



India Infrastructure Update



J. SAGAR ASSOCIATES
advocates & solicitors

Vol. 7 No. 9 December, 2004 • Produced by J. Sagar Associates • For private circulation only

POWER

CEA envisages 100,000-mw capacity addition by 2012

The Central Electricity Authority (CEA) declared that the country is likely to add 100,000-mw power generation capacity by the end of the Eleventh Five Year Plan in 2012. Of this, 70,000 mw is to be generated from thermal resources, the rest from hydro units. The CEA has called for augmenting thermal power capacity by nine to 10 mw per annum. The CEA also said that though the operating viability of the thermal units in the country had increased from 77 percent to 82 percent in the past decade, there is scope for improvement. Additionally, operations and maintenance of power plants also needs improvement, as evidenced from the high level of forced outage, which is an average 10 percent at an all-India level.

Meanwhile, the Union Power Ministry has intensified its efforts to ensure a speedy implementation of the '50,000-mw hydroelectric power' initiative, launched in 2003, which focuses on 162 projects in 16 states.

Maharashtra reviewing free power scheme

The Maharashtra Government is weighing the option of doing away with free power supply to the agriculture sector from the next financial year. This comes on the heels of a recently released World Bank report on 'State Fiscal Reforms in India: Progress & Prospects', which says that the debt-ridden Maharashtra government's pre-poll promise to provide free power to farmers would harm the entire agriculture sector. Earlier, the state government announced that it had made budgetary provision for subsidies to the Maharashtra State Electricity Board (MSEB) for free power to farmers till March 2005.

"Agriculture accounts for nearly 30 per cent of the total electricity sales but only five per cent of the total sales revenue

in the country.

The report says that such "populist measures" add to the stress under which the power sector is reeling in all states, including Maharashtra, and that states are not disciplined either by credit markets or by the Union Government. The state chief minister, meanwhile, admitted that the power subsidy is large and growing, and brings few benefits. Maharashtra's energy minister announced that a general policy on incentives for private mega power projects to be set up in the state would be formulated soon.

DERC okays second license for REL

The Delhi Electricity Regulatory Commission (DERC) issued an order granting approval "in principle" to a second distribution license to Reliance Energy Ltd, (earlier BSES Ltd.) to operate in the national capital. The order came on a Reliance petition that sought grant of a license for distribution and retail supply in the NDMC Area of Delhi. Questions had earlier been raised about whether the DERC had jurisdiction over the NDMC area, and about security concerns regarding a private operator functioning in an area housing a number of high-security establishments, such as government offices, and residences of several government and foreign dignitaries.

The DERC held that it has jurisdiction since the Electricity Act extends to the NDMC area. The order also said that it is not for the DERC to look into the questions of security.

CCEA okay for 500-mw plant in Bihar

The Cabinet Committee on Economic Affairs (CCEA) has cleared the construction of a Rs 4.64-billion 500-mw transmission project in Bihar. Expected to be completed within 33 months, the project will facilitate the transfer of power from the Kahalgaon Stage II and Phase II power generation project.

Power sector gets 40 bn in four months

The total funding by Indian lenders and bankers to the power sector in the four months ending November 2004 amounted to Rs 40 billion. Of this, IDBI Ltd., which has transferred its fund-based exposure of Rs 12-billion in the now closed Dabhol project to the Stressed Assets Stabilization Fund (SASF), sanctioned Rs 9 billion.

Inside

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



CERC says TISCO is a deemed licensee

The Central Electricity Regulatory Commission (CERC) recently ruled in favor of the Tatas in a petition holding that open access must be granted to a transmission line constructed by the Tata Iron and Steel Company (TISCO), and operated by the Damodar Valley Corporation (DVC).

TISCO was desirous of using the said line to transmit surplus power produced at its captive power plants and at the Jojobera plant operated by its sister concern Tata Power Company Ltd, to a trader M/s Amalgamated Transpower Ltd (ATL). Based on a complaint filed by ATL alleging that DVC was denying open access to the said line to TISCO and ATL, the Eastern Regional Electricity Board had found DVC obstructing competition. Based on EREB's reference, CERC held that

- TISCO is a deemed licensee under the Electricity Act, 2003, and cannot be said to be a bulk consumer.
- Supply of power by DVC to TISCO does not involve the distribution system of DVC, the line in question being used solely for power transmission to TISCO which is subject to the obligation to give non-discriminatory open access to TISCO under CERC regulations.

