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POWER

New Power Projects in Arunachal Pradesh

The central government is planning the implementation of two hydro-electric projects in Arunachal Pradesh. While three stage clearances are required in al, the projects have cleared the first two stages. Both the projects, the Rs 945.4 mn Kameng Hydro-electric Project (600 mw) by North Eastern Electric Power Corporation and the 2000 mw Subansiri Hydro-electric Project by the National Hydroelectric Power Corporation (NHPC) will be commissioned in seven years from the date of investment approval.

The NHPC also plans to add 25,000 mw of generation capacity in Arunachal Pradesh with an estimated investment of over Rs1500 bn. The corporation is in the process of seeking approvals for seven greenfield projects in the Siang, Subansiri and Dibang basins in the state. NHPC will seek recourse to a variety of options including debt financing to raise the funds. The Government of India has committed to infuse Rs150 bn during the 10th Plan to enhance the equity capital of the NHPC.

Private Sector Expected to Generate Additional 7000 mw Power

The power ministry is expecting an additional 7000 mw power generation during the 10th five year(2002-07), through the private sector participation. The ministry also intends to address the issue of pilferage and power theft, as these directly impacted the health of the State Electricity Boards (SEBs).

The ministry has evolved stringent rules and regulations to check power theft and the passing of the Electricity Bill, 2003, is also expected to help the finances of SEBs. As per the ministry, states such as West Bengal, Andhra Pradesh, Gujarat and Madhya Pradesh which had passed the Electricity Law on the pattern of the Central legislation had shown good results particularly in the case of West Bengal where the results have been quite good.

Inside

2000 MW Joint Project Hits Road Block

A proposal by Delhi, Gujarat, Rajasthan and Chhattisgarh to set up a 2000 mw thermal power station with NTPC assistance has run into rough weather, with the Chhattisgarh government demanding 12% free power in lieu of providing the land for the project. Delhi, Gujarat and Rajasthan are opposed to providing free power to Chhattisgarh. However, this confirms with the prevalent norm, where most inter-state projects are executed on the condition that the host state will get some amount of power free. For instance, two private hydroelectricity projects, being set up by the Uttar Pradesh (UP) government in Uttaranchal, have agreed to give 12% power free to Uttaranchal. Although discussions to resolve the issue are on, no forward movement is expected unless Chhattisgarh drops its demand for free power.

The project, to be funded by the four states and managed by NTPC, was proposed as a means of tiding over the electricity crisis. As per the proposal, the NTPC was to operate the project in a fashion it was managing the Badarpur power plant, which is owned by the central government. Chhattisgarh was selected for locating the project because of the availability of fuel and the possibility of putting up a pit-head based plant. The four states had approached NTPC last year with the proposal for setting up the plant, after the state-owned utility expressed its willingness to undertake joint venture projects with states.

Additional 748 MW for TNEB in 2003-04

The Tamil Nadu Electricity Board (TNEB) will get an additional 748 mw during 2003-04 from the state and central sectors. While the state sector will add 251 mw, availability from the central projects is expected to be 497 mw. In the state sector, Pykara Ultimate Stage Hydro Electric Project with the capacity of 150 mw will be commissioned in Nilgiris District at a cost of Rs 3.83 bn. A gas-based project with a capacity of 101 mw at a cost of Rs 3.52 bn at Kuttalam in Nagapattinam district will also be commissioned during 2003-04.

In the central sector, Tamil Nadu will get a share of 227 mw from the two units of 210 mw capacity each under Neyveli TPS 1 Expansion Scheme. In addition, the first two units of 500 mw capacity each at Talcher Stage-II of National Thermal Power Corporation are likely to be commissioned during 2003-04, from which Tamil Nadu will get its share of 270 mw. The state has also drawn up a renewable energy plan from sources like wind and sugar industry co-generation. It plans for 300 mw biomass-based power plants with private sector participation during the next two years.

Funding Hurdles for AP Power Projects

The state government of Andhra Pardesh is in the process of securing funding for Konaseema and three other private gas-based power projects approved by the AP Electricity Regulatory Commission. Financial institutions, led by Industrial Development Bank of India, are reluctant to fund these projects in the post-Enron scenario, expressing apprehensions on various counts including future availability and cost of natural gas and necessity of the new projects.

Following requests from the state government, the Crisis Resolution Group of the Union Ministry of Energy is expected to make an effort to prevail upon IDBI and other financial institutions to fund the four IPPs. According to the Union Energy Secretary R V Shahi, IDBI had reappraised the assistance to these IPPs in Andhra Pradesh during 2000-01 due to significant changes in project concept, such as a change in fuel from naphtha to gas, reduction/enhancement of capacity and mergers. However, even after lapse of more than one and a half years, the projects are yet to achieve financial closure. Both the state and the central governments are expected to concede some of the conditions of the FIs' consortium, including guarantees and other security measures. However, if the IDBI continues to be adamant in its stand, then the union government will consider the option of providing loans from the Power Finance Corporation.

