



# India Infrastructure Update



J. SAGAR ASSOCIATES  
advocates & solicitors

Vol. 7 No. 5 May, 2004

Produced by J. Sagar Associates

For private circulation only

## POWER

### Power Tariff Debate

Delhi government's proposal to link power tariff determination with consumers' location has evoked mixed reaction from experts and residents, with the latter terming it unfair.

The proposal seeks to grade power charges on the basis of classification of residential colonies created by the Municipal Corporation of Delhi (MCD) for property tax. The present tariff structure is based on level of consumption. The Delhi government's proposal for graded charges has been made to power regulator DERC and the Commission is likely to announce the tariff for this year soon.

Private distribution companies BSES and NDPL have said it would be difficult to assess only on the basis of the consumer's location address and point out that it would not even be in line with the Electricity Act 2003.

Independent experts feel the proposal could be implementable but not without working out certain modalities. In principle there can be no objection to charging more from those who can afford in order to provide cheaper electricity to the economically weaker sections. Expectations are that this entire exercise will not lead to higher tariffs for consumers as a whole.

According to officials, if implemented, the proposal could lead to "some discrimination" but it would be the regulator's prerogative to see that such an eventuality was mitigated. They ascribe to the opinion that the proposal was a suggestion by the government and did not seem like a policy change. But it should not be taken up before objections are invited by DERC from various stakeholders and residents," Rajan Gupta, former Delhi Electricity Consultative Council member said.

Residents are in shock over the proposal. "The services have gone from bad to worse. And we are still trying to come to terms with the disparities in the unit area method," V C Tandon, Joint Front of RWAs secretary said.

### India's Largest 1500 MW Project

With the commercial operations of the sixth 250 mw unit of the Nathpa Jhakri hydro-electric project beginning, the country's largest 1500 mw project is now in full stream. With this availability of power to the eight northern grid beneficiary states had increased considerably during these peak summer times, much to the relief of the citizens. As per the Satluj Jal Vidyut Nigam Ltd, which is operating the project, the third desilting chamber has also been commissioned and as the flow of water in Satluj river, on which the project is located, is increasing, full capacity operation of the six units would be ensured. The project's four desilting chambers are the largest in the world, each being 525 metres long, 27.5 metres deep and 16.31 metres wide and for flushing the silt from the desilting chambers, a silt flushing tunnel had also been completed. The commercial generation from the first 250 mw unit started in October 2003 and all the six units, each of 250 mw have been put into commercial operation in a span of eight months progressively, ahead of the targeted schedule. The project will generate 7000 mn units of electricity in a 90% dependable year.

### The DPC Story-A Crucial Meeting

GE and Bechtel have initiated arbitration proceedings against the Indian government for breach of the Indo-Mauritius treaty. The arbitration launched by Capital India Power Mauritius, a GE arm, and Energy Enterprise Mauritius Co, a Bechtel subsidiary, contends that the dispute between DPC and Maharashtra State Electricity Board (MSEB) led to loss of business for them and the dues towards power supply bills be recovered from the GoI. The arbitration tribunal is expected to begin its proceedings in London in September. Ana Roy, director in the ministry of finance, MSEB chairman Jayant Kawale and MSEB secretary Sanjay Bhatia are to be involved in the same from the GOI's side. The move by GE and Bechtel is crucial as the Delhi High Court recently issued notice to Centre on a plea by DPC challenging an interim order restraining it from going ahead with arbitration proceedings in London to invoke the Union government's counter guarantee in the power purchase agreement signed by the multinational with the Maharashtra government. The Centre had maintained that the continuation of arbitral proceedings would be oppressive and inequitable to it. GE and Bechtel have submitted that MSEB has failed to pay monthly bills to DPC and subsequently on May 23, 2001 rescinded the power purchase agreement (PPA) between MSEB and DPC for material misrepresentation and default on the availability of power by DPC.

### Inside

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

## Nagarjuna's Power Project Gets 'Mega' Status, PFC Assistance

The Rs 44 bn, 1015 mw thermal powered Nagarjuna Project, scheduled to come up near Mangalore in Karnataka, has finalised the funding of its Rs 30 bn debt from Power Finance Corporation. The project has also been accorded the 'mega power project' status from the Union Ministry of Power.

This status will mean that the Nagarjuna Group will be exempt from excise and related duties relating to imports for the power project. The company is also finalising the engineering, procurement and construction (EPC) contract worth \$700 mn shortly and the contractor will either be a Chinese consortium led by Harbin or BHEL. The power purchase agreement (PPA) with Karnataka Power Transmission Corporation Ltd (KPTCL) will also be finalised within two months time and the cost of power is expected to be in the range of Rs 2.10 - Rs 2.50 per mw.

