



India Infrastructure Update



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POWER

Rs 170 Bn Boost for Rural Power

The government is working out a roadmap to involve central power utilities like the National Thermal Power Corporation (NTPC) and Powergrid Corporation of India Ltd to implement its Rs 170 bn rural electrification programme. The role of the Rural Electrification Corporation is also to be expanded beyond that of a funding agency to encompass project implementation as well.

The power ministry has proposed a five-year rural electrification programme through increased central assistance aimed at making electricity available in all villages. A special emphasis is planned in six states — West Bengal, Assam, Orissa, Jharkhand, Bihar and Uttar Pradesh — where 85-95% of the villages do not have power supply.

The power ministry's rural electrification plan envisages four elements beginning with the Rural Electrification Distribution Backbone (REDB) with a network of 33x11 Kv sub-stations in every block. Feeders from these sub-stations will take the electricity to distribution transformers in villages. Such transformers are proposed to be put up in all big villages across the country to ensure that power flows into rural households.

Under the scheme, state governments have to ensure that there would be proper metering and collection of dues from the consumers. The Centre is in favour of states roping in non-governmental organisations (NGOs), co-operatives and even franchising the collection activities.

Powergrid currently assists the Bihar government in implementing a rural electrification programme. The public sector undertaking has set up a separate division and is to sign an agreement with the Rural Electrification Corporation for implementing the rural electrification initiative. Funds would be made available to the states for the rural electrification initiative and they would, in turn, rope in the public sector undertakings to implement the scheme.

Inside

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

A.P. Firms Gearing for Bio-fuel Projects

The enormous potential of alternate fuels, like bio diesel, is beginning to attract enterprising entrepreneurs willing to venture into a greenfield area. Awareness in India is only now giving shape to projects. In Andhra Pradesh four companies are seriously into it — Southern Online Biotechnologies (SBT), Tree Oils Ltrs (Zaheerabad), Naturoil BioEnergy, and the GMR group.

Others include Vridheshwar SSK Ltd (Ahmednagar, Maharashtra), The Simbhioly Sugar Mills (Ghaziabad, Uttar Pradesh), Mewar Sugar Mills (Jaipur), SM Dyechem (Thane, Maharashtra), R. S. Petrochemicals (Punjab), and Progressive Petroleum (Mumbai). The Aditya Birla group proposed a project in Malaysia, which did not come off. The entrepreneurs feel that the Government should offer incentives to offset risks of a greenfield area. Favours like sales tax exemptions, income tax holidays and duty free import of non-edible oils (till indigenous raw material is available) are part of the industry expectations.

Tenth Plan Target Achievable

The country will achieve the 10th Plan target of adding power generation capacity of 41,000 mw. Of the proposed additional 41,000 mw capacity, 36,000 mw have already been implemented. For the remaining 5,000 mw, letters of awards have been distributed. Post the Electricity Act 2003, private sector interest in power projects has been revived. In the last six months, eight private power projects have achieved financial closure and by sept/oct this year, another 8 to 9 private projects will. These will total up to 9000 mw. The union government has proposed to add 50,000 mw capacity of hydroelectric power and 100,000 mw of thermal power capacity, which is expected to be implemented in the 11th, 12th and 13th plans.

Ten major power projects totalling 3,472 MW have achieved financial closure through the inter-institutional group (IIG) approach. The major projects which have secured financial commitments include Torrent's project in Gujarat, Jindal group's Raigarh project, GVK's Gautami power project, the Mangalore thermal power project of the Nagarjuna group and the Malana-II project in Himachal Pradesh. The number of projects shortlisted for the fast track clearance add up to an additional capacity of 8,067 mw. With as many as many as 10 power projects already tying up their finances under this scheme and another eight expected to achieve financial closure, the government is keen on extending this funding approach to other infrastructure areas as well.



Rajasthan Moots Power Sector Reform Law

Taking a major step forward in the power sector reforms, the Rajasthan government has circulated a draft of a new electricity Bill aimed at providing “universal access to reliable and affordable electricity” by eliminating “inter-connected chain of monopolies”. Though Rajasthan was the first to initiate the power sector reforms in 1999 by unbundling its state electricity board and setting up five different power utilities and a regulatory commission but further reforms like privatisation of power utilities were bogged down. The proposed legislation, in accordance with the Electricity Act, aims at “restructuring, de-centralising, opening up and making accountable the present monopolistic functioning of power sector. The draft Bill provided for “enabling framework necessary for attaining growth with equity. The draft stipulates a “state-specific industry structure” aimed at eliminating inter-connected chain of monopolies that “withhold consumer choice, and competition is expected to bring about efficiency improvement and cost reduction”. The Bill also addresses several flaws in the regulatory framework and makes the regulatory panel, set up under the Rajasthan Electricity Reforms Act in 1999, accountable to the legislature and the people.

