



India Infrastructure Update



J. SAGAR ASSOCIATES
advocates & solicitors

Vol. 7 No. 3 March, 2004

Produced by J. Sagar Associates

For private circulation only

POWER

REL to Call for Gas Supply Bids for UP Power Project

Reliance Energy has decided to buy natural gas for its proposed 3500 mw power plant at Dadri, Uttar Pradesh by calling for international competitive bids. Despite large in-house natural gas reserves in the Reliance Group, REL has decided to tender for gas supplies to procure gas from the least cost supplier. The company is considering gas supplies from LNG terminals being built along the western coast. Reliance E-Gen Private Ltd, special purpose generation company set up by REL to implement the 3500 mw combined cycle power plant, is calling the bids for the estimated requirement of 17 to 18 million cubic metres of gas per day. The demand for gas is expected to continue for 20 years. The company has stated that in a gas-based plant the rationale to go for competitive bids stems from the fact that in gas-based power generation, the cost of gas constitutes as much as 60% of total cost.

NM Rothschild Keen to Take Up Spectrum Power Project Recast

NM Rothschild India — an arm of leading investment bank Rothschild — has evinced interest in taking up an assignment for restructuring the troubled Spectrum power project. NM Rothschild India has held a series of meetings with the lenders of Spectrum Power Generation Limited (SPGL), including Industrial Development Bank of India (IDBI) and State Bank of India (SBI). The restructuring mainly involves writing off the entire interest (Rs 1.56 bn), penal interest (Rs 680 mn) and reducing the interest rate from 18.9% to the present level of around 9%. NM Rothschild India is currently engaged by IDBI as its financial consultant for the revival of Dabhol project. In addition, it is also assisting Rolls Royce — which holds 32 per cent stake equivalent to Rs 560.5 mn in the beleaguered SPGL — in suggesting ways to opt out of the project.

Kuttalam Power Project Nearing Completion

The second phase of the 101 mw gas-based power plant at Kuttalam, near Mayiladuthurai in Tamil Nadu, is nearing completion. The electricity generated out of the steam turbine (combined cycle) has been synchronised with the state grid by end March 24. On completion of the project, the plant is expected to generate about 700 mn units of energy annually. The required quantity of gas would be supplied by Gas Authority of India Limited. The first phase of the project (installation of gas turbine under open cycle process) was synchronised on November 27, 2003. The plant was installed by BHEL-PSSR in Maruthur village (Nagai district) for the Tamil Nadu Electricity Board at a cost of Rs. 3.52 bn, the contract value for BHEL being Rs. 2.89 bn.

The power output by the gas turbine is expected to be 64.21 mw and the steam turbine 37.40 mw. The Kuttalam project is the third in a series of gas based combined cycle power projects being set up by the State Electricity Board. The project has special features. The number of units generated per cubic metre of gas consumption will be 5.38, fuel cost/unit of generation 60 paise (on combined cycle) and the total cost per unit of generation Rs. 1.68 (on combined cycle).

Lanco Group to Set Up Power Project in Chhattisgarh

The Lanco group, having diversified interests in power generation, manufacturing, IT and engineering and construction, has promoted an SPV to develop a 250 mw coal-based power project near Korba in Chhattisgarh. The SPV known as Lanco Amarkantak Power Pvt Ltd (LAPPL), will be developing 250 mw power generation unit in Stage-I at Pathadi which can be expanded later to 500 mw. The total capital outlay for the project has been estimated at Rs 11.25 bn and about 80% of the project funding is expected to be supported by debt. The Chhattisgarh project of the Lanco group is one of the 10 fast-track power projects shortlisted by the Union ministry of power (MoP) under the green channel projects.

Jindal Power Considering 100 Mn ECB

Jindal Power Ltd (JPL) has stated that it is considering floating a \$100 mn external commercial borrowing (ECB) to part finance a 500 mw thermal power project and has approached multilateral agencies such as the Asian Development Bank for funding. The funds are for the group's upcoming green field project near Raigarh. The group is also looking at other modes of external finance including suppliers credit.

Inside

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

PowerGrid Against Move to Open Up Transmission

The Power Grid Corporation (PGCIL) has stated that opening up the transmission sector would actually weaken the sector. The Chairman and Managing Director of PGCIL, RP Singh argues that the Electricity Act, which seeks to open up the power sector, would weaken the transmission segment as too many players are being brought in. According to him, the sector ought to be treated as a natural monopoly which means allowing a single player. The chairman uses examples of the US and Australia to buttress his arguments. He further argues that introduction of open access in transmission, allowing players to pick carriers of their choice, would not be successful unless there is a single body to co-ordinate and plan.

He takes the stand that neutrality, expected of the central transmission utility like PGCIL, is not a sign of growth.

