGL and the other utilities are planning a common initiative for a 'Geological Information System', that will map the entire city. The system is a satellite-based mapping technique that will give the municipality and every utility a complete picture of the sub-terranean landscape., MGL has also increased patrolling on roads where its pipelines are laid to once everyday, in order to monitor digging in the region.

GAIL Plans Rs 200 Bn Gas Grid

Gas Authority of India (GAIL) will invest Rs 180-200 bn over the next five years for the proposed national gas grid. The network will comprise 6000-7000 kms of gas pipelines spread across the country. Work on the national grid has commenced and the first 600-km-long pipeline from Dahej (in Gujarat) to Bijapur is expected to be completed in early 2004. The completion of this section has been synchronised with the kick-off of commercial production of Petronet LNG's gas terminal at Dahej. GAIL (India) Limited is also examining a proposal to lay a pipeline for transmitting regassified Liquefied Natural Gas, LNG, from Kochi to Bangalore via Kayamkulam at a cost of Rs 19.87 bn. The project is expected to be completed within 40 months from the date of approval. The pipeline will receive regassified LNG from the Kochi LNG terminal of Petronet LNG Limited and supply gas to various segments of the pipeline network passing through Alwaye-Kanjirakkod-Mangalore and Kanjirakkod-Bangalore.



TRAI extends IUC Implementation to May 1

The Telecom Regulatory Authority of India (TRAI), has extended the deadline for implementing the IUC regime by one month to May 1st. TRAI has received the various proposed alternate tariff plans from service providers between March 10-24 and has stated that it needs time for their detailed consideration and revision.

As both IUC and alternate tariff plans, if approved, need to be implemented simultaneously, the regulator has asked the service providers to file alternate tariff plans in conformity with the 24th amendment to telecom tariff order and IUC regulation by April 3 for implementation on May 1 this year. Moreover, the regulator said that consumers need to be informed well in advance about the various plans by different service providers.

Four Mobile Operators Form an Alliance

In a strategic move to leverage synergies, leading cellular operators in the country — BPL Mobile, Escotel, RPG Cellular and Spice Telecom — has announced the MobileFirst alliance. This alliance will usher in the next generation of telecom services. MobileFirst has an executive management committee that includes key representatives of member companies with an independent secretariat with working groups for different focus areas.

With a backbone of over 10,000 km, MobileFirst encompasses cellular circles with BPL Mobile in Mumbai, Maharashtra, Tamil Nadu and Kerala; Escotel spanning Haryana, Kerala, U.P. West, U.P. East, Rajasthan and Himachal Pradesh; RPG Cellular in Chennai; and Spice Telecom in Punjab and Karnataka; providing a pan-Indian footprint.

The MobileFirst alliance will offer enhanced value across tariffs, roaming, long distance, calling and new generation technology and services to its three mn subscribers across 700 towns in the country. The alliance will also deliver a common customer relationship management platform to provide home network experience to its subscribers across the alliance member networks. MobileFirst tariffs would offer special rates for long distance calling, roaming and customised tariff plans. Also, it would offer seamless roaming across India and over 400 international networks besides a roaming rewards programme. The alliance will also offer services like payments through mobile phones, mobile Internet access, mobile entertainment and national location based services.

Supreme Court Tells DoT to Refund Interest

Settling a dispute between Department of Telecom (DoT) and cellular operators, the Supreme Court has upheld a Telecom Disputes Settlement Appellate Tribunal (TDSAT) order directing the government to refund the interest on licence fee collected by it from four operators following their migration from the licence fee to revenue sharing regime. A bench comprising Justice S Rajendra Babu and Justice AR. Lakshmanan has dismissed DoT's petition and upheld TDSAT's April 9 order directing DoT to refund the excess amount. Birla AT&T Communication, BPL Mobile, Escotel Mobile and Fasel will benefit from this order.

Transfer of Telecom Licence Granted

In a significant decision, the Union Cabinet has allowed the transfer of telecom service licences for cellular, basic, national and international long distance operators. A transfer of licence can be effected through merger or de-merger of companies. The government, however, has laid down certain conditions for de-merger and acquisition. According to the new provisions, the new entity would have to adhere to the roll out obligation of the licensee. The government has also made it mandatory that past dues would have to be cleared before the licence could be transferred. The transferee would be liable for dues arising after the date of transfer. The final condition is that the provision of section 391-394 of the Companies Act, 1956, would have to be followed for the de-merger scheme.

