India Infrastructure Update

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POWER

Electricity Bill Insulates Local Authorities from Obligation of providing Open Access

On April 09, 2003, the Electricity Bill 2003 reintroduced by the Ministry of Power, (the Lower House of the Indian federal Parliament) was passed by the Lok Sabha. It is now pending before the Rajya Sabha (the Upper House of the Indian federal Parliament). The final version of the Electricity Bill exempts all local authorities engaged in the business of distribution of electricity prior to the date of enforcement of the Electricity Bill, from providing “open access” to customers in its license area. According to the original version of the Bill, the distribution licensee would have had to provide non-discriminatory open access. Open access means any other generating company or licensee will be allowed to use the network of the incumbent distribution company to supply to consumers. This exemption will enable all municipal bodies engaged in power distribution such as NDMC, BEST and Thrissur Municipal Corporation, to reduce the threat from new entrants, and to maintain their monopoly in their areas of operation. This will also pose significant entry barriers for potential competitors in places like Mumbai and New Delhi. Another change provides that local authorities do not have to maintain separate accounts for different businesses. The Bill also ensures that BEST, which supplies electricity in Mumbai city, can continue to cross-subsidise its transport services by the huge profit earned from its electricity supply division.

Additional 4,000 mw N-Power in 5 years

As per the chairman of the Atomic Energy Regulatory Board, S.P. Sukhatme, with eight nuclear reactors under construction, the installed nuclear power capacity of the country will go up from 2,700 mw (presently) to 7,000 mw in the next five years. Of the eight reactors, two are at Kaiga, two at Rajasthan, two at Tarapur and two at Koodangulam. Of these, four are 220 mw Pressurised Heavy Water Reactors (PHWR), two 540 mw PHWRs and two 1,000 mw Light Water Reactors.

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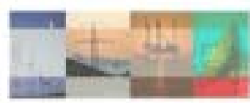
Karnataka Government to Shed 51% Equity in Four Power Distribution Companies

The Karnataka government will offload at par value 51% equity in the state’s four energy distribution or electricity supply companies (Discom/Escom) in favour of private operators. The privatisation process is expected to be completed by December ’03 or February ’04. Karnataka is also likely to continue subsidising private power distribution companies for three to five years, the transition period for the new owners to settle down. According to a team of privatisation consultants, Deloitte, Rothchild, IDFC and others engaged by the government, the selection of the operators will be done on the basis of the lowest incentive sought in their respective bids, under the distribution margin (DM) model followed by Karnataka government. Under the Karnataka DM model, the Escoms will charge a tariff, which will have two components — a base revenue, which will recover the expected operating cost, capital expenditure and minimum rate of return on equity and a tariff which is an incentive charge set as a predefined proportion of the collection above a specified minimum that the Escom may be allowed to retain. The DM model has scope to penalise the operator if he fails to meet the MCR and service standards. During the transition period, the government will share significant risks of the business with the Escom. However, once this period is over, an incentive-based cost of service regulatory system will apply, using a multi-year tariff and independent setting of efficiency improvement requirements.

4 Projects to be Commissioned by 2004

The Union power ministry will commission four mega power projects located in the northern states having a total installed capacity of 4,590 mw by 2004. The four projects, under implementation for more than 10 years, include 1,500 mw Nathpa Jhakri Power Corporation and 300 mw Chamera II located in Himachal Pradesh, 2,400 mw Tehri Hydro Development Corporation located in Uttaranchal and 300 mw Dul Hasti project in Jammu and Kashmir. In order to encourage generation of hydel power, the Union government has increased the ratio of hydel power in total power generation from the present 25% to 40% for the 10th five year plan. The government intends to double the target generation capacity by 2012. The 10th five year plan will see an addition of 41,000 mw to the present generation capacity. Out of this, 18,000 mw will be hydel power. The Union government has allocated Rs 400 bn under the Accelerated Power Development Programme (APDP).



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DPC'S Domestic Lenders to Meet on Arbitration Move

Domestic lenders to Enron Corporation's $2.9 billion Dabhol power plant are keen on working out a solution to tackle the arbitration proceedings initiated by foreign creditors trying to recover their loans to the stalled project. Nearly a dozen foreign lenders to Dabhol Power Company (DPC) initiated arbitration against the domestic lenders in a London court after failing to agree on a future for the plant. The foreign lenders, led by ABN AMRO Bank of the Netherlands, initiated the arbitration action under international law against the Industrial Development Bank of India (IDBI), ICICI Bank, State Bank of India and IFCI.

The move comes after the foreign lenders told Dabhol to scrap its power sale agreement with its sole customer, the Maharashtra State Electricity Board (MSEB), a legal step that would force the loss-making board to take over the plant. The $339 mn being sought by foreign creditors covers loans to the first phase of the project at Dabhol. Total loans from overseas creditors amount to nearly $600 mn. But local lenders, who hold bulk of the project's $1.9 bn debt, plan to resist the foreign creditors' moves to enforce the takeover of the project by MSEB as they expect to recover their money by restarting the plant. If the Indian lenders, most of which are state-owned, lose the arbitration case, foreign creditors can invoke guarantees given by the Government of India and Government of Maharashtra.