NTPC, Gujarat Govt Pact for Power Project at Pipavav

National Thermal Power Corporation (NTPC) has recently entered into a Memorandum of Understanding (MoU) with state government of Gujarat to set up a 2000 mw power generation project at Pipavav, Gujarat. The project will operate on liquefied natural gas or imported coal. The project is being developed as a 50:50 joint venture between Gujarat Power Corporation Ltd (GPCL) and NTPC. Power from the project will be bought by GPCL, while the project will be operated by NTPC. The project will enjoy 'mega' status, which will entitle it to duty free import of equipment and thereby reduce the power generation cost.

According to the MoU, GPCL will off-take power from the project at 80% of the project capacity. The project will be set in two phases of 1000 mw each. The MOU states that the project will be done on a 70:30 debt equity basis and the revenues from a distribution zone in Gujarat would act as payment mechanism for the power purchase sold by the joint venture company to GPCL.

Power Grid Likely by 2009

State-owned PGCIL has said that it is taking steps to advance the completion of the Rs 750 bn national power grid by three years to 2009. The power transmission utility is preparing a status report for the government detailing its efforts to hasten the establishment of the network that could carry 30,000 mw of power. The implementation of the national grid is to be spread over three phases. The existing electricity transmission network in the country is being strengthened to carry 23,000 mw by 2007, up from 8000 mw at present. The transmission network will address the long-standing problem of evacuating the excess capacity in the eastern region to parts facing power shortages. PGCIL has also said that the Tata power transmission line, for carrying power from Bhutan to the northern parts of India, would be completed by 2006. The project, being jointly executed by PGCIL and Tata Power, is the first private-public venture in the area of power transmission.

Madurai-Tvm Power Project: Way Cleared for Implementation

All outstanding issues concerning work on the Madurai-Thiruvananthapuram 400-kv power highway have been resolved and the project will be readied for commissioning in the next three months, according to the State Electricity Minister of Kerala. The 143-km-long stretch of the power highway project has already been completed. Work on the 108-km-long stretch falling within the boundaries of Kerala had been held up for sometime due to resistance from local people. These issues have since been resolved and the District Collector has been authorised to finalise the amount of compensation to be paid to those affected by the project. Orders have been issued to the effect that all work be completed latest by May 31.

BG India Plans to Foray into Power Trading

UK-based energy major British Gas (BG) has drawn up plans to enter the Indian power trading sector in a big way. The company has prepared a detailed strategy paper for its power sector operations here. This proposal will be taken up for discussion by the BG board in the UK, in the third week of April. The company, which has a stake in the Panna Mukta oilfields along with Reliance and Oil and Natural Gas Corporation (ONGC), is planning to develop itself as a fuel supplier for gas-based power projects. BG had already acquired Enron's stake in this oilfield.

According to news reports, BGI intends to take up stake in captive power plants by offering itself as the fuel manager. The company is planning to apply for a national trading licence once its proposal is approved by its UK board. It may initially offer to take up stakes in captive plants based in Maharashtra. However, since BGI plans to acquire a national trading licence, it should eventually take up trading activities across other states as well. BGI has a joint venture with Gas Authority of India (GAIL) for gas distribution in Mumbai. It has recently signed up with GAIL and Tata to jointly bid for the Dabhol power project. Moving downstream into power generation and trading is only a natural extension of its core business.

A final decision on the company's plans for the power sector are likely to have a direct bearing on its bid for Dabhol. Given that the power generated by the Dabhol plant would have to be transmitted to other deficit states, the acquisition of stake in trading would prove to be important.

BHEL Bags Rs 3.33 bn Gujarat Power Project Order

Bharat Heavy Electricals (BHEL) has bagged a Rs 3.3 bn order for an eco-friendly advanced class gas turbine for the 112-mw Dhuvaran Combined Cycle Power Plant (CCPP) Extension Unit-II of the Gujarat State Electricity Corporation. The CCPP, to be set up at Dhuvaran in Anand District of Gujarat, is scheduled for completion in 22 months. The company had earlier supplied, erected and completed the 106-mw Dhuvaran CCPP Extension Unit-I, which has already been commissioned.

Essar Oil to Call off Deal with ABB Lummus

Essar Oil is calling off its proposed deal for private placement of equity with ABB Lummus through the foreign currency convertible bond (FCCB) issue. The company is also set to replace ABB Lummus as the EPC contractor for its upcoming refinery project at Vadinar, Gujarat.

The move follows the Swiss-Swedish energy and utility conglomerate slipping into a financial crisis. The proposed Essar Oil-ABB Lummus deal had envisaged private placement of a \$271mn FCCB issue to the latter, giving it an option to hold 70% stake in EOL through conversion of bond into equity on maturity. Essar Oil has already commenced negotiations with some of the leading international EPC contractors based in US and Europe for awarding the contract for the refinery project. Simultaneously, the firm has initiated discussions with the financial institutions to get their consent for the proposed changes. Change in the private placement plan for raising capital could mean that some changes may have to be worked out in the financial restructuring package sanctioned by the FIs under the corporate debt restructuring (CDR) programme.