GSEG Shelves 250 MW Expansion Plan

The first phase (250 mw) of the Gujarat State Energy Generation Ltd (GSEG) power plant expansion plan has been put on the back-burner. This has been decided by the management due to an increase in the input costs and the low return on capital employed in the power projects. GSEG is managed by Kribhco. The cost of the gas where the plant is situated is around \$5 per mmcmd, which is not viable at all. And the delay in payments by various state electricity boards (SEBs) are also a cause for concern. Therefore, the company has decided that it would prefer to opt for expansion at a much larger scale (1000 mw). At present, GSEG has a 156.1 mw gas-based combined cycle power plant at Hazira, Surat. The Rs 6 bn project started full combined cycle operations since June 2002. GSEG had earlier appointed Tata Consultancy Services (TCS) to conduct a feasibility study for the plant expansion. TCS in its report proposed to increase the capacity of the power plant by another 250 mw, which would have entailed an investment of around Rs 7 bn.

Delay in NTPC Offering Beyond August

The Disinvestment Department plans to start a consultation process next week for clubbing the offer for sale of 5.25% of the Government's equity in National Thermal Power Corporation (NTPC) with the IPO proposed by the corporation. This move would result in an offering of around 10.5% of the equity in NTPC at a face value of Rs 8.65 bn and could raise over Rs 40 bn, but the process may delay the primary offering beyond August. NTPC has started pre-marketing surveys to address investor issues and has appointed Kotak Mahindra, ICICI Securities and Enam Financials as lead managers and book runners for the ensuing IPO. The proceeds from the IPO will fund expansion of NTPC's generation capacity along with the renovation and modernisation of existing plants while the money from the offer for sale would go to the Government's kitty.

Transco Blamed for Power Mess

The Delhi Government-owned Delhi Transco has emerged as a “major bottleneck” in improving the power situation in the Capital, according to power sector experts. The Delhi Electricity Regulatory Commission in its tariff order has pulled up the Transco for its non-performance and has warned that it would impose hefty penalty on the power utility if it did not mend its ways immediately. Observing that many of its directives with regard to improving the power supply situation were “not” complied with by the Transco, the DERC concluded that it would have serious financial implications, the burden of which will ultimately fall on consumers. “Any further delay in it would also hamper promotion and economy in the electricity industry,” it said.

The seriousness of the Transco officials with regard to improving the system can be gauged from the fact that it revised its capital expenditure for the year 2004-2005 from Rs. 3.28 bn to just Rs. 1.35 bn. Figures released by the DERC revealed that the Transco failed miserably in improving crucial power distribution system, which at times has nullified the improvement carried out by the discoms in the two years.

PGC to Pump Rs 38.90 Bn into W Grid

PowerGrid Corporation of India is launching its ambitious plan of Rs 38.90 bn for the strengthening of the western region (WR) transmission system. The project is expected to be implemented through a joint venture (JV) route. The investment plan consists of strengthening transmission lines in the southern part of WR comprising Maharashtra, Gujarat, Madhya Pradesh, Chhattisgarh and Goa, development of a high capacity transmission corridor and improving the transmission corridor in the upper part of the region. The PowerGrid Corporation has yet to select the joint venture partner in carrying out the system strengthening scheme.

An expert committee appointed by the Central Electricity Authority after the WR grid disturbances had recommended that schemes to effect equivalent load reliefs on tripping of 400 kv Rourkela-Raipur link should be devised and implemented and shunt capacitors should be installed. The committee had recommended that the PowerGrid Corporation, which acts as the western regional load despatch centre, should curtail the import schedules from the neighbouring regions in such manner that voltages on all 400 kv nodes remain above 375 kv and do not drop below 360 kv at any time.

Rs 20 Bn to End Delhi Power Woes

The Delhi Government has decided to invest around Rs 20 bn to upgrade the power supply in the city. This was announced at an interactive session with BSES and NDPL, organised by PHD Chamber of Commerce and Industry. As per the Special Secretary, Power, Government of Delhi, of this Rs 20 bn investment, BSES alone accounted for purchases of Rs 9 bn worth of equipment to upgrade its distribution system. The state is also planning to add 1538 mw of power this year. The bilateral agreement with Himachal Pradesh will ensure Delhi supply between 80-500 mw as per requirements.

HPCL to Get Equity Stake in IOC Panipat Refinery

Hindustan Petroleum Corporation Ltd (HPCL) will get an equity stake in Indian Oil Corporation's 6-mn-tonne Panipat refinery. The deal is part of a collaboration agreement signed by the two companies, which includes joint participation in exploration and production, refining, petrochemical projects and consultancy services.

