



India Infrastructure Update



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POWER

Plan for 10,000 mw power from renewable sources

The Union Government is planning to install around 10,000 mega watts of power generating capacity through renewable energy sources during the Tenth and Eleventh Five-Year Plan periods. The Minister of State for Non-Conventional Energy Sources announced that the government expects to install 10 percent of additional power generating capacity through renewable sources by the end of the eleventh Plan period.

States planning for wind power

Several states have planned ambitious projects to generate power from wind energy. NEG Micon (India) Pvt. Ltd., a 100 percent subsidiary of the world's largest wind turbine manufacturer, NEG Micon AS of Denmark, is setting up a 250-mw wind power project at a total investment of Rs. 11.25 billion over the next two years at Surajbari, Kutch, Gujarat. The first 50-mw plant is to be commissioned by March 2005. Gujarat is estimated to have the potential to generate 7,000 mw from harnessing wind energy.

Meanwhile, Rajasthan, which recently announced a new wind power policy, lately received investment proposals of over Rs. 30 billion from private entrepreneurs to set up wind power projects. The new policy offers concessions and rebates in selling wind power and cuts in electricity duties. State power companies have been permitted to purchase upto 400 mw of power generated by wind energy sources. Wind power companies have been given a 50 percent discount for seven years on electricity tax, and units using this energy will also be given concessions by the department of industries.

Alongside, Hindustan Petroleum Corporation Ltd also plans to invest between Rs. 4 billion and Rs. 5 billion in a 100-mw wind-power plant; it is evaluating locations in Andhra Pradesh,

Karnataka, Maharashtra and Rajasthan for setting up the plant.

Tamil Nadu is the leading state in the country to tap renewable energy sources, followed by Maharashtra, Karnataka, Gujarat, Rajasthan and Andhra Pradesh, in that order. India holds the fifth position in the world in wind power generation capacity.

Cabinet okays power project in Arunachal

The Cabinet Committee on Economic Affairs has approved the Kameng hydroelectric project in Arunachal Pradesh. The 600-mw Kameng project, on the Bichom and Tenga rivers, is to be set up by the North Eastern Electric Power Corporation Ltd. at an estimated cost of Rs 24.97 billion.

The CCEA also sanctioned Rs 1.5 billion for critical flood control and anti-erosion schemes in the Brahmaputra and Barak valleys by the state governments of Assam, Arunachal Pradesh, Tripura, Sikkim, Mizoram, Nagaland, Meghalaya and Manipur. The schemes will be taken up during the Tenth Plan period.

USAID partners India in rural power distribution project

India's Rural Electrification Corp. (REC) and the US Agency for International Development (USAID) have launched a US\$30-million five-year project for power distribution and expansion of electricity supply in rural India. The Distribution Reform, Upgrades and Management (DRUM) project, as it is named, aims to improve the power grid infrastructure, increase use of clean technologies, and support training of utility personnel — from linemen to senior managers — on commercial, technical, safety and management aspects of electricity distribution.

More power for power ministry

The Union Cabinet has reportedly decided to allow the Ministry of Power to clear projects involving investments upto Rs. 15 billion. This bypasses the Public Investment Board and the Cabinet Committee on Economic Affairs, which are currently required to give the go-ahead on projects proposed by the ministry that involve investments over Rs. 5 billion. The move is expected to help streamline processes for clearances required by power projects.

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Indian Railways to set up captive power unit

Indian Railways has signed a memorandum of understanding to set up its own power generation unit in collaboration with the National Thermal Power Corporation. Under this, the two organizations will form a joint venture to set up a 1,000-mw power plant at a cost of around Rs. 43 billion. The plant is to be set up at Nabinagar, Barh, Bihar. Indian Railways, which buys power for its electric traction from state electricity boards as well as the NTPC, pays an annual electricity bill of about Rs. 45 billion. With the setting up of its own power plant, it hopes to save up to Rs. 4.9 billion on its electricity bill.