Wartsila to Buy 30% in OPG Energy

Wartsila India, the subsidiary of the Euro 2.2bn Finland-based Wartsila , plans to pick up 30% stake in OPG Energy. OPG Energy will act as a project company to develop, construct and operate a gas engine-based electricity generation facility having a capacity of 18 mw in Tamil Nadu. The consideration of the deal is estimated at around Rs 50 mn. In the recent past, apart from manufacturing diesel engines, Wartsila, has also made investments in two other companies, Samalpatti Power through Wartsila Power Investment and Vathsasa Power Project through Vathsasa Cayman Investment. Earlier, the Cochin Special Economic Zone had shortlisted Wartsila India to take over and run the distribution and supply of power in the SEZ. Wartsila had indicated that it was planning to set up a 15 mw captive power plant in Cochin SEZ and take over the distribution and maintenance of power supply in the zone. Wartsila is contemplating setting up a SPV for their investment in Cochin SEZ. The project, which is expected to cost Rs 500 mn to Rs 600 mn will provide uninterrupted power supply to units in the zone. Wartsila also runs and maintains power supply at Bangalore's ITPL, also known as the Singapore Park.

IDBI to Pull the Plug if SEBs Don't Pay Up

IDBI has expressed its displeasure on the tardy implementation of the 3-tier security mechanism consisting of letter of credit, escrow and state government guarantees upfront. With significant exposure to power sector, IDBI has expressed concerns about the adverse financial impact on IDBI of the SEBs' non-compliance of non operating escrow accounts.

BSES To Add 1,000 mw at Dahanu Plant

Reliance-controlled BSES Ltd is expanding the generating capacity at its Dahanu plant by an additional 1,000 mw with a multi-fuel arrangement (thermal and gas as fuel). Simultaneously, the company is also weighing the option of setting up a 495 mw coal-based power plant at Saphale in Thane district next to Mumbai. The company expects a per megawatt cost of Rs 30-35 mn at both these sites. However, the company will need clearance from the Ministry of environment and forest to push through its expansion as Dahanu has been notified as an ecologically sensitive area. The Dahanu Environment Authority has been set up to monitor development activities in and around Dahanu.

The Mumbai-based utility is also banking on the provisions of non-requirement of techno-economic clearance from the Central Electricity Authority. Henceforth, investors, or those going in for expansion, would only have to conform to technical specifications laid down by CEA

Hudco Lends Rs 5.37 bn to 10 Bagasse-based Power Projects

Housing and Urban Development Corporation (Hudco) has financed 10 biomass/bagasse based co-generation power projects costing Rs 5.37 bn in Karnataka, Andhra Pradesh and Maharashtra. These projects use cane residue from sugar mills and other biomass as fuel for generating power. The total installed capacity of these projects is 184 mw. Hudco has sanctioned more than Rs 2.75 bn as term loan for these projects. A 4.5 mw biomass based plant at Ongole in Andhra Pradesh and a 12.25 mw bagasse based co-generation plant at Mudhol in Karnataka have already been commissioned. A 28 mw bagasse based co-generation plant at Mandya, 24 mw plant at Kakkuwada, Davangere, 20 mw plant at Chikodi, 14 mw plant at Bellad, Balgaum district in Karnataka, are under various stages of construction. Work is also in progress for a 22.5 mw bagasse based cogeneration plant at Chagallu, 6 mw biomass based power plant at Hindupur, a 40 mw power plant Julakal, district Medak in Andhra Pradesh and 12.5 mw bagasse based co-generation plant at Sangli in Maharashtra.

Unido Picks Kerala as First Small Hydel Power Hub

United Nations Industrial Development Organisation (Unido) has picked up Kerala to open its first small hydel power regional base in the world. Besides India, the Unido regional hub will be a total service provider in small hydel power in Sri Lanka, Pakistan, Nepal, Maldives and in a later stage, even to African countries. At present, Unido's small hydel power study headquarters in China have no regional office. Initiated by the UN body and a host of small hydel companies like InShp, there are about 125000 small hydel projects in China. Kerala's suitability for development as a small hydel power base, emerges from its set of 41 west flowing and 3 east flowing rivers. Unido regional centre has made a 400 small hydel power unit blueprint for Kerala, yielding 800 to 1000 mw of power.