The agreement has a "unique structure" comparable with the equity oil contracts where HPCL will invest capital and share refinery products while Indian Oil will operate the refinery. Details of the agreement are being worked out. The agreement does not extend to other IOC refinery projects.

The two companies will also explore exploration and production opportunities in India and abroad. The idea is to mitigate risks through pooling of resources and sharing of infrastructure. Both companies have informed the stock exchanges about the agreement. The stock exchange notice described the memorandum of understanding as a "joint collaboration in various areas of mutual interests".

ONGC to Intensify Drilling in AP

Oil and Natural Gas Corporation (ONGC) has drawn up plans to intensify its exploration work in Andhra Pradesh by planning to move a third major rig here and is set to locate the first intelligent drilling facility and another integrated exploration set up (bids for which have been invited) in the country off Krishna-Godavari basin coast.

The company believes that the Andhra Pradesh coast has a lot of potential and plans to significantly expand operations in the state both for drilling as also prospecting operations. ONGC is planning on establishing the country's first intelligent drilling facility in AP, followed by a new integrated drilling centre, tenders for both have been floated and a decision is expected to be finalised shortly. The bidders include both Indian and overseas companies.

11 Power Projects to Lose Naphtha Duty Exemption from Next Year

From the middle of next year, 11 power generation projects aggregating 3700 mw will no longer enjoy duty-free import of naphtha to fuel their plants, according to the recently presented Union Budget for year 2004-05. Naphtha attracts a duty of 10% customs duty and restoration of this levy will mean that power tariff will rise.

The 11 projects that will no longer enjoy duty-free import of fuel from next year are the 120 mw Tamil Nadu Electricity Board-promoted Basin Bridge power project; 48 mw Reliance-promoted Goa project; 350 mw NTPC-promoted Kayamkulam project, 645 mw Kawas project, 430 mw Haryana project, 625 mw Auraiya project, 413 mw Anta project; 220 mw Tanir Bavi project; 165 mw BSES Ltd-promoted Eloor project in Kerala; 515 mw Essar-promoted Hazira project; and the 167 mw Gujarat Industrial Power Corporation Ltd project.

India to Enter into LNG Imports Deal with Iran

India and Iran have opened dialogue on entering into a deal for purchase of LNG (liquefied natural gas) in exchange for a stake in a discovered oilfield. The Iranian Deputy Oil Minister, Seyed Mohammad Hadi Nejad-Hosseini, who is leading an official delegation, has stated that the deal was expected to be finalised soon.

The deal under discussion involves importing five million tonnes of LNG from Iran with India being given returns from one of the existing producing oilfields. Under Iran laws, an equity stake cannot be given to the Indian public sector oil companies but a fixed rate of return on investment can be provided over a specified period. This would, in effect, subsidise the high price of LNG proposed to be imported from Iran.

Some issues, including the pricing as well as the mode of providing subsidy still have to be resolved. ONGC Videsh Limited, the overseas subsidiary of the Oil and Natural Gas Corporation (ONGC), will pick up stake in terms of being provided a fixed return on investment in developing the oilfield. The period over which this would be provided has also to be resolved as LNG agreements are typically over a long term 25 year time span. The oilfield investment, however, would be over a shorter period of about 15 years.

ONGC Videsh Considering Acquisitions

ONGC Videsh Ltd (OVL), the overseas arm of Oil and Natural Gas Corporation (ONGC), is surveying oil and gas properties in West Africa, CIS countries and Latin America to acquire assets or equity stakes. It plans to invest around \$1 bn per annum in this regard. In Latin America, the company is looking at oil and gas assets in Venezuela and Brazil.

So far, the company has taken equity stakes in several overseas oil and gas blocks. These include a 20% stake in the Sakhalin block in Russia and a 25% in the producing Greater Nile Oil Project (GNOP) in Sudan. Besides GNOP, it has also acquired stakes in 5A and 5B exploration blocks in Sudan and a 50% stake in a gigantic oil field in Angola. OVL's Sakhalin block is expected to yield oil and gas by late 2005 while the Angola block and the Block 5A in Sudan are expected to commence production by 2006.

GAIL Goes for Rs 110 Bn Gush

GAIL (India) Limited has decided to diversify into petrochemicals in a big way. Investments close to Rs 110 bn have been chalked out by the company for putting up two new grassroot petrochemical complexes in the country, expansion of its existing petrochemicals complex at PATA in Uttar Pradesh and for acquiring equity in overseas petrochem projects.

Gail is also evaluating an offer made by Egyptian Petrochemicals Holding Company (ECHEM) for an equity participation in its petrochemical project in Egypt. Besides, the company is also looking at participation in 10 overseas petrochem projects in Iran, Middle-East and Europe.