Private Sector Investment in Karnataka Power Projects

The state government of Karnataka has invited private players to invest in power projects in the state. At present, the public sector enterprises in the state are generating 1720 mw. This includes 220 mw from the eighth unit of the Raichur thermal plant, 500 mw from the Hospet project, 290 mw at the project in Alamatti, and 750 mw at the project in Bidadi.

In order to address the problem of the mounting transmission and distribution losses, the state government has pledged an investment of Rs.10 bn to initiate reforms in the distribution sector. The government plans on reducing them in phases by setting up sub-stations, transformer and capacitor banks, and "strategising" the entire set-up aimed at achieving optimum results. The state has been the first to sign a MoU for the Accelerated Power Development Reforms Programme initiated by the Centre.

PM Launches 50,000 MW Hydro Power Initiative

The Prime Minister, Atal Bihari Vajpayee has launched an 'initiative' for adding 50,000 mw of hydroelectric power in 16 states by the end of the 12th five year plan. He has stated that India is aiming to make electricity available on demand by 2012 and total village electrification in the next four years. In order to achieve the same, the Centre is according the highest priority to hydro power, as the current installed capacity of 27,000 mw is inadequate to meet the peaking power shortage.

New Norms to Fix Power Tariff

As per the Central Electricity Regulatory Commission (CERC), the government is planning to come out with new norms for tariff determination in the power sector by the end of this year. The new norms will address various issues including return on equity, expenses incurred both at the operational and maintenance level and fixed and variable charges.

The power regulator also proposes to prepare a discussion paper for issue of trading licences, which was accorded distinct status under the new electricity legislation, cleared by Parliament early in May. The paper hopes to bring about uniformity on the subject of issue of licences as opposed to the case-by-case approach being adopted by the regulator currently.

The CERC has indicated that private investment in transmission is imperative since state-owned PowerGrid cannot afford the estimated requirement of Rs 800 bn. One of the main achievements of the new law will be the concept of open access system to transmission links — which allows generators to bypass state electricity boards while selling to consumers. The government is also proposing to change the definition of village electrification to grant wider coverage to households. Under the current definition, a village is said to be electrified even if one household has access to power, which tends to overproject the coverage. The new definition proposes to raise this threshold level to 10-15% of the households in a village. The government's target for complete electrification of rural areas is 2007.

AES Drops Plan to Sell Orissa Power Stake

US power major AES, which had announced plans to quit India last year by selling its 49% stake in the Orissa Power Generation Company (OPGC), has now reversed its decision. AES has informed Tata Power (TPC), the only bidder in the fray, about its decision not to sell its equity in OPGC.

AES had decided to pull out of India last year and had invited global bids in November '02. Though a few companies, including BSES, had initially shown interest, Tata Power had subsequently emerged as the sole bidder. The Tata group was to close the deal, as the plant was in good condition. TPC has however, been informed of AES' decision and has respected the same. With a production cost at Rs 1.60-1.70 per unit, it is one of the lowest among thermal plants in the country.

Though there are some pending issues between the state government and AES, regarding the amount owed by it to the Grid Corporation of Orissa, the US power major has decided to go ahead with the project. AES is believed to have reversed its decision because of pricing. Assuming a cost of Rs 40 mn per mw to build a new thermal power plant, the total joint valuation of OPGC (a joint venture between AES and Gridco and which holds a 51% stake in the power plant) would have been around Rs 1,6.80 bn, while AES' stake would have been valued at around Rs 8 bn.

Niko Resources Finds More Gas in Surat

Canadian exploration firm Niko Resources Ltd has struck more gas in its Surat block in onshore Gujarat. Niko, which had previously discovered gas reserves in four out of the six wells it drilled in the Surat block, has completed drilling of six additional wells. Three of these are flowing gas. Well NS-A1 (7th well) has given 6.7 mn cubic feet per day gas while well NS-A2 flowed 4 mn cubic feet per day of gas. Well NS-A3 encountered gas on the edge of the structure.

These results combined with the earlier results from NS-4 [the sixth well] confirmed discovery of a 16 square kilometer shallow gas field with net gas pays up to 35 meters thick. The company is currently drilling NS-8 and is optimistic about these exceptional flow rates for shallow wells indicative of excellent reservoir and sizable reserves. The company expects this low cost field to be on production by November.