Himachal hydel power projects

The Himachal Pradesh Government announced that it would hand over two more hydroelectric power projects – the 465-mw Luhri project and the 450-mw Khab-I project – to Sutlej Jal Vidyut Nigam Ltd (SJVNL), a 25:75 joint venture between the state government and the Government of India. It had earlier announced that the 439-mw Rampur hydroelectric project, work on which is underway, would be handed over to the Nigam. The government also announced that the Luhri project, originally slated for completion during the Twelfth Five-Year Plan, would be completed during the Eleventh Plan period.

Andhra industry to get cheaper power

The Andhra Pradesh Government announced that it would reduce power tariff to industries by 4.1 percent. However, it would not supply power at cheaper rates to convention centers, hardware parks, golf courses and the like. However, promoters of such projects are eligible to take loans for power supply for which the government would pay the interest.

REL bids for 1000-mw power project in UP

Reliance Energy Ltd (REL) is participating in the international bidding process for setting up a 1000-mw Anpara-C power project in Uttar Pradesh. The REL Board has approved investment of Rs 15 billion in the project. The Uttar Pradesh Rajya Vidyut Nigam Ltd. (UPRVUNL) invited bids for the Rs 40-billion pit-based, coal-based project to be set up on a build-own-operate-maintain (BOOM) basis that is to be located 190 km from Varanasi. UPRVUNL invited the bids on behalf of the Uttar Pradesh Power

Corporation (UPPC), the state-owned transmission company, which owns the distribution business in UP.

The project is to be structured in a manner that makes it eligible for fiscal benefits under the Union Government's mega power project policy and also has a built-in arrangement for a long-term power purchase agreements with public sector distribution companies, which are undergoing privatization.

Curb on third-party sale diverts wind power projects from TN, Gujarat

Gujarat, which has one of the best wind corridors in the country in the Saurashtra region, recently decided not to allow third-party sale of wind power, disregarding representations made by the Indian Wind Energy Association (IWEA). Andhra Pradesh and Kerala also do not allow third-party sale of wind power.

While Karnataka, Maharashtra and Rajasthan have agreed to third-party sale of wind power, Madhya Pradesh is considering a similar move as the state has seven potential sites, and Tamil Nadu is reviewing the matter and has asked for a clarification from the Union Government on certain provisions made in the Electricity Act, 2003.

According to IWEA data, Gujarat has the second highest number of potential sites (34) to install wind farms. This is against 41 sites in Tamil Nadu, 32 in Andhra Pradesh, 28 in Maharashtra and 25 in Karnataka. The installed capacity of wind power in India has reached 2,885 mw as on September 30, 2004. The additional capacity installed between April 2004 and September 2004 is estimated to be 400 mw. Tamil Nadu ranks first in terms of aggregate capacity installed at 1,638.6 mw, while capacity addition stood at 277 mw. Maharashtra stands at number two with 411.15 mw of cumulative capacity, Gujarat stands at 218.05 mw & Rajasthan at 212 mw.

750-mw gas project to come up in Tripura

The Oil and Natural Gas Corporation (ONGC) announced that it plans to set up a 750-mw gas-based power plant in Tripura. The Rs 35-billion mega project, to be set up in collaboration with Infrastructure Lease and Finance Services (IL&FS), will step up the utilization of gas available in the state. Currently, only a third of the potential for gas production in the state is being tapped.

Chhattisgarh to hike power output

The Chhattisgarh Government announced plans to step up its power generation capacity by 2,000 mw in four years. Towards this, the Korba thermal power station is to be upgraded to produce another 1,000 mw by 2007, the state electricity board having already placed orders for turbines for the Korba East and Korba West plants. The Korba East plant currently has a 440-mw capacity with a plant load factor of 80 percent and the Korba West plant 840-mw capacity with a plant load factor of 88 percent. Both plants are to be upgraded in two years.



Appellate tribunal for oil sector proposed

The Union Ministry of Petroleum & Natural Gas announced that the Government of India is proposing to set up a Petroleum and Natural Gas Appellate Tribunal that would hear appeals against the orders and decisions of the proposed Petroleum and Natural Gas Regulatory Board. The proposal is under consideration and would, if finalized, be included in the proposed Bill on the regulatory board to be introduced in the next session of Parliament.