BHEL to execute thermal power project in Chhattisgarh

Independent power producer Jindal Power Ltd. has contracted public-sector company Bharat Heavy Electricals Ltd. (BHEL) to execute a 1,000-mw thermal power project in Chhattisgarh.

The Rs. 17.74-billion Riagarh thermal power project will be implemented in two phases, each establishing a 250-mw unit. The first phase is to be commissioned within 32 to 35 months.

BHEL, which recently commissioned a 250-mw unit at the Tau Devi Lal Thermal Power Station in Haryana, is also executing another 250-mw at the same power station, as well as two units of 250 mw capacity each for Korba East Thermal Power Station, Chattisgarh, Lehra Mohabbat Station, Punjab, Mejia and Chandrapura power stations for the Damodar Valley Corporation, the Parli and Paras thermal power stations in Maharashtra, and the Santaldih thermal power station in West Bengal.

Himachal plans 7,755-mw hydel project

Himachal Pradesh, which is estimated to have the potential for close to 20,500-mw hydro-electricity power generation, announced that it would tap develop fresh capacity for 7,755 mw by 2012. This is in addition to the 6,058 mw tapped so far and ongoing or proposed projects for generating capacity of 2,773 mw during the Tenth Five-Year Plan period. The 1,500-mw Nathpa Jhakri project, the country's largest hydel project, was commissioned in April 2004 and seven more projects with a total generation capacity of 322 mw are under execution by the state electricity board.

At least 7,755 mw would be added in the private, public and joint sectors during the eleventh Plan period, according to the state government.

British Gas to invest in India's power sector

UK-based energy major, British Gas announced it would invest about US\$1 billion in India's power sector over the next five years. The company, which has invested US\$500 million in the gas sector, is planning to expand and diversify existing projects — principally the joint venture project in Panna, Mukta

and Tapti gas fields — and set up cogeneration plants to offer comprehensive energy packages to industry.

Madhya Pradesh power shortfall persists

Madhya Pradesh continues to face a shortage of energy of 400 mw at peak demand. To meet the shortfall, the Madhya Pradesh State Electricity Board, with 4200 mw power available at its disposal, is resorting to power cuts in rural areas. The shortage is largely due to underutilization of capacity — the MPSEB thermal power plants have a total installed capacity of 2174.5 mw but are generating 1700 mw, whereas its hydroelectric plants have a total installed capacity of 837.5 mw but are generating 750 mw.

The MPSEB buys mw from the Power Trading Corporation as well as 225 mw from the Indira Sagar Power Project and receives another 1,300 mw from the NTPC.

Norwegian energy company invests in Bhilwara hydro project

Norwegian energy major SN Power has acquired 49 percent equity stake in the hydroelectric power producer Malana Power Co., a subsidiary of the LNJ Bhilwara Group. Malana Power, which is executing two power projects in Himachal Pradesh, is looking at undertaking proposed hydel ventures in Uttaranchal and Jharkhand, Group Chairman Ravi Jhunjunwala announced.



Petroleum regulator proposed

The government has announced its intentions to table, during the winter session of parliament, a bill instituting a petroleum sector regulator. Petroleum Minister Mani Shankar Aiyar expressed the hope that the proposed law would be in place by April 2005.

GAIL hikes investment for pipelines

Gas Authority of India Ltd. announced that it would increase investments in pipelines in 2005-06. GAIL, the country's largest gas pipeline company, is to invest an estimated Rs. 320 billion in setting up new gas pipelines in 2006. This is close to a five-fold increase over its Rs. 64.7 billion capital expenditure in the pipeline infrastructure in 2004-05.

GAIL has also decided to significantly expand its overall capital expenditure from an estimated Rs. 15 billion in the current fiscal to Rs. 46 billion in 2005-06.