Gail's First Deal at Market Rates

Marking the ongoing deregulation of gas prices, Gail India has struck its first ever gas supply contract at market determined rates of $3 per mmbtu (basic gas price) as against the earlier subsidised rate of $1.44 per mmbtu under the administered price regime. Gas supplies from the Krishna-Godavari basin, are being sold to customers in Andhra Pradesh at a delivered rate of $3.62 per mmbtu, (inclusive of taxes and transportation charges). The three major consumers to whom Gail will be supplying the gas from the satellite Rawa fields are Nagarjuna Fertilisers, the Lanco group for its power project in Kondapalli and GVK's Spectrum power project. Under the earlier system, Gail had to sell the gas at the subsidised rates of $1.44 per mmbtu or Rs 2,850 per 1,000 cubic metres. Since Gail would have to source the gas at a higher price but sell it at a lower level, the difference would be compensated by the gas pool account. But, now, with the government making moves to wind up the gas pool account subsidies in this sector too, are expected to be gradually phased out. The 0.9 mmscmd gas for which Gail has signed up contracts will be sold by the consortium of ONGC, Videocon and Cairn from its production fields at the KG basin. State-run APTransco which had initially objected to market-determined gas prices and had taken up its case with the petroleum ministry have now come around and have signed up for purchase of gas at the new rates.

ONGC Seeks Gas Price Revision

Oil and Natural Gas Corporation (ONGC) is seeking an increase in price realisation of natural gas. According to sources, ONGC's revenue from gas is lower than its cost of production by about Rs 800 per mcm. This, sources say, has put ONGC in a spot as it is finding it difficult to make investments in old fields in view of the present negative rate of return. Sources say that the price of gas charged by private sector players and joint venture partners, too, is higher than the prices of domestic gas supplied by ONGC and Oil India (OIL). The gas from Raava field is available at $3 per mmbtu, which translates into Rs 5,800 per mscm. The prices for gas from Raava Satellite gas basin is $3.3 per mmbtu (Rs 6,385 per mscm), Panna-Mukta-Tapti at $3.11 per mmbtu (Rs 6,015 per mscm). Compared to this, ONGC and OIL supply gas at $1.47 per mmbtu, which translates into Rs 2,850 per mscm. The price of domestic gas has remained at this level since October '99. Reacting to the request made by ONGC, the power ministry is learnt to be of the view that the existing gas price is comparable to wellhead prices in most of the developed countries and do not need revision. ONGC, claims that taking an average of October '97 to December '02 prices, the US wellhead price comes to around $2.85 per mmbtu.

Oil Firms Slash Naphtha Prices by 18%

In a second round of price cuts, oil companies have slashed naphtha prices by almost 18% from Rs 16,320 per metric tonne to Rs 13,829 per metric tonne. The price of furnace oil, the other industrial fuel used by a vast majority of industries, was revised downwards to Rs 10,550 per metric tonne from Rs 11,440 per metric tonne earlier. The price of light diesel oil was cut to Rs 13,610 per kl from Rs 14,610 per kl.

Govt to Subsidise Transportation of LPG to Far-flung Areas

The Government will provide over Rs 17 bn by way of subsidy for transportation of petrol, diesel, domestic cooking gas (LPG) and kerosene for Public Distribution System (PDS) to remote and far-flung areas. This will be over and above the Rs 45 bn subsidy the Government provides for LPG and kerosene. The Government is subsidizing the transportation of PDS kerosene and LPG to the extent of Rs 99 mn every year. The transport subsidy on petrol and diesel of about Rs 41 mn per year is borne by state-owned Indian Oil Corporation as a social cost.The government has plans to recreate the "Deepam Scheme" of Andhra Pradesh in Andaman and Nicobar Islands, wherein the administration would provide Rs 1000 to every family below the poverty line for taking LPG connection.

Some Nations may be Barred from Andaman Oil

Under pressure from the defence ministry, the petroleum ministry may bar companies from some countries, including China, Malaysia, Pakistan and Indonesia, from hunting for oil and gas in the highly prospective deepsea exploration blocks around the Andaman and Nicobar Islands. The decision comes even as ONGC's overseas investment arm, ONGC Videsh Ltd, is partnering China's CNPC and Malaysia's Petronas in the Greater Nile oilfield in Sudan. The government plans to include two Andaman blocks in the 26 fields that will be offered in the fourth round of international bidding scheduled in the first week of May. The defence ministry wanted the blocks to be offered to only Indian companies like ONGC. The petroleum ministry said this was against the policy to offer all blocks through competitive bidding and would hurt efforts to attract foreign investment. The defence ministry then said foreign companies could be allowed to bid only if they took Indian firms as majority partners that should have majority stake. However, even such joint ventures with companies from China, Pakistan, Myanmar, Indonesia, Malaysia, Bangladesh and the Arab countries may not be allowed.

Videocon Gets Termination Notice on Oil Project

The petroleum ministry has issued a termination notice to Videocon Petroleum Ltd (now Petrocon India Ltd) for wrongfully pledging Ravva oil field in the Krishna Godavari basin, while raising a loan of Rs 9.9 bn and has accused the private firm of using part of the borrowings for its other businesses. It has given Videocon 90 days to furnish a suitable reply or make amends failing which the Ravva production sharing contract (PSC), signed in October 1994, will be terminated. Videocon, which holds 25% equity in Ravva, issued debentures worth Rs 9.90 bn to financial institutions with revenue receivables from the oil field as security. As per the ministry, Videocon should have pledged only its 25% equity in Ravva field, or part thereof, while raising the loan. Also Videocon has not utilized the entire amount raised for the development of the oil field but also for its other business. Videocon has said that it has received the ministry's showcause letter, but has refuted the charges.