Updates on exploration

The Union Ministry of Petroleum & Natural Gas announced that the total investment in the exploration of hydrocarbons in India over the three years ending March 31, 2004 amounted to more than Rs 90 billion. The investment was in exploration blocks under the New Exploration Licensing Policy (NELP).

Investments in exploration by the Oil and Natural Gas Corporation Ltd. (ONGC) and Oil India Ltd. (OIL) amounted to a little under Rs 63.6 billion and Rs 8.3 billion, respectively, while foreign private and joint venture companies invested close to Rs 18.5 billion.

Meanwhile, worried over the lack of success in ONGC's high-cost offshore oil hunt, the petroleum ministry has appointed a three-member committee to make an independent assessment of the oil major's operations. The committee, comprising experts from the Directorate-General of Hydrocarbons and the Planning Commission, is to see whether ONGC is following 'global best practices' in its exploration drive.

Gas pipelines may attract service tax

The Union government is considering extending the service tax to cover piped gas services offered by energy companies like the Gas Authority of India Ltd. (GAIL). It is reportedly considering fixing the tax rate at 10 percent. The service tax would be an extension of the tax on transport, as piped gas may be considered as being 'transported' to consumers. The government is considering whether the recommendations of the Govinda Rao Committee on Service Tax, which has argued for widening the tax net to rail, road, water and air transport and operators of goods and passengers, among others, could also apply to pipeline transport.

The committee has also suggested that public services provided by the government and public utility services should not be taxed.

ONGC arm scouting for overseas assets

The Union Ministry of Petroleum & Natural Gas announced that ONGC Videsh Ltd. (OVL), the foreign investment arm of ONGC, is scouting for oil and gas assets in Kazakhstan, Kuwait, Yemen, Qatar, Angola, Cuba, Sierra Leone, Bangladesh and Ecuador. The Government of India approved

an outlay of Rs 135.50 billion for OVL's exploration and production activities abroad during the Tenth Five-Year Plan period.

GAIL to loose pipeline monopoly

The Ministry of Petroleum & Natural Gas announced that the GAIL monopoly in laying natural gas pipelines would soon come to an end. The Union Government plans to allow private sector companies involved in the gas transportation business to also enter pipeline transportation of gas.

The ministry has submitted to the Union Government a draft policy that envisages development of a natural gas pipeline infrastructure, allowing both public and private sector participation.

Gas Transportation and Infrastructure Co Ltd., a company promoted by Reliance Industries Ltd., has already been given in-principle permission for laying natural gas pipelines from Kakinada in Andhra Pradesh to Uran and Ahmedabad in Gujarat and to Goa via Hyderabad.

FICCI survey calls for de-risking oil needs

A study by the Federation of Indian Chambers of Commerce and Industry (FICCI) on the 'Emerging Oil Price Scenario and Indian Industry' has suggested that de-risking the country's oil needs and promoting alternative sources of energy would significantly help India manage the impact of future oil price shocks.

The report says that of the 147 companies that responded to the survey (which was conducted during October-November 2004), 63 percent said that their cost of production had gone up by five percent to 20 percent following the recent oil price hike. A majority (60 percent) of the respondents said, however, that they were fully absorbing this incremental cost internally.

The study has also recommended a floating tariff regime for oil products, building strategic reserves and developing a buyers' consortium with other Asian nations to collectively bargain with oil exporting countries.

3-way meet on Myanmar pipeline

Bangladesh has sought a meeting in January with India and Myanmar to finalize modalities for transporting gas from Myanmar to India through an overland pipeline through Bangladesh. New Delhi, which had earlier expressed reasons about security, recently accepted the guarantee of physical safety of the proposed pipeline's passage through rebel-infested areas straddling the Bangladesh-Myanmar border.

However, Bangladesh is asking for more than the US\$125-million annual gas transportation charge proposed by India and Myanmar. It is now asking for a trade corridor to Nepal and an opportunity-based tariff.



Indian Railways to modernize

The Union Ministry for Railways announced an Integrated Railway Modernization Plan (IRMP), a five-year program that integrates its various modernization efforts. The Rs 240-billion plan has factored in anticipated growth in traffic as projected in the mid-term appraisal of the Tenth Five-Year Plan, and is aimed at gearing the country's main transport system to meet the quantum leap expected in the passenger and freight traffic.