GAIL is currently constructing the Dahej-Uran, Kochi-Mangalore, Kakinada-Haldia, Jadishpur-Haldia, Kakinada-Chennai and Kakinada-Uran pipelines, and upgrading the Hajira-Vijapur-Jagdishpur pipeline segment.

It plans to raise its annual capacity by 100,000 tonnes from the present 310,000 tonnes by March 2005.

GAIL to ship CNG from Myanmar

GAIL has arrived at an agreement with EnerSea Transport LLC of USA to transport compressed natural gas (CNG) by ship from Myanmar to India. EnerSea is currently conducting a feasibility study for the proposed project. GAIL plans to use its proprietary Volume Optimised Transport (Votrans) technology to develop CNG ships. EnerSea is to submit its report by February 2005.

Gail is also examining other options for the supply of gas from Myanmar to India.

Oil firms may lose rights

The Ministry of Petroleum and Natural Gas has proposed changes in the legal rights of oil companies, doing away with the power of their boards to clear joint ventures. This would reverse the 1997 government notification empowering oil PSUs to clear joint venture projects involving investments of up to Rs. 2 billion in a single project, or up to 5 percent of the net worth of the company (whichever was lesser).

Under the new proposal, all joint venture proposals would have to be cleared by either the Ministry of Petroleum and Natural Gas or the Union Cabinet.

Earlier this year, the Department of Public Enterprises (DPE) deprived the company boards of powers to decide on mergers and acquisitions.

IOC, OIL to form JV for overseas ventures

Indian Oil Corporation (IOC) and Oil India (OIL) are set to form a joint venture to bid for exploration and production facilities overseas. The two companies would be equal partners, each holding 50 percent in the proposed. Though formal approval is awaited, the corpus of the new venture is expected to be about Rs. 100 billion over six or seven years. The petroleum ministry is reported to be supporting the move.

Aiyar against ONGC's new petrochem complex in Karnataka

Petroleum Minister Mani Shankar Aiyar stated that the exploration giant Oil and Natural Gas Corporation (ONGC) should stick to its core competency and related areas, broadly hinting at his opposition to ONGC's proposal to invest in a petrochemical complex in Mangalore, Karnataka. The proposed sum to be invested is Rs. 250 billion. The minister is reported to be in favour of the involvement of Bharat Petroleum Corporation Ltd. and Petronet LNG in the proposed liquefied natural gas plant.

IOC expanding retail infrastructure

Indian Oil Corporation (IOC) is going ahead with plans to add 1,000 new retail outlets across the country, and is nearing the half-way mark in achieving its target for the year. IOC has drawn up a joint marketing strategy with oil retailing major, IBP Ltd, to add nearly 1,500 outlets this year, after having added 1,122 new outlets last year.

IOC also plans to add more outlets for distribution of auto LPG.

Reliance plans for gas excavation

Reliance Industries announced that it would invest Rs. 100 billion to develop the Krishna Godavari gas fields over the next three years. After digging six wells, the field obtained a production profile indicating production of 40 million cubic meters per day.

The company also expects to invest Rs. 50 billion in a pipeline network to evacuate natural gas from the Krishna Godavari basin. Reliance has sought partners on the common access principle, to buy capacity in the pipeline on a 'take or pay' basis.



Multi-modal communication infrastructure planned

The government announced that it would establish a nationwide multi-modal communication infrastructure for governance. The ambitious project, named State-Wide Area Network (SWAN), is to be executed at an estimated cost of Rs. 10 billion over five years. A part of the larger e-governance effort, SWAN would be a component of a core network infrastructure that could also be deployed for education and health services, according to the Ministry of Communications and Information Technology. The high-speed, high capacity connectivity of a minimum 2mbps would be provided for government-to-government communication right up to the block level through state-wide area networks or the VSat-based NICNET operated by the National Informatics Centre. The Department of Information Technology would meet the entire capital and operational costs of the network for a period of five years.