Home Run: ONGC Ships Sudan Oil

ONGC Videsh (OVL) has brought in crude oil from its Greater Nile Oil Project in Sudan where it had acquired 25% oil equity in January '03. This consignment of oil which has been shipped in "Seafalcon" the crude carrier from Sudan, has brought in 80,000 tonnes of crude which will be processed at the Mangalore Refinery and Petrochemicals (MRPL). ONGC has recently taken over the AV Birla stake in MRPL and has converted the refinery project into a subsidiary of ONGC. The crude has been purchased at the rate of approximately $27 per barrel. The landed cost of the oil works out to approx. $30 including the freight and the customs duties. This transaction will contribute to additional forex earning for OVL, which is selling the crude to MRPL.

Although this consignment has been brought in for MRPL, oil from the Nile project may also be sold to other refineries in the future. Imports from this field were considered as a fall back measure when US declared war on Iraq. OVL was directed by the government to expedite the sale of its oil from this offshore field in case supplies were disrupted. OVL can import up to 3m tonnes of crude from this field, which has a total capacity of 12m tonnes.

Oil Unions Oppose HPCL, BPCL Sale

Oil companies unions are gearing up for a showdown with the government on the disinvestment of Hindustan Petroleum (HPCL) and Bharat Petroleum (BPCL). Twenty-six unions representing employees of the two oil companies, under the banner of the National United Forum against privatisation of oil PSUs, are being joined by unions from ONGC, IndianOil and Gail, to protest against the disinvestment of the oil companies. The unions are completely opposed to the dis investment policy of the government and are also opposed to the government's plan of selling shares to the employees. The unions fear that the companies who have expressed an interest in the purchase, merely want a market to sell their own petroleum products and will eventually close down the old BPCL and HPCL refineries.

Oil Companies Want Relief for LPG Losses

Oil companies want the government to make up for the losses they have to bear on cooking gas, as the subsidy provided in the Budget falls short of actual costs. Oil companies get a Rs 60 subsidy per cylinder, while their shortfall in realisation on retail price is Rs 110 per cylinder. Nearly 40% of the total cost of an LPG cylinder, is made up of various state taxes, and customs and excise duties. A rationalisation of the tax structure is expected to lower costs. However the finance ministry is reluctant to reduce taxes, while the petroleum ministry is reluctant to raise consumer prices of LPG cylinders.

BSES, Tatas Willing to Buy ONGC Gas at Market Rate

BSES and Tata Power have approached ONGC to buy gas at the market rate from the unexplored fields on the western offshore. ONGC, which has three virgin fields - C22/C23/C34 - has not taken up exploration activities in these fields as yet. As these are marginal fields and entail higher costs, sale of gas would only be sustainable at market rates. Both, Tatas and BSES, which are planning generating plants in the western region and are looking for gas supplies, are willing to source the gas at market rates and on a take or pay contract. Initially, ONGC had signed a MoU with BSES for developing these fields and selling the gas, but, since there was no progress on it, the Tatas too made a pitch for the same fields. The recent changes in the gas market have begun to show as power companies are increasingly signing up for LNG, which is definitely priced higher than the subsidised gas.

Domestic gas, produced by ONGC and OIL, is currently sold at the rate of a little over $2.40 per mmbtu. LNG plant developers are talking of a price range between $3 per mmbtu to $3.5 per mmbtu. The gas Industry argues that the market rates for this gas should be benchmarked to the international market after taking into account the well-head costs, freight costs and pipeline transportation costs.

India to Buy 5 MT LNG from Iran

India has agreed to import 5 mn tonnes of liquefied natural gas from Iran in lieu of Tehran giving Indian firms equity in its oil and gas fields. The government has also renewed the term contract for import of close to five mn tonnes of crude oil in 2003-04. India will contract 5 mn tonnes of LNG imports, in two phases of 2.5 mn tonnes each, from Iran for a 25-year period besides extending its expertise in refinery upgradation and technology for automotive CNG.

India has also agreed to offer its technical know-how in setting up compressed natural gas dispensing system for use as automotive fuel in Tehran and other major cities. Indian companies are looking at investment opportunities in the development of Iran's South Pars gas field, estimated to have reserves of 280 trillion cubic feet of natural gas. The agreement to export LNG through ships will provide Iran a cheap route to sell its vast gas reserves, while for India, equity stake in oil fields will be another step towards attaining oil security.

BSNL's CellOne Cheapest among Mobile Services

A comparison of tariffs across operators and services reveals that calls from BSNL's mobile services, CellOne, to other category cellular phones, limited mobility and fixed lines are the cheapest, with a few exceptions. In metros like Mumbai and Delhi, where BSNL is not operational, MTNL offers the cheapest cellular tariffs, usually 10 paise more than the BSNL rate. Reliances rates, too, are comparable with MTNL in most cases. The analysis does not take into consideration the monthly rental, tariff fee and other fixed costs and compares only talktime rates.