The proposed IMRP anticipates more than a six percent growth in freight traffic and a 3.5 percent growth in passenger load. Covering 63,000 kms., Indian Railways handles 14 million passengers a day. The IRMP will initially focus on modernization of railway tracks and bridges, signaling and telecommunications and mechanical engineering improvements.

It envisages special corridors for freight, especially on trunk routes, and augmentation of line capacity, development of modern freight terminals to improve turnaround time for rakes, introduction of high axle load operation to enhance throughput capacity and stainless and aluminum wagons to improve wage load ability and reduce corrosion and provide longer intervals between periodic overhaul. It also aims to improve freight business computerization by expanding it and making the claims management system web-based. It also envisages high-speed corridors for passenger traffic, quasi-high speed routes, improved coach design that would introduce crashworthy, fire-retardant and anti-climbing features with eco-friendly toilets.

The pace of computerization of the passenger reservation system, unreserved ticketing system, integrated train enquiry system, parcel management system and coaching operations information system would be expedited. Indian Railways also plans to open 23 call centers across the country.

Many of the projects to be integrated under the IMRP are already underway, with funding from the Railways' Depreciation Reserve Fund, Development Fund, Railway Safety Fund and revenues, as well as the Rs 170-billion Special Railway Safety Fund (SRSF) set up in 2001-02. Of the Rs 240-billion that the IRMP requires, Rs 40 billion is available from the SRSF.

The Lok Sabha has cleared a supplementary demand for grant of over Rs 25 billion for Indian Railways, while the Union Cabinet recently approved a proposal for introduction of a bill in Parliament for commercial utilization of railway land.

Foreign loans for Indian Railways

Indian Railways has also recently been granted a loan of US\$ 313.6 million from the Asian Development Bank (ADB) for strengthening the Golden Quadrilateral network and its link-ups. Additionally, it has received a US\$ 463-million loan from the International Bank for Reconstruction & Development (IBRD) and a credit of SDR 62.5 millions from the International Development Association (IDA) for the Mumbai Urban Transport Project (MUTP), which has both road and rail components.

World Bank loan for railways sought

The Union Ministry of Railways has sought World Bank funding for two projects - US\$ 23 million for a capacity-cum-safety enhancement project in the Kanpur-Mughalsarai section, and US\$ 180 million for a railway bridge at Munger. Additionally, it has identified other works for which it would seek further World Bank funding. These involve modernization of segments, principally safety enhancement and implementation under the Remote Area Rail Sampark Yojana.

The Remote Area Rail Sampark Yojana, announced in the interim budget for 2004-2005, involves an estimated investment of Rs 200 billion over a period of five years, for projects in backward and remote areas. Indian Railways has undertaken a number of initiatives in recent years for generation of additional resources through project specific funding, including funding from the Ministry of Defence, public-private partnership and non-budgetary initiatives for National Rail Vikas Yojana.

The expenditure incurred on new lines, including restoration of dismantled lines, in the Ninth Five-Year Plan was just over Rs 29 billion and an estimated Rs 47.7 billion in the first three years of the Tenth Plan period.

Delhi Metro operations expand

The construction of the first underground stretch of the Delhi Metro Rail has been inaugurated - seven months ahead of schedule. The 4-km. underground stretch, part of Line-2, forms a crucial link-up with the 22-km. Line-1. The Delhi Metro Rail Corporation (DMRC) estimates that passenger load is likely to increase by 30,000 commuters with this connection becoming operational.

Rainwater harvesting on roads

Siruthuli, a community organization in Coimbatore, which began as a public initiative to de-silt public tanks in and around the city, has now proposed rainwater harvesting structures to conserve rainwater that is lost in surface run-off on roads and other public spaces. The organization has launched a pilot project involving four locations.

Siruthuli contracted a geo-hydrological study to assess the condition of these locations and feasibility of constructing the harvesting structures. The aim is to both prevent flooding and resultant traffic snarls as well as to conserve water that is otherwise wasted through surface run-off. The projects involve a combination of recharge pits and bore-wells to enable rise in groundwater level.

Siruthuli plans to extend the water-harvesting program to 14 sites in the second phase. The rainwater-harvesting program is part of a larger Rs 17.4-million program to recharge groundwater, for which Siruthuli has received funds from the state government and the Coimbatore Municipal Corporation.