Already, 15 states - Karnataka, Punjab, Gujarat, West Bengal, Tamil Nadu, Rajasthan, Andhra Pradesh, Kerala, Maharashtra, Haryana, Tripura, Uttaranchal and Pondicherry - have either submitted or are readying proposals to implement SWAN.

No unbundling of local loop

Even as it raised the ceiling on foreign direct investment in the telecom sector, and has allowed DTH operators to offer broadband services, the government rejected the recommendations made by the Telecom Regulatory Authority of India (TRAI) regarding unbundling of local loop, lowering of the spectrum fee for broadband services, lowering of import duties for equipment, and the removal of service tax. It has, however, permitted announced that the 2.40-2.48 ghz band for low-power outdoor use would be de-licensed.

The government also announced that stand-alone internet service providers (ISPs) would be levied an entry fee of Rs. 100 million and an annual revenue share of 8 percent on gross revenue on their virtual private network services.

ITU, GSMA caution India on 3G bandwidth

The GSM Association, a global body of 650 wireless telecom operators, has cautioned India that 3G mobile services would be adversely affected if the IMT 2000 spectrum band is allocated to CDMA players as well. The global practice is to reserve the IMT 2000 band spectrum only for 3G services. The TRAI has recommended that the IMT 2000 be extended to CDMA players for mobile services.

3G services, which enable data and video downloads on mobile phones, are key to mobile operations, as in the future, voice alone would not be the only source of revenue for them. The International Telecom Union has specifically stated that the IMT 2000 band with frequencies of 1,920-1,980 mhz and 2,110-2,170 mhz are meant for 3G services and that India, as a signatory to ITU, should not deviate from this.

India sees 100% mobile user growth

India has recorded the highest annual mobile subscriber growth rate among 50 countries covered in an international survey of all major countries. The research shows that growth has been over 100 percent from the second quarter of 2003 onwards, while the annual growth rates for the quarters ending March 2004 and June 2004 stood at 140 percent and 116 percent, respectively.

Bolstered partly by falling tariffs, mobile operators' revenue per minute averages Rs. 1.8, with average revenue per user at just under Rs. 500 and usage an average 309 minutes per month. The total revenues of private GSM cellular operators rose 11.6 percent to Rs. 29.3 billion during the quarter ended September 2004 against Rs. 26.25 billion in the previous quarter.

Cable market hit

The growth of mobile telephony, the wireless market and the widespread use of optical fibres has severely impacted the jelly filled telecom cable manufacturers, who say that their market has shrunk by about 90 percent in the past four years. The major companies in this segment are Sterlite Optical Technologies, Finolex Cables, RPG Cables and Vindhya Telelinks. The current size of the jelly filled telecom cables market is estimated at between Rs. 2.5 billion and Rs. 3 billion, against Rs. 30 billion four years previously, with consumption falling from approximately 800 lckm to a maximum of 150 lckm per annum during this period.

BSNL, MTNL merger likely by early 2005

The government announced that the proposed merger of Bharat Sanchar Nigam Ltd. (BSNL) and Mahanagar Telephone Nigam Ltd. (MTNL) is likely to be completed by mid-2005. The merger would make the resultant combine the largest telecommunications services provider in the country and one of the largest globally.

The government has begun the process by appointing a five-member high-powered committee headed by Arun Saxena, department of telecommunications member for services, which will appoint consultants and merchant bankers for the merger process. A tentative list of 13 consultants and merchant bankers, which would be invited to submit expressions of interest, has been drawn up. The financial advisor would be asked to make independent valuation for BSNL and MTNL before deciding on the restructuring option. The ministry is also considering a public issue of 5 percent of BSNL shares before the merger.

Meanwhile, after the government removed the ceiling of four operators per circle, the sector has seen a spate of mergers and acquisitions by private operators recently: Idea Cellular has taken over Escotel Mobile Communications, Hutchison Essar Telecom has bought Aircel, and Bharati Televentures bought Shyam Telecom's wireless operations. Also,



international corporations like Vodafone, Telekom Italia, Maxis Communication and Telstra are reported to be scouting for acquisitions or strategic investments in Indian telecom companies.