Nagarjuna Group is also close to finalising a strategic investor to divest 49% of the project to a south-east Asian company who will also be in charge for the operations & maintenance of the plant. The plant load factor is expected to be around 80-85% and the debt-equity ratio is to be in the range of 70:30.

## Rising Corporate Interest in the Renewable Energy Sector

Hindustan Motors Ltd (HM) plans to enter the renewable energy sector by setting up a 6 mw power plant based on rice husk. The plant is proposed to be set up in Hooghly district where the HM factory is located. Apart from HM, Eastern Minerals and Trading Agency (EMTA), a captive mining company owned jointly by three State sector power utilities, have also shown interest in setting up rice husk-based units.

These two companies, along with the Hyderabad-based Sri Vasavi Industries and Nuziveedu Seeds Ltd, are among the nine companies interested in setting up such units with a total capacity of 88 mw.

The EoI was invited in February 2004 by the West Bengal Renewable Energy Development Agency (WBREDA) to attract investment in the sector through projects in the private sector, joint sector and through NGOs. The identified projects included creation of 160 mw capacity through small and mini hydel projects, wind energy, biomass power generation (which includes rice husk) and industrial/municipal solid waste-based power projects.

Biomass-based projects are proposed to be set up in the Burdwan, Hooghly, Birbhum and Midnapore districts. As per sources, rice husk has begun to emerge as a feasible energy option for many corporates in the state, which is the country's biggest rice producer. Corporates entering the renewable energy sector, claiming CDM benefits offers an additional incentive making the project even more attractive. Under the Kyoto Protocol, CDM has been defined as a production method that helps reduction in greenhouse gases.

## Accelerated Power Development Project Likely to be Commissioned in July

The Accelerated Power Development and Reformation Project (APDRP), being implemented in the Corporation limits of the Tiruchi Metro Circle of the Tamil Nadu Electricity Board (TNEB), is likely to be completed by July.

The Rs.190 mn, World Bank-aided project is aimed at ensuring reliability and quality of power supply, improving customer service and reducing transmission and distribution losses. Though the TNEB had planned to complete the project by March, 2004, the project has suffered a minor delay. Some of its major components, including the computerised billing service and a call centre, are scheduled for commissioning by June-July.

The Tiruchi Metro and Pudukottai Circles were selected for the project in the Tiruchi region. The project has already been commissioned at Pudukottai.

## NTPC's Installed Capacity Rises to 22,250 MW

NTPC has expanded its installed capacity to 22,249 mw following the commissioning of the Talcher expansion project. The latest expansion has added 500 mw to the Talcher project. As per the schedule, this unit was to be synchronized in the month of May 2005. The fourth 500 mw unit was synchronized in the month of Oct.2003 i.e. 10th month ahead of schedule. The ultimate approved capacity of the plant is 3000 mw coming from two stages - Stage-I has 2x500 mw and Stage-II comprises of 4x500 mw. As of now, five units are operational and the last unit of 500 mw is expected to be synchronized by March 2005. Situated in the Angul District of Orissa, the Talcher-Kaniha Plant has become the largest station of the country.

The beneficiary states from the first stage of the project are Orissa, West- Bengal, Bihar, Assam, Sikkim, Jharkhand and Damodar Valley Corporation. The power generated from the 3rd, 4th & 5th Unit is allocated to the states of Southern Region. NTPC has developed an ambitious growth plan of becoming a 56,000 mw company by 2017, which includes diversification in hydro sector, entry into coal mining, CNG sourcing and setting up of coal washeries.

## KRL plans to Revive Power Project

Kochi Refineries Ltd has shown keenness to become an active participant in the 2.5-mt per annum Petronet LNG project, which has been hanging fire for the past several years. The company aims to pursue the power project on lines similar to the earlier project proposal, but will be exploring the option of using LNG. KRL also has a Rs 30 bn expansion and modernisation plan lined up till 2010. Phase I of the project involves setting up facilities for quality upgradation of motor spirit and high speed diesel to meet the Bharat Stage II emission norms.

## GAIL Efforts to Speed up National Gas Grid

The Gas Authority of India Ltd (GAIL) has sought permission from the Government to set up a "national gas grid" on the lines of the power grid, so as to bring the entire country under a single and common transmission and distribution network. Once the grid is formed, it would be able to regulate the supply in an equitable manner to all parts of the country and would also serve gas as an alternative fuel to industry, automobiles and households. However, the project is at a nascent stage and would require enormous resources to be developed.