TRAI Plans to Switch to State-wise STD Tariffs

Due to the complexity of implementing the interconnect usage charge (IUC) regime from May 1, the Telecom Regulatory Authority of India (TRAI) is considering a switch to the LDCA-based charging of inter-circle long-distance calls (read between two states) from the existing practice of SDCA-based charging.

A LDCA (long-distance charging area) is generally equivalent of a district while an SDCA (short-distance charging area) is generally a taluka. Accordingly, inter-state long-distance calls among landline, cellular and WLL-mobile subscribers (in any combination) are proposed to be charged based on the shortest distance between two respective LDCAs wherein the 'calling' and 'called' parties are located. The last lap carriage to the destination SDCA is to be ignored in the proposed charging plan.

The landmark reform in domestic long-distance (DLD) tariffing is being considered since DoT, TRAI, BSNL and major cellular operators are learnt to have internally agreed that a switch to an LDCA-based charging system for inter-circle long distance calls will preclude backdoor mobility to WLL players beyond the permissible SDCA threshold. Since a LDCA-based long-distance call charging system would dispense with STD codes at the taluka level (read SDCA) and retain them only across the 321 districts (read LDCAs), WLL operators will remain confined to SDCA. Assurances that limited mobility will remain confined to the SDCA level, coupled with intense deliberations between TRAI, DoT and telecom service providers on the complexity of tariff fixation in the IUC regime, have prompted the latest shift in tackling long-distance tariff issues.

TRAI and DoT believe that switching to LDCA-based long-distance billing might just rein in tariff problems, slash overall interconnection costs and be the first decisive step towards evolving a standardised WLL national numbering plan.

Telecom Operators Resolve Differences on IUC Regime

As per the TRAI, the interconnect usage charge (IUC) regime will be implemented from May 1, 2003. Earlier, there were some apprehensions about some operators including Bharat Sanchar Nigam Ltd (BSNL) not being able to make changes in its network required to implement the IUC regime. However, BSNL will reconcile the data on an offline basis until May 1, 2005. After that the data will be processed online using state-of-the-art call data record based billing systems by all operators including BSNL. Under the IUC regime, all the incoming calls will be free from May 1. The implementation of IUC regime means that all the operators will get termination charges for terminating calls in their networks. Currently, the cellular operators do not get any charges for calls originating from fixed line networks and terminating in their networks. Under the new IUC regime, calls from fixed line and wireless in local loop (WLL) based mobile phones to cellular phones will be costlier.

State Draws Up WLL Plan for Villages

The Maharastra government has planned an integrated project using WLL (wireless in local loop) technology to provide extensive and dynamic information to farmers through Internet and video-conferencing. Work on two pilot locations, at Baramati and Pabal, near Pune, will begin soon. These two places will have one WLL centre each. The proposed project, once ready, will extend the Internet facility to surrounding villages within a radius of 25 km through WLL. The facility could be utilised to access agricultural and marketing information for the farmers. Technical and marketing information available with the state agriculture department, as well as private organisations, is being made available for these WLL centres. The villages in the vicinity of the WLL centres would be provided with Internet kiosks from where users can access information and various web sites. The kiosk centres in the rural areas will be self-sustained and generate income for the owners through marginal charges for offering services like printing of land and revenue records, 7/12 abstracts, e-mail and Internet browsing, computer training, pest and disease diagnostic service, etc.

Reliance Infocomm Changes Marketing Plan

Reliance Infocomm is phasing out its hugely-publicised Dhirubhai Ambani Entrepreneurs scheme and will instead sell through its own retail channel. The company will not renew the contracts of over 50% of the Dhirubhai Ambani Entrepreneurs on April 30, when its contract with the 50,000 DAE's comes to an end. The deposits of these DAEs will be refunded to them along with a commission of Rs 100 per connection upto 24 phones. Contracts of non-performing DAEs will not be renewed. In its earlier plan, the DAEs had the responsibility of marketing the Dhirubhai Ambani Pioneer Offer to subscribers. Reliance had adopted a novel route of direct selling or catalogue marketing, in which consumers could walk into the office of their nearest DAE and fill out a form. However, since Reliance's product and tariff structure was perceived to be complex and the level of competence of DAEs not uniformly high, the consumer experience was not satisfactory. The company intends to reduce the number of DAEs from 50,000 to less than 20,000, and retain only the better ones who have the front-end capability to interact with consumers. Reliance is also sprucing up its training programme for its front-end representatives. For the DAEs who remain within the Reliance fold, the company intends to offer a comprehensive suite of products and services like insurance and LPG apart from phones. The company is planning a comprehensive network of 5,000 service points and 250 company-owned web stores nationally in the next few weeks. The overall target is 800 web stores and 100 state-of-the-art phone stores.

