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The MPSEB is also negotiating with a private power-generating company to set up a gas-based 360-mw plant in Jhabua. Alongside, the state government is trying to revive the Maheshwar power project.

India, Pakistan deal on Baglihar power delayed

India and Pakistan negotiations on the Baglihar power project have reached an impasse, with India rejecting outright Pakistan's contention that the project design is in violation of the bilateral Indus Water Treaty of 1960. Earlier, the two high-level teams of representatives had agreed to focus on six technical areas related to the project.

The hydrogenised energy project is to be built on the River Chenab in Jammu and Kashmir and would produce about 450 mw of power.

BHEL commissions 500-mw Rihand unit

The first unit at the Rihand super thermal power station (Stage II) in Uttar Pradesh has been commissioned. The construction of the 500-mw unit, operated by the NTPC, was completed by Bharat Heavy Electricals Limited (BHEL). With this, the state will have an additional 12 million units of electricity. Work on the second unit is likely to be completed by May 2005.

Himachal power freezes over

Power generation has fallen by more than half at the 1,500-mw Nathpa Jhakri project due to water sources getting frozen in the high mountains of Himachal Pradesh. Built on the River Sutlej, the project was commissioned in May 2004.

Panchayat refuses clearance for Nagarjuna power project

The Ellur panchayat has refused to okay the 1015-mw coal-based thermal power project to be set up near the village by the Nagarjuna Power Corporation Ltd. The panchayat has expressed its opposition largely because the project would displace several families. The Karnataka Industrial Areas Development Board (KIADB) has already 415 acres in Ellur and more than another 200 acres in the neighboring panchayats of Santhur (110 acres), Tenka and Belavu (40 acres each).

The Ellur panchayat and other organizations in the area are also opposed to any coal-based power projects because of the likelihood of atmospheric pollution increasing.

Meanwhile, the power company has finalized the power purchase agreement (PPA) with the Karnataka Power Transmission Corporation Ltd. This earmarks 100 mw for the Power Trading Corporation, and assures a 16 percent return on equity on the basis of 80 percent plant load factor (PLF).

Budget 2005-06: Highlights

- Estimated overall growth rate of 6.9 percent, in manufacturing 8.9 percent.
- Launch 'Manufacturing Competitiveness Program' to help small and medium enterprises; 108 items removed from list reserved for small-sector manufacture.
- Amendments to the Banking Regulation Act, 1949, and the Reserve Bank of India Act, 1934, in order to —
 - Remove the lower and upper bounds to the statutory liquidity ratio (SLR) and provide flexibility to RBI to prescribe prudential norms;
 - Allow banking companies to issue preference shares; to introduce specific provisions to enable the consolidated supervision of banks and their subsidiaries by RBI;
 - Remove the limits of the cash reserve ratio (CRR) to facilitate more flexible conduct of monetary policy; and
 - Enable RBI to lend or borrow securities by way of repo, reverse repo or otherwise.
- FIIs to be permitted to submit appropriate collateral, in cash or otherwise, as prescribed by SEBI, when trading in derivatives on the domestic market.
- Definition of 'securities' under the Securities Contracts (Regulation) Act, 1956 to be amended so as to provide a legal framework for trading of securitized debt including mortgage backed debt;
- A high level Expert Committee on corporate bonds and securitization to be appointed to look into the legal, regulatory, tax and market design issues in the development of the corporate bond market.
- Stock exchanges not yet incorporated to be granted a one-time exemption from stamp duty on the notional transfer of assets.
- SEBI to be asked to permit, in consultation with RBI, mutual funds to introduce Gold Exchange Traded Funds with gold as the underlying asset, in order to enable any household to buy and sell gold in units for as little as Rs.100.
- All States to introduce the value added tax (VAT) with effect from April 1, 2005.
- Follow policy to bring customs duties structure closer to that of East Asian neighbors.
- Service providers whose gross turnover does not exceed Rs. 400,000 per year to be exempt from service taxes.
- A financial Special Purpose Vehicle is to be established to finance infrastructure projects, the SPV lending funds, especially debt of long-term maturity, directly to eligible, appraised projects to supplement other loans. The limit for such debt for 2005-06 has been fixed at Rs.100 billion.



