



India Infrastructure Update



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POWER

APGENCO Plans New Thermal Power Projects

APGENCO is planning new thermal power projects in the southern state of Andhara Pradesh. A 250 mw coal based power plant at Bhoopalapally in Warangal district for which Development Consultants, Kolkata, have been appointed to prepare the detailed project report. Singareni Collieries has agreed to supply coal for the proposed plant. As of January 2004, the detailed project report was under preparation. A gas based, combined cycle, 700 mw power plant at Vemagiri has also been planned for which, land has been identified and as of January 2004, preparation of prefeasibility report was underway. The project has received environment clearance from the state pollution control board, which will be subsequently forwarded to the environmental ministry for clearance. A gas based, combined cycle, 1400 mw (2x700 mw) power plant (Hyderabad Metro Power Plant) at Hyderabad has also been planned, which is awaiting state government approval.

OP Jindal in 1000 MW Chhattisgarh Project

Jindal Steel & Power Ltd, an O P Jindal group company, is setting up a 1000 mw power plant at Raigarh in Chattisgarh for Rs 39 bn. The company's board of directors have given its approval to set up the 500 mw capacity in the first phase of the project. The project cost of the first phase is expected to be around Rs 21.40 bn, funded in seven parts by debt and three by equity. The entire equity of Rs 6.42 bn will be brought in by Jindal Steel & Power, though some other group investment companies might take a small stake later. The project has been recognised as a mega power project by the government and is being implemented under Jindal Power Ltd, a subsidiary. The project is located 10 km away from the coal mines allocated and this will reflect in a seven-eight per cent tariff advantage. The project is confident of supplying power at less than Rs 2 per unit.

Inside

Power	1
Oil & Gas	3
Telecom	4
Roads & Rails	6
Ports & Airports	7
Urban Infrastructure	8

Hydel Power Update

Sarabai Enterprises is to implement the 1.5 mw Gurahan hydel power project in Mandi district of Himachal Pradesh. The power plant will be located across Gurhan stream, a tributary of River Beas. As of January 2004, the implementation agreement had been signed with Himachal Pradesh State Electricity Board and PPA is yet to be concluded shortly. Construction work is expected to begin by end of the year and the power plant is scheduled for commissioning in the subsequent 18 months.

NCL Energy is setting up the 8.25 mw (3 x 2.75 mw) hydel power plant at Hospet in Bellary district of Karnataka. The plant will be located across River Thungabadra. The company has finalised the contractors and equipment suppliers and signed the PPA with KPTCL. As of January 2004, civil works were underway. The first unit is expected to be commissioned by September 2004, second unit by October and the third unit by November. NCL Energy is also planning a 9 mw hydel power plant near Bhubaneswar in Orissa. The company has recently signed an MoU with the Orissa government.

NHPC is to implement the 1000 mw Siang Middle hydel power project in Arunachal Pradesh. Pre-qualification bids were invited from contractors on global basis in January 2004 for construction of concrete face rockfill dam, diversion tunnels & diversion tunnel gates, headrace tunnel, pressure shaft and underground power house.

100,000 MW Projects Likely in Ten Years

The enactment of the Electricity Act 2003 last year will lead to the addition of more than 100,000 mw power projects in 10 years. Also, with the government's focus on rural electrification, 175,000 small scale power projects will be set up over the next seven years. By the end of January 2004, four power projects, totalling a capacity of 1097 mw, will reach financial closure, three being in Andhra Pradesh and one being in Tamil Nadu. Over the next six months, about 18 generation projects totalling a capacity of more than 7500 mw are also slated for financial closure. With an increase in generation, simultaneous growth is expected in the distribution capacities as well.

With power consumption in India currently at 350 kw hours compared with 650 kw hours in China and 9000 kw hours in Europe, the consumption in India is expected to spurt. The industry is expecting several private players to enter the distribution and transmission sectors. The potential for the industry is Rs 80 bn per 100 mw. Against this backdrop, the Indian power sector, currently at Rs 450 bn and growing at the rate of 10 per cent, is expected to double by 2004.

Reliance to Set Up 3500 MW Dadri Project

The Reliance group proposes to set up a \$2.2 bn, 3500 mw gas-based power project for Uttar Pradesh (UP) at Dadri in the Ghaziabad district of the state. The site selection ensures the least cost of delivered power by optimisation of site development expenses, proximity to gas and water sources and well developed infrastructure facilities.

The proposed power project using environment-friendly natural gas as fuel will be located 40 km from New Delhi and will be well-connected for easy transportation of equipment, leading to speedy implementation of the project. The Dadri site is close to the water source for the project. The main Ganga canal is just 2-3 km from the site and the Hazira-Bijapur-Jagdishpur (HBJ) gas pipeline is at a distance of 15 km. The Power Grid's Dadri sub-station is 8 km from the site, which will ensure easy evacuation of the power produced by the plant. The site location is suitable to supply power to Delhi, UP and adjoining states.