The move will benefit major telecom players like Bharti and Reliance who have multiple service licences. The industry had also demanded flexibility for restructuring of equity and amalgamation of telecom licensees. The government feels that this demand is in line with global trends and that consolidation of particular services under separate entities would help the operators.

Thrust on Upgrading Telecom Technology

Identifying major thrust areas for the growth of the telecom sector, the Planning Commission, in its annual report 2002-03, has said "a concrete action plan needs to be put in place to upgrade and modernise the technology (telecommunication) being used by defence, police and paramilitary forces for ensuring efficiency and optimal utilisation of spectrum allotted and releasing the surplus spectrum for use by civilian purpose." The report further emphasises that spectrum pricing needs to be based on the relative demand and supply over space and time in a dynamic manner and should promote introduction of spectrum-efficient technology.

The Commission has also suggested that adequacy of funds should be ensured for the effective implementation of the Universal Service Obligation (USO) and if needed, the rates of USO levy be suitably increased. The government's current policy of taxes and regulation for the sector aims to be promotional in nature and aligns licensing fee to the cost of regulation and administration of USO.

Another suggestion is that the policy governing the development of rural telecom services needs to be promotional in nature with a view to boosting teledensity in these areas in line with the objectives of the NTP, 1999.

BSNL Estimates CDMA User Base of 800,000

BSNL expects to have attained a subscriber base of 800,000 in CDMA-based limited mobility services by the end of March 2003. By March 04, the same could go up to 1.6 mn. From 2004 onwards, BSNL expects to add 1.5 mn to 2 mn CDMA subscribers annually. Out of 2,600 SDCAs (Short Distance Calling Areas) in the country, BSNL has covered already 1,500 SDCAs through WLL and it would cover the remaining SDCAs in the next one year. BSNL is also expecting a 20-25% surge in its domestic long distance traffic volume following a 47% cut in STD rates.



PowerGrid Set to Enter Telecom Networking

The stage has been cleared for entry of the Rs 200 bn PowerGrid Corporation of India (PGCIL) into the telecom networking business. The Union Cabinet has cleared the proposal for creating 320 gbps backbone by laying 13,000 km optic fibre cable, using right of way enjoyed by PGCIL's high voltage transmission lines across the country, at an estimated cost of Rs 11 bn.

The decision will enable PGCIL to raise institutional finance. The company has estimated that a minimum of 6% share of the telecom business would ensure PGCIL a 25 % internal rate of return. The company is at present working on bid validity for fibre optics and will lease the bandwidth to telecom operators and connect 56 cities including all metros, major cities and towns.

The power major is also trying to arrange a \$117 mn loan from Asian Development Bank (ADB) to fund a portion of the project. Having received the formal approval of the group of ministers (GoM) early last month, the Union power ministry has requested the World Bank to consider funding the project afresh. Meanwhile, PGCIL had already created a 6000 km backbone worth over Rs 6 bn using internal accruals. This has bought down its institutional finance requirement to less than Rs 5 bn.

Tata Tie-up with n-Logue for Rural Telecom

Tata Teleservices Limited (TTSL), a private basic service operator, has tied up with n-Logue Communications to develop rural telecommunication in selected areas. As per the partnership, n-Logue Communications will set up the network infrastructure and provide last mile connectivity to TTSL for offering basic services in four Short Distance Charging Areas (SDCA) in Tamil Nadu - Bhavani, Vaniyambadi, Gudiyatham and Mayavaram.

With this partnership nearly 400 kiosks will be set up in four SDCA's by 2004. These kiosks will provide telecom services in some specific small towns and rural areas. The operations are expected to start in three months time and n-Logue will act as its franchisee in the areas where TTSL proposes to operate. n-Logue in turn will work with local entrepreneurs to set up the network infrastructure and provide connectivity, training, support and linkage to relevant Internet-based services.

More SDCAs may subsequently be covered through a similar model. The kiosks would act as a local and STD/ ISD telephone booth, an Internet centre, E-governance centre, E-education centre and will also provide employment for educated people in the rural area.