The rock-bottom rate for a call to a limited mobility player is offered by Reliance a rate of 40 paise per minute for calls to any WLL phone in the country (up to 400 minutes of airtime). The other major limited mobility player, Tata Teleservices, offers the second lowest rate of 55 paise per minute for calls to any WLL phone. For calls from one fixed phone to another fixed phone, the rates are the same for the first slab of distances of 50-200 km, which is Rs 2.40 per minute for BSNL/MTNL (fixed) and TTSL (fixed). For distances between 200-500 km, TTSL(F) is cheaper with a rate of Rs 4.30 per minute compared to BSNL/MTNLs rate of Rs 4.80 per minute. Again, for distances over 500 km, the rate at Rs 4.80 per minute is same for TTSL (F) and BSNL/MTNL (F).

The cheapest call to a cellphone anywhere in the country is through BSNLs CellOne phones, at Rs 1.80 per minute. This is also true for calls from cellphones to fixed lines. CellOne offers STD at Rs 1.80 per minute for distances of 50-500 km and Rs 3.60 for calls beyond 500 km. In metros, the cheapest rates for cell-to-cell calls are offered by MTNL and Reliance, with both charging Rs 1.90 per minute for calls to a cellular phone anywhere in the country. For calls to fixed lines, in metros, MTNL and Reliance charge Rs 1.90 per minute between 50 km and 200 km. In the 200-500 km slab, MTNL is the cheapest with a rate of Rs 2.90 per minute (Reliance charges Rs 3 per minute). For distances beyond 500 km, MTNL is the cheapest with a rate of Rs 3.90 per minute (Reliance offers almost the same rate at Rs 4 per minute).

Cellular Base Rises to 13 mn in April

As per the latest subscriber figures released by Cellular Operators Association of India (COAI), India's cellular subscriber base has risen to 13.3 mn in April against 12.6 mn in the previous month. However, the monthly addition of 647,000 users in April was lower than the addition of over 900,000 users logged in March. All metros combined commanded a base of 4.58 mn lakh in April, up from 4.43 mn in March.

In Delhi, Bharti cellular increased its subscriber base to 938,000 during the period in reference as compared with 902,000 in March, while the customer base of Hutchison rose to 619,000 in April against 605,000 in March.

The cellular subscriber base of MTNL, was at 136,000 in April. The subscriber base of Idea cellular was 163,000 in April against 165,000 in March.

Refund of Interest on Cellular Licence Fees

Following a Supreme Court directive, the department of telecommunications has decided to refund the interest on excess licence fees collected from cellular service operators by December 2003. However, the department will not refund the interests on the amount due. It has also decided to adjust the refunds against the licence fees and the spectrum charges paid by cellular operators every quarter, instead of giving cash. Cell firms feel the department's decision of not paying the interest on the amount due against the Supreme Court judgment and may approach the Supreme Court again to seek a clarification. However, this may be done after the department calculates the exact refund amount because they do not want the refund process to be delayed. While the court had directed a refund to Birla AT & T Communication, BPL Mobile, Escotel Mobile and Fascel, the government decided to give a refund to all cellular operators who had migrated to the new revenue-sharing regime in 1999.

PCO-to-Mobile Calls Still on Hold

TRAI has barred calls from PCOs to mobile phones in Mumbai. While it has set different pulse rates for cellular and wireless-in-local loop (WLL) phones, PCOs do not have the multiple pulse rate system. In order to resolve this issue, MTNL and BSNL are working on a system to identify different types of calls made from a PCO to a landline, cellphone or WLL phone. The system will be incorporated in existing coin collection boxes and will identify calls from the first two digits dialled and will accordingly adjust pulse rates with 60 seconds for cellphones, 90 seconds for WLL and three minutes for a landline.

Private Cell Firms to Take on BSNL

In reply to BSNL-CellOnes sensational Plan 525, which charges 40 paise per minute for all cell-to-cell local calls, private cellular operators are expected to close ranks and slap a flat 30-paise per minute access charge (read: interconnect usage charge) for terminating all BSNL-CellOne local traffic on their networks.

Telecom Regulatory Authority of India (TRAI has allowed forbearance so far as cell-to-cell interconnection rates go. But top circles close to the Cellular Operators Association of India (COAI) have indicated that they will not waive access charges for terminating CellOne local traffic on their networks. Negotiations are on with BSNL and the termination charge for cell-to-cell local calls is likely to settle at 30 paise per minute. In case the above does materialise, BSNL will have to decide whether or not to pass on the extra 30 paise per minute termination charge on its CellOne customers. If it were to choose to do so, it would lose its principal USP the 40 paise per minute tariff for cell-to-cell local calls. And if it were to decide to absorb the termination shock, it would make only 10 paise per minute for all CellOne local traffic to private mobile networks. As per sources justifying such a tariff package as IUC-compliant could prove troublesome and BSNL would be hardpressed to skirt the predatory tariff tag from TRAI.