Billed as the largest gas-based power plant in the world, it will use gas from the Dhirubhai Ambani gasfields of Reliance Industries in the Krishna-Godavari basin in the Bay of Bengal. This gas will be first brought to Hazira in Gujarat and then fed to the proposed power plant using the HBJ pipeline. Out of the 60 mn cubic metres a day capacity of the gasfields, 10-12 mn cubic metres will be used in this project. This project, to be developed in stages, will be the largest power generation plant in the country at a single location. The company had earlier announced that the first phase would be finished within three years from start.

PM Dedicates Three Projects to Nation

The Prime Minister, Mr Atal Bihari Vajpayee, has dedicated to the nation three major power sector projects that have been in commercial operation for at least six months. These are National Thermal Power Corporation's (NTPC) Rs 36.50 bn power plant, National Hydro-electric Power Corporation's (NHPC) Rs 16.84 bn Chamara Hydro project and Power Grid Corporation India Ltd's Rs 2.63 bn transmission project in the North East.

The Prime Minister emphasised the role of good infrastructure for speedier development of the nation and conceded that power shortage has proven to be the bane of economic development. He has also reiterated his commitment to the cherished goal of electricity for all houses by 2012 through a conducive policy environment.

Thermax Focus on 50-100 MW Range Plants

Energy and environment management solutions provider Thermax Ltd plans to focus on pursuing EPC (engineering-procurement-construction) contracts in captive power generation to fuel growth in its cogen division. Thermax will also focus on growing the business in the 50-100 mw capacity range, for which it will start preparation in the coming financial year. The company has bagged a Rs 745.7 mn EPC contract for setting up a 25 mw coal-based captive power plant for Kanoria Chemicals and Industries Ltd in Uttar Pradesh.

PowerGrid Corp to Construct Transmission Lines for Power Projects

PowerGrid Corp is to construct transmission lines associated with various power projects in the joint sector. Offers were invited from global contractors in February 2004 for executing the transmission systems associated with 800 mw Parbati stage II hydel power project in HP and 800 mw Koldam hydel power project in Bihar. This involves construction of Parbati-Koldam 400 KV 2 circuits (quad conductor) for a distance of 149 kms and construction of Koldam-Ludhiana 400 KV DC line (triple conductor) with a route length of 153 kms. Offers have also been invited for establishment of specific transmission lines associated with 1000 mw Maithon thermal power station. The contract includes construction of Balia-Unnao 765 KV SC line (332 kms), Unnao-Agra 765 KV SC line (287 kms), Meerut-Malerkotla 400 KV DC line (250 kms) and Agra-Meerut 400 KV DC line (259 kms). The two transmission projects are proposed to be implemented on a build, own, operate and transfer (BOOT) basis by the new JVC under an implementation agreement to be signed by the private promoters with PowerGrid. The corporation will have equity holding in the range of 26% to 49% in the new company while the balance will be retained by the co-promoters.

Maharashtra to Buy 1100 MW from Dabhol,

The Maharashtra Cabinet has committed the state to purchasing 1100 mw of power from the revived Dabhol Power Company (DPC). The state government has constituted a negotiating committee, the Kawle committee, under principal secretary (energy) Jayant Kawle to consider a proposal of Industrial Development Bank of India and union finance ministry seeking multiple incentives for the promoters of the DPC power project.

Currently, the British Petroleum/Tata Power Company (TPC) combine, British Gas, Shell and Reliance Power are seeking to take over the DPC project.

The state government is evaluating the proposals regarding several incentives for the new promoters of the DPC project and is keen on scaling down the Rs 2.80 per unit tariff proposed by the promoters to a more reasonable level. In order to factor in the foreign exchange fluctuations as well as the international prices of naphtha, the government has sought a cap on tariffs, so that the price of DPC power does not spiral.

The package of incentives sought, aims at keeping the tariff per unit of power affordable. For instance, whenever the DPC project is sold to a new power company, the buyer will be required to pay a huge stamp duty. This cost would in turn be loaded on the tariff of the revived DPC plant. So stamp duty is being sought to be exempted. Similarly, customs duty on the equipment imported for the project by Enron has not been paid and the buyer will have to pay this. This is being sought to be exempted. DPC also has unpaid Maharashtra State Electricity Board bills against which several rebates had been accorded to DPC. The state government is considering whether the entire or part of this amount may be set off to facilitate

IBP to Expand its Cryogenic Business

IBP Co. Ltd is banking on an alliance with the US-based firm, Chart to raise revenues of its cryogenic business group to Rs 2 bn over a period of time. As per the company, the arrangement with Chart with whom a MoU was signed recently would allow IBP to make its mark in the LNG transportation business which in turn would help in raising turnover of the cryogenic business. IBP has only one major domestic competitor in the cryogenic business in the form of Inox India Ltd. With reduced tariff protection in the sector, a small number of foreign companies are trying to enter this market.