Cabinet Dithers over Hiking FDI Limit

The Union government's bid to raise the foreign equity ceiling in telecom service companies from 49% to 74% is expected to hit a parliamentary hurdle. While the group of ministers (GoM) has ratified the proposal, the Cabinet is consulting the Standing Parliamentary Committee on Communications before taking a final decision on the politically sensitive issue. A full-fledged parliamentary debate on the consequences of raising the FDI limit in telecom service companies is also not being ruled out.

Seven Firms in Race for 14 Cellular Licences

Seven companies have emerged in the forefront for the last available global system for mobile (GSM) phone licences in nine states and regions across the country. These firms include Bharti Cellular, Idea Cellular Ltd, Essar Telecom Ltd, Aircel Digilink Ltd, Max Televentures Ltd, IndMobile Ltd and Connect Systems India Ltd.

The licences, part of the remaining fourth cellular licence slots or circles that do not have operators at the moment, are for running GSM mobile services on the 900 and 1800 megahertz frequency band.

The telecom licence areas are Bihar, Orissa, West Bengal (with Andaman & Nicobar clubbed in), Assam, Jammu & Kashmir, Northeast, Uttar Pradesh (East) and Uttar Pradesh (West). All the bidders, barring the two lesser-known firms — Connect Systems and IndMobile — are established cellular firms. Essar and Aircel have business relations with Hutchison, which has one of the largest footprints in the Indian mobile scenario. Idea and Bharti are well established players in the scene. However, the government does not expect a very high valuation of the circles on offer, barring Uttar Pradesh to some extent.

UK Telecom Giant Acquires an Indian Accent

UK telecommunications giant British Telecom (BT) is to acquire an Indian accent by setting up its first wholly-owned operation in India. The move eastwards by one of Europe's largest telecom providers will herald a larger telecom service fight as a price war over directory enquiry calls rage between British and cost-cutting American companies.

BT's so-called "Next Generation Contact Centres" currently coming up in Delhi and Bangalore are expected to be different from some of the others run by British companies. Significantly, the Indians manning the phones will get to keep their own names and accents. The company views these new operations as remote sourcing rather than outsourcing, which will be run as a seamless UK operation by BT managers and staffed by Indians trained to high standards.

The move, targeting 2200 Indian jobs by this time next year, is expected to equal nearly all the British staff who currently answer directory enquiry calls from UK call centres. The company's decision is however, facing stiff opposition in the UK.

Motorola, Nokia to foray into CDMA market

Mobile phone makers Motorola Inc and Nokia Corp will soon make a foray into the Code Division Multiple Access (CDMA) handset market in India. The two companies are currently in talks with Reliance Infocomm to supply CDMA handsets. Both the companies are currently fine-tuning their proposed product offerings in the CDMA segment in the country.

Reliance Infocomm expects to begin commercial operations of its CDMA service from April this year and is in the process of expanding its vendor chain for handsets. It has recently entered into a \$ 500 mn contract with two Korean vendors, LG and Samsung, to supply over 6 mn handsets.



Centre Allots Rs 1.90 Bn for AP Road Projects

The Central government has allocated Rs 1.90 bn under the third phase of the Pradhan Mantri Gram Sadak Rozgar Yojana and has finalised the works under this rural roads project. With the implementation of phase II, habitations in the state of Andhra Pradesh (AP) with a population greater than 1000 will be provided with all-weather connectivity. There are 206 habitations having a population of above 500 in plain areas and 453 habitations with a population of 250-499 people in tribal areas that need all-weather roads. The government has estimated the total unconnected length still to be covered at about 2509 km. Thus far, the Centre has accorded sanction for 3,118 road works in two phases costing Rs 6.64 bn. Out of this, 1,479 works have been completed with a total outlay of Rs 4.50 bn and further work has been initiated.

Bentley in Talks with Railways

The \$230 mn US-based Bentley Systems is planning to provide software for designing the rails for the Rs 80 bn Rail Quadrilateral project. The company hopes to achieve revenues of about Rs 170 mn in India during 2003, a 70 % growth over last year. With the 2002 revenue growth for Bentley in the US being almost flat, followed by a 5-6 % growth in Europe and a 20 % growth in Asia-Pacific, a revenue growth rate at over 50% in the Indian market indicates a huge potential. The company's plan to develop its \$ 1.5 mn Indian software development centre, likely to come up in Mumbai or Delhi by the year end, is on schedule. The company is focusing more on the railways sector for this year. The company's InRail is a CAD-neutral application, using both MicroStation (a design tool) and AutoCAD as graphics engines.