Mobile Operator Plans a Giant 'Leap' in AP

Bharti Mobile, which provides the Airtel brand of Cellular services, has unfolded plans to invest Rs. 1.37 bn in Andhra Pradesh over the next 4 months. This will extend coverage to another 75 towns and 2,085 villages, taking total coverage to 215 towns and 6,100 villages. The plan named "LeAP" (Leverage Andhra's Potential), was announced by Sunil Bharti Mittal, Chairman and Managing Director of Bharti Enterprises. The group is also discussing a proposal to set up a Business Process Outsourcing (BPO) in Andhra Pradesh. Bharti is presently in the process of planning multi-locational call centres across the country, through its joint venture with the American company Teletech.

Currently Bharti is the number one service provider in the state with 3,21,207 customers as on April 30 and has so far invested about Rs. 8 bn (cumulative) in Andhra Pradesh. Given this background, the LeAP is aimed at untapped market with the state and its huge potential. The plan would give special focus to creation of 'travel zones' around key cities which would ensure seamless connectivity 'around' the cities. The state has 3 mn landlines while the number of mobile phones is just over one mn. Two special features of the plan are 'state-of-the-art billing', which will be done by migrating to the globally accepted Keenan in three months, and e-CRM system to be deployed here for customer relationship management. The number of cell sites will also go up from 269 to 396.

Essar Bids for Cell Networks in Lebanon

Essar Teleholdings, the telecom arm of the Essar Group, is eyeing the Lebanese GSM cellular market. It has bid for the country's two government-owned networks. Confirming the development, the company CEO, Vikas Saraf, has stated that the two companies, Cellis and LibanCell, are being privatised, and the government of Lebanon has invited operators to take part in the process. The company has bid as part of a consortium.

Apart from the high average revenue per user in Lebanon, the privatisation of cellular companies is being followed by the global market because it will be the first in a series to reduce the government's burgeoning annual budget deficit. The Lebanese government had nationalised Cellis and LibanCell in 2001. It now plans to auction 20-year licences for the two companies. The two networks were operating on build-lease licences and had offered the government $1.35 bn each to convert their contracts into 20-year licences. But the offers were rejected and the existing contracts cancelled three years before they were due for renegotiation.

Mumbai's Seventh Cellular Operator

Tata Teleservices (Maharashtra) will shortly launch its CDMA services in Mumbai and the adjoining towns, thereby becoming the seventh mobile phone operator in the city. As of date, the company has invested Rs 24 bn and in the next couple of years it plans to invest up to Rs 33.80 bn in the Maharashtra circle alone.

Telecom Exchange Planned at Bangalore

India's first telecom exchange modelled along international lines is being planned at the recently announced Global Telecom City in Bangalore. The Rs 26 bn project, promoted by Data Access, is still in early stages.

The exchange will have wires from the Kochi, Mumbai and Chennai submarine cables terminating at the building, as well as satellite communication lines. This will allow it to route data through any of the communication channels available, building in better redundancy in case any one of the lines is down. At present, international calls need to go through VSNL through submarine cables via Kochi, Chennai or Mumbai.

Once the exchange is in place, voice and data carriers will not need to sign individual interconnect agreements with their counterparts in other countries. They will only need to contact the exchange, which will redirect traffic in the right direction using complicated switching equipment.

The exchange will work on the same lines as a clearing house for bank. It will be a distributor, with wholesalers such as Reliance and Bharti who will offer bandwidth to retailers, who in turn will supply it to end consumers. The hub in Bangalore is expected to become a centre for all national players.

Reliance Leads WLL Onslaught

Mobile phone usage (GSM and WLL together) has grown to over 15 mn subscribers, as on April 30 — GSM 13.33 mn and WLL 2 mn. Quick estimates reveal that WLL services have grown faster than GSM over the past 30 to 45 days. The foremost reaon is Reliance IndiaMobile's performance, which has added 550,000 users in the 45-day period.

Taking this into account along with the performance of WLL users of Tata (250,000 in five circles as of date), Shyam Telelink (45,000 in Rajasthan) and HFCL (35,000 in Punjab), WLL seems to growing faster. Industry players are optimistic about the prospects especially in view of the new rate cards, the lower handset cost and the removal of the three year commitment.

Onus Lies with the Operators: Gartner Report

A recent report by Gartner places the onus to make things simple and transparent for consumers with the operators. It is the operators who will have to pay for the continued confusion, as user experience is critical in the mobile phone industry. With the churn rate in the industry being very high, an unhappy user can easily move out of a network to another and it is extremely difficult to get the consumer back. One not only loses out on the cost incurred on acquiring a consumer, one loses out on the opportunity to grow the customer on network usage and the new services on it.