China, India to battle it out for 33% of Ceypetco

The battle for a 33% stake in Sri Lankan oil company Ceypetco, has taken an interesting turn with Chinese oil company Sinopec emerging as the highest bidder, with an \$83 mn financial bid. India based, Hindustan Petroleum (HPCL) has come in a close second with a \$80 mn bid. Sister Indian public sector oil company Bharat Petroleum (BPCL) is the third highest bidder with a \$77 mn offer, which is roughly the same as its earlier indicative bid.

All three bidders have been invited by the Sri Lankan governments disinvestment agency, the Public Enterprises Reform Commission, PERC, for final negotiations. As per sources the two Indian companies will be asked to come up with a better offer. The Indian companies may also be asked to take a local partner. HPCL had earlier emerged as the lead contender with a \$101 mn indicative bid, 26% higher than the next-highest bid of \$80 mn, from East West, a Sri Lankan bunkering company.

Diesel Growth Good In February

Retail diesel sales, a barometer of petroleum product consumption in the country, have shot up 12.4% in February compared to the same period in 03. The increase is the highest in the past four years. Diesel sales which track overall economic growth, have been stagnant and even negative over the past four years despite overall buoyancy in the economy. Increased diesel sales usually means that more goods are being carried on trucks as well as higher agricultural usage. The overall sales of petroleum products went up 8.3% in the month led mainly by growth in diesel and petrol sales. Retail petrol sales grew 7.9%, LPG sales went up 10.8% and furnace oil and LSHS (low sulphur high stock) sales grew 11%. Naptha sales, climbed 5% during the month.

Cairn Finds Oil in Rajasthan Again

UK-based Cairn energy has struck oil again in the desert state of Rajasthan, the seventh find in the same exploration block. With the latest discovery, this block is now the largest onshore oilfield in the last twenty years.

This discovery is estimated to increase the production capacity of this onshore oilfield to about 2.5m tonnes per year, or 18.25m barrels per year. The oilfield would have an estimated total capacity of 50,000 barrels per day. This would be a little less than one-fifth the average output of the worlds largest oilfields. The world's 120 largest oilfields producing more than 100,000 barrels per day produce 275,000 barrels per day on average.

Cairn's latest discovery is located 8 kms from the previous discovery at Mangala reported in January this year. ONGC will also gain from this find as the upstream oil giant has the right to take a 30% stake in commercially viable discoveries in the pre-NELP blocks. This Rajasthan block was awarded before the New Exploration Licensing Policy was announced.

The company is drilling other rigs in the same region and preliminary testing results show oil flow at the rate of 1220 barrels of oil per day.

A statement issued by the company says the Barmer Hill section is a possible future candidate for further evaluation and stimulation by fracing.

Import Duty on Equipment for Oil Exploration Goes

The Finance Ministry has used the discretionary provision to grant adhoc customs duty exemption that will benefit domestic and foreign companies including, among others, ONGC, Reliance, British Gas and Cairn Energy.

Finance Minister Jaswant Singh has cleared the proposal to grant such a waiver on equipment imported for oil exploration by a consortium of Indian and foreign companies for the period between June 20, 1994 and July 27, 1996. Duty will be waived with retrospective effect.

The discretionary provision to grant ad-hoc customs duty exemption was resurrected in the 2003-04 Budget. While a host of institutions have been granted ad-hoc exemption under Section 25 (2) of the Customs Act 1962, this is, perhaps, the first case where an exemption has been granted on imports contracted over a decade ago.

In the present case, the circumstances of exceptional nature do exist since the government of India is a party to the written contracts relating to oil exploration and production sharing entered into with other foreign and Indian companies. In these agreements, the government has committed to exempt the oil exploration and production equipment that will be imported for executing the said project from customs duty.

The adhoc exemption order has been addressed to the Commissioners of Customs, Mumbai (import), Vishkapatnam, Mumbai (air cargo), Chennai (air cargo) and Ahmedabad.

VSNL Will Not Slash Call Charges to US

Tata-owned Videsh Sanchar Nigam Ltd (VSNL) has declined to match the rock bottom settlement rates quoted by Data Access and Reliance Infocomm for carrying BSNL's ILD traffic to US, UK, Canada and South East Asia. But with the BSNL management unwilling to agree, the Tatas are likely to seek Union communications minister Arun Shourie's intervention to resolve the ILD logjam.