Studies have indicated that if 60 percent of rainwater lost in surface run-off were conserved with the help of more than



5,000 recharge pits over an area of 105.5 sq. km., there would be an increase of 5.2 meters a year in groundwater level. The principal area of concern, however, is ensuring that sewage does not get mixed with surface water.

Delhi passes new road tax bill

The Delhi Assembly cleared the Delhi Motor Vehicles Taxation (Amendment) Bill, 2004, putting in force an ad valorem system of road tax calculation for private non-commercial vehicles. The new law would also impose an additional two percent levy on private diesel-engine vehicles, once it is notified. The notification is expected soon.

As per the new law, buyers of different vehicles would be required to pay road tax on the basis of their actual value, classified under two slabs. While non-commercial vehicles priced below Rs 400,000 would invite a two percent tax, vehicles rated above that value would pay a four percent rate on the actual price of the vehicle.

Under the existing taxation system, two-wheelers and three-wheelers pay up to Rs 1,525 as a one-time road tax.

An average 348 private cars and 513 two-wheelers were registered daily in the city between April 2003 and March 2004. The new tax is expected to generate about Rs 500 million additional revenue per annum.

Proposal to build mono-rail for Bangalore

A consortium of partners from the UK, Malaysia and a Bangalore-based architect firm, has proposed to build a hybrid mono-rail system for Bangalore. The proposed mono-rail would complement the metro rail project being pursued by the Bangalore Metro Rapid Transit Ltd (MRTL) and entail least financial burden to the state government. The consortium has proposed implementing the Rs 40-billion project on a build-own-operate-and-transfer basis.

The Karnataka Government needs to invest only Rs 115 crore

as equity, while the consortium partners would raise the remaining resources through equity and debt. Operating at 48 volts with its own power sources onboard, the mono-rail, with a frequency of 90 seconds could carry 96,000 passengers, up and down, running 18 hours a day. As a result, it would be much cheaper than any other transit system.

Indigenisation of electric locomotives enters second phase

The Union Railways Ministry announced that Indian Railways has launched the second phase of the project to indigenise the erstwhile ABB electric locomotives. In the first phase, indigenisation for major sub-systems, which constitute 60 percent of the cost of locomotives, has been completed.

The ABB electric locomotive was imported from the erstwhile M/s. ABB of Switzerland in 1993-1994 under an agreement incorporating a 10-year package for technology transfer for indigenous manufacture of the locomotives at the Chittaranjan Locomotive Works.

Railways doubles penalty for overloading

Indian Railways has doubled the penalty for overloading of railway wagons beyond the stipulated capacity to six times the freight rates applicable to the highest class. The Union Railways Ministry announced the new rules after recent surprise raids found large scale overloading of wagons resulting in significant loss of revenue.

Meanwhile, Indian Railways, which recently announced an increase in freight rates, has hiked its target for freight traffic for the current financial year by 20 million tonnes, at 600 million tonnes instead of the 580 million tonnes that had been estimated in the budget for 2004-05. Indian Railways has reported a growth of 8.9 percent during April-November 2004, in terms of revenue and a 7.54 percent growth in volume in the same period, compared to the corresponding period last year.

TELECOM

DoT committee reviewing bandwidth allocation

The Department of Telecommunications (DoT) has set up a five-member committee to look into the conflicting demands regarding spectrum allocation by GSM and CDMA operators. While CDMA operators are demanding fresh spectrum in the 1,900-mhz frequency band, GSM operators are opposing it on the grounds that the band has been earmarked globally for third generation services and, further, that if CDMA operators are also accommodated in the 1,900-mhz band, it would interfere with 3G deployments.

CDMA operators argue that this spectrum is vital for them to

ensure international roaming with other existing international CDMA operators. CDMA operators have only 5 mhz of spectrum in the 800-mhz band compared to an average of 15+15 mhz. TRAI has proposed to meet this shortage by allocating new spectrum in the 1,850-1,910-mhz band for CDMA operators paired with 1,930-1,990-mhz for 2G services. GSM operators claim that it overlaps with the international global spectrum band (1,885-2,025 mhz and 2,110-2,200 mhz) for 3G operations.