Policy for minor ports likely

The Union Ministry for Shipping and Surface Transport is working on formulating a scheme for developing minor ports. The proposal involves extending equity assistance of up to 33.33 percent, subject to a maximum of Rs. 1 billion, to minor ports owned and controlled by state governments. The investment would be made available for infrastructure development.

The ministry has suggested that a minimum of Rs. 2 billion be allocated as budgetary support every year to implement this plan. The scheme would be part of the proposed National Maritime Development Program that is already before the Union Cabinet.

India has about 185 minor and intermediate ports, which handle about 25 percent of the total traffic handled at ports.

Concor to partner Dubai Ports in India

Container Corporation of India Ltd (Concor) has picked up a 15 percent stake in India Gateway Terminal Private Ltd, a company floated by Dubai Ports International to operate an international container and shipment terminal at Vallarpadam near Kochi. Under the agreement, Concor will be the preferred partner to provide rail connectivity to the hinterland from the terminal.

SEZs notified as 'specified' ports

Following the Union Government decision to list special economic zones as 'specified' ports for import and export and treat supplies to SEZs as physical exports instead of deemed exports, the Directorate General of Foreign Trade has issued a public notice to that effect, making amendments in the handbook of procedures. The DGFT has notified that the existing SEZs at Santacruz, Kandla, Kochi, Vishakhapatnam, Chennai, Kolkata, Surat and NOIDA are now 'specified' ports.

Traders with SEZs are now eligible to avail the benefits of advance license and export promotion capital goods schemes for purchases made from SEZs.

SEZs have already been notified as ports for the duty entitlement pass book scheme and duty free replenishment certificates.

Differential port tariffs suggested

The National Maritime Development Program, currently before the Union Cabinet, has suggested providing differential levels of tariff for different sizes of vessels or for different cargoes, rationalization of port dues and increasing the draft available at Indian ports. It argues that such measures would attract mother ships to berth at Indian ports, rather than neighboring ports such as Colombo, Singapore, Dubai and Salalah, for transshipment.

Transshipment of cargo outside India leads to delay in cargoes reaching their final destinations besides entailing extra costs,

eroding India's competitiveness in global trade.

The government had, through an order issued last year, directed the major ports of Tuticorin, Chennai and Kochi to cut their vessel related charges and bring them on a par with the rates prevailing at Colombo Port, which poses the maximum competition to these ports in terms of container traffic. Similar reductions in the vessel related charges are being contemplated at other major ports such as JNPT, Mumbai, Kandla, Kolkata, Haldia and Visakhapatnam.

However, industry has protested the ministry's order restricting one private operator to develop and operate a maximum of two container terminals at one major port.

All airports likely to be incorporated

The Union Government is considering notifying all airports as incorporated organizations in order to facilitate their modernization. This would mean that the 50-plus non-metro airports across the country would become independent separate companies, entitled to enter into commercial arrangements and joint ventures with private parties.

To help the modernization process, the government is considering incentives to private sector partners in the projects, including 100 percent deduction in income tax for the first five years and a 30 percent deduction for the next five years.

It has been proposed that such incentives should be made available also to the Airports Authority of India and existing agencies investing in the modernization of existing airport infrastructure.

The upgrade of the 50-plus non-metro airports is expected to cost about Rs. 400 billion.

New airports regulator proposed

The Union Government is shortly to table a bill to set up an Airport Economic Regulatory Authority that would regulate the economic affairs of the aviation sector. The move is aimed at putting in place a mechanism to monitor the operations of various airlines as well to prescribe norms for operating airports. The proposed regulator would be different from the Director-General of Civil Aviation in that the DGCA would be restricted to the technical aspects of the sector.