Though VSNL's preferred ILD carrier status with BSNL lapsed on February 14, 2004, there was pressure on BSNL from the highest echelons of government to seal an interconnection agreement with VSNL in the busy UK, US, Canada and South East Asia sectors, which account for nearly 36% of all outbound BSNL ILD traffic. In absence of its preferred carrier status, VSNL has to match the Rs 1.69/minute settlement rate quoted by Data Access to carry BSNL's ILD traffic to UK, US and Canada. It has to match the Rs 2.50/minute settlement rate quoted by Reliance Infocomm to route BSNL's ILD traffic to the South East Asian sector, comprising Singapore, Hong Kong, Indonesia and Malaysia. VSNL has quoted a higher settlement rate of Rs 2.20/minute to UK, US and Canada. VSNL and Data Access are tied at second place behind Infocomm for routing BSNL's ILD traffic to South East Asia, with both quoting Rs 2.75/minute. According to BSNL circles, talks with VSNL have not made any headway. But VSNL circles feel the L1 settlement rates quoted for the UK, US/Canada and South East Asia sectors by Reliance Infocomm are unrealistic and would be impossible to match.

Korea Telecom Plans India Hub

Korea Telecom, an integrated service provider in Korea, is planning to set up its base in India. It is looking at tie ups and acquisitions in India. The company has not yet finalised its strategy and is keen on working with an operator. Korea Telecom offers both fixed line and mobile telecom services in Korea. It had a revenue of \$9.6 billion as of December 2003. With only 2% of its revenue coming from overseas markets, the balance 98% comes from the Korean market. However, the company identifies India as an important market because of the pace of growth of the Indian telecom. Korea Telecom can offer its expertise in billing system, marketing telecom services and strategy planning to the Indian companies. It may also plan acquisition of equity in existing operators, both mobile and fixed line. However, it does not plan to go in for a large scale equity acquisition in Indian market.

RIM's Pre-paid Offers May End Soon

A rapidly-growing subscriber base is likely to prompt Reliance Infocomm to soon change its bundled entry level offer of Rs 3500 (along with Rs 3240-worth of free recharge vouchers) for Reliance India Mobiles (RIM) service. The company is currently working on several bundled packages. The timing of their introduction in the market will be disclosed, as soon as the targeted critical mass of prepaid subscribers is achieved.

Hutch Tops Mobile Customer Satisfaction Survey

In spite of making deeper inroads in mobile market, the CDMA service operators rank way below the GSM service operators in a nationwide mobile customer satisfaction survey conducted by the research agency TNS India. Hutch and Airtel emerged as the most preferred brands in terms of customer satisfaction.

Reliance Cellular occupied the third slot with Idea and BSNL following it very closely. Surprisingly, Bharti was ranked next, just ahead of Spice and Escotel. The CDMA operators Tata Indicom and Reliance Infocomm were at the bottom of the table just a notch above the least preferred brand MTNL.

The cellular track study conducted by TNS done in November-December 2003, took into consideration the subscribers level of satisfaction with the service provider as well as the level of retention and loyalty towards the service provider. The study sample consisted of 4921 mobile users across the 13-telecom circles covering both GSM and CDMA service providers.

Alcatel Looks to India for Top Class R&D

Alcatel plans to focus on growing its own R&D centres in India, where it currently has two R&D facilities and gives a lot of software development work to Indian companies. In order to take advantage of India's cost-effective and high quality work, Alcatel wants to grow organically in India.

Alcatel's R&D centres are located in Delhi and Chennai. The company undertakes 20 per cent of all its R&D in India, China and Eastern Europe, which is expected to grow to 30% by the end of next year. Alcatel has an annual R&D budget in the range of \$1.5 bn.

Electronic, Tele-Topping of Prepaid Cards Takes Off

Electronic and tele-topping of prepaid cellphone cards is becoming increasingly popular. More customers now prefer to either call up on the phone, use the Net or their bank ATM to recharge their prepaid mobile cards, instead of walking into a retail store to buy one. Airtel expects to generate nearly half its prepaid card business using this route later this year, which can translate to a significant Rs 14 bn to 15 bn annually. For both Hutch and Spice, e-topping is expected to contribute significant numbers in the months to come.

Prepaid subscribers account for at least 70% of the customer base for cellular operators. Since mobile service providers have expanded their offering of prepaid cards to widen their customer base customers can refresh their cards for virtually any denomination of their choice. As per Hutch, the initial response to this concept has been good because it has made the logistics of recharging much easier. Shops no longer need to block money in high-value stocks and wait for a Rs 1000 or Rs 3000 coupon customer to walk in. Instead, they can invest in a bulk charge slip.

Indian Handsets Market to Touch 25 M Units

The mobile phone handsets market in India is expected grow over 50% to 25 million units during 2004. As per Motorola, India is the fastest growing market for mobile phone handsets worldwide. From 5m sets in '02, the Indian market has grown to 16m in '03. The drastic reduction in the import duty on handsets has changed the market dynamics. When the duty level was very high in '01, about 80-90% of the demand was controlled by the grey market players. Today, with the duty falling to a low of 5%, the industry's grey market segment is estimated at around 20-25%. With about 8000 dealers and 140 service centres in India, Motorola is the Number two player in the GSM market, behind market leader Nokia and is followed by Samsung.