## Petrol, LPG and Diesel Prices Go Up

Prices of petrol and diesel were hiked by Rs two and Re one per litre respectively and cooking gas by Rs 20 per cylinder by the government, while kerosene was spared from any price increase. As per the government, the increase was necessitated due to spurt in international oil prices, which has put an additional burden of Rs 180 bn a year, that will be shared by all stake holders - oil companies, government and the consumers. The oil companies have agreed to absorb most of the impact and only a minimum burden has been passed on to the consumers.

The government has also slashed excise duty on petrol by 4% to 26%, diesel from 14% to 11% and on LPG from 16% to 8% in a bid to reduce the impact on consumers of petro products. Accordingly petrol will now cost in Delhi Rs 35.70 a litre and diesel at Rs 22.73 against Rs 33.70 and Rs 21.73 respectively. In Kolkata, petrol will cost Rs 38.69 per litre, an increase of Rs 2.08 per litre, in Mumbai Rs 40.96 per litre, an increase of Rs 2.13 per litre. In Chennai, one litre of petrol will cost Rs 38.96 per litre, an increase of Rs 2.17 per litre. Diesel in Kolkata will now cost Rs 25.03 per litre, an increase of Rs 1.04. In Mumbai, diesel will cost Rs 28.62 per litre an increase of Rs 1.19 while in Chennai one litre of diesel will now cost Rs 25.35 an increase of Rs 1.12 per litre.

As per the Government, the two rupee hike in petrol price was much lower than market indicated price hike of Rs 3.67 to Rs 4.91 per litre, while in the case of diesel, the Re 1 increase was against a market indicated price of Rs 1.67 to Rs 2.35 per litre. Cooking gas cylinder is now expected to cost Rs 261, up from the prevailing price of Rs 241. In the case of LPG the market indicated price increase was Rs 133 per cylinder but the actual hike was just Rs 20. The poor men's cooking fuel, Kerosene, has been spared the hike although the market indicated hike was Rs 4.43 per litre.

## GAIL to Pick Stake in Two Egypt Cos

GAIL is planning to pick up equity in Natgas and Nile Valley Corporation, two leading gas companies in Egypt. GAIL has already set its foot in Egypt by buying Royal Dutch/Shell's stake in two city gas distribution firms. This time around, GAIL is set to acquire British Gas's entire holding in Nile Valley Corp and a 22% stake in Natgas-Egypt's largest city gas distribution firm. The stake could be worth Rs 160-170 mn and GAIL hopes to complete the NatGas deal this fiscal.

## IOC Draws Up Aggressive Sales Strategy

Indian Oil Corporation (IOC) has drawn up an aggressive marketing plan to face the challenge posed by private sectors in the petro-retailing sector. IOC will shortly launch branded petrol stations and change the visual identity of the stations. By September end this year, IOC will launch 1000 'Extra Branded' retail outlets whose fuel quality, quantity and services would be certified by renowned international agencies.

IOC is will also change the colour scheme of its petrol stations to 'orange and blue' from the current rainbow colours. The new colour scheme, aimed at giving IOC pumps a distinct visual identity, would be on a special aluminium compound material. IOC hopes to take its total retail outlet strength beyond 10,000 by the year-end from the current 9155.

The company has engaged the services of two advertising agencies to create a separate branding strategy for retailing oil and LPG. Its project to revamp the existing retail outlets under the sub-brand IndianOilXtra includes upgrading the outlets and providing additional facilities in terms of customer service. Also the merging of its subsidiary IBP Ltd with the parent company IOC, is expected to provide additional impetus to take on competition.

## Oil Firms Set for Plastic Propulsion

Oil companies - IndianOil, ONGC, Reliance and GAIL - have announced major plans to set up new petrochemical capacities that could change the face of the industry in the next two to five years.

IndianOil (IOC) is planning two greenfield petrochem plants, which will require over Rs 250 bn worth of investments. This is over and above the Rs 58 bn for projects already being undertaken by the company. Also on the company's drawing board, is a petrochem investment in Iran through a JV. A Rs 13 bn LAB project is already underway at IOC's Koyali refinery and is expected to be commissioned by Q3 '04. Also, a Rs 45 bn paraxylene and PTA (both chemical intermediates for polyester production) plant, expected to be commissioned by Q3 of '05, is being set up at the Panipat refinery.

ONGC is planning to set up its petrochem plant either next to Mangalore Refinery (in which it owns 70%) or close to Petronet LNG's operations (in which ONGC has a 12.5% stake). It plans to hinge on using LNG by-products (such as ethane, propane, butane) as feedstock, setting up a cracker unit for extracting ethylene and polyethylene and finally integrating it with a downstream plant for manufacturing ploymers.

RIL has announced a Rs 60 bn expansion to set up new capacities at its existing complexes in Jamnagar, Hazira and Patalganga. The expansion will raise the company's polymer production capacity from 12.5m tonnes per annum to 15m tonnes per annum in about two years ('06-7). It remains to be seen who actually comes up with the capacities in quick time, as the country is already an exporter of PX and PTA and extra capacity would result in higher surplus.