BSNL's 2003-04 Budget Pegged at Rs 120 bn

BSNL's budget for 2003-04 has been pegged at Rs 120 bn. The company has prepared a detailed business plan for the year and is also working out pre-paid all India roaming facility for its subscribers. It is sorting out the glitches on its cellular services in Jammu & Kashmir and would be announcing a date for starting these services.

BSNL, MTNL to Cut Fixed-to-cell Rates

In order to win back a share of the long distance traffic, BSNL and MTNL's alternative tariff packages offer fixed-to-cell long distance calls that are cheaper than fixed-to-fixed calls. From May 1, STD calls from fixed to cellular networks will become 25% cheaper than the existing rates. Under the alternative tariff packages of BSNL and MTNL, an inter circle call over a distance greater than 200 kms made from a fixed line to cellular subscriber will cost Rs 3.60 per minute, while a call made to another fixed line subscriber will cost Rs 4.80 per minute.

BSNL and MTNL jointly account for more than 97% of the total fixed line subscribers in the country. With the new tariffs, BSNL hopes to attract cell-to-cell STD traffic. Currently, a cell-to-cell STD call costs Rs 2.99 plus airtime tariff, which is between Rs 1.50 and Rs 1.80 per minute. Therefore, a cell-to-cell STD call costs between Rs 4.50 and Rs 4.80 per minute, while a call from fixed line to cellular phone costs Rs 4.80 per minute. The alternate tariffs announced by MTNL and BSNL envisage that for an inter-circle fixed to cellular STD call for distances more than 200 kms, pulse rate would be 20 seconds, while pulse rate for an STD fixed call of the same distance to another fixed phone would be 15 seconds. This means that a one-minute fixed-to-cell call would cost Rs 3.60, while one minute fixed-to-fixed STD call would cost Rs 4.80. The new tariffs have been implemented from May 1.

BSNL has announced four alternate packages for urban subscribers. In all these packages, fixed-to-fixed pulse is 180 seconds compared to 120-second pulse specified by the regulator. Therefore, most of the subscribers would take alternate packages. In its General Plan, rental would be Rs 120-250 per month with 30 free calls, and the tariff would be Re 1 for 31-300 calls and Rs 1.20 for over 300 calls. In its 'Economy' scheme, rental would be Rs 350 per month with 150 free calls, and tariff would be Rs 1.20 for over 151 calls. In its 'Special' scheme, rental would be Rs 750 per month with 600 free calls, and the tariff would be Rs 1.10 for over 600 calls. In 'Super' plan, at a rental of Rs 1,650 per month, a subscriber gets 1,800 free calls and he would be required to pay Re 1 per call over 1,800 calls.

Cellular Firms Put Reduced Tariffs on Hold

Though cellular operators Bharti Televentures, Hutchison and the Birla-Tata-AT&T combine had written to the regulator justifying their reduced tariffs for national and international long-distance calls, they decided to revert to the old rates until the matter is resolved. The cellular operators had reduced airtime tariffs for STD from Rs 2.40 a minute to 50 paise a minute and waived airtime charges on ISD calls. Cell firms had earlier opposed TRAI on issues pertaining to interconnection which lead to an imposition of a penalty. TRAI had asked the three cell firms to hold the reduced tariffs asking the basis for the costing. Industry sources said that cell firms have fallen in line with the TRAI order since it set a precedent for companies like Reliance whose tariffs are also under scrutiny.

Tata Tele to Launch CDMA Pre-paid Cards

Tata Teleservices Ltd (TTSL) is planning to launch a range of pre-paid cards for its code division multiple access (CDMA) mobile subscribers. The pre-paid cards, which are now being printed and packaged, are expected to hit the market during the first week of July under the Tata Indicom brand.

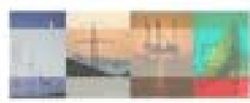
The company is basing its product offering on CDMA mobile handsets in foreign countries which work on SIM cards and have chargeable coupons like those offered by GSM operators. The company is planning to go in for a national launch of the pre-paid cards which will be in various denominations. The cards will be akin to those sold by the global system for mobile (GSM) operators in the country but TTSL is yet to decide on the denominations of such cards. They will be scratch-cards and will be marketed mainly through the Tata business franchisees, already appointed across the six states. The company is keen on exploiting the potential in the yet untouched pre-paid segment.

MTNL may Match Reliance WLL Rates

Mahanagar Telephone Nigam (MTNL) will offer WLL services in Delhi and Mumbai at the same rates or less than that offered by Reliance. The company hopes to match the USP of Reliances services, which is offering 15 second pulse to its subscribers. A Reliance subscriber will be required to pay 10 paise for a 15-second call and will have to pay interconnect usage charges (IUC) for calls made to networks outside the Reliance network. One of the tariff schemes filed by MTNL with TRAI envisages a pulse rate of 15 seconds at a tariff of 10 paise, while an other scheme envisages even lower pulse rates and lower tariffs. MTNL's offering will also match Reliance high data speed of 144 kbps. MTNL is deploying CDMA1X technology in Delhi that enables data speed of 144 kbps. All the data applications and high speed internet access are possible with it. MTNL is awaiting approval from the regulator. It has set up a capacity of 1,00,000 lines in Delhi. It already has 25,000 subscribers on the existing CDMA network that has V5.2 as interface technology. In Mumbai, MTNL plans to launch services in May.