On the inter-connect issue, the report highlights a frame of reference beyond which regulators do not get involved in tariff fixing and it is left to carriers to work out how much each one can pass on to each other.

Tighter Norms for Maintenance of Coaches

The Railways have tightened the norms for upkeep of electrical wiring and equipment in passenger coaches. There is a prescribed code of practice for maintenance of electrical wirings and equipment in coaches to prevent fire as per the standards laid down by the research and development unit, RDSO. This is intended to ensure uniformity of standard in electrical maintenance.

The railway coaches are provided with aluminium cable of suitable sizes for various circuits. These cables are run in metallic conduits under the frame and rigid fire-retardant conduits in the super structure. Besides, all the junction boxes and fuse-distribution boards are made of fire-retardant, fibreglass-reinforced plastic with synthetic-moulded compound.

All such cables and electrical devices are tested periodically and all the critical electrical components used in the coaches have fire-retardant properties. As per the Railway Ministry during trip inspection, all fuses and cables in the junction boxes are checked on a half-yearly schedule.

Railways' Bottled Water Plant On Stream

The Indian Railways' own brand of bottled water, Rail Neer, produced and marketed by the Indian Railway Catering and Tourism Corporation (IRCTC), has been launched and will be available at stations of Northern, North-Western, North-Central and parts of Central Railway soon. The Railways have ensured quality by adhering to Euro standards going beyond the parameters laid down by the Bureau of Indian Standards (BIS).

The capacity of the plant is expected to go up from the present 80,000 litres to 1,20,000 litres every day. The plant, uses eight purification processes conforming to Euro standards. The first among the three plants to be commissioned, the Nangloi bottling facility was set up at a cost of Rs 550 mn by IRCTC.

Pune Easterly Bypass to be Ready by 2004

As per the Maharastra State Public Works Department, the Easterly bypass, the vital road link between Katraj and Lonikand via Lonikalbhor, will be ready by the end of 2004. The Easterly bypass will ensure that heavy goods traffic, particularly trucks, coming from Mumbai and proceeding towards Bangalore or Solapur, will not pass through Pune.

The state has also planned other PWD projects. It has nearly completed the work of constructing the Katraj-Phursungi link of the Easterly bypass and would soon embark on the Phursungi-Lonikalbhor link. It is hoping to invite tenders for the Phursungi-Lonikalbhor link by October. Work on the Lonikalbhor-Lonikand link road is also planned to be undertaken simultaneously, and bridges on the route would be widened to accommodate the heavy traffic.

The PWD hopes to expedite its Rs 5.41 bn project for Pune city. The project envisages upgradation of the highway section passing through Pune city, widening and construction of roads linking Pune to adjoining districts.

Rs 1.44 bn for Bellary roads

The 140-km road stretch between Bellary and Hiryur will be upgraded at a cost of Rs 1.44 bn and the Karnataka state PWD hopes to inaugurate the road works soon. The road works have been handed over to L&T company. The state government has formulated a scheme to upgrade 2300 kms of roads in the state with World Bank aid at an expected expenditure of Rs 23 bn. Out of 10,800 kms of roads in the state, the government had identified 2300 kms and the Bidar-Srirangapatna road is also part of the same. 30 km out of the 139-km stretch between Bidar and Hatthiganur which is being upgraded at a cost Rs 1.40 bn has already been completed.

Works on the Hatthiganur-Lingasugur and Budhugumpa-Sindhanur stretches are on. Bridge construction near Sindhanur has also begun. The government is confident of completing the work on the Bidar-Srirangapatna road by the end of 2005.

Railways Exceed Freight Target

The Railways have exceeded their Budget target of freight loading for 2002-03, notching up 518.48 mn tonnes against the target of 515 mn tonnes. Compared to the actual loading of 492.50 mn tonnes recorded in 2001-02, there has been a 5% rise. The annual freight traffic in net tonne kilometres in mns (NTKMs) was 3,56,852 NTKMs compared to 3,33,228 NTKMs in 2001-02.

It, however, fell 311 NTKMs short of the Budget target of 3,57,163 NTKMs. Of the total traffic, coal accounted for 235.72 mn tonnes, followed by cement (46.22 mn tonnes), foodgrains (45.55 mn tonnes) and petroleum and lubricants (34 mn tonnes). Foodgrain movement saw the largest rise due to drought conditions in many parts of the country and the need to move large consignments of foodgrain to distressed areas. Fertilisers at 26.30 mn tonnes, and iron ore for exports at 16.66 mn tonnes were the other bulk traffic for the Indian Railways.