Cabinet panel on ports

The Cabinet Committee on Infrastructure is reviewing the regulatory functions of the Tariff Authority for Major Ports as well as the grant of capital subsidies for port projects. The Planning Commission has suggested expanding the scope of TAMP's regulatory function, while the ministry has asked that ports be allowed to develop rail links and participate in the development of dedicated freight corridors. Industry, meanwhile, has been asking for subsidy for project development on par with roads infrastructure projects.



Budget focus on roads, not railways

The Railways Ministry presented a budget that has left existing passenger fares and freight rates unchanged despite the increase in fuel and other input costs. At the same time, the Union Railway Minister announced plans for starting 46 new trains and extending routes to improve the infrastructure. Indian Railways, which carries 13 million passengers every day, runs around 15,000 trains daily over 63,000 km of tracks.

The Udampur-Baramulla rail line, deemed a project of national importance, is to be implemented as a priority. Alongside, additional funds have been allocated for the Kumarghat-Agartala and the Lumding-Silchar and Jiribam-Imphal projects in the northeastern region.

The Finance Minister, in his budget proposals for 2005-06, announced that the Union Government would provide equity support totaling Rs. 140.4 billion and loans of Rs. 35.54 billion to Central Public Sector Enterprises, which would include Indian Railways.

The budget also proposes to provide funds for connecting by road all villages that have a population of 1000 (or 500 in hilly areas). A special Rs. 4.5 billion funds allocation has also been made for highway development in the northeast.

It was also announced that the third phase of the National Highway Development Project (NHDP III), to be launched in 2005-06, would target selected high-density highways that are outside the Golden Quadrilateral or the North-South and East-West corridors. The budget proposes to allot Rs. 14 billion for the construction of upgrading 4000 kms. of trunk roadways to four-lane highways.

In order to raise additional resources for the NHDP-III, the cess on petrol and diesel would be increased by 50 paise per liter.

Railways advised to reduce cross-subsidies

The World Bank has advised Indian Railways to review passenger fares so as to reduce cross subsidies. It has also suggested a cut in freight rates so as to boost growth in the freight business. A World Bank study highway and railway development in China and India between 1992 and 2002 shows that while average passenger tariff in India is 55 percent lower, freight tariff is almost 70 percent higher than in China. Overall

cost per unit in China is lower by 15 percent than in India.

Passenger traffic up 6 per cent

Indian Railways announced that it expects to end the current fiscal with the highest growth in passenger traffic recorded in the last 25 years. While the number of passengers is expected to show a 6 percent growth, revenue growth is likely to be about 7 percent.

World Bank loan for TN roads, bridges

The World Bank has sanctioned a loan of Rs. 2 billion for the Tamil Nadu Road Sector Project. To be completed by 2008, the project includes construction of 95 km of roads, 13 road bridges, 58 culverts and a railway bridge.

Alongside, the National Highways Authority has submitted a proposal seeking an outlay of Rs. 41 million to revamp 15.2 km of a highway on the Tiruchi-Chennai sector.

Rs 3 billion for tsunami region roads

The Union Government has sanctioned Rs 3 billion for the repair and reconstruction of roads and ports in the tsunami-hit Andaman and Nicobar Islands. Two expert teams from the Indian Institutes of Technology at Chennai and Roorkee have conducted a detailed technical assessment of the damage to the roads and ports.

Rs. 14.4 billion for expanding national highways

The Planning Commission announced allocation of Rs. 14.4 billion for expanding 10,000 km of trunk roads into four-lane national highways. To be executed as part of the National Highways Development Program, the scheme envisages connecting district headquarters, places of historical importance and commercial centers, including ports with the hinterland.

The Planning Commission has also allocated another Rs. 4 billion for strengthening 6,000 km of roads in the northeastern states.

PORTS & AIRPORTS (Contd...)

Feasibility studies for new airports

The Confederation of Indian Industry has suggested that an economic feasibility report be prepared for all new greenfield airport projects. The association has recommended that the government should make a special sanction to the Airports Authority of India for the construction, management and maintenance costs of airports that are required as priority infrastructure facilities.