MTNL to introduce 3G mobile services

Mahanagar Telephone Nigam Ltd. (MTNL) has begun work on



setting up India's first 3G network in Delhi and Mumbai. Involving an investment of Rs 40 billion, the network will have a capacity of four million lines. The company, which has already started discussions with equipment suppliers, expects to have the network operational by the end of 2005.

For some months, DoT has been warning MTNL and Bharat Sanchar Nigam Ltd. (BSNL) that if they fail to meet their broadband targets, the surplus capacity will be made available to private players. Together, the two state-owned telecom service providers, expecting to launch the broadband service by December 2005, are targeting one million broadband subscribers each.

BSNL's recently unveiled broadband policy targets 20 million homes by 2010. The broadband initiative is part of the second phase of the Rs 2000-crore national Internet backbone (NIB) project. BSNL plans to deploy multi-gigabit, multi-protocol IP infrastructure that will carry voice, data and video on a single channel.

TRAI recommends lower ADC

The Telecom Regulatory Authority of India (TRAI) has recommended a reduction in access deficit charges (ADC), currently fixed at 11 percent, which is paid by operators on international long-distance (ILD) calls.

The ADC collections, amounting to about Rs 50 billion a year, are used by the state-owned BSNL to enable it to undertake rural telephony services. DoT reported a total of 204 cases of illegal routing of incoming ILD calls since 1998, involving 23 companies, including Reliance Infocomm. This has meant a total loss of about Rs 3.5 billion to BSNL.

The Cellular Operators Association of India (COAI) has represented to TRAI that hiking the Mobile Termination Charge (MTC) on incoming ILD (international long-distance) calls would result in a win-win situation for all, as it would ensure full recovery of targeted ADC amounts, check grey market traffic and see to it that BSNL gets the full resources to achieve its social objectives.

The telecom regulator has proposed a reduced ADC on the grounds that this would check the grey market growth. However, private cellular operators disagree, and have asserted that legitimate mobile operators have no incentive at present to invest resources to check grey market traffic, as they are paid the same termination charge of 30 paise per minute for local, STD and ISD calls. COAI has suggested that the MTC be hiked to Rs 1.75 per minute and institution of a proper monitoring system to check the growing menace of grey traffic.

TRAI compels broadcasters to provide channels to all cable operators

TRAI has ruled that it is mandatory for broadcasters to make their channels available to all cable operators and direct to home (DTH) service providers on a non-exclusive basis. The regulatory body said that non-exclusivity is already mandated

by the Telecommunication (Broadcasting and Cable Services) Interconnection Regulation, 2004.

Call for ethical use of camera phones

Concerned about a possible backlash against camera phones in the wake of the recent case of a sex video clip involving minors being disseminated via MMS, mobile handset manufacturers are have called for responsible use of the technology.

Samsung India Electronics has suggested a code for use of camera phones, laying down that these should not be used to take photographs in public places like swimming pools, changing rooms, gyms and so on or prohibited areas like airports, high-security zones, museums and theatres and at live performances, should not be used to take photographs of individuals without their consent and should not be used to shoot and circulate objectionable content. It has suggested that adherence to the guidelines should be voluntary.

Unlike the Internet where it's possible to block objectionable content to an extent, no such technology exists for mobile manufacturing.

TRAI allows preferential intra-network tariffs

Amending the Telecom Tariff Order, TRAI reversed its earlier ruling and notified that telecom service providers may now offer differential tariffs for off-net (different networks) and on-net (own network) calls.

While this will benefit large and integrated telecom operators such as Reliance, Bharti, BSNL and Tata Infocom, it will put operators offering services in one or two circles at a disadvantage. These include BPL, Spice, Hutch and Shyam Telelink.

Foreign investment in telecom capped at 74%

The ministries for telecommunications and information technology announced their support to a proposal to allowing a cap of 74 percent on foreign direct investment (FDI) in the telecom sector against the present 49 percent. However, they have added the rider that the additional investment must be provided only by foreign institutional investors (FIIs). The proposal has been placed before the Union Cabinet.

The proposal has the backing of the security agencies, which wanted to ensure that management control remains in the hands of the minority Indian partner even if the foreign investment limit is raised to 74 percent. The finance ministry, however, has found the argument untenable and has suggested that the government may ensure that company boards have Indian residents as majority members.

FDI worth more than Rs 410 billion, involving 930 proposals, has been approved in the telecom sector since 1991.