BSNL to clear waiting list in two years

BSNL expects to clear its waiting list only in about two years. The current waiting list for new connections for both BSNL and MTNL has about 1.75 million applicants, including 1.4 million from rural areas. BSNL plans to use wireless technology to meet this demand, deploying CDMA and CorDECT technologies.

Reliance to extend coverage in rural Kerala

Reliance Infocomm has announced plans to extend coverage to the rural areas and small towns of Kerala, making it the state's largest ever rural mobile telecom project. The Rs. 2.5-billion plan would introduce coverage in 236 towns, including the famous pilgrim center of hilly Sabarimala. The execution is to be completed by mid-2005. With this, the service would be available in 337 towns in Kerala. The service would offer connectivity through both microwave towers and satellites.

Reliance has 4.85 lakh connections in the state at present.

Bharti to launch services in Orissa, Bihar

Bharti Tele-Ventures announced that it would shortly roll out cellular networks in Orissa and Bihar, covering about 140 towns in Bihar and over 100 towns in Orissa. The company also plans to subsequently launch services in Assam and the Northeast circle. While the services in Orissa and Bihar, involving an investment of about Rs. 2 billion, are likely to be launched by end-2004, Bharti's AirTel brand is likely to be launched in Assam and the Northeast by March 2005.

The total network roll-out for Orissa and Bihar is being handled by Nokia, which is supplying both the mobile switching centres and base-stations.

Bharti is also conducting technical surveys to launch cellular services in the Andaman & Nicobar Islands, which circle is included in the West Bengal unified access licence.

Handset sales jump

The Diwali festival season saw sales of mobile handsets in the replacement market up by about 1.5 times. Against average handset sales of 50,000 phones per day, sales have jumped to about 75,000 phones per day. While the size of the new subscriber market in India is in the region of about 13 million per year, the total replacement market is estimated to be for about 4 million currently. The rate of replacement of phones is about 20 percent. In developed countries, the replacement market makes up about 40 percent of all handset sales.

However, according to an international survey, developing countries are likely to achieve higher replacement rates than developed countries by about 2006-07.

Meanwhile, the size of the legal market in India has been growing and currently comprises over 70 percent of the total market against 10 percent in 1001. The legal market currently sells about 1.6 million handsets per month at a total value of about Rs. 7 billion.

VSNL to buy Tyco Global

Videsh Sanchar Nigam Ltd. has entered into an agreement to acquire Tyco Global Network, the US-based global communications giant, which has a 60,000-km network of submarine cable systems.

The VSNL agreement with Tyco came after a notice from the Federal Communications Commission of USA authorised VSNL subsidiary VSNL America to provide international telecommunication services in the USA. However, the US\$130-million acquisition is subject to approval from the governments of the USA, India and other countries with rights to the Tyco network.

VSNL's rival, Reliance Infocomm, which earlier acquired Flag Telecom, was also in the race to acquire Tyco.

India's largest telecom services provider Bharat Sanchar Nigam Ltd. instituted a legal complaint against Reliance Infocomm for passing international calls as local calls and has sent notices demanding access deficit charge. BSNL also started snapping Reliance Infocomm's links from its networks in large parts of the country, following a Delhi High Court order in its favour. Though Reliance subsequently got an interim stay on the order, it has been directed to pay Rs 1.5 billion by the High Court's final order in the matter. However, the total dues demanded by BSNL were to the tune of Rs. 2.55 billion.

BSNL had disconnected interlinks to the Reliance network in high-volume commercially sensitive areas such as Bangalore, Ahmedabad and Nasik.

The Mahanagar Telephone Nigam Ltd. has also alleged that Reliance has failed to pay access deficit charges to the MTNL by passing off international calls as local calls. MTNL is also contemplating legal action against Reliance.