Reliance Info Targets Enterprise Market

Reliance Infocomm is targeting the enterprise data and voice market after extending its broadband ethernet network to 30 cities. A commercial launch of its broadband offering which will cover voice, data, network services and multimedia is expected soon. Unlike the launch of the wireless CDMA service, targeted mainly at consumers, the enterprise services will not see an advertising blitzkrieg. Enterprise services will be marketed through a direct sales model for which the company has appointed account managers. Infocomm has laid fibre to high rise buildings in 30 cities. Companies with offices in these buildings will be able to avail these services. The enterprise telecom services market is fragmented with no single player providing all the services across the full length and breadth of the country.

Enterprises with substantial IT infrastructure take leased lines from BSNL, Tata Teleservices, MTNL or other basic telecom service providers. Only BSNL has a country wide network for providing leased lines, but the public sector incumbent has not yet combined it with multi-media and network services. VSAT service providers like Comsat Max and Hughes Escorts provide end to end network services using a combination of leased lines and satellite capacity. Then there are internet service providers like Sify which provide broadband internet access to enterprises. Reliance Infocomm is combining all these services under one roof by leveraging its ethernet network, data centre and fibre optic network.

Taxman in Knots over Billing

The finance ministry has raised the issue of the tax-treatment of revenues accruing to foreign telecom carriers providing leased lines to user groups across the country. The expert panel on emerging issues in international taxation chaired by Vijay Mathur, director general of Income Tax (international taxation) is set to examine if tax needs to be deducted at source on the remittance of rentals from leased lines provided by foreign telecom carriers. The recommendations of the task force will be considered before the finance ministry takes a final view. The tax-treatment of lease rentals earned by foreign telecom carriers is assuming importance in view of the rapid increase in the use of leased lines for voice and data transmission from India and into India.

Flag Seeks TRAI Help Regarding VSNL

Flag has sought regulators intervention on the issue of Videsh Sanchar Nigam (VSNL) holding exclusive landing right for its cables in India. In a letter to the Telecom Regulatory Authority of India (TRAI), Flag said it could make enough bandwidth available in India to meet the needs of IT and IT-enabled services industry, but VSNL is not allowing it to upgrade its landing station in Mumbai, creating a scarcity of bandwidth. In the letter to TRAI, the Flag COO Ed McCormack said, Flag cable system could be upgraded to 30 gbps from the present level of 10 gbps within 60 to 90 days. Some of the equipment required for the upgrade was already available and the balance was in the final stages of production.

BSNL Files Caveats in All HCs

BSNL has filed caveats in all the high courts in the country against any stay on its tender for supplying and installing a GSM network of 10 mn lines. The restrictive conditions in the concerned tender had created grounds for cartelisation, keeping out several Indian companies from participating in the tender worth an estimated Rs 50 bn, the largest in the world for GSM equipment procurement and installation. BSNL has named, among others, Nokia, Nortel, Siemens, HFCL, Ericsson, Motorola, UTL, Alcatel, Huawei and ZTE as potential petitioners. BSNL has apprehensions that some of the potential bidders may seek a stay on this tender. For instance, a condition that a bidder should not have equity stake in any of the existing cellular companies eliminates at least two companies - TCIL and Shyam - from participating in the tender. Both of them have stake in Hexacom, a cellular service provider in Rajasthan. TCIL, BSNL's sister concern, has implemented telecom projects in 55 countries. However, BSNL has doubt on its capabilities.

Wireless Set for a Big Dial in India

As per a study by Ernst & Young, the share of wireless users has shot up to a meaty 40% of India's total telephone subscriber base from 9.5% in less than 3 years. In its latest India telecom forecast unveiled to the global investor community, E&Y sees India's wireless (mobile) users cornering 70% of the total telephone subscriber base by '07. E&Y pegs India's total telephone subscriber base at 203m (71m) by end-'07, in which wireless will account for a hefty 142m (30m). It also expects India's teledensity levels to touch 20% (7%), and virtually treble annual telecom industry revenues to about \$25bn (\$9bn), by end-'07.

Such optimism stems from four counts - introduction of unified licensing, the DoT nod for operators to transfer wireless licences, the allowing of intra-circle wireless mergers and the implementation of the IUC regime. E&Y sees mobile subscriber growth in India accelerating from a shade below 2m per month now to over 2.5m per month, come '05. At such levels, wireless subscriber growth is projected to outstrip net wireline monthly expansion levels, mirroring international telecom trends, wherein wireless has been the principal growth engine.