## DoT Wants All Last-Mile Networks

DoT is of the opinion that in order to ensure maximum possible broadband penetration, all last-mile networks - including wireline, wireless and fibre, irrespective of age - should be opened up for competition. The DoT suggestion would mean that new private telecom players with recently laid out networks, would also have to offer them for sharing by competitors. TRAI had recently recommended unbundling of wireline infrastructure over five years old as one of the measures for increasing broadband penetration.

However, due to the age condition, most of the wireline infrastructure of private operators, which are relatively new, would not come under the purview of these recommendations. The department also said that even though the telecom access sector had been open for competition since 1994, not much of the wireline infrastructure was laid by service providers between 1994 and 2001.

In its comments sent to the TRAI recently, DoT said that unbundling should be made technology-neutral. In this context, it has asked TRAI to define access network for fibre and wireless local loop unbundling. Since the aim of unbundling is to increase broadband penetration by introducing competition in the last mile, DoT feels that quality of the last mile, irrespective of age, should be the sole criteria for unbundling.

The Telecom Ministry has said that new networks, which are more suitable for high-speed broadband provision, should also be unbundled. Under local loop unbundling, telecom operators are asked to share their last mile infrastructure with competing service providers. For example, in case of fixed line operators, a private telecom provider could provide broadband services to customers on the MTNL's wireline and collect revenues from MTNL customers for such service.

## MTNL, BSNL Get Merger Call

The stage has been set for initiating the process of merging Bharat Sanchar Nigam (BSNL) and Mahanagar Telephone Nigam (MTNL). At a meeting between Telecom Commission members and CMDs of the two PSUs, it was felt that the two PSUs should be merged and the process should be started with appointment of a working committee to hammer out the details. DoT is soon expected to take the proposal to the Union communications minister Dayanidhi Maran for his approval.

## TRAI to Promote Better Use of Spectrum

With the rapid growth in mobile telephony making spectrum a scarce resource, the Telecom Regulatory Authority of India (TRAI) has started an exercise to ensure its optimal allocation and efficient usage. Currently, additional spectrum is allocated to operators on the basis of their subscriber base and service roll out. TRAI feels that there is a need to evolve a spectrum allocation procedure that offers an incentive to efficient use of spectrum. It has also advocated release of more spectrum to cellular operators to ensure continued growth of the sector.

## Fresh Policy Plans to Push Broadband, Net Penetration

The government is planning to announce a fresh policy to push broadband and Internet penetration with a focus to provide faster connectivity at lower prices. As per the Department of Telecommunications (DoT), the availability of broadband services at affordable price levels will have significant impact on Gross Domestic Product (GDP) and will attract new investment, create job opportunities, provide access to new and improved services and increase productivity through infrastructure creation.

In its recommendations, the TRAI has projected that India can achieve 20 mn broadband and 40 mn Internet subscribers by 2010, which would translate into penetration level of 1.7% and 3.4% respectively.

Other recommendations of the TRAI include: Unbundling local loop through shared or bit stream access, encouraging broadband through cable, DTH and VSAT platform, simplifying the right of way, reduction in duties for imported items used in broadband, service tax exemption for ISPs, web hosting services and creation of appropriate content and applications.

The regulator, while making recommendations observed that Internet growth in India has been flat, and at times declining over the past three years, while other countries like Korea, China and Malaysia have been doubling and tripling the size of their Internet and broadband subscriber base.

## STT, Telekom Malaysia to Buy 33% in Idea

In a major takeover, Singapore Technologies Telemedia Pte (STT) and Telekom Malaysia Bhd will buy 33% stake in Idea Cellular Ltd, the fifth-largest cellular phone operator in India. Idea has stated that the companies will buy the stake from AT&T Wireless Services Inc. The buyout, to be completed in three weeks, is estimated to cost more than \$220 mn, making it the largest acquisition so far in the consolidating wireless industry in India.

AT&T Wireless' stake in Idea Cellular has been on the block ever since the company was globally acquired by Cingular Wireless. Apart from the the STT-Malaysia Telekom combine, the other bidders who had evinced interest were Malaysian player Maxis, Russian telecom service provider Sistema and Luxembourg-based Millicom. AT&T Wireless' sale of its stake in Idea Cellular marks the formal exit of the global telecom player from India. It was only a couple of months back when it sold its stake in BPL Cellular to its Indian partner.