Competition from the foreign players is less in the case of the larger aluminium cryogenic containers and stainless steel industrial containers because of transportation costs. IBP is also hoping to gain in the long term from a separate alliance with a domestic provider of automotive repair services and spare parts. The Union government is also in the process of divesting its remaining 26% stake in IBP. The offer is being made through a 100% book building process where in up to 50% of the offer would be allocated on a discretionary basis to qualified institutional buyers. Non-institutional bidders and retail bidders would be allocated not less than 25% each.

Imported Oil Equipment May Get Duty Waiver

The Finance Ministry is under pressure to grant a customs duty waiver, with retrospective effect, on equipment imported for oil exploration by foreign and private firms which had production sharing contracts with the government over a decade ago. The loss to the exchequer would be close to Rs 1.85 bn if the waiver is granted to the consortium. The production sharing contract came into force in 94, after three rounds of bidding failed to evoke a favourable response from private and foreign companies. Four fields were given for commercial exploitation to private players.

In 94, the duty waiver was given only to two categories of players in the consortium. First, where the production sharing contract was between the government, national oil company and a domestic company. Second, where the contract was between the government, national oil company and a foreign company. The third category where the production sharing contract was between the government, national oil company, a private sector domestic company and a foreign company did not qualify for customs waiver.

The government had a production sharing contract with a consortium comprising of ONGC, the erstwhile Enron Oil (now British Gas India), and Reliance Industries for production of oil and gas from Panna-Mukta and Tapti. Ravva in the Krishna Godavari basin was offered to a consortium led by Videocon and Marubeni of Japan. The Central Board of Excise and Customs has powers under the legislation to grant exemptions, with retrospective effect, to regularise a past practice. In this case, the justification could be that the notification issued in 94 was not in sync with the policy announcement. Although the issue has been referred to the law ministry, the latter is understood to be fighting shy of taking a decision.

Numaligarh to Sign MoU with Oil India

Numaligarh Refinery Ltd (NRL), the subsidiary of BPCL, is likely to sign MoU with hydrocarbon major Oil India for the Numaligarh Siliguri pipeline project estimated to cost Rs 6 bn. The proposed 650 Km pipeline project is aimed at reducing the evacuation time and cost of processed petroleum products from North East. Against an earlier plan, where all the three parties, Oil India, BPCL and NRL were planning to work as a consortium, the current view is that they will be working separately in the project.

Oil India will construct the pipeline. NRL and BPCL will construct the loading and evacuation facilities in Numaligarh and Siliguri. The MoU between NRL and OIL is expected to relate to issues like freight for transportation of products from Numaligarh to Siliguri as OIL will construct the pipeline on build, operate and own basis. NRL and BPCL will pay freight to OIL for transportation of processed oil products. NRL is willing to pay freight of around 75% of the railway transportation cost. However, OIL is pushing for 90% of the railway transportation cost from Numaligarh to Siliguri. NRL has completed the detailed project report (DPR) of the proposed Numaligarh-Siliguri pipeline in October.

Govt Plans Differential Pricing for PSU Issues

The government is planning to go for differential lower pricing for retail investors when offloading 24% stake in IPCL. The idea is to enable retail and largely middle-class investors to invest and gain from the capital market. SEBI has responded by relaxing its normal public issue guidelines for the current crop of public issues, where the government is offloading equity. Analysts say this could be a boon for retail investors. They would be able to acquire IPCL shares at a lower price compared to other large and institutional investors. They could also make a profit if the share price trades at a premium after the public issue. The government is selling 59 mn shares, or close to 24% of its stake, in the company. The number of shares on offer could rise if Reliance Industries, which controls the management, exercises its option to buy a 5% stake and take its overall holding in the company to 51%. Kotak Mahindra Capital Company, SBI Capital Markets and JM Morgan Stanley are the advisors to the issue. The government may also consider a similar differential pricing for all other public offers ONGC, Gail, IBP, CMC and Dredging Corporation.

Oil Cos to Lose Rs 15 Bn 'Tax Sops'

The annual fiscal benefit of close to Rs 15 bn extended to Reliance Industries, Indian Oil, Bharat Petroleum and other oil companies has ended with the Interim Budget announced by finance minister Jaswant Singh in the first week of February '04. According to the Interim Budget, the compensation for irrecoverable taxes, for which the companies were paid this benefit from the central government, has been revised to Rs 2.01 bn against the budget estimate for 2003-04 of Rs 15.70 bn. For the year 2004-05, it has been pegged at 0.