Cellular Players Number Games

The cellular subscriber base has increased by over 97% in fiscal 2002-03, with as many as 6.2 mn new users joining the bandwagon. As per the latest estimates provided by the Cellular Operators' Association of India (COAI), the total subscriber base at end March 2003 reads 12.68 mn as against 6.43 mn in the corresponding month in the previous year. The COAI statistics note that the four metros continue to be the highest at 4.4 mn subscribers followed closely by Circle A at 4.3 mn subscribers and Circle B at 3.3 mn subscribers. Circle C continues to be far behind at only 500,000 subscribers. The cellular industry continued its high growth of about 100% during the fiscal April-March, 2003. BSNL gained 2.25 mn customers while Hutch added Essar group's 1,82,857 subscribers to its 2.16 mn customers. AirTel continued to be the biggest cellular firm with over 3 mn subscribers.



Railway's Anti-collision Device Survey

Keeping passenger safety in mind, the Indian railways have initiated a survey for providing an Anti-Collision Device (ACD) system, known as "Raksha Kavach''. The survey for the ACD system, the first of its kind in the country, will be conducted in the 400-km Renigunta-Toranagallu section of the Guntakal division of South Central Railway. The Raksha kavach has been described as a network of "self-acting'' microprocessor-based communication devices that would automatically apply brakes to trains if they perceived signals of "infringement'' of the track. Communicating through radio waves, the devices "speak" to each other through the Global Positioning System (GPS) satellite.

The managing director of the Konkan Railway Corporation Limited (KRCL), B. Rajaram, has spearheaded the development of the indigenous technology that put India much ahead of the developed West. The Railway Board had handpicked the technology after ruling out the ones developed abroad, as it was found to be even more advanced on the technical front. The technology has already been tested in the Jalandhar-Amritsar section for a year, and has given an overwhelmingly positive result by minimising the chances of collision by 95%. The system will be implemented in the 10,000-km route in the country at a cost of Rs.1.83 bn.

Concrete Roads for Delhi

Delhi will now sport new concrete roads, in place of the existing bitumen roads. The work on the same will be initiated by the Public Works Division (PWD), which will connect the 2 km stretch between the Noida Mod and ITO Chungi through an all concrete road to be constructed at an estimated cost of Rs 100 mn. Although concrete is costlier than bitumen, the construction of concrete roads prove to be more economical in the long run since such roads last longer than bituminous roads. From now onwards, while all new roads will be laid in concrete, existing bituminous roads will be topped with an ultra-thin white layer of fibre-reinforced, high-strength concrete. Even though concrete roads cost 2 and a half times bituminous roads, as against the average life span of a bituminous road of three to five years, the life span of a concrete road is 20 to 23 years.

Karnataka's Action Plan for Village Roads

The Karnataka state government has framed an action plan of Rs 17 bn to develop village roads, major district roads and highways in the state. As per the Public Works Minister N Dharamsingh a detailed action-plan was being prepared and the government has provided the Karnataka Road Development Corporation Limited (KRDCL) with Rs 17 bn for improvement of roads and replacement of old bridges. Each taluk in the state will be allotted Rs 2.50 bn towards development and maintenance of roads. The proposal has already been sent to the Centre for approval and the state government is awaiting the release of the funds from Nabard. The government had decided to develop 28,000 kilometers of major district roads in the state in the current year and provisions were being made to mobilise funds for this through the Dedicated Road Fund (DRF).

Railways Spearhead e-com Revolution

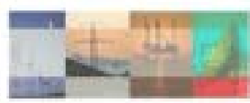
The online ticket booking facility managed by the Union Railway ministry with the site irctc.co.in is turning into one of the largest e-commerce sites in India, in a short span of barely eight months. The site boasts of transactions averaging Rs 4 mn a day, with 2,500 tickets being booked, printed and dispatched daily to destinations from Patna to Guwahati to Thiruvananthapuram. These figures are growing at 25% every month. The site is one of the fastest growing credit card-based e-commerce site in the Asia-Pacific region. The site is expected to be booking profits within one year of operations. With the gameplan to play the volumes, the site can handle 10,000 tickets under the current server capacity that is installed in Delhi. Bulk and corporate bookings are yet to be allowed on the site; neither are travel agents. The entire business is coming through individual bookings. The site is now examining how to permit corporate bookings. A strong security system is also being put in place by installing three layers of firewalls.