The deal takes Singapore government-owned STT and Telekom Malaysia into a market of more than 35 mn users that is forecast to grow to at least 100 mn by 2005, spurred by some of the lowest tariffs in the world. Around three in 100 people in India own a mobile phone compared with more than 20 in China, 40 in Malaysia and 80 in Singapore. Idea said STT and Telekom Malaysia would raise their combined stake to 49%, the maximum foreign holding allowed by the government in telecoms operators.

## Telecom Cos May Have to Wait Longer for Hike in FDI Limit

Telecom companies will have to wait for an increase in FDI limit. The change of guard at the Centre has raised serious questions over the timing of the limit being raised from 49%. The limit was widely expected to go up to 74% after polls. The main beneficiaries of a hike in FDI would be companies like Bharti, Hutch and Idea, which have substantial overseas holdings. Some analysts are worried that this might mean deferments of IPOs like that of Hutch. Though the decision is likely to get delayed, several telecom stakeholders are still confident that the new government can't overlook the need for an increase in FDI limit if it doesn't want to compromise on the teledensity targets. As per the COAI, as the growth in the metros has flattened out, it is time for second phase of reforms and there is a role for the new government to initiate a second phase where issues like FDI cap need to be handled.

## DoT to Decide on TRAI's Broadband

The Department of Telecom (DoT) plans to seek the opinion of various players including BSNL and MTNL and take a final view on the Telecom Regulatory Authority of India's (TRAI) recommendations for accelerating internet and broadband growth. BSNL has been asked to take a lead in broadband penetration, as it has all the pre-requisites for becoming a leader in the segment. The company is aiming for 200,000 broadband lines.

The BSNL and MTNL boards would have to consider measures to optimise national assets with a sense of fair play, efficiency and commercial considerations like quality and high cost of services, as well as problems of digital divide.

## BPL Mobile to Invest Rs 10 Bn to Widen Base

BPL Mobile will be investing Rs 10 bn across four circles over the next 12 months. The company plans to add 550 base stations across all its markets in order to upgrade its network. BPL has acquired more than 2m subscribers, of which Mumbai contributed 1m with the balance spread across the other circles. The company's subscriber base stood at 1.334m as of October '03 and grew to 2.017m by April '04. In Mumbai alone, the company's subscriber base moved from 0.78 m in October '03 to 1.01m in April '04. BPL also plans to launch a walkie-talkie service by June this year.

Currently, the service is under test and will be launched over the GPRS platform and will enable mobile users to use their handsets like a walkie-talkie. The company also plans to introduce the Caller Ring Back Tones (CRBT), a feature that allows users to preset a ring tone that will be heard by the caller. Currently, BPL has about 1293 cell sites across the four circles of Mumbai, Maharashtra & Goa, Tamil Nadu & Pondicherry and Kerala. BPL has roaming tie-ups with 525 operators across the world.

## Unified Licence Regime

Recently Telecom Regulatory Authority of India (TRAI) has come up with consultation paper on "Unified Licence Regime" (ULR). Under the regime overall development of industry is assured. ULR will provide free growth of new applications and services leveraging on the technological developments in the Information and Communication Technology (ICT) area. It will also ensure flexibility and efficient utilisation of resources keeping in mind the technological developments and simplify the procedure of licensing for service providers. ULR will encourage small players to cover niche and untapped market.

In setting up the framework for "ULR" TRAI is planning to adopt international standards. TRAI is looking for European Union model – simple authorisation regime subject to separate regulations, Singapore Model – Facility Based and Service based Licensing, Malaysian Model – Converged Licensing framework, Argentina Model - Single License Regime, Australian Model - Carrier license and carriage service providers.

## AirTel to Go Overseas

With an eye on a US listing by end-2004, Bharti Tele-Ventures Ltd (BTVL) is embarking on a global brand-building binge. For the first time, AirTel prepaid cards will be sold overseas in the local currency of a country. Distribution of AirTel prepaid cards will start this month in Singapore, Malaysia and across the Gulf. By July, they will be sold off-the-shelf across the US, UK, Canada, Thailand and Indonesia. Bharti has received all regulatory clearances and will shortly submit its AirTel prepaid cards offshore distribution price plan with TRAI. For starters, AirTel prepaid packs will be targeted at an envisaged 5 million expats, NRIs and ethnic Indians residing in Singapore, Malaysia and the Gulf. Under the proposed distribution model, international travellers will buy AirTel prepaid cards in their home country and activate them on landing in India.

## Reliance Info plans Broadband, Wireline Services

Reliance Infocomm has aggressive plans for its broadband and wireline services. Broadband and wireline services will be two major segments of focus for Reliance Infocomm in the future. The company is planning on designing packages to target the needs of individuals as well as small and big enterprises. The company attributes the slower growth in revenue for the telecom industry as a whole, to several factors like lower tariffs and low usage coupled with high investment.