TRAI May Snap the Line to Special User Tariffs

The Telecom Regulatory Authority of India is examining the legality of special tariffs offered by operators to a select group of users. These lower tariffs are offered under special schemes, such as family and friends (F&F), closed user group (CUG), virtual private network (VPN), among others.

The regulator is looking at whether differential tariffs within a network should be discontinued as such schemes are 'discriminatory'. Alternatively, these schemes could be allowed after certain terms and conditions are put in place. These options were discussed in a consultation paper - Application of Principle of Non-Discrimination in Tariff Schemes - like CUG, VPN, F&F etc. Under special schemes, telecom operators offer a lower call rate compared to the existing tariff. These schemes are very popular among corporates, who usually opt for them to ensure communication with their sales teams or people they need to be constantly in touch with.

On principle, TRAI does not permit operators to discriminate between its own users and users of other companies. The concern of the authority is whether such tariff plans would amount to dilution of the principle of non-discrimination that it emphasises upon.

The issue is complex because going by the definition of a CUG/VPN, tariff concessions applicable to these subscribers cannot be extended to subscribers of another network. Besides, TRAI is aware of the fact that the CUG/VPN service satisfies legitimate interests of various organizations.

In consideration of these complexities, TRAI has issued a consultation paper that seeks to answer three questions. First, whether differential tariff for calls within the network should continue to be treated as discriminatory. Second, whether CUG and VPN tariff schemes should be disallowed as they involve differential call charges and thus amount to discrimination. Third, whether certain terms and conditions are to be prescribed by the authority to ensure that these schemes are not misused. The paper further seeks a discussion on appropriate criteria to define the aforesaid conditions.

Ericsson Signs \$400m Network Maintenance Pact with Bharti

Bharti has announced a \$400m contract to Swedish telecom major Ericsson to manage, maintain and provide quality assurance in its ten existing and three new circles, as a part of which Ericsson will take over 250 Bharti employees. As part of the three-year agreement, Ericsson would deliver equipment and servers based on Bharti's capacity requirement and the payments to be made by Bharti to Ericsson would be linked to actual capacity utilisation. With this three-year contract, Ericsson will build and manage Bharti's mobile networks in Delhi, Haryana, Punjab, Himachal Pradesh, UP (west), Andhra Pradesh, Tamil Nadu, Chennai, Karnataka and Kerala and the three new circles of Rajasthan, UP (east) and Jammu & Kashmir.

Decision on FDI Limit in Telecom and VSNL Likely After Polls

As per Telecom minister, Arun Shourie, the issue of increase in the FDI limit for telcos is likely to be taken up only after the forthcoming elections. As regards the disinvestment of the residual VSNL stake, Mr Shourie said that the delay was due to certain issues regarding how to sequester the surplus land (of VSNL). The government is looking at various options like transferring the land to a shell company or allowing VSNL to use the property after making a substantial payment. On the issue of introducing consumer access code (CAC), the minister reiterated the government's confidence that the changes brought about allowed the consumers to choose their operator and helped them widen their choice. Regarding intra-circle mergers and acquisitions, he said that the rules would be announced soon.

India's Cell Growth Outpaces China's by Four Times: Gartner

As per a report by Gartner, India's cellular growth is currently four times faster than China. In percentage terms, India is the fastest growing market in Asia, followed by Indonesia and the Philippines. China is the fourth-fastest growing market in Asia. However, China has the highest subscriber base of 270 mn mobile subscribers among all Asian countries. India, in contrast, has a total of over 30 mn subscribers.

Due to the spectacular growth in cellular telephony, most operators are currently focussed on investing in the cellular sector. However, there is a need to balance the investments and the challenge is to direct some of the investments into fixed line. The other challenge before the country is how to redirect investments into rural areas.

India's STD & ISD Call Rates Still High

India's international and domestic long-distance services are still not competitive and prices are still high compared with other competitive markets, research firm Gartner finds after an evaluation of telecom services for large enterprises with extensive networking requirements.

Demand is growing at a tremendous pace due to the robust economic growth and the acceleration of IT outsourcing to India. But telecom is not keeping step with large enterprise requirements and this could imply disruption in the momentum for further growth.

According to Gartner, prices have dropped significantly in the last two years, particularly for voice services. Although the cellular market is becoming competitive, the industry might see growth but without profitability, which is not desirable. Moreover, prices are still high when compared with competitive markets.

Gartner has pointed out that despite India being viewed as an attractive outsourcing destination, the call quality from India is presently nowhere close to international standards and needs to be improved. India has a long way to go before it matches best practices in service quality in developed countries.

Chinese Telecom Gear Helped Bring Down Prices: DoT

The Department of Telecom (DoT) has defended procurement of Chinese equipment by the two PSUs - Bharat Sanchar Nigam (BSNL) and Mahanagar Telephone Nigam (MTNL).