Railways to submit modernisation plan

The Railway Ministry is in the process of preparing a comprehensive plan for modernisation, with the primary thrust on institution of safety measures. The Ministry is also expected to augment the Rs 170-billion Railway Safety Fund, created in 2001. Indian Railways is also likely to include in the proposal a plan to set up a dedicated corridor for freight trains.

It has already begun implementing a Freight Operations Information System, which includes a Rake Management System (already operation at 233 locations) and a Terminal Management System (operational at 530 locations).

Railways seeks clearance for land authority

Indian Railways has sought clearance from the Union Cabinet for plans to set up a Rail Land Development Authority. The Authority would deal with all tasks to do with property development. The move would require amendment to the Railway Act, 1989.

Indian Railways has 423,000 hectares of land, of which 22,000 hectares are unutilised.

Konkan Railways Seeks Alliance

The Konkan Railway Corporation Limited is on the lookout for private participation for future 'Railotel' projects, offering hospitality services to travellers on a stopover. KRCL has land available at different stations, which it would make available for holding 35 percent of the equity in the proposed projects, with the private partner holding the remaining equity and being responsible for developing and promoting the hotel property.

NHAI to require Rs. 1,700 billion in 10 yrs

The Union Ministry for Road and Transport has estimated a budgetary support of Rs. 590 billion during the next decade for the various road projects entrusted with the National Highway Authority of India. This includes external assistance and direct budgetary support.

The ministry has estimated an annual gross budgetary support of Rs. 140 billion, while the total outlay for the NHAI projects has been estimated at Rs. 1,700 billion during the decade. The projects to be implemented in this time include, among others, upgrading 41,000 km. of national highways, and widening another 6,396 km. under the Accelerated North-East Road Development Programme.

World Bank approves US\$400-million aid for rural roads

The World Bank has approved a US\$400-million soft-loan package for the development of rural roads in India. to be disbursed through the Pradhan Mantri Gram Sadak Yojana

(PMGSY, the Prime Minister's Road Project), it is aimed primarily at providing road infrastructure to rural areas. This is the first loan package from the Bank for the PMGSY.

Better roads for Karnataka

The Union Government has cleared five highway projects in Karnataka, allocating an estimated Rs 25.45 billion for projects connecting Kundapur-Suratkal, Bangalore-Kolar-Mulbagal, Nelamangala-Hassan, Bangalore-Hosur and Nelamangala-Bangalore. It has also cleared Rs. 4 billion for a 9-km elevated road between Bangalore and Electronics City.

Alongside, the Bangalore Municipal Corporation announced allocation of Rs. 1.45 billion for improving municipal infrastructure as well as upgrading about 900 kms. of roads in and around Bangalore city. Another Rs. 340 million has been allocated for trunk roads where there is concentration of software companies. The Corporation also plans to construct, in collaboration with the Railways, five railway underpasses in the city to facilitate smooth traffic on busy roads.

World Bank sanctions loan for Jharkhand

The World Bank has sanctioned a Rs 4-billion loan for the development of rural roads in Jharkhand under the Pradhan Mantri Gram Sadak Yojna. The Bank lends only to states with a good track record in implementing the Yojana. In the first phase, Jharkhand will get Rs360 million in 2004-2005 to build roads in the tribal areas. The loan is to be repaid over 20 to 25 years.

The state already has been allocated funds by the Union Government for ongoing expenditure on construction and maintenance of rural roads.

Rajasthan seeks private investments for roads

The Rajasthan Government announced that it is looking for private investment of around Rs. 80 billion to develop its roads and highways. While a state road fund has already been set up for leveraging capital for road investment, a special purpose vehicle is to be instituted for executing the mega highway projects, which would require funds of around Rs. 103 billion for state highways and Rs. 53.75 for rural roads, it is estimated. Of this, Rs. 77.5 billion is available from state government sources.