Talks for Equity Participation of MTNL, BSNL in RailTel

Negotiations are on between the Ministry of Railways and the Ministry of Communications for equity participation of Mahanagar Telephone Nigam Limited and Bharat Sanchar Nigam Limited in the RailTel Corporation for improving telecom services in Railways. Stating that emerging technologies faced challenges during their adoption and in making them fool-proof in Indian conditions, the railway minister claims that funds would not be a constraint in improving efficient signalling and telecom systems in the Railways as a "non-lapsable Special Railway Safety Fund is available now". Negotiations with the Ministry of Communications are progressing well. The Indian railways have accorded the safety issue topmost priority and since November, 2001, the Rs 170 bn special Railway Safety Fund is being effectively utilised for upgradation, renewal of railway assets including tracks, repair of bridges and improving signalling and telecom facilities.

Corporatisation of Ports?

Even as corporatisation of ports is underway, the industry feels that the government needs to move ahead and come out with well-defined management contracts, put in place an independent regulatory mechanism as well as provide financial independence combined with accountability to port managements. For the time being, however, the ports will remain government owned and and all major decisions will continue to be approved by the government.

For all practical purposes, corporatisation, in the current context, is being treated as a change in the legal structure of the entity in question. The ownership before and after corporatisation still vests with the government, which means that there is not going to be any major change in the overall functioning of the ports. Experts point out that even as a corporatised port, the decision-making powers of these entities are limited, especially in matters relating to capital expenditure and borrowings, as long as the government is their owner.

P&O Ports Acquires Container Terminal of Mundra Port

UK-based P&O Ports has signed a $200 mn deal for outright acquisition of the container terminal of the Mundra Port, which has a 28-year concession to operate a 1.3 mn TEU (twenty feet equivalent unit) capacity deep-water terminal on the Gujarat coast. Mundra port is promoted by the Rs 40 bn, Ahmedabad-based, Adani group. The Indian authorities have already authorized the deal and P&O expects the acquisition to add to its operating profits in 2004. Following clearances from the Foreign Investment Promotion Board and the Gujarat government under the terms of agreement, P&O Ports has picked up the Adani group's stake in the terminal for a consideration of $60 mn, while another $140 mn has gone into purchase of numerous assets built by Gujarat Adani Ports Limited for the terminal, such as a wharf and a back-up yard and the use of certain infrastructure facilities at the Mundra Port.

P&O plans to fund this acquistion through a share placing of new units of £1 nominal deferred stock, which will be run by investment banks Credit Suisse First Boston and WestLB Panmure. P&O Ports plans to invest Rs 15 bn to develop a world class container terminal at Mundra over the next few years. With three container terminals in India, including the NSICT at JNPT and CCTL at Chennai Port, P&O Ports is poised to become a market leader in container handling in the country in the near future.

Hal Signs Deal

Hindustan Aeronautics and Russia's 'Stankoimport' have signed a $300 million deal for supply of equipment for the assembly of Sukhoi Su-30MKI multirole fighters in India at Nasik plant. The contract has been signed within the framework of Indo-Russian deal for the licensed production of 140 'four-plus' generation Sukhoi multirole fighters in India to phase out MiG-21 and MiG-27 production by HAL.

Greenfield Airports Out of AAI Purview

The recent amendment to the Airports Authority of India Act will facilitate setting up greenfield airports and keeping them out of the purview of the airports authority, which will only be responsible for air traffic control and security. The amendment will also consider the issue of leasing existing airports, thereby paving the way for their privatisation. It will allow the levy of airport development fund for the greenfield airports on passengers embarking at existing airports. This paves the way for establishment of private sector airports in the country.

Airports Authority to Develop Surat Airport

The central government has decided to entrust the development of the Surat airport to the Airports Authority of India. The airport, estimated to cost Rs 550 mn, was being constructed by the state government so far. However the slow pace of construction caused the centre to take over the project as the delay was affecting the city's diamond and silk industry. The technical survey of the proposal, which had been assigned to a firm, will now be cancelled and the AAI will undertake the whole project.

Major Ports Adopt Hourly Berth Hire Rates

The Tariff Authority for Major Ports (TAMP) has decided to introduce hourly berth hire charges instead of the existing 8-hour basis rates in all the major ports with effect from June 1. Apart from berth hire, a similar hourly unit would be followed for levying anchorage fee, mooring fee, roadstead charges etc, which are linked with the duration of stay of a vessel at such facilities. The hourly berth hire charges have already been introduced in Chennai in October 2002. The Tuticorin Port had also started implementing hourly berth hire with effect from April 1. The hourly charge rates have been introduced taking into consideration the request from port users for rationalisation and simplification of the tariff structure in all the major ports.