Chinese companies like Huawei, UTStarcom and ZTE are responsible for bringing down the price of equipment quoted by all vendors, DoT has informed the Ministry of External Affairs.

The DoT also pointed out that there is no such policy banning them from supplying equipment to private telecom companies here.

Earlier, the external affairs ministry had sent a letter to DoT saying that BSNL and MTNL should take its approval before floating tenders. DoT has replied that it was not possible as the PSUs do not know in advance who would participate in their tenders.

Chinese equipment is extensively used by private companies in India. Reliance Infocomm, India's largest private sector telecom company, is using equipment manufactured by UTStarcom. Himachal Futuristic Communications is using equipment by both Huawei and UTStarcom. Tata is using Chinese equipment in its network. Videsh Sanchar Nigam is using Huawei equipment.

DoT has also pointed out that the Chinese companies are multinational firms and are supplying equipment in all continents. None of these countries has ever faced any kind of security threat. All GSM switches now supplied by Motorola are now manufactured by Huawei. In a recent tender floated by one of the two PSUs, Motorola has quoted price for the GSM switches made by Huawei.

DoT has urged the MEA to come out with clear guidelines on the issue and stated that the PSUs should be allowed to procure equipment manufactured by the Chinese companies.

Idea Plans to Buy in '04, to Raise Funds Via an IPO

Idea Cellular is looking to expand its operations via acquisitions. To finance these takeovers, it is thinking of going in for an IPO. The company would like to acquire contiguous circles that are operating in the 900 Mhz range. The company expects to acquire at least one more circle within this calendar year and has recently announced its decision to buy Escotel, which provides services to Kerala, Haryana and UP (West).

Hexacom, Spice, Aircel and BPL are regional operators that are willing to exit at an attractive price. But Idea has presently refused to disclose operators with whom talks are at advanced stages.

While Idea Cellular plans to finance these expansion plans via an IPO, it is yet to take a final decision on the issue size. The funds raised through the IPO will be used for both new acquisitions and expansion of existing networks.

VSNL Set to Acquire Tata Power Broadband

Videsh Sanchar Nigam (VSNL) is close to buying out Tata Power Broadband. The deal is likely to come through soon after Tata Power Broadband becomes a company and a wholly owned subsidiary of Tata Power. Indications are VSNL will acquire Tata Powers' 100% holding in Tata Power Broadband. VSNL is close to concluding its due-diligence of Tata Powers broadband division by an independent third-party agency. The deal's commercial details are not being disclosed and the VSNL-Tata Power Broadband consolidation proposal will be shortly placed before the VSNL and Tata Power boards. VSNL, it is learnt, is keen to close the deal before March 31, '04. The valuation details of Tata Powers broadband business or the possible payment mode have not been disclosed.

MTNL to Go Global Via Mauritius Arm

Mahanagar Telephone Nigam Ltd (MTNL), which is planning a mega foray into international markets, will use Mahanagar Telecom (Mauritius) Ltd as its vehicle for overseas expansions. Mahanagar Telephone (Mauritius) Ltd, a wholly-owned subsidiary of MTNL, has signed licences for operating fixed, mobile and international long distance services (ILD) in that country.

The services are expected to be operational within six months and the company has also acquired licence for providing fixed line telecom services in Kenya. It is providing CDMA-based mobile services in Nepal and also plans to bid for licences in the Gulf and CIS countries. Initially, the rollout in Mauritius will be for 15,000 lines. The company is setting up a CDMA-based network. It will offer dual handsets that work on both CDMA and GSM for subscribers' benefit.

MTNL would be the first operator to offer WLL services based on CDMA 1x technology and would be the third operator in GSM-based mobile telephone services.

Mauritius Telecom is the only ILD service provider in Mauritius and MTNL would be the second ILD operator. However, MTNL is not allowed to provide ILD services in India. Government had committed to the Tata group that VSNL would be a preferred ILD carrier for MTNL and BSNL for a two-year period ending February 2004.

Use Your Landline for Net Telephony

Bangalore based DLink, a joint venture firm has come up with a two-in-one VoIP phone which also works like an ordinary landline phone. The extra fitting on the phone is a green button which when pressed transports you on to a service provider like Sify, or any other ISP and you just have to dial the US or Japan number and get connected. The technology offers a major price advantage over land technology (Rs 24 per minute) and mobile technology (Rs 16 per minute) and costs only about Rs 5-6 per minute. This new system offered helps avoid the earlier procedure of booting the computer which has to be fitted with a headphone and mouthpiece and then connect to your ISP and use the free soft phone ware to dial the overseas number.