As per data available from the Association of Basic Telephone Operators (ABTO) and the Cellular Operators' Association of India (COAI), the mobile subscriber (both CDMA and GSM) base in India at the end of April 2004 was 34.84 mn.

Reliance Infocomm, with 7.56 mn subscribers and a 21.7% marketshare, emerged the leader, followed by Bharti, with 19.4% and a subscriber base of 6.76 mn. BSNL stood third, with a base of 5.53 mn and a marketshare of 15.7%.

## IR Yet to Pick Right Track for Power Supply

Indian Railways (IR) plan to develop the first mega (1000 mw) joint venture power project in Nabinagar, Bihar, for supply of power to the Railways is facing stiff competition from private sector power house Reliance Energy.

As per the initial projections which came up for discussion at the PIB meeting held in February 2003, the tariff in the first year of operation (assuming a plant load factor of 77%) would be in the range of Rs 2.53 per unit. The estimated project cost based on Q4 cost estimates would be Rs 45.60 bn. The project was proposed to be set up by a joint venture company between NTPC and Ministry of Railways. A captive power project, the plant was to be developed by the Bharatiya Rail Bijlee Nigam, in which Railways would hold 51% and NTPC would have a stake of 49%. This plant was to provide power largely for traction activities of the Railways.

While the projected tariff for the joint venture plant, proposed to be set up with state-run NTPC, is estimated to be around 2.53 per unit in the first year of operation, Reliance has offered the required power at Rs 2 per unit.

Initial round of talks have been held between Railways and Reliance in this regard. For Reliance, apart from the proposed plant, its own captive capacity of more than 2000 mw too is expected to come as a boost and fallback option to provide reliable power.

## ADB to Give Technical Aid to Develop Eastern Road Network

The Asian Development Bank (ADB) has approved technical assistance to the tune of \$800,000 for a project aimed at strengthening roads in West Bengal and Assam and networking them with key sectors in Bangladesh, Bhutan, Nepal and China. The project, supported by ADB, aims to boost the West Bengal transport corridor, which runs from Haldia port to Assam. The West Bengal corridor is of strategic importance to the economic development of the north-east region.

## Metro for Bangalore

Ground-level preparations for the metro rail project in Bangalore are being made with the state government freezing development activity in the 247 properties it had tentatively identified for this purpose. The government has also directed the Bangalore City Corporation, Bangalore Development Authority and other civic bodies concerned to seek a no-objection certificate from the Bangalore Mass Rapid Transit Limited (BMRTL) before it approves any construction activity. The 33-km project will run on elevated as well as underground track and will run along two routes through the city, tentatively named the East-West and North-South corridors. While the 18.1-km East-West Corridor starts from Byappanahalli and ends at Nayandanahalli covering 18 stations, the 14.9-km North-South Corridor originates from Yeshwanthpur and terminates at RV Road, covering 14 stations. Of the properties identified, 14 are owned by either the state or its undertakings and 15 belong to the Centre or its PSUs.

## Railways Freight Traffic Up in April 2004

The Indian Railways reported a 2.33-mn-tonne increase in Revenue-earning freight traffic at 45.4 mn tonnes in Apr 2004 (43.07 mn tonnes in Apr 2003). The annual freight target for 2004-2005 has been set at 570 mn tonnes, according to the Interim Railway budget. IR transported 557.39 mn tonnes of freight in 2003-2004, against a target of 550 mn tonnes.

## Resource Mobilisation Through Market Borrowings in IR

Investments of Indian Railway Finance Corporation (IRFC) in rolling stock assets increased to Rs29.70 bn in 2003-2004 (Rs7.70 bn in 1987-1988). However, market borrowings through IRFC, as a percentage of total plan outlay, have dropped to 21% (33% in 1998-1999).

The average cost to the Indian Railways (IR) on account of lease charges payable to IRFC for assets funded from market borrowings has dropped to 7.48% (13.17% in 1998-1999). Lease charges as a percentage of gross traffic receipts and ordinary working expenses are also on the decline.

## Railways Signal ATM Booking

Railway passengers will soon be able to walk into any ATM and book a ticket. All they will need to board a train is a print-out from the machine and a government-issued identity card. If the passenger is unable to travel because of a wait-listed ticket, the money is credited into his account automatically. The Railways is close to tying up with all nationalised banks along with institutionally promoted banks like ICICI, HDFC, UTI and IDBI Bank.

Senior officials claimed that if all goes well in about a year, the Railways will be in a position to increase booking centres by a whopping 15,000 plus compared to just about 2000 passenger reservation terminals covering 300 locations at present.

The pilot project for introducing booking through ATMs is expected to be launched in the National Capital Region after July. The facility is likely to be available in about 900 ATMs in this phase initially for Rajdhani and Shatabdi. The technology for this facility is already available with the Railways.