Rs 4 bn New Andhra Pradesh Project Gets Clearance from Railways

Indian Railways (IR) has given an in-principle approval for the proposed Rs 4 bn new railway line between Krishnapatnam and Obulavaripalli in Andhra Pradesh. The Railway Board is likely to clear the project in one or two months. The estimated 129-kilometre railway line will facilitate goods movement to the Krishnapatnam port, which is anticipated to handle about 20 mn tonnes of inward and outward traffic of iron ore barites, coal and food grains. It will be operational in 2 years from receiving financial closure, which is slated for completion by the end of 2004. The IR is likely to invest 26-30% in the equity of a special purpose vehicle that will be created shortly. The Krishnapatnam port has set up a shell company for the purpose - Krishnapatnam Rail-Road Corporation Ltd - to undertake the project. Rail Vikas Nigam Ltd has already completed the technical analysis of the project.

Siemens Wins Order from Indian Railways

Siemens Ltd has received a Rs 2.3 bn order from the state-owned Railways' Diesel Locomotive Works. Siemens will provide a three-phase traction package for the new range of 4000-horsepower diesel locomotives manufactured in India. The scope of the order includes supply of locally manufactured traction motors and invertors, traction control systems and other auxiliary equipment.

The order, which was bagged by Siemens' transportation systems division after a competitive bidding process, will be delivered in 36 months. The three-phase traction equipment from Siemens will lead to an increase of about 60% in capacity, and enable longer trains with more wagons to be pulled by these locomotives.

Rlys Wants Decision for Tariff Regulatory Authority Reviewed

The Rail Board authorities have decided that an independent tariff regulator is not needed for the sector as there is little scope for privatisation in the Railways. Accordingly, a Cabinet note is being prepared to reverse an earlier Government decision on setting up a rail tariff regulatory authority. IR's (Indian Railways) plea for annulment of the decision is based on the fact that there is little scope for private involvement in the Railways. Moreover, there is no regulatory body for the roads sector, where a fair part of the National Highway Development Project (NHDP) is being executed by private parties. Setting up an independent rail tariff regulator was one of the suggestions of the Expert Group on Railways headed by Mr Rakesh Mohan that had submitted its report in February 2002. While most of the suggestions regarding corporatisation and eventual privatisation of the Railways had been rejected, in a Cabinet decision taken on August 2, 2003 the Government had decided to go ahead with the regulator to set both passenger fares and freight tariffs. IR says that it is governed by the Railway Act, 1999 which gives the Railway Ministry the powers to fix tariffs.

Railways to Expand OFC Network

Indian Railways (IR) is planning to invest Rs 7 bn to lay optical fibre cable along an additional 15,000 km track in two years. The railways intended to lay OFC for connectivity and signaling needs along all high density rail routes across the country. IR has so far laid OFC along 22,000 km of rail track. Within two years, over 50% of the network would be converted from copper cable to optical fibre. The conversion from copper to OFC is being executed by Railtel Corporation, a wholly owned subsidiary of IR. The company will market spare capacity to bulk users of bandwidth. IR has close to 65,000 km of rail network in the country and is presently using only 10% of its capacity. Railtel is now selling spare capacity to operators like Bharti, Tata Group, Hutch, VSNL and BSNL and Reliance.

Railtel provides reach into many terrains and remote areas and one of its aims is to provide connectivity to rural areas. The proposed Rs 200 bn rural area rail connectivity plan will lay rail lines to backward areas. The reach of Railtel would be augmented further after its implementation. IR is also planning to implement its anti-collision device (ACD), developed by the Konkan Railways, in Northern Frontier Railway by 04-05.

Japan Gives Rs 24.20 bn in Soft Loan for Delhi Metro

In a significant boost to Delhi's ambitious Metro Rail project, Japan has extended Rs 24.20 bn as assistance for speeding up the project pace for completion. The loan extended for 'Delhi Mass Rapid Transport System (DMRTS) Project V' is part of Japan's assistance for eight projects in India and amounts to 47.5% of the total financial assistance of Rs 51.02 bn.

The funding through Japanese Bank for International Cooperation (JBIC) will be at a concessional rate of interest of 1.3% with a repayment period of 30 years and a grace period of 10 years. DMRTS 'V' consists of the construction of 62 km railway in the national capital. It is the country's first metro rail system made up with subway as well as elevated and surface-level rail segments. Rail services have already started in the first 21-km segment. Upon opening of the entire portion, scheduled in September 2005, the metro-rail is expected to transport 2.25 mn passengers daily. As part of the project, technology from Japan for intense train services, safety control and operational management for improving project sustainability will be transferred to India. The project is expected to improve the environment through reduction in traffic congestion and vehicle emissions.

Chhattisgarh Rural Road Development

Chhattisgarh Rural Road Development Agency is to upgrade rural roads in four districts under Pradhan Mantri Gram Sadak Yojana Scheme. Bids were invited from contractors in March 2004 for construction and upgradation of rural roads in: Bastar district at a cost of Rs.82.093 mn, Damtari district at a cost of Rs.47.229 mn, Durg district at a cost of Rs.45.461 mn, and Sarguja district at a cost of Rs.149.31 mn.