Budget 2004-05 and the Telecom Sector

In budget '04, finance minister has met some of the demands of the telecom sector. Telecom sector has been identified as a thrust area and universal access to telecommunication facilities has been set as a goal. Sector cap for FDI in telecommunications has been raised from 49 % to 74 %. The date for availing benefits under section 80 ia has been extended to March 31, 2005. Customs duty exemption for import of mobile switching centres has been extended to universal access service providers also. Specified items for manufacture of telecom grade optical fibres and cables and specified capital goods for manufacture of mobile handsets are proposed to be exempt from customs duty.

A rescue package of Rs 5.08 bn has been formulated for Indian Telephone Industries (ITI). The service tax has been increased from 8% to 10% and additional educational cess of 2% has been levied.

With the raising of the foreign investment limit to 74% from the prevailing 49%, more interested foreign players with deeper pockets are likely to jump into the Indian telecom market and bring in more competition even as tele-density grows. Some of the international players, like Australian major Telstra and Vodafone who had exited the Indian market earlier now intend to get back. Reports indicate that Telstra, which had exited India earlier, has evinced interest in picking up AT&T's stake. Vodafone, which not very long ago sold off its stake in RPG Cellular, is scouting around for opportunities in India.

As per DoT, FDI in the telecom sector rose consistently for five years to Rs 17.75 bn before plunging to Rs 2.12 bn in 1999. After recording an all-time high of Rs 39.71 bn in 2001, FDI in the sector slid back to Rs 3.01 bn in 2003. The industry expects that year 2004 could be very different, due to the industry's strong growth prospects. The shift to the unified licensing regime is also sending positive signals on the sector policy front. Analysts are of the opinion that if there is anything holding back foreign telecom companies, it is the current lack of opportunities.

TRAI May Recommend Direct Inter-Circle C2C STD Calls

The Telecom Regulatory Authority of India (TRAI) is about to make a strong pitch to DoT for direct inter-circle handover of cell-to-cell STD calls. DoT approval would allow mobile operators to skirt NLD networks like BSNL's while routing STD traffic across their adjacent circles. Inter-circle connectivity would typically enable cellular operators to hand over mobile STD traffic across adjacent circles, bypassing the incumbent's NLD networks. If TRAI is able to design a single licence for the gamut of telecom services, inter-circle connectivity between mobile players would be an automatic fallout since a separate NLD licence would become irrelevant. TRAI's proposal will form part of its draft recommendations to DoT on full unification of telecom service licences, which will advocate telecom licence for fixed-line, mobile, NLD/ILD, ISP and broadband services among others and will be unveiled in late July.

COLT Telecom to Set Up 100% Indian Arm

COLT Telecom Group, one of Europe's providers of business communication services, is planning on setting up its wholly owned subsidiary called COLT Technology Services India. The centre will cater to the technical support functions of COLT's Europe-based services. COLT is globally acknowledged for its end-to-end telecommunication services supported with world-class customer care centers. The company's strategy is to provide multiple support functions to its core business in Europe from India and it aims to begin operations by September 2004.

COLT supplies customers across the spectrum of industry, service and government sectors with unrivalled end-to-end network security, reliability and service. Service support is one of the critical aspects of the company's business model and key to customer satisfaction. The company considers India as a crucial market with availability of immense talent pool, an understanding of high-end technical services and fast adoption towards global practices. COLT owns and manages an integrated 20,000 km network that directly connects more than 10,000 buildings in 32 major cities in 13 countries. The company has points of presence in every business centre in Europe with connectivity across the globe. COLT provides services to more than 18,000 customers in the world, including SWIFT, Bloomberg.com, MTV Networks Europe and Amnesty International.

Bharti Merges Broadband with Mobility, Fixed Line

Bharti Tele-Ventures has announced a major initiative for leadership in the key corporate account segment. The announcement takes forward Bharti's business strategy of providing high quality services to its customers by synergising and making all products and services available to them through a single window. This strategic initiative will merge the broadband & data group of Bharti Infotel Limited with the key corporate account functions of mobility and fixed line, thereby creating a new SBU - "Enterprise Business". The SBU will be a part of Bharti Infotel Limited and will be headed by Dr Jai Menon as its joint president. Mr Rajiv Sharma, currently the CEO of the broadband & data group, Bharti Infotel Limited will be redesignated as CEO - Enterprise Business and will report to Dr Menon.

Currently, the data & broadband group, Bharti Infotel Ltd, provides data solutions & broadband services to corporates, while the mobility and fixed line businesses cater to the wireless and fixed line service requirements of large corporates.

The creation of a new SBU will help Bharti further leverage the group's unique business capabilities and strengthen focus on the corporate account segment. It will also allow for greater synergy and business planning, such that the SBU will be better placed to meet customer requirements. The SBU will focus on building strong IT & technology partners in order to deliver comprehensive solutions including data centre, business continuity, recovery services and related systems integration capability.