Kerala to Spend $360m to Upgrade Roads

The $360m Kerala State Transport Project, in which the World Bank has invested $225m, is focused on improvement of roads. Scheduled to be completed by 2007, the entire exercise is aimed at upgradation of 600 km of roads, heavy maintenance of a selected 1,000 kms and improvement of 90 km of inland waterways. The project is also relying heavily on IT tools and latest technology, and is being executed through an IT-enabled state PWD. The entire project management has been computerised through a customised project financial management system as per World Bank guidelines. A road information system based on GIS, a video conferencing system linking all divisions, offices of chief engineers and an integrated front-end portal is also being built in.The cost of the transport corridor upgradation is expected to work out to $261.5m. This includes land acquisition costs (financed by the government) and the costs for resettlement and rehabilitation. Civil works for strengthening and widening 600 kms of state roads have also begun. Here too, technology is coming to the aid. Geometric and pavement design standards have been compared with the standards of Indian Roads Congress, American Association of State Highway and Transport Officials and the Transport Research laboratory of UK.

Market Cold to Road Projects

Stakeholders in road infrastructure projects are finding it tough to raise equity, without which the market won't fund large debt issues from private sector developers. The India Development Fund promoted by IDFC, which has a mandate to raise Rs 10 bn, has raised less than 60% of the target. The market is of the opinion that it needs more smaller private venture capital funds and that Rs 20 bn of venture capital can trigger Rs 400 bn worth of projects. The main problem is the high perceived risk of road projects that are not funded by government-backed annuities. Tolling has an indifferent record world-wide, while other avenues to generate returns have had patchy success.



Panel on Major Port Land Policy Submits Recommendations

A high level committee set up by the Ministry of Shipping to draft guidelines on the land policy to be followed by the major port trusts has submitted its first set of recommendations to the government. The recommendations of the seven-member committee headed by Mr R.B. Budhiraja, Chairman, Jawaharlal Nehru Port Trust (JNPT), cover the norms to be adopted on land in customs-bound area and land outside customs-bound area for both fresh allocations as well as existing leases.

The committee has recommended that sale or lease should not be permitted for fresh allocations of land in customs-bound area. Instead, it has suggested that fresh allocations of land should be given on licence basis only and that too for a maximum period of 11 months and in accordance with the Schedule of Rates (SoR). If there is no option for renewal in the existing lease agreement, it should be treated as a fresh allocation. If lease is given in customs bound area, the entire amount should not be recovered upfront. This will have to be collected through an annual rental which should not be a token one. For land outside the customs-bound area, the committee has suggested that land can be allocated either on licence or lease basis.

As per the recomendations, lease of up to 30 years can be given by the port trust after the board's approval. But, prior approval of the Shipping Ministry would be required for lease above 30 years and for a maximum period of up to 99 years. The lease of land outside customs-bound area should be given by inviting tenders. Regarding lease of land to Central as well as State public sector undertakings for commercial purposes, the same has been left to the discretion of the port trust for port-related uses in accordance with the Schedule of Rates.

9% Growth in Major Ports' Cargo Handling in 2002-03

As per the Ministry of Shipping, the major ports handled 313 mn tonnes of cargo during 2002-2003 and the non-major (minor) ones more than 100 mn tonnes during the same period. For the first time the handling capacity of the Indian ports at 344 mn tonnes exceeded the actual requirement. During 2001-2002, the major ports in the country handled 287 mn tonnes, indicating a growth of 9% for 2002-2003. By the end of the 10th Plan, the handling capacity of the major ports is expected to rise to 470 mn tonnes, as against the projected requirement of 415 mn tonnes. The Government is planning to invest Rs 45.35 bn and the private sector Rs 110 bn on port projects during the plan period. After creating the required capacity, the next issue of importance to be tackled will be cost reduction at the Indian ports to make them competitive.

The non-major ports are being developed by the states to facilitate coastal shipping. The government has also commissioned a study of small ports and is also planning to develop, the three national waterways with the Centre bearing, 90% of the cost and the states the remaining 10%.

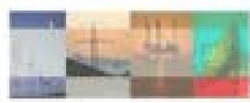
Divestment Panel Allows Foreign Cos to Acquire up to 51% in SCI

With the major foreign shipping companies not evincing keen interest in the Shipping Corporation of India (SCI) disinvestments, the Cabinet Committee on disinvestment (CCD) has decided to suspend the divestment of SCI and start all over again allowing foreign companies to acquire the entire block of 51% equity (as against 26% permitted earlier) put on the block by the government. The SCI privatisation will be restarted soon with the Lazard India-SBI Caps as the advisors. All interested companies will be required to submit fresh expressions of interest. Last month, the core group of secretaries on disinvestment had suggested that the bidding should restart without any cap on acquisition of shares by foreign companies if the government wanted the divestment to fetch good value. The government has also heeded to the pending demand from workers of PSUs that are being privatised, by announcing guidelines for employees to bid for the companies put on the block. The employees can now form a consortium or a special purpose vehicle, along with a bank, venture capitalist or a financial institution for bidding for government equity in a public sector firm. However, employees will not be permitted to form consortia with other companies.

Currently, there are two bidders for SCI- Essar and Sterlite - still in the race. The CCD decided to seek fresh bids for 51% stake in the company for which any foreign company could participate in line with 100% FDI allowed in the shipping sector.