Tsunami hits Chennai Port operations

Work at the Chennai Port was severely affected by the tsunami that claimed thousands of lives in Tamil Nadu and elsewhere in India, and damaged property worth several millions of rupees. Shipping operations in the busiest port in south India came to a standstill following the tsunami and the estimated loss is approximately Rs 200 million.

According to Chennai Port Trust officials, the losses would have been higher had they not shifted eight ships and two oil tankers out to the sea soon after the tsunami hit the coast. One cargo ship undergoing repairs at the port smashed into other smaller vessels floating in the inner harbor after their moorings came off. One of the unmanned vessels hit two hoppers that were unloading 38,000 tonnes of raw sugar from Brazil. Around 1,500 tonnes of sugar was lost. Two Coast Guard boats anchored at the port were also damaged when an unmanned merchant vessel hit them.

Though the Chennai Port Trust administration said only five employees sustained injuries while running to safety, Coast Guard sources said that one person working on a merchant ship was killed.

Along the Tamil Nadu, Andhra Pradesh and Kerala coasts, several small fishing harbors and jetties as well as many fishing boats were reportedly damaged. Fishing activities have been severely affected. About 2,500 acres of paddy fields in Tamil Nadu were reportedly swamped by sea water and are unlikely to be cultivable for some years.

Mega plan for airports cleared

The Infrastructure Taskforce headed by the Prime Minister has cleared a massive plan to develop a string of 80 major and minor airports infrastructure backbone. According to the Planning Commission's estimates, development and upgradation of 25 airports, prioritized for modernization, would require around Rs 400 billion. The AAI would be able to provide only Rs 30 billion of this investment.

The Minister of State for Civil Aviation said that the AAI would require between Rs 250 billion and Rs 350 billion for upgrading airport infrastructure in the next 10 years. Other estimates are that the investment required to build world class infrastructure at the Mumbai and Delhi international airports alone would be anywhere between Rs 50 billion and Rs 100 billion per airport.

Work on modernizing the Delhi and Mumbai international airports as well as the construction of new airports at Bangalore and Hyderabad are to begin simultaneously in 2005. Next in line will be the development of the Chennai and Kolkata international airports.

It was also announced that the civil aviation ministry is expected to place the draft of a new national aviation policy before the Union Cabinet for its approval in January. The government is considering setting up an independent regulatory body, on the lines of the existing ones for insurance and

telecommunications, which would monitor the functioning of all the airports in India. The regulator would act as a watchdog as well as put in place the operational norms for aviation companies. The new policy would emphasize structuring a prior agreement between the Union Government, airport authorities and private developers for concessions for shopping malls and the like at airports. This would reduce the chance of delays.

The Centre has also constituted a high-powered panel of secretaries headed by the Cabinet Secretary to deal with issues relating to states where new airports are being taken up or existing airports are being modernized, as well as all non-financing and non-aviation issues like customs clearance, visas and passports, and also act as the link with other ministries involved in the management of airports.

Delhi, Mumbai airports revamp soon

The Union Minister for Civil Aviation announced that the restructuring of the Delhi and Mumbai international airports would begin by mid-2005 and that the selection of partners for the Airports Authority of India (AAI) for the projects would be finalized by March end. The ministry plans to invite technical bids from the nine short-listed companies by mid-January.

Meanwhile, the Consultative Committee of MPs attached to the ministry have been discussing the problem of displacing people living in slums near the Mumbai airport, which requires the additional land for the proposed expansion. The Maharashtra Government has appointed an agency for relocation of the slums.

Among the consortiums that have pre-qualified to participate in the revamp of the Mumbai and Delhi airports is one led by the Airports Company South Africa Limited (ACSA) and also comprising South African partners Old Mutual, the BidVest Group Ltd. and Indian partner GVK Industries Ltd.

Gujarat ports set ambitious targets

Gujarat has been trying to sell itself as a "natural gateway to the northern hinterland" and projecting that its ports would handle all the cargo from this market and doubling its national share in cargo handling to 40 percent in the next 15 years.

Gujarat ports have outpaced other minor ports in the country by achieving an annual growth rate of 22 percent in cargo handling. However, rating agency Crisil has noted in a recent report that the ports have been found terribly wanting in cargo handling speeds. Crisil was appointed by the state government to prepare an infrastructure blueprint document.