7 Global Biggies in Fray for Delhi, Mumbai Airports

Seven global airport managers, including companies running mega airports in Frankfurt, Singapore, Vancouver, Amsterdam, UK, South Africa and Malaysia have joined domestic big-guns like Tatas, AV Birla and L&T to bid in the privatisation process of Mumbai and Delhi airports. Each airport will receive investment approximately worth Rs 25 bn for modernisation and upgradation. Some of the foreign bidders have appointed Indian investment bankers as advisors to put in their initial expressions of interest by June 4 this year and have taken bidding forms and documentation from AAI's (Airports Authority of India) advisors, ABN Amro.

According to the privatisation programme charted by the civil aviation ministry, foreign companies can own upto 74% stake in the newly created company, while the Airport Authority of India will hold the remaining stake. Indian bidders, which also include Bharti group, Hero Honda, Unitech and perhaps Bombay Dyeing (which recently bid for Nava Seva port in Mumbai), are planning to form a joint venture with firms which have expertise in managing airports globally. Assets of individual airport will be transferred to a company and leased to the successful bidder for 30 years, after which it will be renewed for another 30 years. The government will continue to manage security as well as air traffic control at airports. South African Airports have appointed N M Rothschild, Frankfurt Airport JM Morgan Stanley, Changi Airport of Singapore HSBC Securities for finding an Indian partner to bid for Mumbai and Delhi airports. The other global majors are currently in talks with investment bankers.

Congestion at Nhava Sheva Terminal — P&O Ports Rails at JNPT

With exporters' shipment schedules going haywire because of congestion at NSICT, the Commerce Ministry intervened to sort out the problem. The P&O Ports-operated Nhava Sheva International Container Terminal (NSICT) has accused the JNPT of back-tracking on its assurance — made at a meeting held by the Commerce Ministry in a bid to ease the massive congestion problem at the private container terminal — to hand over one of the rail tracks to the private operator.

A massive backlog of boxes has been building up at the NSICT as it handles larger volumes than the JNPT but has only two rail tracks to evacuate the containers. At the February 17 meeting in New Delhi, the the JNPT had informed the NSICT of its decision to hand over for one month its rail track No 6 exclusively for back-loading NSICT boxes. However, as per P&O Ports the decision communicated by the JNPT to the NSICT on the issue did not truly reflect the decision taken at the Commerce Ministry meeting. After reportedly agreeing at the February 17 meeting to allow the NSICT to deploy its own equipment on Line No 6, the JNPT apparently turned back in the face of strong opposition from the unions. The union leaders are understood to have opposed any attempts to hand over the Port's facility to the private operator.

Airports Upgrade to Cost Rs 50 Bn

Investment worth over Rs 50 bn is envisaged for modernisation of airports in the current five-year plan. It would be targeted at modernisation of infrastructure and upgradation and installation of the latest world class airport surveillance equipment.

Three East Coast Ports Cut Charges for Container Ships

The shipping ministry has directed the major ports of Tuticorin, Chennai and Cochin to cut their vessel-related charges and bring it at par with the rates prevailing at Colombo port, a move that is expected to trigger a rate war between the three east coast ports and the neighbouring Colombo port which acts as one of the major transshipment hub ports for India's container traffic.

The order issued by the Ministry on March 3 states: "The reduced vessel-related charges would be applicable only for container ships and that, too, for mainline container vessels of more than 1800 twenty-foot equivalent units (TEUs) capacity, with international ports of call beyond Singapore or Port Klang on the East and Suez Canal/Cape Town on the West calling at Tuticorin, Chennai and Cochin ports."

The board of trustees of the three respective major port trusts will now have to work out the exact quantum of reduction based on their existing tariffs to bring the rates at par with Colombo. The ministry order aims to wean away India's transshipment traffic from Colombo to the three east coast ports. It is reckoned that 40% of the total container traffic handled by Colombo port is transhipped from India. Out of the 1.7 mn TEUs handled by Colombo port, 40% or roughly 750,000-800,000 TEUs is from India. Apart from Colombo port, India's container cargo is also transhipped from Singapore, Dubai and Salalah Ports to final destinations.

Vallarpadam Port in Race To Woo Investors

The board of trustees of the Cochin Port Trust (CoPT) have cleared the draft licence agreement for the international container transshipment terminal at Vallarpadam.

In response to the tender floated for the project, 14 companies have responded, from whom nine have been shortlisted. These are Dubai Port International, Maersk, Denmark, P&O Ports, Mumbai, International Container Terminal Services, Manila, PSA India, Singapore, Adani Exports, Gujarat, Larsen and Toubro, IL&FS-Punj Lloyd consortium, Delhi and ACT Shipping consortium, Kandla.