Major Ports Joint Venture Policy Revamped

The Ministry of shipping is looking at revamping the joint venture policy in major ports that has been a non-starter five years after guidelines in this regard were announced in June 1998. The joint venture policy was reviewed by the shipping ministry during an inter-active meeting with representatives from the private sector and other stake holders. The joint venture policy failed to take-off due to glitches in its implementation. Private operators have questioned the relevance of a joint venture policy when a well-planned BOT policy is already in place by the Government. The private operators feel that with the Government adopting the revenue-sharing model for awarding projects, this would give rise to a conflict of interest for the major port trusts. However, the government feels that the joint venture policy needs to be pursued despite its short-comings and is prepared to revamp it to instill confidence among private operators. The ministry is planning to announce an investor friendly, revamped policy which will include: - Clarification, on the Ministry's stand on setting up competing parallel facilities at major ports in order to promote intra-port and inter-port competition. Revenue sharing as the sole criteria for awarding the contract, where the Government would collect an upfront fee from the private operators to the minimum extent possible. Private operators setting up greenfield projects at major ports will have the freedom to hire their own labour. Options would be given to the port workers to opt for the voluntary retirement scheme (VRS) offered by the port trusts.



Lucknow's Water Woes

Lucknow is planning to tackle its water woes through proper water management and upkeep of the facilities. As per the norms fixed by the Government of India, drinking water should be supplied at the rate of 172.50 LPCD in the city. As against this the current demand for water was 450 MLD, and was likely to shoot up to 657 MLD by the year 2016. Lucknow, currently has 340 tubewells and 5000 India Mark II hand pumps besides the river Gomati. The state government is formulating a Master plan for drinking water supply keeping in mind the growing urbanisation of the city and also its burgeoning population. The center has sanctioned a scheme involving Rs 1.02 bn to deal with the water problems in the city.

Rural Water Supply Needs Rs 380bn

As per a Planning Commission study, an estimated investment of Rs 380 billion will be needed in India for rural water supply in the next 12 years to meet the Millennium & Johannesburg summit goals of halving uncovered population by 2015. The study titled, 'water supply and sanitation' sponsored by the World Health Organisation (WHO) and the United Nations International Children's Education Fund (UNICEF), points out that if India were to maintain 100% water coverage from 2004 onwards, it will have to reach an additional 232 mn people by 2004. Another 19 mn people will be required to be covered by 2007 to maintain 100% coverage with the requirement of additional coverage shooting up to 33 mn people by 2015. By 2025, rural population would have stabilised and it would be enough to maintain rural water supply coverage at the 2015 levels, the study said. It pointed out that with growth in sectoral demands and growing urbanisation, per capita availability of water has been falling. Wide regional disparities also exist. A total of 66 mn people in 17 states are at risk from fluoride and 14 mn people in West Bengal at risk from arsenic in ground water, it said. The report also pointed out that despite massive investments in the sector, morbidity and mortality due to water borne diseases had not declined commensurately.

New Facility to Treat Hazardous Waste

The Karnataka State Pollution Control Board (KSPCB) is planning to start a new facility near Dobbspet in Bangalore Rural district for the disposal of hazardous waste generated from the city. It has sought technical expertise from a German company and the facility is expected to be ready soon.

World Bank Team to Discuss Privatisation of Water Supply

The Karnataka state government and a World Bank team have begun a study on how to "improve and, later, bring private participation" into the water supply and sanitation sectors of three urban local bodies (ULBs) in the State. The Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC) will be the nodal agency and the state government is hopeful of signing an an agreement with the bank in the next six months. The ULBs are Gulbarga, Belgaum, and Hubli-Dharwad. Initially, four demonstration projects will be carried out at a cost of Rs. 750 mn — two of the projects being in Hubli-Dharwad — with the World Bank giving Rs. 680 mn. The projects will "focus on parts of the city distribution system, possibly benefiting ...five to 10 per cent of the population in each participating ULB", says a KUIDFC paper on the project. If successful, this would be replicated. The project is expected to boost bulk water supply and distribution, plug leakages, and ultimately lead to `24x7' water availability.

Environment Improvement Program in Bangalore

The Integrated Urban Environment Improvement Programme (IUEIP) undertaken by the Bangalore Development Authroity (BDA) aims to address three main issues: Integrated plan for decentralised solid waste utilisation and disposal; Preparation of geographic information systems; and open spaces management. Under the first initiative, Environment Improvement Programme (EIP), being implemented in coordination with the Centre for Environment Education, waste generated in households is segregated into wet waste (organic compostible waste) and dry waste. Trained "waste retrievers" provided with tricycles and containers collect waste daily from homes. The collected waste is temporarily kept in waste storage receptacles at specific locations and the wet waste is transported to the Karnataka Compost Development Corporation. Dry waste is cleared to designated landfills on a regular basis. The initiative at HSR Layout, which envisages door to door collection, is yet another important component of the EIP, which includes improvement of roadsides and parks taken up by the Engineering and Horticultural Department of the BDA. The BDA has provided Rs. 40 mn for EIP works in its budget for 2003-04. Work is going on to establish a GIS database in HSR, Anjanapura, and other new layouts.

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