The average cargo handling speed at Gujarat ports is just 120 tonnes per hour (TPH) against the international benchmark of between 4,000 TPH and 7,000 TPH and the national benchmark of 1,000 TPH and 4,000 TPH.



2005-06 Budget to focus on urban water

The Government of India budget for 2005-06 is expected to focus on urban water supply and sanitation, including an announcement for the launch of a new Rs 25-billion program covering all towns and cities, aimed at ensuring improved supply and better quality of water. The program would also include putting in place standards of operation and management in the water supply and sanitation sector. It would be an extension of the Accelerated Urban Water Supply Programme (AUWSP), launched in the mid-1990s, which covers small towns with a population less than 20,000.

Outside of the AUWSP, only cities with a population of more than a million are covered under centrally-sponsored schemes. It is now proposed that the AUWSP be expanded to include all towns and cities irrespective of their population, and to include a component on sanitation as well. Water and sanitation are otherwise administered by state governments.

Urban water supply has been identified as a focus area in the national common minimum program of the UPA government. Revamping the sector, however, depends on the willingness of state governments and urban local bodies to restructure water supply corporations, levy reasonable water tariffs, take up reforms in billing, accounting and collection, and become creditworthy in order to have access to market funding.

The draft review has suggested that states should increasingly depend on institutional finance to fund urban water supply and sanitation schemes. State budgetary support should be provided only to the extent required to meet the expenses that the institutional finance does not. Water tariffs should be set realistically, taking costs into account.

Urban 'renewal' mission likely

The Prime Minister announced that the government plans to launch a National Urban Renewal Mission (NURM) to ensure public transport and public amenities to the people. A focus of the mission would be to ensure world-class affordable public transport.

Water, land bodies may be merged

The Union Government is considering merging the departments of land and water resources to rationalize the implementation of water conservation programs. The merged department,

headed by the Prime Minister or a full-time chairperson, may be christened the 'Water Mission'. An alternative also being considered is the setting up of four mini-missions dealing with various aspects of water conservation. With the Department of Land Resources planning works on the basis of availability of groundwater, soil permeability and the like, where expertise is available with the Department of Water Resources, it is being argued that merging the two departments would facilitate dealing with land degradation and water scarcity better.

Power sops harming ground water

Lower power tariffs and free power for agriculture is believed to be having an adverse impact on ground water levels throughout the country. Until the early 1970s well water could be tapped at 1-5 meters, but by the mid '80s this receded to 10 meters, and today the water table has sunk to an average depth of between 50 meters and 150 meters in different parts of the country.

Consumers ask for foolproof water connections

Coimbatore Consumer Cause (CCC), a community-based organization, has petitioned the Commissioner of Municipal Administration, Chennai, to ensure that a foolproof system is evolved in all the urban local bodies across the state in sanctioning new water supply connections. The CCC has already moved the Madras High Court challenging a system evolved by the Tirupur Municipality in sanctioning new water connections, whereby beneficiaries are chosen by draw of lots.

Narmada pipeline to be upgraded

The Madhya Pradesh Government has sanctioned the third phase of the Narmada Pariyojana pipeline, carrying water to Indore. Work on the Rs 5-billion project is to start by the middle of 2005. The Asian Development Bank (ADB) has granted a Rs 3-billion soft loan for the project, while the remaining costs would be borne by the Indore Municipal Corporation. The project is expected to be completed in six years. The 30-year-old pipeline recently suffered a breach, disrupting water supply to the city. Built in 1976, when its expected life was estimated to be 25 years, engineers have said that the pipeline is running on bonus time.

J. Sagar Associates, Advocates & Solicitors

84-E, C-6 Lane,
 Sainik Farms,
 New Delhi 110 062
 India
 T: 91 (11) 26518714/15/16
 F: 91 (11) 26518717/26560980
 E-mail: newdelhi@jsalaw.com

4121/B, 19th A Main
 6th Cross, HAL II Stage Extension
 Bangalore 560 038
 India
 T: 91 (80) 2520 0045
 F: 91 (80) 2520 0044
 E-mail: bangalore@jsalaw.com

Vakils House, 18 Sprott Road
 Ballard Estate
 Mumbai 400 001
 India
 T: 91 (22) 56561500
 F: 91 (22) 56561515/16
 E-mail: mumbai@jsalaw.com