Rs 14.28 Bn for PM's Rural Road Plans

The Ministry for Rural Development has approved the Rs 14.28 bn proposal for construction of additional 7582 km of rural roads under the third phase of the Pradhan Mantri Gram Sadak Yojana for this fiscal. This project is for seven states — Andhra Pradesh, Chhattisgarh, Gujarat, Madhya Pradesh (MP), Maharashtra, Orissa and Nagaland. The approval of the third phase is likely to benefit inhabitants of 3172 rural habitations in these states. In Andhra Pradesh, 1154.30 km of rural roads will be constructed at an estimated cost of Rs 1.42 bn. The total number of roads approved for construction is 375, which will benefit 597 habitations. In Chhattisgarh 1872.72km will be constructed at an estimated cost of Rs 4.12 bn. The state will have 375 new rural roads benefitting 790 habitations.

In Gujarat, 323.99 km rural roads construction have been approved at an estimated cost of Rs 452.1 mn. The state will have 142 new rural roads benefitting 190 habitations. In MP, 2066 km rural roads have been approved for construction at an estimated cost of Rs 4.24 bn. The state will have 412 new rural roads benefitting 665 habitations.

Indian Railways Enters Hi-tech Age

Indian Railways (IR) has entered the new hi-tech age with the introduction of several measures to provide hassle-free travel to the modern-age passenger. The interim railway budget has proposed a pilot project enabling passengers travelling on select Shatabdi Express trains to book reservations through Internet and occupy their reserved seats on the basis of a computer generated slip. The pilot project is proposed to cover a new horizon, namely ticketing of the reserved segment.

The railways have also introduced the facility of train reservations through mobile phones. The Indian Railway Catering and Tourism Corporation has developed technical ability to enable cell phone operators to integrate their system with the railways and this facility will be offered to all cellphone operators.

In the event of delayed departure of Rajdhani, Shatabdi and Jan Shatabdi trains by more than 30 minutes, passengers who so desire can get information regarding this on their mobile phones through SMS. Initially, this facility will be made available as a pilot project for such trains departing from Delhi area. The Tatkal services have also been extended to all trains to enable the passengers to travel at short notice.

Subsidy Cap on Highway Projects

The government has decided against lowering of subsidy cap on highway projects. The Ministry of Road Transport and Highways is in opposition to the finance ministry's proposal to bring down the cap to 25% from 40%. Build-operate-transfer (BOT) projects under the National Highway Development Project (NHDP) are awarded to those private bidders who quote least subsidy requirement. Bidders can, at present, quote up to 40% of project cost for availing a capital grant (subsidy). The new subsidy plan was to be applied to projects being undertaken under the Rs 400 bn Pradhan Mantri Bharat Jodo Pariyojana.

Railways Re-enters Power Generation with a 1000-MW Plant at Nabinagar

The railway ministry and the power ministry have jointly laid the foundation stone of a 1000 mw (4x250) thermal power plant at Nabinagar in Bihar. The Rs 50 bn Nabinagar plant will be set up along with National Thermal Power Corporation (NTPC) through a joint venture (JV) company called Bharatiya Rail Bijlee Company. Both the partners will be going ahead with the plant through their own funds. A formal Cabinet approval for the new company will be sought later along with the mega project status, which will save project cost by way of exemption in import duty on machinery as well as excise duty. This normally translates into a 7-8% reduction in tariffs.

The project will have a debt-equity ratio of 30:70 with the Railways holding 51%. This works out to be about Rs 7.65 bn worth equity to be put in by Indian Railways (IR) over seven years, while NTPC will be chipping in with Rs 7.35 bn. The remaining sum will be raised through market borrowings by the JV company.

The plant will cater to the requirements of IR in Bihar, West Bengal, Orissa, Jharkhand, Chhattisgarh, MP, Maharashtra and Gujarat. The plant is expected to generate power at Rs 2.64 per unit at a plant load factor of 68.5 per cent. IR expects to save Rs 4 bn on its electricity bill once it begins to use its own power, since at present it buys power at an average rate of Rs 4.28 per unit from state electricity boards. The plant, after full operation, will have an annual requirement of 5 mn tonne coal, which will be sourced from the north Karnpura region, about 210 km from the site. An MoU signed by the two sides in February 2002 has a provision for captive power plants with a capacity of 2000 mw.

IR Kicks Off New Safety Norms

IR (Indian Railways) has introduced a need-based concept of ultrasonic fault detection (USFD) of rails, under which the tracks are required to be tested after the passage of eight gross million tonnes (GMT) of traffic. At present, testing is done manually, a strenuous and time-consuming process that largely depends upon human judgement. IR plans to get the testing done through spurt cars, where identified locations can subsequently be confirmed by manual testing. The improved versions of two spurt cars may be procured by '04 and three more by '08.