Kochi SEZ Proposal Placed before Centre

As per the Cochin Port Trust Board, a detailed project report on the setting up of the proposed port-based Special Economic Zone at Vallarpadam and Puthuvype, near Kochi, is to be shortly submitted to the Union Ministry of Commerce. The Commerce Ministry has already accorded 'in principle' approval for setting up the project. A draft report on the project, prepared by KITCO, a firm established by the Kerala government and the Industrial Development Bank of India, was considered for approval at the meeting. The Cochin Port Special Economic Zone (CPSEZ) is to be set up over an area of 440 acre in Vallarpadam and 600 acre in Puthuvype. The zone will also accommodate the Vallarpadam Container Transhipment Terminal (VCTT), Bunkering Terminal, Ship repair facilties, the Single Buoy Mooring project, LNG terminal and Golf course. The state government's clearance is also required for the project for getting exemption from payment of various taxes, water supply and electricity.

DS Foods to Stir Up Bottled Water Segment

Catch "clear and flavoured" water from the DS Foods group is the new entrant in the Rs 10 bn bottled water segment. The company is launching in Delhi and will roll-out in the metros in another three months. The company is also testing the waters in the European market. With the intention of providing more than just plain water in the domestic market, the new product comes in three flavours - Lemon-lime, Black Currant and Peach and is priced at Rs 15 for a 350 ml bottled and Rs 25 for 750 ml. Catch's `clear flavoured water' will circumvent the current fluidity on the residues issue, since it will not have to sport the ISI logo, the Government certification mandatory for bottled water. Instead it will sport the FPO logo, another endorsement from the government, given to products adhering to parameters in the Fruit Products Order.

DJB Wants Instant Fine for Wasting Water

The Delhi Jal Board (DJB) has requested the Union law ministry to empower its officers to challan those who waste water. As no magistrate has been spared to try water-related offences, a majority of the fines announced remain only on paper. Other civic agencies like Municipal Corporation of Delhi (MCD), New Delhi Municipal Council (NDMC) and Delhi Vidyut Board (DVB) have special courts to deal with the offences arising in their jurisdiction. As a result, the commonest offences relating to wastage of water and damage to the supply system go unpunished. The DJB is keen on getting the power of "challaning on the spot" so that it could provide the high court with the numbers relating to water offenses.

MIDC Working on Water Policy

The Maharashtra Industrial Development Corporation (MIDC) is planning to come up with a new water policy, which will rationalise industrial and domestic water rates. As per the new water policy, instead of the three-fold hike in industrial water rates, the effective hike will be in the 30% - 40% range. The new policy is expected to ensure that the industries receive adequate water supply at reasonable rates. However, they, in turn, would have to contribute to the maintenance of water resources. The new price will take that into account the new royalty rate charged by the irrigation department. The treatment and recycling of water will be given prime importance in the new policy and even civic bodies will be penalised if they released untreated sewage into water bodies.

Work Begins on Tirupur Project

Work on the water and sanitation project for Tirupur has begun. For the knitwear industry units, water is one of the main raw materials and receiving treated water at the doorstep will soon become a reality, as the Tirupur Water Supply and Sanitation Project, implemented by the New Tirupur Area Development Corporation Limited (NTADCL), gets commissioned by 2005. About 700 processing units in the region consume, on an average, 100 mn litres (mld) of water-120 mld a day. Of this, they buy around 70 mld at around Rs. 30 per 1000 litres and are incurring huge expenses on treating it.

The special-purpose NTADCL has been established with the primary objective of implementing the Tirupur Water Supply and Sanitation Project. It envisages supply to dyeing and bleaching units and to domestic consumers in Tirupur Local Planning Area (TLPA), comprising the municipality, 15 village panchayats and three town panchayats.

The construction work for the project, taken up under a "lumpsum turnkey contract", includes building of an intake well, a water treatment plant, a master balancing reservoir and water distribution stations, laying of pipelines and provision of low cost sanitation, a sewerage pumping station and a sewerage treatment plant.

CII for Independent Water Regulator

The Confederation of Indian Industry (CII) has mooted an independent regulator for the water sector, coupled with more funding for new projects that will work towards adequate availability of water to the growing population. It feels that an independent regulatory body is imperative for the development of water services in the country, as it would de-politicise the tariff decisions and enable better cost recovery.

A paper prepared by CII for the National Water conference, suggests that the role of the regulatory body would essentially be that of a watchdog to monitor and enforce standards for water availability, water quality and implement fair tariff structures. It goes on to emphasise that as the challenge of ensuring adequate availability of water is largely political, it is only when appropriate user charges are levied, that revenue for implementing large projects can be generated and the private sector can be encouraged to invest in water services. The paper points out that at present there is no legal control on the use of surface water resources.

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