The state plans to construct 7,240 new roads and upgrade 1,200 km of important state highways. The road infrastructure blueprint includes developing and ramping up over 10,000-km. of state highways and major district roads, and upgrading 2,500-km. of rural roads. The state plans to connect all villages with population of over 500 with bitumen roads by 2007.

Central aid to improve TN roads

6 The Union Government has sanctioned a sum of Rs 1.4 billion from the Central Road Fund to lay and improve 107 roads in Tamil Nadu, most of these connecting small towns and villages



Ports may raise market debt

The shipping ministry has suggested that the Jawaharlal Nehru and Cochin ports could resort to market borrowing to partly fund proposed Rs. 10-billion dredging operations. This would be in addition to government support. Dredging proposals for other ports like Paradip are also in the offing.

Meanwhile, the Union Cabinet has decided to set up a special purpose vehicle (SPV) for the development of the Vizhinjam Transshipment Terminal.

Kandla Port to deepen draught

The Kandla Port Trust is planning to increase the draught to 13.5 metres from the present 11.5 m. The port has floated a global tender for a two-year capital dredging contract of 20 million cubic metres at an estimated cost of Rs. 1 billion. This has attracted bids from seven companies; the tendering process is likely to be finalised by March 31, 2005.

Kakinada port all set to double cargo handling this fiscal

The private sector Kakinada Sea Ports Limited aims to double its cargo handling from 5.5 million tonnes in 2003 to 10 million tonnes by March-end 2005. It has handled 8.6 million tonnes so far this fiscal. The port handles high-risk goods such as phosphoric acid, ammonia, naphtha and high-speed diesel as well as edible oils, coal, bentonite, feldspar and iron ore, among other bulk goods. It has to its credit the handling of the world's second largest container vessel weighing 400,000 tonnes of cargo.

Tata Steel, L&T join hands for Dhamra port project

Tata Steel and Larsen & Toubro announced the setting up an equal joint venture for the construction of Dhamra Port in Orissa. The project, estimated to cost a minimum Rs 15 billion, will comprise Rs. 3.5 billion equity and Rs. 11.5 billion debt. Designed to be the deepest port in the world at 18-metre depth, Dhamra Port is to have a handling capacity of 25 million tonnes per annum and is expected to become operational by December 2007.

Defence Ministry okays international airport in Hyderabad

The proposed Rs. 14-billion Hyderabad international airport project has obtained clearance from the Defence Ministry. To be built by a consortium led by the GMR Group and Malaysian Airport Holding Berhad, the project has been awaiting the ministry's okay for over 18 months.

The Andhra Pradesh government and the Airports Authority of India are equity partners in the project, which will have total

equity of Rs. 3.89 billion and debt of Rs. 5.83 billion in the first phase. The state government has already signed an agreement with the GMR consortium and allotted Rs 4.22 billion as interest-free loans for the first phase of the project. Nearly 5,400 acres of land have also been handed over to the consortium.

Delhi, Mumbai airports modernisation by 2008

The government has shortlisted nine companies for the proposed modernisation and upgrading of the Delhi and Mumbai international airports. The Minister for Civil Aviation announced that the companies would be invited for a pre-bid conference early in December. The government expects the modernisation of the two airports—the Indira Gandhi International Airport at Delhi and the Chhatrapati Shivaji International Airport at Mumbai—to be completed by 2008.

The Government of India and the European Union have also arrived at an agreement to extend cooperation in the civil aviation sector for two more years, especially in safety, security and air traffic management. The two will also jointly set up an aerospace academy, a project worth 32 million euros that would include an 8-million-euro contribution from India.

Gujarat seeks second international airport

The Gujarat Government has sought clearance from the Union Government Centre to upgrade either of the airports at Vadodara or Jamnagar to meet the standards of an international airport. The state's only international airport—the Sardar Vallabhbhai Patel International Airport at Ahmedabad—has reported an increase of more than 38 percent in passenger traffic. The AAI already has plans to expand the Sardar Patel airport.