AAI focus on south India

The Airports Authority of India, Southern Region, announced a budget of Rs. 1.04 billion during 2005-06 for infrastructure development at airports under its jurisdiction. It has already begun work at the Mysore, Hubli and Mangalore airports in Karnataka. The AAI has 26 airports under its jurisdiction in the southern region.



Budget highlights

The Union Finance Minister has proposed a number of benefits for the telecom and information technology sectors in the budget for 2005-06, among these a proposed waiver of customs duty on “specified capital goods and all inputs required for the manufacture” of IT “bound items”. All such goods, except for IT software, would also attract a countervailing duty of 4 percent.

The proposal includes removing the mandate of compulsory filing of tax returns for owners of mobile phones. With this, widespread access to mobile phones becomes easier.

The proposal also includes a budgetary provision of Rs 12 billion for increasing tele-density in rural areas, connecting 1,687 sub-divisions in 2005-06 and 66,822 villages over the next three years. In addition, the Union Cabinet cleared financial support totaling Rs 27 billion for Bharat Sanchar Nigam to be paid in the current and coming financial years; this includes reimbursement towards pending payments for license and spectrum fees from BSNL.

The budget has, however, not addressed many of the demands put forward by industry and the department of telecom (DoT), including demands for —

- A 10-year tax holiday to investors putting in Rs 250 million or more;
- A 5-year, 50 percent tax break to select ancillary units;
- Exemption from MAT;
- Exemption from tax on dividend distribution; and
- Exemption from R&D cess on technology transfer.

Phone service tax may be halved

The Union Government is considering a TRAI proposal to lower the service tax rate on telephones. However, TRAI has refused the telecom industry’s demand to merge all current charges such as license fee, spectrum charges, sales and service taxes, into a single service tax levy. While the overall tax burden on mobile service providers ranges between 17 percent and 24 percent, service tax alone currently stands at 10 percent.

TRAI charter for telecom services

The Telecom Regulatory Authority of India (TRAI) has formulated a Charter of Telecommunication Services that is proposed to serve as a common service standards charter for adoption by all service providers.

The charter lays down that citizens have the right to information about the range of service providers and services, free choice of service providers and individual plans and proposes that ?

- Basic (land-line) telephone connections should be provided within seven days, and mobile connections should be activated immediately on registration, subject to technical feasibility and compliance of all required formalities by the applicant. Faults should be repaired within 24 hours of being

reported, wherever technically feasible.

- Emergency call services to the police, fire and ambulance departments should continue to be open for a period of 15 days even after the telephone connection is suspended on non-payment of tariffs.

TRAI facilitated the finalization of the charter in consultation with NGOs, consumer advocacy groups, and representatives of various telecom service providers.

Higher FDI for telecom sector

The Union Government recently cleared the long proposed hike in the limits on foreign direct investment (FDI) in the telecom sector, raising it to 74 percent from the current 49 percent. The new FDI limit would be inclusive of investments by foreign institutional investors, non-resident Indians and overseas commercial borrowings. The decision came, however, with several conditions regarding ‘security concerns’, involving the mandate that a majority of directors on the board, and senior executives such as the chairperson, managing director and the chief executive officer as well as the chief technical and chief finance officers should be resident Indian citizens.

The telecom sector has seen FDI inflows totaling a little over Rs 99.5 billion between 1993 and March 2004, of which investment in basic telephony services accounted for almost Rs 26.65 billion.

Telecom regulators, adjudicators at war

TRAI and TDSAT are battling over which authority has the jurisdiction to decide on a dispute raised by a service provider. The matter is being heard by the Supreme Court, which has issued notices to the TDSAT on a TRAI petition that challenged the appellate tribunal’s order reversing a TRAI directive regarding disconnection by BSNL of interconnection to private operators for allegedly failing to pay interconnect usage charges.

Steep hike likely in fine for telecom violators

The Union Government proposes to significantly increase ? by 20,000 times, to Rs 20 million ? the penalty for operators running illegal telecom networks and for other violations of telecom license norms. The Union Communications Minister has forwarded a Department of Telecom (DoT) note to this effect to the Union Cabinet, which is reported to have accepted the suggestions in principle; the proposed penalty would require amendments to the Indian Telegraph Act, 1885. The proposed amendment is to be introduced in Parliament during its current session. However, the amendment proposes to treat any breach of license terms and conditions as a civil liability and not a criminal offence as at present.