Moreover, efforts are afoot to acquire the latest technology of AT welding of rails, currently being followed on developed railway systems. Meanwhile, work costing Rs 300 mn from the Special Railway Safety Fund (SRSF) has already been sanctioned, to be completed by '05.

IR along with Steel Authority of India (SAIL) has also decided to produce 65 to 78 metre-long rails, which will be welded in the Bhilai Steel Plant to make 240 to 260 metres long rail panels. These will be directly transported to the site, thereby reducing the number of welds, which would reduce multiple handling of rails and improve quality. For transportation of larger rails, ten mechanised rakes will be procured under a rolling stock programme and are likely to be commissioned by '05-06.



Eols Invited for Delhi, Mumbai Airports Revamp

The Government has invited expressions of interest (Eol) for restructuring and modernisation of the airports in Delhi and Mumbai through private sector participation.

The Government has stipulated that any interested party or consortium submitting an Eol should have a minimum net worth of more than Rs 5 bn. In case of a consortium bid, the combined net worth of only the 'prime members,' as defined in the Invitation to Register Expression of Interest document, shall be considered for the purpose of meeting the net worth criterion of more than Rs 5 bn. The deadline for interested parties to submit the Eol for participating in the project has been set as June 4. The Government plans to have a two-stage selection process. The first stage involves the issuance of the Invitation to Register an Expression of Interest before which the pre-qualifying entities/consortia submitting the Eol, have to meet certain pre-decided qualification criteria.

In the second stage, the Request for Proposal document would be issued to the short-listed entities/consortia, which are invited to submit their technical and financial bids.

The interested parties would be required to demonstrate airport operations and management capabilities and expertise, financial resources and commitment. Both the airports are to be restructured and modernised through the formation of separate joint venture companies in which AAI and other public sector entities of the Government would together hold 26 per cent equity. The remaining equity stake is to be held by the private sector partner(s).

The joint venture companies will have a long-term concession to operate the respective airports. Besides, key functions such as air traffic services, security, customs, immigration, quarantine and meteorological services will continue to be performed by the various government agencies.

Southern Ports May Cut Vessel Rates

The government may reduce the vessel-related charges of container vessels handled by Tuticorin, Cochin and Chennai ports 70-75% to bring them on a par with the Colombo port. The shipping ministry, however, proposes to exclude feeder vessels from paying the lower tariffs in a new tariff order expected shortly. According to the estimate made by a committee for reviewing vessel-related charges, which submitted its report in March 2003, Colombo's vessel-related charge was \$2.62 per 20 foot equivalent unit (TEU), which was much lower than that of other ports in India. The TEU rate at Chennai is \$8.86, at Tuticorin it is \$11.23 and \$9.87 at Cochin.

The actual tariff structure is still being worked out but the aim is to make Indian ports more competitive vis-a-vis neighbouring ports and attract the transshipment traffic, which at present is routed through Colombo. The reason for excluding feeder vessels was that the ministry wanted to encourage more mother vessels to call on Indian ports.

Airports Landing Charges Reduced

The Indian government has reduced the landing and user charges at airports. In a recent statement, it said that the decision has been taken to make air travel affordable and to encourage connectivity to smaller places.

Landing charges have been reduced by 15% of the current rates for domestic flights subject to the condition that airport charges are paid within the credit period of 15 days. However, if paid late, existing rates will be applicable. The airside-user charges at five airports declared as international airports, (excluding Bangalore and Goa), would continue at the same rates as those of domestic airports, till March 31 this year. This rule would, however, not apply to the airports at Calcutta, Delhi, Mumbai, Chennai and Thiruvananthapuram.

The government has also announced that landing charges will be waived for all aircraft and helicopters with a maximum seating capacity of 80. At the same time, route navigation facility charges of 20 per cent of the applicable rates of weight-cum-distance-formula would be levied on aircraft with maximum all-up-weight of 10,000 kg. For those over 10,000 kg and up to 20,000 kg, 40% charge would be levied.

Indian Govt Confident of Meeting ISPS Deadline by Ships and Ports

The Indian government has expressed confidence that the International Ship and Port Facilities Security code would be implemented across the shipping sector by July 2004, the deadline set by International Maritime Organisation. The ISPS code has been introduced by the International Maritime Organisation (IMO) for safety of life at sea to enhance maritime security after the terrorist attacks on ships and post 9/11. The objective of the code is to establish an international framework involving cooperation between contracting governments, shipping companies and ports to detect and assess security threats and take preventive measures to protect ships and port facilities in international trade.

Meanwhile, a record traffic of 330 mn tonnes was handled during 2003 by all the ports achieving a growth rate of 8% while Jawaharlal Nehru Port Trust became the first in India to handle two million TEUs. The ministry has also approved a proposal for the first time to restructure the cadre of port and dock officers.