UbiNetics Plans to Expand Indian Presence

UbiNetics, a leader in 3G wireless technology is investing Rs 1.25 bn and will also hire 150 skilled software developers in the next 18 months in its Indian operations. UbiNetics India, presently has a 150 development team. To increase awareness about 3G, UbiNetics plans to set up an academy, which will conduct monthly seminars by leading luminaries in the wireless space. UbiNetics supplies 3G, 2.5G and 2G IP (intellectual property) solutions for chipset and terminal manufacturers. The company is already doing more than 50% of its protocol development in India and almost 40% of its overall R&D efforts are based in Bangalore.

The 3G market outlook is bright and companies are realising that 3G technology makes data transfer in mobiles around the world 3 to 4 times cheaper. UbiNetics, has already licensed its protocol software to many mobile phone makers and semiconductor companies.

Govt Rejects BSNL Plea to Enter Delhi, Mumbai

The Ministry of Communications has denied BSNL permission to foray into the lucrative Delhi and Mumbai telecom markets. BSNL had applied for a licence for the two circles last month. The decision comes as a blow to BSNL, which has been demanding permission for expanding its network into the two metro cities over the last few years.

The flexibility to operate in Delhi and Mumbai would have enabled the telecom major to compete with private national players such as Reliance Infocomm and Bharti. Delhi and Mumbai together account for almost 5 mn fixed line users and over 6 mn cellular subscribers.

Delhi Mobile Operators Allowed to Offer Service up to Gurgaon

The eight-year old turf war between cellular operators in Delhi and Haryana over Gurgaon seems to be heading towards a resolution with the high-level committee appointed by the Department of Telecom deciding to allow Delhi operators to offer mobile services right up to Gurgaon Municipal limits.

This would mean that consumers travelling between Delhi and Gurgaon would continue to be able to use their mobile phone without having to pay roaming charges. The committee, set up after a ruling from the Telecom Dispute Settlement Appellate Tribunal, has recommended "continuity of cellular mobile service from Delhi till entry into Gurgaon Municipal limits by Delhi Metro cellular licensees." The decision will also not have any impact on Haryana mobile subscribers either. This controversy had arisen eight years back because Escotel was the only operator in Haryana which did not have a licence for the Delhi circle. But, with Idea Cellular acquiring Escotel, the equation has changed and therefore mobile operators on both sides of the fence are the same now. Once the recommendations of the committee are ratified by the Telecom Commission, the licences of Delhi operators would be amended to include the area between Delhi and Gurgaon.

India Figures Big in Telecom World

India, after China, accounts for second largest share of mobile users in the New Growth Markets (NGM), according to the recent figures by Nokia, a market leader in cellular industry in Asia Pacific. Describing the NGM as a market where the penetration among the users is less than 4%, the report states that after China which accounts for 20% growth in the NGM segment, India occupies the second slot with 8%.

India is followed by Russia and United States of America (US) which account for seven per cent each in NGM segment. The report describes India as a market with "huge potential and stated that the country is among the top 10 markets for the Nokia worldwide today, with mobile penetration rates being less than two per cent of its over one billion population.

In NGMs such as India, Nokia is focused on working closely with operators to lower the total cost of ownership and usage for consumers and offering the right mix of economical and attractive handsets with relevant feature sets and essential mobile voice and messaging services.

DoT Puts Escorts in Dock for No Show

The Department of Telecom (DoT) has decided to penalise Escorts Telecommunications — a cellular service licence holder for operating services in Himachal Pradesh, Rajasthan and UP (East) — for not launching services in these circles.

The Escorts group has made an exit from telecom service sector and Escorts Telecommunications is now owned by Idea, a joint venture between Birla, Tata and AT&T. Earlier, Escorts had sold Escotel, which operates cellular services in Haryana, UP (West) and Kerala, to Idea. Escorts had acquired licence for providing services in Himachal, Rajasthan, UP (East) and Punjab, but it sold its licence for operating services in Punjab to Hutchison. It could not launch services in other circles. However, it is entitled to spectrum in 1800 frequency band.

In a meeting on June 25 under JM Misra, member (production) of telecom commission, DoT officials decided to levy liquidated damage charges on the company. Though the liquidated damage charges are only in the range of Rs 10 mn, this is important as DoT can take further action, including cancellation of licences if the company fails to launch services.

DoT Favours Licence Fee Reduction

The Department of Telecom is in favour of reducing the licence fee for telecom services providers from an average of 10% to a level that would cover only the administrative and regulatory costs. The proposal, made to the Finance Ministry, would bring great relief to the operators who pay close to Rs 20 bn per annum as licence fee. As per sources department has also proposed providing incentive for efficient use of radio frequency either through lower spectrum charges or through tax breaks. The Telecom Regulatory Authority of India has also pushed for reducing the licence fee and spectrum charges to include only the 5 per cent revenue share for Universal Services Obligation and administrative costs.