The amendment also proposes to dilute the powers of TRAI and grant more powers to the Telecom Disputes Settlement Appellate Tribunal.



Cut in taxes on petroleum products

The Union Finance Minister, in his proposals for the budget for 2005-06 has suggested several tax cuts for petroleum and petroleum products, including —

- A reduction in the customs duty on crude petroleum from 10 percent to 5 percent;
- Waiver of all customs and excise duties on liquefied petroleum gas (LPG) for domestic consumption and on subsidized kerosene; and
- Reducing customs duty on petroleum products such as motor spirit (MS) and high-speed diesel (HSD) to 10 percent from the existing range of 15 percent to 20 percent or 15 per cent.

The minister has also proposed to introduce specific and ad valorem charges for MS, HSD and LDO to compensate for the loss of revenues arising from the custom and excise duty cuts. Additionally, the cess for the National Highways Development Project is to be increased by 50 paise per liter on petrol and diesel.

It is also proposed, alongside, to levy service taxes on pipeline services.

Subsidies to stay

The Finance Ministry proposes to maintain a status quo in the subsidies for LPG and kerosene, continuing with the overall oil subsidy levels of 2004-05. While the total subsidy bill for LPG and kerosene is estimated at around Rs. 215.5 billion in 2004-05, the budget provided for only Rs. 35.6 billion, most of the balance being absorbed by oil companies.

Now, an Asian gas grid

After suggesting an Asian oil market, India has also called for an Asian gas grid. Union Petroleum Minister Mani Shankar Aiyar has proposed that principal buyers and consumers of Asia could come together to develop a transnational gas grid to transport gas from gas producing countries to consumer countries like India, Japan and China. Thus, it has been suggested, the proposed Iran-Pakistan-India pipeline could be extended to South China via Myanmar while a network of intersecting pipelines could link the former Soviet republics of Kazakhstan and Turkmenistan with Russia on the one hand and India and China on the other.

Meanwhile, in an attempt to ensure uninterrupted supply and preempt price fluctuations, India's state-owned Oil and Natural Gas Corp (ONGC), IndianOil Corp. (IOC) and Gas Authority of India (GAIL) are negotiating with companies in many countries to buy equity oil to safeguard supplies. ONGC Videsh Ltd (OVL), which is negotiating a US\$6-billion debt-cum-equity deal with Russian state-owned oil company Rosneft to acquire equity in embattled Yukos' core asset, Yuganskneftegaz, has already bought into many developing oil fields in Africa, West Asia, Middle East, Australia and Russia and oil and gas fields

in Sudan, Vietnam and Myanmar. IOC is finalizing a deal to acquire a controlling stake in three Nigerian oil refineries and shares in an LNG and petrochemical complex in Iran. GAIL is close to acquiring a 10 percent stake in China Gas and is also part of a consortium look to develop a gas field in Myanmar.

NELP-V invitations out

The fifth round of bidding for oilfield exploration under the New Exploration Licensing Policy (NELP-V), announced early in February, has put up 20 oil and gas blocks, of which six are deep-water blocks and 12 on-land blocks. Bids have to come in by May 31. The government announced that it is open to 100 percent foreign direct investment. It has also announced a seven-year income-tax holiday from the start of commercial operations for the successful bidders. It has also declared that there would be no customs duty levied on imports required for the exploration operations.

India looking for more gas from Iran

Even as negotiation on the price of the gas from Iran is underway, India has also submitted that it is looking to import between 90 and 95 mmscmd of gas instead of the earlier projected 60 mmscmd of gas. The revised demand is based on two new factors ? one, India hopes to use gas to yield about 20,000 mw of power, almost double its current capacity of 10,300 mw and, two, it is looking to import enough gas from Iran to serve more than the northern Indian market. India is also reportedly reconsidering the location of the hub where the pipeline would feed into the trunk HBJ pipeline connecting to the national network.