Concession Period for BOT Projects at Ports to be Extended to 99 years

The last big impediment to better private sector participation in setting up cargo handling facilities at the Government-owned major ports is set to be removed with the shipping ministry mooted a Cabinet proposal to extend the maximum concession/lease period for build, operate and transfer (BOT) projects from the existing 30 years to 99 years. This plan forms a part of the ministry's note seeking an "in-principle" approval for the Sagar Mala project from the Union Cabinet. After the Cabinet approves the proposal, the policy change in the concession/lease period will be implemented.

Get Diesel Vehicles Off Delhi Roads-CSE

In an assessment, a Delhi-based NGO "The Centre for Science and Environment" has stated that Delhiites are moving away from petrol-fuelled cars towards more polluting diesel-fuelled vehicles and has demanded that either a fiscal policy be introduced to enforce clean diesel standards or diesel vehicles be disallowed. The NGO claims that the vehicle registration figures reveal a "veritable explosion" in diesel passenger cars in the Capital - a 106% annual incremental increase since 1998-99 against 12% for petrol cars. The diesel car share, just 4% of new registrations in 1999, climbed to 16% in 2003. The bigger jeeps, or SUVs, show a growth rate of 18 per cent. The personal car segment is riding high on the cheap and toxic fuel at a time when evidence of the cancer-causing potential of diesel pollutants is pouring in from abroad, says CSE.

As per The Energy and Resources Institute (TERI), the increasing numbers of diesel cars establish the need for cleaner diesel, reducing emissions to 50 parts per million, one-tenth of what it is now.

Central Bodies Suggest Water Auditing

As a follow-up to the recent recommendations of the joint parliamentary committee (JPC) on carbonated soft drinks about the need for safe drinking water, the Central Water Commission (CWC) and Central Ground Water Board (CGWB) have jointly formulated draft guidelines for auditing water usage and maintenance of water quality. Since this falls under the purview of the states, under the Constitution, the CWC and CGWB have suggested formation of water audit cells in all states, making it mandatory for monitoring.

The JPC has recommended that section 2(v) of the Prevention of Food Adulteration (PFA) Act be amended to include ordinary drinking water as a 'food item.' The quality norms formulating body, Bureau of Indian Standards (BIS) has already recommended the same standards for ordinary drinking water as is at present being applied for packaged drinking water. The JPC had also noted that though the government set up the Water Quality Assessment Authority on May 29, 2001, this empowered body had been able to conduct only two meetings so far. The CWC and the CGWB, in this context, suggested auditing of water for use in domestic purposes, agriculture, industry and for use by other sectors. There are, at present, three methods of calculating of water loss in its movements through canals and distribution network. These three methods are the velocity area method, weir method and meter flume method.

Govt Plans Urban Growth Clusters

The Indian government is planning to develop economic growth clusters in urban areas, which could attract \$20-30bn investments in the next five years. A similar plan for rural areas is also under consideration to push-up the GDP growth rate in the country. The concept of developing growth clusters was approved by Cabinet and 5000 rural clusters have been identified. Referring to the plan for providing urban facilities like road, power, water, telecom, health services and education to rural India, the Centre has emphasised on the importance of rural clusters as they would directly provide various amenities that will boost agriculture production. Two leading chambers, Assocham and BCCI have proposed setting up of a task force under PMO with representation from the Ministry of Finance, state governments, IIM, IIT and IDFC to work out the details of economic growth clusters in and around Mumbai, Delhi, Chennai, Kolkata and Hyderabad.

As per the BCCI president and IDFC MD Nasser Munjee at least two national clusters are needed - one in Mumbai-Pune-Nasik and the other in Delhi-Noida-Gurgaon. The other three clusters could be around Kolkata-Haldia, Chennai-Pondicherry-Bangalore and Hyderabad-Vishakhapatnam. The need to develop growth clusters in and around metros was proposed considering the lack of urban infrastructure that was impeding growth of economic activities in prime cities. An IDFC survey on top 100 corporates revealed that 82% of them were downsizing activities in Mumbai as their cost of doing business was rising and they had problems in hiring young labour force. The timing for development of the cluster becomes important as a manufacturing hub would require more time than those focused on IT and agro-processing.

Urban Water Supply May Be Thrown Open to Private Sector

The Indian government has put its first strong step forward towards privatisation of urban water supply and sanitation services by preparing detailed legal, policy, regulatory and financial guidelines for circulation to the states and other key stakeholders. Conservative estimates place the market size of the emerging water market in India at Rs 100 bn and mark it as a growing sector. The central guidelines strongly recommend institutional separation of operational aspects of service provision from policy-making and regulation. Recognising the crucial role of a legal framework in sector reform involving the private sector, the Centre envisages a single urban water supply and sanitation law backed by the State Municipal Act.

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