Central Industry Panel for Road Projects

To get the maximum value for its money, the ministry of Road Transport and Highways (MORT&H) has come out with an interesting bidding procedure for the 23 shortlisted BoT projects for the four-laning of about 3,003 km of national highways (other than NHDP). For the Rs 90-120 bn projects which are to be under taken during '03-04, the ministry has proposed a panel of entrepreneurs under six categories, based on the base cost for the implementation of these projects. The tenders will be for executing the entire project, from feasibility studies through to construction, operation and maintenance. To facilitate the new move, the ministry has provided for private players to apply either singly or through the formation of a consortium for the tenders. The number of members in a consortium will, however, be restricted to four. An individual player will be entitled to participate in more than one consortium, whereas each applicant will be permitted to submit only one application.

Kerala Project to Focus on Road Improvement

The \$360m Kerala State Transport Project, in which the World Bank has invested \$225 mn, will focus on improvement in roads rather than new roads. Upgradation of 600 km of roads, heavy maintenance of a selected 1000 kms and improvement of 90 km of inland waterways are what the project envisages in order to ensure safety and connectivity.

L&T Wins Karnataka Road Project Contract

L&T has bagged a Rs 2.69 bn road contract from the Karnataka State Highways Improvement Project. Funded by the International Bank for Reconstruction and Development, this 'deemed export' order is for the upgradation of the state highway between Hiriya and Bellary in Karnataka. L&T's engineering, construction and contracts division will execute the order. The project execution involves a 144 km stretch and is to be completed within 42 months beginning from March 2003. The first 25 km is expected to be completed in 12 months; the next 41 km in 24 months; another 41 km in 36 months; and the last 37 km in 42 months. The project includes construction of cross-drainage works consisting of 92 bridges and 148 culverts.

Railways' Path to Corporatisation

The central government and the Planning Commission have set the Railway ministry on the path to corporatisation. The catalyst role for this "commercial orientation" has performed by loans from lending agencies like the World Bank. Indian Railways has taken a \$313 mn loan from the Asian Development Bank and is now seeking another loan from the World Bank. With future project funding being linked to progressive reforms, Indian Railways plans a corporatisation horizon of five years. The Planning Commission in its 10th Plan document has recommended the setting up of a railway regulatory authority and emphasised on private partnership. The Indian Railways has listed out 15 points in their reform agenda, with the first being to "prepare the ground for changing the business process" and to transform the organisation from being "procedure orientated" to "business orientated".

Additional Cess for Road Development

The government has decided to impose an additional cess of 50 paise per litre on diesel as well as petrol for funding road development in the country. This is in addition to the Re 1 per litre cess on petrol and diesel introduced since September 1998 and March 1999 respectively to fund the 13,000 km-long National Highways Development Project (NHDP). The Ministry of Road Transport and Highways and the National Highways Authority of India (NHAI) had demanded the imposition of an additional cess to fund the North-South and East-West corridors, which form part of NHDP-II. The additional cess is expected to raise an additional Rs 26 bn for funding these corridors. A portion of the additional cess on diesel will also be made available for rural roads. This will be over and above the anticipated allocation of Rs 23.25 bn for 2003-04 from the existing cess collections for rural roads.

Centre to set up Panel for Road Projects

The ministry of road transport and highways proposes to prepare a panel of entrepreneurs under six categories, based on the base cost for the implementation of the 23 shortlisted BoT projects for the four-laning of about 3003 km of national highways (other than NHDP). The projects are estimated to cost Rs 90-Rs 120 bn and tenders will be issued for executing the entire project, from feasibility studies through to construction, operation and maintenance.



Port Development in Focus

An amount of Rs 45.31 bn has been allocated for development including expansion and modernisation of major ports in the 10th Plan. Out of this, Rs 4.50 bn is to be provided as budgetary support from the government and Rs 40.81 bn will be raised by the concerned ports through their own internal and extra budgetary resources. In addition, an investment of about Rs 112.57 bn is envisaged by the private sector in major ports. This makes the gross investment in major ports as Rs 157.88 bn.

