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BUSINESS STANDARD

SC fumes over NHAI's flip-flop

The Supreme Court Monday fumed over the National Highways Authority of India going back on its earlier position favouring the shifting of a toll plaza on the road from Panipat in Haryana to Jalandhar in Punjab by the project concessionaire. Soma Isolux NH One Tollway Private Limited had sought the shifting of the toll plaza to complete the delayed project's remaining 40 km stretch. The apex court bench of Justice Gyan Sudha Misra and Justice Madan B. Lokur took exception to the turnaround in the stand of the highways authority as senior counsel Abhishek Manu Singhvi, appearing for the company, read from the affidavit filed by the NHAI before the Punjab and Haryana High Court wherein it had categorically supported the shifting of the toll plaza.

"When your own affidavit justifies the shifting of the toll plaza then why are you opposing it now," Justice Misra asked senior counsel Sandeep Seth, appearing for the NHAI. As NHAI counsel said that much water had flown since then, Justice Misra "water may have flown, structures do not change", adding that a river may change its course but that may not erase the fact of the existence of the river.

Taking to task the NHAI for orally saying something that was contrary to its stand in the affidavit before the high court, the court said it was very obvious that the authority wanted to snatch the project from the present concessionaire and give it to someone else. Singhvi told the court that if they were permitted to shift the toll plaza then they would complete the remaining 40 km stretch of the Panipat-Jalandhar highway in nine months from the date of shifting.

In the last hearing of the matter June 7, the court asked the concessionaire Soma Isolux, which is executing the project on build-operate-and-transfer basis, to file an affidavit giving the shortest time schedule in which it would be able to complete the project.

As Singhvi pressed for the shifting of the toll plaza, NHAI counsel told the court that there was provision in the contract which permitted the shifting of the toll plaza. The NHAI contested Singhvi's contention that under the contract the concessionaire could move for the shifting of the toll plaza.

The court gave the NHAI time till Wednesday to file the portion of the contract which, according to it, barred the project concessionaire from shifting the toll plaza. The court said this while hearing Soma Isolux's plea challenging the high court order directing it to hand over to the NHAI the project which was behind schedule by one-and-half-year. Soma Isolux told the court that it had completed construction of more than 70 percent of the highway.

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The Indian EXPRESS
JOURNALISM OF COURAGE

Govt to revamp project progress stats

New Delhi : Even as it tries to speed up approvals for infrastructure projects that will help boost growth, the government is also working to spruce up its data bank on implementation of core sector projects, that is often marred by huge delays.

The ministry of statistics and programme implementation, which is responsible for the database, plans to appoint three experts to review the statistics and prepare reports on ongoing as well as new infrastructure projects.

"The scope of work would include analysis and performance reports of completed and ongoing projects and make observations in the preparation of monthly and quarterly reports," the ministry has said.

The database, that is managed by the infrastructure project monitoring division of the ministry, is used for monitoring the progress of infrastructure projects based on parameters such as time and cost overruns as well as to prepare papers for Cabinet Committees and other inter-ministerial groups.

Typically, it collects statistics on ongoing projects in 14 key sectors such as nuclear energy, petroleum, power, roads and railways and also comes out with periodic reports on the progress of these projects.

But with the reports often seeing delays, the data tends to become outdated and has little use for nodal ministries. "While preparing a project proposal that required latest statistics on infrastructure projects, we realised that it was easily available," recalled a senior government official.

Additionally, the experts, who would be hired as consultants to the ministry, would be expected to analyse new infrastructure projects before they are taken up for discussion by the Expenditure Finance Committee or the Public Investment Board.

This is the latest in a series of measures taken by the government to speed up infrastructure projects. "Up-to-date date helps give a better understanding of the situation at hand and possible measures that can be taken up," said another official.

On June 6, finance minister P Chidambaram had announced the setting up of a committee headed by Anil Swarup to help restart 215 major projects that have been stalled for various reasons.

The committee will be a part of the Cabinet Secretariat and will monitor and ensure timely execution of projects approved by the Cabinet Committee on Investments.

PROJECT monitor

RfP issued to select agency for providing and managing Central Clearing House

With the objective of implementing the nation-wide Electronic Toll Collection program, the Indian Highways Management Company Limited, a special purpose vehicle incorporated under the initiative of National Highways Authority of India, has issued a Request for Proposal to select an agency capable of providing and managing a Central Clearing House on pan-India basis for a period of 10 years.

The IHMCL is a new company with equity participation from NHAI (25 percent), concessionaires (50 percent) and financial institutions (25 percent) for implementation of the ETC system on national highways.

As per the RfP document, the broad scope of work for the contractor selected through a bidding process would include setting up of the CCH system, operation and maintenance of the CCH, and procurement and distribution of passive RFID (18000-6C) tags. Only those bidders who meet the eligibility criteria and submit technical bids to the satisfaction of IHMCL would be considered for opening of financial bids. For the entire scope of work, a rate per ETC transaction for the contract period has to be quoted. The rate per transaction would remain uniform for the 10-year period. Bidders are required to make their own estimates with regard to the number of transactions during the contract period.