Banks will earn a small transaction fee on each ticket. The fee will start from a minimum of Rs 10 but it may be more for using private bank ATMs since the Railways will not have a direct tie-up with them. The ATMs of private banks will be accessible as they have tie-ups with other banks.

## Rlys seeks Rs 20 bn more for safety, expansion work

The Railways has demanded more money under the Rs 170 bn non-lapsable Special Railway Safety Fund along with a continued thrust for the Rs 60 bn Kashmir Rail Link project. The United Progressive Alliance Government is focused on safety and expansion of the rail network in a major way.



## Maersk May Bag JNP Project

The government will decide by June-end on awarding the third container terminal at Jawaharlal Nehru Port, near Mumbai, to Maersk-Concor consortium and the Kochi box terminal to Dubai Port Authority. Maersk India Pvt Ltd managing director Hans-Ole Madsen has stated that the 74:26 joint venture between Maersk and Concor of India had quoted the highest revenue share of 35.5% while bidding for the contract for developing and operating a new container terminal at JNP. Maersk-Concor consortium piped other contenders for the Rs 10 bn project including United Liner Agencies India- Hamburg Port Authority, PSA Corp-Bombay Dyeing Group and Marubeni Corp-Evergreen Marine Corp. The United Liner Agencies India-Hamburg Port Authority quoted the second highest revenue share of 31.88%, while PSA Corp-Bombay Dyeing Group came third with a quote of 26.89%. The revenue share quoted by Marubeni Corp- Evergreen Marine Corp, the fourth bidder, was 18.25%.

## Domestic Shipping Firms Chart S'pore Route for Growth

Indian shipping companies, buoyed by record financial performances, are now taking the Singapore route for growth. Leading domestic companies such as Varun Shipping, Shahi Shipping and Tolani Shipping are finalising plans to get listed on the Singapore Stock Exchange through Singapore Depository Receipts (SDRs). This, according to industry officials, will help Indian majors tap the international shipping debt funds and attract global attention, especially when Indian shipping is lining up a mega \$1-bn capital investment for fleet expansion. One of the main reasons for the same has been because the Indian companies have found it difficult to attract foreign debt.

Most Indian shipping companies have their subsidiaries in Singapore. But so far no Indian companies — shipping or non-shipping — have listed in Singapore. Varun Shipping has announced plans to buy modern tonnage in the hydrocarbon sector for about \$250m. Yudhishtir Khatau, MD, said Varun has proposed to get listed on the Singapore Stock Exchange by '04-end through an issue of SDRs.

## Eol Invited for Advisors to Develop City-Side of Airports

Government has invited an Expression of Interest (Eol) for the appointment of Global Technical Advisors (GTAs) to develop the city-side of 10 non-metro airports, which include those in Mangalore, Madurai and Thiruvananthapuram.

The GTAs will provide technical advisory services and submit an action plan on private sector participation in the development of city-side facilities at the airports. A special purpose vehicle (SPV) may be constituted with the Airports Authority of India, the joint venture partner, the state government and financial institutions, among others, for operation and management of the city-side of each airport.

## Balu Rules Out SCI Privatisation

Claiming to leave an indelible mark on the shipping and road sectors before the end of his term, the Minister for Shipping, Road Transport & Highways, T R Balu has firmly ruled out privatisation of national flag carrier Shipping Corp of India (SCI). The ministry will be reviewing the working of SCI and steps are being planned for modernisation of fleet and augmenting tonnage.

The previous government had put government stake in SCI up for sale but the process did not attract many buyers. The new ministry has embarked on the task of reviving the Sethu Samundram project, a Rs 1000 bn Sagar Mala project to develop a golden sea chain for the country. Favouring the introduction of tonnage tax, the new ministry will examine the pros and cons of introducing tonnage tax for shipping lines. While from the companies point of view it is extremely beneficial, its benefit to the common man needed examination. The ministry, however, had no reservation on leasing out berths at ports to private firms as it would encourage competition and result in operational efficiencies.

## Major Ports Put Up a Good Show

Major ports in the country had a good run in the recently concluded fiscal, registering a throughput in excess of 300 mn tonnes for the second consecutive year.

The ports accounted for a cargo throughput of 344.52 mn tonnes, marking a 9.89% growth compared to the performance of 2002-03 and surpassing the target of the Ministry of Shipping of 333.75 million tonnes by 3.23%.

Their combined throughput after stagnating around 281 mn tonnes and 287 mn tonnes during 2000-01 and 2001-02 had hit the 300 mn mark during 2002-03.

The cargo throughput of the major ports during 2003-04 was bolstered by substantial increase in the movement of cargoes like POL (petroleum, oil, lube), iron ore and containers and a marginal rise in thermal coal traffic.