About Rs 17 bn private sector investment is expected to come at Jawaharlal Nehru Port mainly for conversion of bulk terminal to container terminal. The major chunk of private sector investment to the tune of Rs 20.40 bn will be coming at Kochi for construction of international transshipment container terminal.

During the current year, work on development of six ports, including Mundra, Pipavav, Dahej, Hazira and Dholera, is currently on full swing and will require an additional investment of Rs 11 bn. The total investment in these ports is expected to be to the tune of Rs 14.70 bn including investment of Rs 2 bn in joint venture projects. The government has also earmarked a sum of Rs 700 mn for capital works at the ports, including modernisation work at Mundra and Pipavav.

According to the ministry, cargo traffic on ports has increased in the last two years and is expected to touch 100 bn tonnes - a big jump from 2.57 bn tonnes in 1996-97. The state's revenue from ports has increased to Rs 2.30 bn from the previous year's Rs 2.10 bn.

Minor Ports Asked to Target Captive Cargo

The CII (SR) Working Group on ports refers in its findings to a lack of political will at the Centre and state levels to acknowledge that infrastructure is important and that it has been a laggard sector in India. The study has suggested that a better understanding is needed between the Centre and the states on ports and that states should look at the minor port model as an optimum and viable logistics based alternative to major ports. It also suggests that minor ports should target captive cargoes and in the long run, feeder cargoes between hinterland and major ports through coastal shipping.

Commenting on the different models followed in China and Hong Kong, the report suggests that Indian ports should study and follow the same. For instance in China, the state acts as a venture capitalist and builds the port infrastructure, while the private sector invests in equipment and also markets the port to bring cargo. In Hong Kong, the port terminal is operated by private sector, providing substantial competition among the players.

Paradip Port Completes Expansion

With the commissioning of the oil jetty to handle about 6 to 8mt of POL products and crude in tankers of 85,000 DWT size at an estimated cost of Rs 400 mn, Paradip Port with a capacity of 38mt has emerged as a leading multi-cargo port. Paradip has also been identified for setting up of a Special Economic Zone, which could give a boost to PPT's further growth, if implemented.

The Airport Privatisation Story Continues

The civil aviation ministry has sent a note to the finance and law ministries and the Planning Commission seeking an in-principle approval for privatisation of airports. The ministry note in question has been described as a comprehensive note on the amendment of the AAI Act 1994 in which basic guidelines for the privatisation of airports have been demarcated. The civil aviation ministry has asked for a blanket approval. Once the comments come in from the concerned ministries and the Planning Commission, the ministry will approach the Union Cabinet. The equity structure has not yet been specified, and will be taken up on a case-to-case basis.

The ministry has also sought permission for corporatisation of the Mumbai and Delhi airports in keeping with its long-term aim of privatisation. Tenders from international architects have already been invited for the upgradation of the Mumbai and Delhi airports. The selection of the same is likely to be completed shortly.

AAI to Put Up Funds for Upgrading Airports

For the upgradation of the Delhi and Mumbai airports, the civil aviation ministry has asked the Airports Authority of India (AAI) to put in the initial investment. The ministry had asked for an upfront support of Rs 35 bn from the finance ministry to kickstart the airport upgradation projects.

The civil aviation ministry has in principle decided to create two subsidiaries under the AAI for the two airports soon. To begin with, the AAI will pump in funds and by the end of the financial year private participation will be invited. The two companies formed for the two airports will have an initial equal equity participation from the AAI and could take joint venture partners or could ultimately lease out the management. No decision had been taken on how much equity would be divested to the private player. The essence of the new funding mechanism is to leverage public money through private sector partnership, wherever possible. The three critical components of the scheme are: Release of funds only when linked to specific and well-defined milestones in completion of the project, in physical terms; a sharing of the risks with the private promoters and financiers; and no open-ended government guarantees at any stage.

Multi Modal Integrated Transport Policy

The Union government is working on a multi-modal integrated transport policy. In order to cash in on the 7500 km coastline it has appointed KPMG as a consultant to carry out a study on development of coastal shipping and minor ports.