Siemens may withdraw from Bangalore airport project

Siemens Ltd announced that it would withdraw from its involvement in the Bangalore International Airport project if financial closure were not achieved by the end of December 2004. The Concessional Agreement with the state government, signed in July 2004 and valid only for six months, will expire by December-end 2004 if construction does not begin by January 1, 2005. It would then have to be renegotiated.

Indian Airlines to fly to UK

The Union Government announced that national carrier Indian Airlines would be allowed to fly to the UK, subject to the availability of unutilised capacity on the country's international airline Air-India. A recent agreement between India and the UK allows Indian carriers 40 flights a week to the UK. Air-India currently has less than 19 flights a week to the UK.

The government is also in the process of opening more international routes to private domestic carriers. Private airlines, currently allowed to fly to neighbouring countries in South Asia, have been petitioning the government for permission to fly to



Unification of urban development schemes sought

The Ministry of Urban Employment and Poverty Alleviation (UEPA) has sought the approval of the Planning Commission to integrate the numerous schemes for urban development. The proposal is to set up a National Mission for Urban Renewal and transfer to this body all the funds, totalling Rs 11.7 billion, under the various separate schemes - Valmiki Ambedkar Awaz Yojana (Rs 2.8 billion), Urban Reform Initiative Fund (Rs 5 billion), National Slum Development Programme (Rs 3.6 billion), and Integrated Low-Cost Sanitation (Rs 300 million). The programme for Integrated Development of Small and Medium Town is also to be brought under the proposed mission.

The Union Government is reported to be agreeable to add to these funds from budget allocations and also seek international assistance to achieve the Millennium Development Goals.

The proposed mission would also institute a number of reform measures for urban local bodies, including a better financial management system, enacting laws for disclosure and citizens' participation (which would involve amending the existing municipal law), and streamlining institutional arrangements to avoid multiplicity of organisations.

Experts suggest incentives for urban compost plants

Urban environmental infrastructure experts have suggested that the 4,378 municipalities in the country should adopt a modern seven-point solid waste disposal system and that the Union Government should think of subsidising compost plants.

The cost of manufacturing compost has been estimated to range between Rs. 600 and Rs. 1,000 per tonne and the selling price around Rs. 2,000 per tonne.

Delhi to provide infrastructure for unauthorised colonies

The Delhi Cabinet recently cleared a proposal for constructing roads and drains in unauthorised colonies, starting with 105 such colonies. This would initially be applied to colonies located on private land where the built-up area is more than 50 percent. However, only colonies to which this condition would have been applied as on March 31, 2002, will be considered for

regularisation. The Union Government has also accepted the proposal.

Each colony will get about Rs. 1 million for the development of roads from the total sanction of Rs 105 million.

ADB offers to help Kerala's urban development

The Asian Development Bank has offered financial assistance of Rs. 15 billion to five municipal corporations in Kerala to implement the state's Sustainable Urban Development Project for improving basic facilities in cities.

An ADB team recently conducted town appraisals and held consultations with corporation functionaries to analyse the existing urban infrastructure facilities.

Minister promises drinking water, toilet facilities for schools by 2005

Union Minister for Rural Development Raghuvansh Prasad Singh announced that drinking water and toilet facilities would be ensured for all schools by March 2005. The effort would target particularly schools in rural areas, many of which do not have these facilities. The ministry also expects to shortly launch a nation-wide programme on water quality monitoring and surveillance in collaboration with the Union Ministry for Health and Family Welfare.

Rs. 3-billion drinking water project for Chennai

The Tamil Nadu Government has sanctioned Rs. 3 billion for a water treatment project that would ensure 180 million litres per day supply of drinking water to residents of Chennai. Piped water supply in the city has been restricted to alternate days from January 2003, in part due to the poor monsoons over the last three years and the low storage levels in the city's three reservoirs. Piped water supply was stopped altogether in December 2003.

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