Rail-bus Transit System for Gurgaon Soon

Gurgaon is close to securing an Integrated Rail Bus Transit System (IRBT). The Rs 22.39 bn proposal, already cleared by the National Capital Region Planning Board (NCRPB), is on the verge of being cleared by the Union Government. The proposal includes laying down of two railway tracks between Gurgaon and Daya Basti in New Delhi. Starting from Gurgaon railway-station, the 30.53-km stretch will pass through Bijwasan, Bharthal, Shahbad Mohammadpur, Palam, Delhi Cantonment, Patel Nagar, New Patel Nagar, Tilak Nagar, Raj Nagar, Mansarovar Garden, and Kirti Nagar and will culminate at Daya Basti. Eighteen railway stations will be set up along the route. 'The new railway tracks will be laid parallel to the existing railway-line between Gurgaon and Delhi. The detailed project report (DPR) of the proposal was prepared by RITES and submitted to the Delhi government in 2002. 'The proposal was approved, in principle, by NCRPB in 2004. The proposal has now been forwarded by the Urban Development Ministry to the Planning Commission.

Multi-modal Transportation of Goods Act 1993 — Law Set for Sweeping Changes

Sweeping changes are in the offing in the Multi-modal Transportation of Goods Act 1993 in the light of the increased trend of Indian corporates to switch over to multi-modal transportation systems both for movement of their raw material as well as finished goods by outsourcing their logistics requirements to third party service providers.

The Directorate-General of Shipping (DGS) has proposed a string of amendments to the Act with the cardinal objective of streamlining such operations. It is in the process of seeking views from the industry, which would be incorporated before the final draft is pencilled.

First, the proposed amendment seeks to alter the title of the Act to remove the restriction of the Act to exports. In this context, it has been proposed that the new Act should provide for the regulation of multi-modal transportation of goods during exports and, in the case of imports, after the goods have landed in India. The existing Act does not apply to imports — that is, to transport contracts entered into outside India, as that will be according to local laws. However, there are more difficulties in the import leg after the goods land in India.

Another proposed amendment seeks to make it mandatory for a person, after being registered to carry on business of carriage of goods by sea or multi-modal transportation, to quote his registration number on every Bill of Lading or multi-modal transport document. In the light of this, the definition of 'Custodian' in the existing Act is proposed to be broadened to any Customs notified port/airport, land Customs station, inland container depot and container freight station or any other place notified by the Government. The proposed amendment envisages that "every custodian who accepts goods for export on behalf of the carrier or MMT operator should obtain, at the point of acceptance, proof of registration to the effect that the operator/carrier is registered."

Govt inks Rail Pact with Myanmar

India has extended a line of credit worth \$56.36 million to beef up the railway infrastructure in Myanmar. The funds would help improve passenger services on the Yangon-Mandalay trunk line and would involve upgradation of tracks, signalling and communication systems along with maintenance facilities on Myanmar railways.

The Memorandum of Understanding (mou) has been signed between Ms Mitra Vasisht, joint secretary, South East Asia, Ministry of External Affairs, and Mr Uh. E. Kyi thein, Myanmar's ambassador to India. A separate agreement was signed between the Exim Bank of India and Myanmar Foreign Trade Bank for the operations of the line of credit.

As per the mou, Rail India Technical and Economic Services Limited (RITES) would execute the project for the supply of rolling stock, components, equipment and machinery to Myanmar. Rites, will supply ten 1350 hp locomotives, 48 passenger coaches and capital spares having a total value of \$28 mn. As per the agreement, the EXIM bank will reimburse indian exporters 100% of contract value, upon shipment of equipment and goods and provision of services. The credit is available up to 10 years and will attract an interest rate of 0.5%.

SH 17 Project Second Phase to be Over in Nov 2005

Soma Enterprises, which is involved in phase 2 of the four-laning of state highway linking silicon city Bangalore with heritage capital Mysore, is targeting project completion by November 2005, six months ahead of schedule.

A stretch of 49 km of the SH 17 project (for widening and upgrading the existing 140-km SH between Maddur and Mysore) was awarded to the Hyderabad-based Soma Enterprises. Initiated a couple of months ago, the work is in progress on a 10-15 km section of this stretch. The company is waiting for the state agencies to complete the land acquisition process.

The State-owned Karnataka Road Development Corporation, which had taken up the widening with a HUDCO loan of Rs 3 bn, has scheduled the completion by May 2006. Running barely 4-5 km alongside SH 17, will be the private promoted toll road, the Rs 20 bn Bangalore-Mysore expressway.