Earlier this year, India had signed a strategic agreement with Iran to buy 7.5 million tons of LNG annually for 25 years as well as an agreement for participating in the development of Iranian oil fields for extracting 100,000 barrels of oil per day.

Subsequently, India proposed the option of having a direct commercial agreement on the piped gas import, which would essentially mean that India would not participate in the laying of the Iran-Pakistan-India pipeline. India has been hesitant to having any equity participation in the pipeline project, whereas the BHP-NIGEC combine wants India and Pakistan to sign the International Energy Charter, thus committing themselves to protecting investment and agreeing to a dispute resolution framework.

A delegation from Iran's NIGEC is scheduled to meet with Indian counterparts from GAIL in June 2005 to work out the price issues of the piped gas. NIGEC has reportedly also expressed interest in helping India market a part of the gas, in partnership with Australian consultants BHP Billiton.

Direct sales of Panna-Mukta gas

The Reliance-ONGC-British Gas consortium operating the Panna Mukta and Tapti (PMT) gas field announced a cut in

the supply of gas from the PMT fields to Gas Authority of India Ltd (GAIL). The consortium will continue to supply only 6 million standard cubic meters per day to GAIL and market the remaining gas independently.

The announcement followed government okay to the consortium's appeal to be allowed to market the gas independently and at higher than the current price of US\$3.11 per million British thermal unit (MBTU). GAIL, which has been buying PMT gas at that price challenged the decision to increase the rates on grounds that it was part of the consortium's license agreement, while the joint operators cite a provision in the license that allows the price to be raised. The consortium now plans to sell gas at US\$5.6 per mBtu.

The consortium announced that the 6 mscmd supply to GAIL would be only for one year after which the consortium would take on itself the marketing of entire 10.8 mscmd gas produced at the field.

India resumes petrol, diesel imports

India has resumed petrol and diesel imports after a gap of four years as the new Euro III emission norms that come into effect from April 1, have forced oil companies to import petrol and

diesel with low sulfur and benzene content. For more than four years the country has had a surplus in petroleum products. However, companies have imported about 180,000 tons of diesel in January and February at a premium of about US\$7 above the mean Arab Gulf prices and are expected to continue to import similar quantities in order to build up stock.

NTPC scouts for foreign oil wells, tech partner for LNG extraction

The National Thermal Power Corporation, India's biggest power generation company, plans to acquire overseas oil wells and extract liquefied natural gas (LNG) to support its gas-based capacity expansion plans. NTPC has identified its interests in gas fields in Oman, Qatar, Nigeria and Iran, which, together with Russia collectively hold over 50 percent of the world's gas reserves, and is considering a technology partnership with an international player with the requisite expertise to tap the fields. NTPC aims to bring down the delivered cost of LNG in India to below US\$3 per million BTU from the current average of US\$4.5-US\$4.6 per million BTU. Gas is widely seen an environmentally preferred fuel (instead of coal) for electricity generation in coming decades.

TELECOM (Contd...)

Equipment manufacturers to invest in India

Leading telecom equipment manufacturers, including Ericsson, Nokia and Motorola, are planning to set up manufacturing facilities in India. Alcatel is also reportedly examining the possibility of setting up a research and development center that would focus on WiMAX, a new technology aimed at providing broadband connectivity over wireless networks. Nokia recently announced plans to set up a mobile handset manufacturing facility in the country.

SC strictures on telemarketing

The Supreme Court has directed the Union Government to formulate laws restricting the misuse of the mobile phone networks for marketing purpose. It has also issued notices to all cellular operators and multinational banks, on a public interest litigation case, seeking a law to ban "uncalled for" calls. Notices have been sent to the Union Government, the Union Ministry for Law and Justice, MTNL, private cellular operators Hutch, Reliance, Idea and Bharti, and multinational banks like Citibank, HSBC, Standard Chartered, HDFC and ICICI.