The consultant will identify cargo that can be diverted to coastal shipping from other modes of transport and the steps needed to achieve such a diversion, evaluate future traffic potential for coastal movement in the next ten years, including the nature and volume of cargo, with its origin-destination, including availability of return cargo. It will also explore the possibility of developing new ones to meet existing and potential demand as well as identify minor ports (either existing or yet to be established), for use by coastal shipping, keeping in view rail/road connectivity and hinterland linkage and recommend the infrastructure needed at such ports.



L&T to Execute Vizag Water Supply Project

Larsen & Toubro (L&T) has won the bid for executing the Vishakapatnam Industrial Water Supply Project (VIWSP), which will manage the water supply requirements of the Vizag industrial belt. Other bidders in the fray included Vivendi Water (France), Essar Projects, Gamuda Berhad (Malaysia) and SNC-Lavalin (Canada). VIWSP is an initiative of the Andhra Pradesh government and IL&FS.

The Vizag Industrial Water Supply Company has been structured as a special purpose vehicle (SPV), with IL&FS-sponsored India Project Development Fund holding 66% and APIIC the balance 34% stake in the SPV. The project development expenses estimated at Rs 128 mn, will be funded by IL&FS and APIIC in the ratio of their holding pattern in the SPV. As per the arrangement, L&T is expected to buy out promoters stake in the SPV, at an agreed return to both shareholders in the SPV. L&T will be involved in the construction of a pipeline for pumping water from the Godavari river to Yeleru Left Bank Canal, from where the water is intended to flow to Vishakapatnam Steel Plant and other industrial units of the region.

Binnie, Black and Vantech had been entrusted with the preparation of a detailed feasibility and investment banking report, while German firm Lahmeyer International has prepared a detailed engineering report of certain components of the project.

Essar Gets Rajasthan Water Contract

The infrastructure wing of the Essar group has bagged a Rs 1.37 bn Rajasthan government contract for the construction of a water supply scheme. The job involves the construction of a pipeline for bringing water from the Chambal river to Bharatpur via Dholpur. The pipeline will supply water to 69 villages in Dholpur and 930 villages in Bharatpur districts. The project is estimated to be completed in 30 months.

Urban Populace Unhappy with Infrastructure

The citizen survey by the CII-Southern Region, has indicated that 90% of the urban population was not happy with the road facilities, 91% felt that the pollution levels were high, 58% were dissatisfied with transport facilities and 79% were not happy with the water supply. The survey, part of a study on 'Sustainable Infrastructure Development in Southern Region — Integrated Approach', also stated that a significant percentage of urban population in the South are willing to shell out money for better services.

Mining Policies Threaten Water Security

Calling for a rethink of development policies and introspection on the wasteful ways in which minerals are used, a new report says mining is destroying some of India's most ecologically-sensitive areas, including catchment areas that provide water to millions of people. 'Undermining India', a report by volunteer organisation Kalpavriksh released ahead of World Water Day, says at least 90 wildlife sanctuaries and national parks as well as hundreds of other areas with unique biodiversity and wildlife are threatened. It states that many mining activities are in gross violation of environmental policies and laws and of assurances that "ecologically fragile and biologically-rich areas" would be avoided.

The report advocates that the Union and state governments need to declare sensitive areas off-limits, change mining policies and laws and have an independent assessment of impact of the mining sector.

'Quality of water in India among the worst'

A recent United Nations report on world water development has categorised India among the worst countries for poor quality of water, as well as their ability and commitment to improve the situation. Asian rivers are the most polluted in the world, with three times as many bacteria from human waste as the global average. These rivers also have 20 times more lead than those of the industrialised countries, says the report.

The report ranks 122 countries according to the quality of their water as well as their ability and commitment to improve the situation. Belgium is considered the worst because of the low quantity and quality of its groundwater combined with heavy industrial pollution and poor treatment of wastewater. It is followed by Morocco, India, Jordan, Sudan, Niger, Burkina Faso, Burundi, Central African Republic and Rwanda. Attributing this to "inertia at leadership level", the report entitled "Water for People, Water for Life" observes that "the global water crisis will reach unprecedented levels in future with growing per capita scarcity of water in many parts of the developing world".

It further observes that water resources will steadily decline because of population growth, pollution and expected climate change. The report has also ranked over 180 countries and territories in terms of the amount of renewable water resources available per capita, including all water circulating on the surface and in the soil or deeper underground.

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