KRDC has awarded Soma a direct contract for the Rs 1.16 bn phase 2 from 82.5 km to 135.35 km. This excludes a nine-km stretch between Maddur and Mandya that will be handled by the Karnataka Urban Infrastructure Development Finance Corporation (KUIDFC) under an ADB-assisted project.

Phase 1 covering 62 km is being implemented on BOOT basis by a consortium of three engineering companies including Nagarjuna, Maytas Infrastructure and KMC. The stretch will be transferred to KRDC after eight years. Phase 2 involves construction of three major bridges across the Cauvery and the Lokapavani rivers, 24 minor bridges, straightening of 19 curves, 22 bus bays and two truck lay-byes.



Airports Revamp Plan Takes Off

Decks have been cleared for restructuring Mumbai and Delhi airports with the empowered group of ministers (EGoM) allowing scheduled Indian carriers to pick up 10% stake in joint venture companies and capping foreign direct investment (FDI) at 49%.

The maximum permissible limit of FDI in proposed JVs has been fixed at 49%. Airport Authority of India (AAI) and other public sector units can jointly hold 26% equity stake in the JV while the remaining 25% equity can be held by "Indian entities".

"Indian entities" have been defined as "a company incorporated in India and 100% owned by Indians/Indian entities. The government has also allowed Indian financial institutions (FIs) to pick up equity stake in the two projects. They will, however, be allowed to participate in the consortium of the successful bidder after the bid process is completed.

The EGoM, also made certain policy changes including raising the period of mandatory deputation of AAI employees to the JV companies from two years to three years. The EGoM has decided that merit of proposals from bidders for the airports will also be judged by their human resource plan. The successful bidders will be required to submit human resource plan for absorption of maximum number of existing staff in JVs. The two JVs are required to absorb "net 40% of the existing employees working at Mumbai and Delhi airports" at the end of three years and the rest will remain with AAI.

The EGoM approved the ministry's proposal to appoint Air Plan of Australia as the global technical advisor and Amarchand Mangaldas and Suresh A Shroff & Company as legal consultant for restructuring the two airports.

Plan to Levy 5% Import Duty on Ships

The central government proposal to impose a 5% import duty on all ships has not been well received by shipping companies. Finance minister, P Chidambaram had asked Central Board of Excise and Customs (CBEC) to shortlist industries that are not currently paying the duty. Import of all types of ships, except tugs and other pusher crafts dredgers, floating docks/cranes, production platforms and fishing vessels currently enjoy full custom duty exemption.

The new duty proposed by the CBEC could result in an additional Rs 2.30 bn, over an above the capital expenditure committed by companies. All the big players, Shipping Corporation of India (SCI), GE Shipping, Varun Shipping, Essar Shipping, SKS Ships and Mercator Lines have committed huge capital expenditure during the financial year. PK Srivastava, president of Indian National Shipowners' Association (INSA) and chairman and managing director of SCI, has written a letter to the shipping ministry, expressing the industry's concerns. The letter states that the duty would put the Indian shipping industry at serious competitive disadvantage in its operations and will be a deterrent to future ship acquisition plans and will in fact force Indian shipowners to register their ships outside India with consequential adverse effect on the future growth of Indian shipping.

Private Investment in Major Ports

The shipping ministry has drafted a policy that seeks to restrict one private operator to develop and run a maximum of two container terminals in a particular major port. Though the Jawaharlal Nehru Port Trust (JNPT) had banned P&O Ports (the first private operator) from participating in the bidding process for developing and operating a second container terminal at the port with private investments and the third overall in the premier container port in the country, there has been no uniformity, so far, on the policy to be adopted when a port trust bids out more than two container terminals to private operators at major ports.

According to the draft policy that aims to promote 'inter-port and intra-port' competition with a 'two terminals-per-operator cap', the first private container terminal operator in a particular port will be banned from participating in the tendering process for developing a second container terminal at the same port. But, if the same port trust decides to develop a third container terminal with private investments, then both the first and the second private operator will be allowed to participate in the bidding process. And, in case, if either of them wins the bid to develop a third container terminal, then the operator which has two terminals under its bag will not be allowed to bid when the port trust goes for a fourth terminal with private funds. But, the operator with one terminal will be allowed to participate.

Budget 2004-5 and the Aviation Sector

The Union Budget of 2004-05 has asserted that airports and tourism would be the focus of growth in the infrastructure sector. The government has raised the cap on foreign direct investment in the civil aviation sector from 40 to 49%. Pegging the plan outlay for the sector at about Rs 16.21 bn — a hike of about Rs 1.35 bn from the revised estimate for the last fiscal, Finance Minister P Chidambaram, while presenting the 2004-05 General Budget, said there was an "urgent need" for infusing huge amounts of capital in this sector besides telecom and insurance. He also said the government would "selectively employ" the tools of divestment and privatisation but in line with the declared policy outlined by the Common Minimum Programme. However, he withdrew the tax exemption granted to an Indian company to acquire an aircraft or an aircraft engine on lease from a foreign enterprise prospectively from September this year, saying the exemption had "outlived its utility".