Some cellular operators have declared themselves in favor of a total ban on telemarketing calls and have asked for legislation to that effect.

Meanwhile, the Indian Cooperation Committee, the de facto industry forum for the Indian credit card industry, announced

that credit card companies are working on a self-regulation code of conduct for participants that would include norms of disclosure.

DoT reluctant to reduce license fees

The department of telecom has expressed reluctance to accept the TRAI proposal on reducing the entry license fee and revenue share for new operators, on the grounds that this would be unfair to existing providers. DoT is already facing a contentious situation with existing operators arguing that migration to unified access licensing should merit a refund of earlier single-service license fees. Bharti Telecom has recently sought the intervention of the Telecom Dispute Settlement Appellate Tribunal (TDSAT) in this regard.

India, Canada to work together on low-cost wireless technology

The state-run Communications Research Center of Canada has signed an agreement with the Centre for Development of Telematics to collaborate on the development of new wireless technologies. The research is aimed principally at improving telecom infrastructure in rural and remote areas. Both countries have a number of remote habitats where the cost of establishing current infrastructure technologies, such as laying fiber optic cables, can often be prohibitive.



Mission to oversee all drinking water schemes

The Union Finance Minister announced in the budget proposals for 2005-06 that an allocation of Rs 55 billion would be made under the National Urban Renewal Mission for improving civic infrastructure in seven-mega cities, including Delhi, Mumbai, Chennai, Kolkata, Bangalore, Hyderabad and Ahmedabad. Of this, Rs 16.5 billion would be disbursed as grants.

The government has allocated more than Rs. 1,260 billion for NURM projects in the next five years. Extending beyond the metropolises, these would cover 29 other cities with populations over a million and 24 with populations between 500,000 and a million.

Meanwhile, a delegation of the All-India Mayors Council met Congress President and UPA Chairperson Sonia Gandhi to push for a national policy on urban infrastructure development. The delegation has requested budgetary support and additional financial assistance from the Twelfth Finance Commission for local bodies to develop urban infrastructure, especially in the fields of health, drinking water, education, unemployment and traffic regulation.

The government also proposes to bring all drinking water schemes under the Rajiv Gandhi National Drinking Water Mission. This is aimed at streamlining the workings of the projects underway so that these could be more speedily implemented. The government aims to provide drinking water and sanitation facilities to all rural habitations by the end of fiscal 2005-06; about 74,000 habitations do not have access to safe drinking water and 216,000 are without proper sanitation facilities.

Alongside, the Union Cabinet has approved a national project for repair, renovation and restoration of water bodies directly linked to agriculture. Involving a cost of over Rs. 5 billion, the Union Government will bear 75 percent share of the total outlay, with state governments shouldering the rest. The national project, to be completed in ten years, is to be implemented by the state governments.

Kolkata to revamp water network

Kolkata has embarked on a major revamp of its water distribution network, a project that will involve installation of several new booster pumping stations and repairing existing and laying new pipelines. More than 66 km along 70 roads are

to be excavated in the process, most of this in the northern, southern and eastern parts of the city.

World Bank loan for in Karnataka

The World Bank announced sanction of a US\$ 39.50-million loan for Karnataka's Urban Water Sector Improvement Project, which is currently engaged in initiatives to enhance the efficiency, management and delivery of water supply and sanitation in the cities of Gulbarga, Belgaum and Hubli-Dharwad. The project in these cities will be completed in five years.

The state government is to contribute the balance of US\$ 11.58 million for the US\$ 51.08 million project.

The state government has also sanctioned Rs. 55 million to the Kodagu Zilla Panchayat for drinking water projects in towns and villages dependent on the Harangi Reservoir sources. The panchayat is contributing Rs 2 million for the works. It has also sanctioned over Rs 300 million for 1,145 water and sanitation works in Mangalore Taluk and close to another Rs 200 million in other blocks of Dakshina Kannada. More than Rs. 350 million has already been spent in implementing various projects under the Rajiv Gandhi Drinking Water Mission in the district.