A significant aspect of the major ports' performance during 2003-04 was that all 13 of them registered a growth compared to their performance in the previous year, the most impressive being 24.47% of New Mangalore followed by Kolkata Dock System (20.48%), Mormugao (17.87%) and Jawaharlal Nehru Port Trust (16.50%), according to the Indian Ports Association (IPA).

In terms of the targets set by the MoS, however, Paradip, Ennore and interestingly, the premier Vizag port — which posted a new national for the highest cargo throughput in the major ports sector during the year — missed the goal by 3.78%, 9.93% and 2.58% respectively.

With no significant increase in major cargoes like POL and fertiliser and a drop in the traffic of coking coal, thermal coal, alumina and food grains, iron ore — its demand spurred by China — proved to be a key factor in Vizag port handling a record traffic of 47.74 mn tonnes, which is way ahead of the show by its nearest and traditional competitor, Kandla port.

## Industry Seeks Fiscal Incentives for Environmental Compliance

Fiscal incentives from the government should be given to companies that comply with environmental regulations. This has been suggested by top CEOs across industries in a survey conducted by the Federation of Indian Chambers of Commerce and Industry (FICCI) on environmental technology absorption by the industry.

According to the survey, 87% of the companies felt that the government should recognise their efforts at environmental compliance by offering fiscal incentives such as benefits in taxation and customs duty, and preferential treatment. Elaborating on the specific fiscal incentives outlined by the companies, the survey revealed that the incentives included customs duty waiver on pollution control equipment, sales tax exemption on purchase of pollution control equipment, soft loans to install pollution control measures and new technologies for mitigation of pollution. Besides these, the companies sought higher depreciation allowance under the Income-Tax Act from the present 100% to 150%.

The CEOs also urged exemption of excise duty for products manufactured through environment-friendly processes. Units complying with best environment management practices could be recommended by the Government for lower insurance premium and lower interest rates.

Those surveyed also sought 5 per cent subsidy on customs duty to ISO 14001-certified companies, excise duty exemption for all pollution control equipment and environmental lab testing instruments procured by industries. Further, subsidised power supply to operate effluent treatment plants and sales tax concessions for plants conforming to all environmental norms for the past three years was sought.

The biggest sources of pollution identified by industries were wastewater and air pollution followed by solid waste, hazardous waste and noise pollution. Further, all respondents emphasised that they were taking measures towards environment management in their units. The survey indicated that nearly 71% of the responding industries have a wastewater treatment facility and 66% also have air pollution monitoring and control techniques. After wastewater and air pollution, the CEOs placed emphasis on implementing technologies for energy efficiency, recycling and re-use. However, 72% of them identified the need for far greater attention to waste water treatment.

## HLL to Dive into Water Market

Hindustan Lever Ltd's (HLL) is foraying into the water business with a small device called Pure It, which can be attached to the kitchen tap to purify potable water at minimum cost. HLL's main aim is to make the product extremely affordable so that it remains attractive to all income groups.

If HLL manages to sell the idea to consumers who are conscious about both price and health, companies selling 20-litre water jars to the residential segment may run into rough weather. HLL plans to take the purifiers to small metros, towns and cities so that it does not remain an urban phenomenon. HLL's venture involves a new patented technology solution and creation of a new business model.

## Tehri Dam Puts Rs 7 Bn Delhi Water Plant in Limbo

Delhi Jal Board officials are negotiating with the Tehri dam authority for the supply of raw water to the Sonia Vihar water treatment plant as the adamant stand of the Tehri dam management has threatened the fate of the project. The Tehri dam authority has stuck to its earlier stand not to supply 300 cusecs of raw water per day to the Rs 7 bn water plant. The Central Water Commission has also made it clear that a joint meeting should be called to resolve the issue.

Construction work on the Sonia water plant is expected to be completed by July 2004. If the Delhi Jal Board fails to get water from the Tehri dam, it will have to pay Rs 50,000 per day as compensation to French company Degremont, which is implementing the water treatment plant.

The Tehri Dam Management Board had earlier made it clear that it will not be able to provide raw water to Delhi due to a decline in the water level in the dam. Sources in the DJB state as per the agreement, the Tehri dam authority was supposed to supply water to the Sonia Vihar water treatment plant. However, a specific date was not specified in the agreement for the purpose. Meanwhile, the DJB has failed to strengthen the treatment capacity of its own water treatment plants in the city. At present, around 631 MGD of water is treated in Delhi for drinking purposes every day. The total daily capacity of the Nangloi water treatment plant is 40 MGD. But because of a technical snag, this plant treats only 25 MGD water. No effort has been made to strengthen the capacity of this plant.

### 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