The Vallarpadam box transshipment project has an estimated outlay of Rs 20 bn, and is expected to take handling capacity of the port from the present level of 150,000 teu (twenty equivalent units) to 1.5 mn teu when the final phase of the project is completed. CoPT sources are confident of realising the container terminal because the port already handled containers as well as assurances given by the Prime Minister himself.

Waste Management Programme to Gain Momentum

The comprehensive domestic waste management programme in Andhra Pradesh, is expected to gain momentum with the municipality planning to privatise collection and transportation of segregated domestic waste in select areas. The waste management programme started in 2001 and the compost yard at Koilvazhi, operated by a private company started functioning in October 2001. The municipality supplied segregated biodegradable domestic waste to the yard everyday. The municipality has initiated a number of measures to increase the quantity of segregated domestic waste being sent to the yard. While two to three tonnes of segregated waste was being sent to the yard everyday in 2001, it has gone up to approximately 25 tonnes a day. A greater number of areas in the town has been brought under the programme, and efforts taken to collect segregated biodegradable waste even from hotels and vegetable markets by the municipality.

Plan Panel's Initiative to Cost Rs 730 Bn

The Planning Commission has embarked on an ambitious programme to develop 88.5m hectares of wasteland, arid lands and lands subject to severe forms of degradation under the Watershed Development Programme. The estimated cost is likely to be Rs 730 bn by the end of the 13th Five-Year Plan in '22. The productivity of these lands is severely affected by the pressure of the human and livestock population dependent on them. This kind of extensive programme is needed, since India, with 16% of the world's population, has only 2.4% of the world's geographical land. Watershed development is a component of wasteland development, which envisages the construction of a wide range of physical assets for soil and water conservation. This includes bunds, check dams, ponds and shallow wells. Watershed-based approaches generally lead to substantial improvements in rural livelihoods, due to enhancements in groundwater levels and hence, land productivity.

The government has under taken many watershed development programmes in the past: The Drought Prone Area Programme in 1974, the Desert Development Programme in 1977-78, the Integrated Watershed Development Programme in 1990, the National Watershed Development Project for rain fed areas in 1991, the Watershed Development Programme in Shifting Cultivation areas was launched in 1994.

Educational Kit on Waste Management

In a bid to educate the masses about management of bio-medical waste, the Centre for Environment Education (CEE) released a national kit of educational material on bio-medical waste management. Containing video spots, theatre slides, audio skit and audio spot, the kit has been developed with support from the World Health Organisation. The kit also includes a number of posters that have been developed by CEE which depict the correct method for disposing the various types of bio-medical waste and also inform the public about the harmful effects of the same.

In the Bio-Medical Waste Handling and Management Rules 1998, about 10 categories of waste have been identified by the Ministry. And corresponding to the type of waste, the method of disposal has been identified. The kit has organised the various categories according to the common treatment in the posters and has addressed individual issues like management of sharps, management of bio-medical plastics and management of spillage.

e-waste Management Gaining Momentum

E-waste management is an idea whose time has come. Last year, e-waste worth \$1.5 billion was generated in India, and the problem is getting bigger. In the U.S. and the European Union, the annual amount of e-waste from electrical and electronic products (WEEE) is estimated to be more than 10 mn tonnes, which is predicted to double in the next two decades. Taking a leaf out the West's book, where e-waste management, recycling, and disposal are a burgeoning industry in itself, India too is on the verge of giving itself an e-waste management system. After all, e-waste worth \$1.5 bn has the potential to support a recycling and reclamation activity that can generate \$8 bn worth economic activity.

An e-Waste Action Group (eWAG) has been constituted to bring together the Government and enforcement agencies, stakeholders, including the industry, research and development wings, institutions, vendors, and consumers, to come up with a policy and legislative and administrative action to address the problem.

As a prelude to framing a policy on e-waste management, the Central Pollution Control Board and other agencies along with the Bangalore-based non-governmental organisation's Project Agasthya, have developed a strategic roadmap for Bangalore, which could well become a policy for the country.

J. Sagar Associates, Advocates & Solicitors

84-E, C-6 Lane,
Sainik Farms,
New Delhi 110 062
India
T: 91 (11) 26518714/15/16
F: 91 (11) 26518717/26560980
E-mail: newdelhi@jsalaw.com

F-3, Ligoury Court,
#7 Palm Grove Road
Victoria Layout, Bangalore 560 047
India
T: 91 (80) 5511787/1789/2270/2276
F: 91 (80) 5511788
E-mail: bangalore@jsalaw.com

Vakils House, 18 Sprott Road
Ballard Estate
Mumbai 400 001
India
T: 91 (22) 56561500
F: 91 (22) 56561515/16
E-mail: mumbai@jsalaw.com