Water sharing - guidelines needed

The Karnataka government has asked the Union Government to formulate guidelines for allocating water of inter-state rivers to the riparian states. It has also urged that such guidelines should be incorporated in the national water policy.

The state is also pressing for reform of water tariffs, in both urban and rural areas, and covering all water consumption, household, commercial and even agricultural usage. It has said that the charges for water used for irrigation should also be realistically priced.

AP targets urban slum development

The Andhra Pradesh Government announced that it would launch a housing program for the poor in urban areas. Under this, houses would be constructed at a cost of Rs. 100,000 each, of which Rs. 35,000 would be given as subsidy. The government would focus on developing slums into townships with permanent houses, roads, drains and electricity.

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POWER

Rural electricity backbone proposed

The Union Finance Minister announced that the government aims to create a rural electricity distribution backbone within the next five years. The 'backbone' would include installation of a 33/11-kv substation in each block and at least one distribution transformer in each village, ensuring power supply to 125,000 villages that do not currently have electricity.

The budget proposals for 2005-06 suggest an allocation of Rs. 11 billion for this purpose.

The plan is to focus on power deficient states as a priority.

5,000 mw additional power capacity by 2006

India is likely to add 5,000-mw for power generation capability over the next two years, all of it in the private sector. This will also bring capacity about 6,000-mw short of the 41,000-mw target for the Tenth Five-Year Plan.

Studies indicate that an additional 60,896-mw energy would be required to meet India's growing demand by the end of the Eleventh Plan (2007-2012). But the Central Electricity Authority, in its draft National Electricity Plan, has targeted capacity addition at 60,769 mw by fiscal 2011-12. Of this, 34,970 mw is to be added by thermal power projects, 20,859 mw by hydro projects and 4,540 mw by nuclear projects.

Of the 60,769 mw, nearly 18,502 mw would be added in the northern region, 17,619 mw in the eastern region, 11,810 mw in the western region, 6,843 mw in the southern region and 5,995 mw in the northeastern region.

According to the draft plan, the country would need total installed capacity of 204,234 mw to meet the all-India peak demand of 157,107 mw at the end of the Eleventh Plan.

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During April-December 2004, against the all-India requirement of 439,043 million units, about 409,101 million units of power were available, leaving a shortage of 29,942 million units.

NTPC projects to add 2100 mw to eastern grid

The National Thermal Power Corporation (NTPC) announced plans to add 500 mw to the existing 1,600-mw Farakka super thermal power plant, a move that would raise existing capacity to 2,100 mw to meet the growing demands of State Electricity Boards (SEBs) in the eastern region. While the project design is yet incomplete, the new plant is to be located in Murshidabad District of West Bengal, and is targeted for completion by 2009.

NTPC, which runs the Farakka and the 840-mw Kahalgaon power projects in West Bengal, is looking to meet the shortfall in coal supply; against a requirement of 16.5 million tons per year, it currently gets 10.5 mt of coal from Eastern Coal Ltd (ECL).

NTPC Hydro Ltd, a fully owned subsidiary, is to execute a 90-mw capacity hydro electricity project in Darjeeling District, also in West Bengal. The company is also negotiating with the Arunachal Pradesh government for setting up hydel projects in that state.

MP, Gujarat tie up for 2,000-mw power plant

The Madhya Pradesh State Electricity Board (MPSEB) and the Gujarat State Electricity Board (GSEB) announced plans to jointly set up a 2,000-mw power plant in the border village of Donagalia Purni, which falls in Khandwa District of Madhya Pradesh. The plant, at an estimated cost of Rs 80 billion, is expected to start generating power in four years. A memorandum of understanding has been signed between the MPSEB and both state governments, specifying that the Gujarat and Madhya Pradesh governments would share the costs as well as the electricity generated equally. A special purpose vehicle is also to be set up for the project.

The financial closure of the proposed project is not expected to take more than four months and work is likely to start in the next financial year. Once commissioned, the mega plant would produce power at 65 paise per unit as coal mined from captive mines in Madhya Pradesh would be used to fuel the plant.