Shippers' Body calls For Performance Review of Private Port Operators

Shippers (exporters & importers) led by the Western India Shippers Association (WISA) are demanding that the Union Government should have the right to periodically review the performance of a private port operator with respect to parameters such as traffic projections and the details of whether the back end linkages are in place for handling the projected traffic. The association is pressing for the inclusion of a condition in the concession agreement signed with private operators as well as in the tender document for such a review.



Light Goods Vehicles May Switch to CNG

After positive results on the environment front following the switchover of public transport vehicles to the eco-friendly CNG, the Delhi Government is now contemplating making it compulsory for light goods vehicles in the Capital to switch over to CNG as well from next year. The move is likely to coincide with the proposed switchover to Euro III norms from April 2005. The Environment Pollution (Prevention and Control) Authority (EPCA) set up by the Supreme Court for the National Capital Region (NCR) has made a recommendation in this connection to the Delhi Government. The government is already seized of the matter and is likely to move the Supreme Court with such a proposal in the near future.

According to the proposal, all light goods vehicles up to 7.5 tonnes, plying as local goods carriers, would have to switch over to the CNG mode. This would go a long way in bringing down the air pollution levels. The EPCA feels that though trucks could not be converted to the CNG mode due to non-availability of CNG outside Delhi, a significant number of light goods vehicles plying within Delhi could switchover to the CNG mode.

The EPCA has already held discussions with the vehicle manufacturers regarding the technical feasibility of running the goods vehicles on CNG. One of the leading manufacturers informed the EPCA that they were only producing vehicles of more than 7.5 payload factor, that were covered under medium category vehicle and were also Euro II compliant.

Urbanisation: UN Report Portrays the Failure of Indian Governments

As per a recent UN report on urbanisation, successive governments in India, including the United Progressive Alliance (UPA), have shown complete indifference to the travails of the urban poor even though the percentage of the urban poor has been greater than that of rural poor since 1987-88. The report states that the urban poor comprise, to a significant extent, villagers who have been impoverished by the pro-urban rich policies of various governments and have migrated to cities in search of livelihood. A significant section of urban households in India living in slums, squatter settlements and refugee colonies due to non-availability of affordable habitat.

Government figures indicate that Maharashtra leads in slums, followed by Orissa, Madhya Pradesh and West Bengal. Data from other sources suggest that over 40 mn slum dwellers are yet to benefit from the various welfare schemes.

Delhi Jal Board Seeks Steep Hike in Water Charges

A steep increase in water tariff has become "imminent" in the Capital in the wake of the recent 10% hike in power rates, which is likely to put a financial burden of Rs. 270 mn on the cash-strapped Delhi Jal Board. Jal Board officials have stated that there has been just one increase in the water tariff in the past 12 years, during which period the electricity rates, cost of treatment of water, besides salary to employees have increased manifold. The Board has pleaded for a 300 to 400% increase in water tariff.

Statistics reveal that operation and maintenance alone cost the DJB Rs. 5.60 bn, while the revenue generated is Rs. 2.63 bn per annum. Further, the DJB electricity bill per year comes to around Rs. 2.70 bn. After the recent increase in power tariff it would now touch Rs. 3 bn. With the privatisation of the power distribution in the Capital the DJB has to pay its bills on time. Consequently, it has become difficult for it to survive with the present tariff. The DJB has an outstanding loan of more than Rs. 50 bn and requires Rs. 5 to 6 bn to pay the interest on its debt.

However, given the political fallout of an issue like water, the government is "unlikely" to take the "bold step" of effecting a water tariff hike immediately and would prefer to continue with its policy of giving indirect subsidy to the water utility through loans.

Union Budget 2004-05 and Urban Development

As per the Union Budget 2004-05, an Inter-Institutional Group (IIG) formed by IDBI, IDFC, ICICI Bank, SBI, LIC, Bank of Baroda and Punjab National Bank is to ensure speedy conclusion of loan agreements and implementation of infrastructure projects.

All drinking water schemes are to be brought under the umbrella of the Rajiv Gandhi Drinking Water Mission. The government has allocated of Rs.26.10 bn for the Accelerated Rural Water Supply Programme (ARWSP) in the current year; funds to be devolved on panchayati raj institutions for implementation. It has made a provision of Rs.1.51 bn for Urban Water Supply Programme in the current year; first large desalination plant to be installed near Chennai and more such plants to be installed along the Coromandel coast through public-private partnership.

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