In addition to transaction charges, the IHMCL would pay an annual sum of Rs. 5 crore to the contractor for the first two years each as an initial support. The first payment of Rs. 5 crore would be made exactly one year after integration of the first toll plaza with the CCH or after integration of 50 toll plazas with the CCH, whichever is earlier. The second payment of Rs. 5 crore would be made exactly one year after the first payment. For further revenue generation, the contractor would be provided advertisement space, free-of-charge, for commercial use at each of the toll plazas having ETC system integrated with the CCH. Advertisement space would also be provided on tags and the CCH website.

The last date for submission of bids is July 15th, 2013. A pre-bid meeting is scheduled for June 14th, 2013.

In April 2010, the Ministry of Road Transport and Highways had constituted a Committee under the chairmanship of Nandan Nilekani, Chairman, Unique Identification Authority of India, with the aim of drawing a plan to improve toll collection across the country's highway network. The Committee's mandate was to examine all technologies available for ETC and recommend the most viable one taking in to account local conditions. The Committee in its report submitted in June the same year recommended passive Radio Frequency Identification technology based on ISO 18000-6C. The Committee's report was accepted by the Centre and subsequently an Apex Committee for implementation of ETC constituted in March 2011 for suggesting an operational methodology, system architecture and specifications for RFID readers and tags. The Apex Committee submitted its report in September the same year after which pilot ETC programs had commenced.

A total of 220 toll plazas operate on national highways. Of these, 120 are public funded and the rest function under the BOT model. As on 31st March, 2013, the annual toll collection from public funded toll plazas stood at Rs. 2,620 crore while that from BOT toll plazas totaled Rs. 6,600 crore

hindustantimes

Badarpur flyover, an example in conservation

A 4.4-km-long six lane road surface — complete with side verges and the open areas in between the various arms of the elevated highway — was a promising prospect. And, in a perfect display of the increasing trend of how large public infrastructure projects can conserve rainwater, the National Highways Authority of India used integrated storm water management and ground water recharge mechanism for its Badarpur elevated road project, connecting Delhi and Faridabad.

The National Highways Authority of India has given the project to a private concessionaire Hindustan Construction Company on Build-Operate-Transfer basis.

It was HCC's first site to adopt the United Nation's Water Mandate initiative, which included water conservation measures and establishing a system to record water usage at the site.

Rainwater harvesting system was clubbed with water re-use and recycle methodologies including recharging the groundwater table using the storm water flowing from the elevated highway.

In 14 months during construction, as much as 23,149 kilolitre of water has been saved.

Recycling of water was done using the water extracted while de-watering and re-used for various purposes, thus saving up to 6500 KL water.

Hindustan Construction Company's Manoj Chaturvedi said: "After the project was operational, we have two rainwater harvesting pits fitted with water metres, which helped us save 80 KL in 2012."

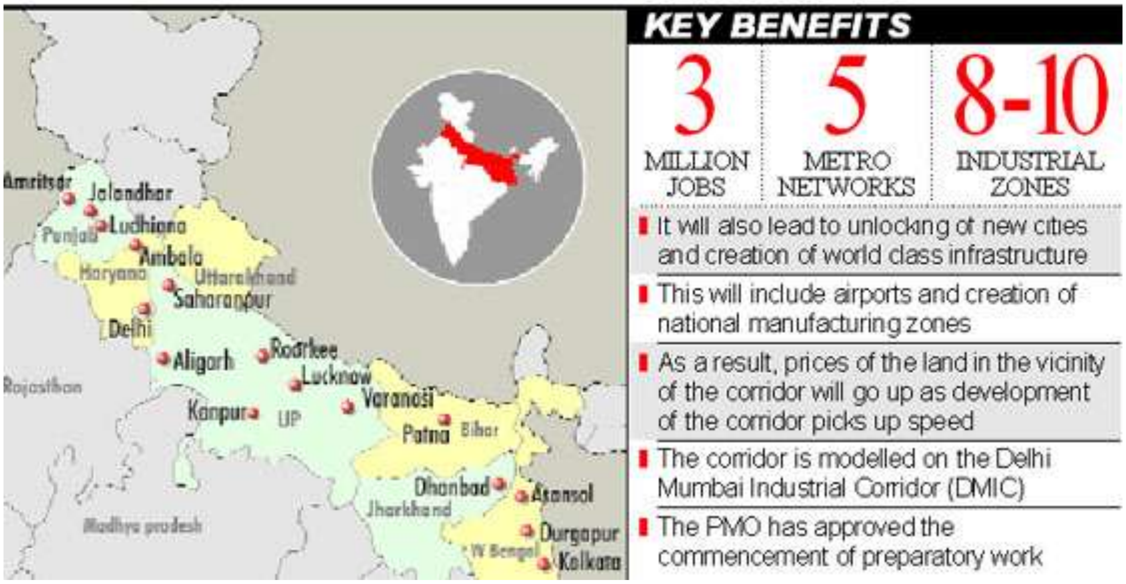
MK Gupta, National Highways Authority of India's project director for the Badarpur project, said: "Apart from other conditions such as maintaining a pothole free road, keeping the carriageway free from dead animal, our independent engineers monitor and keep tab on the actual functionality of the rainwater harvesting work."

THE TRIBUNE

Nod to Amritsar-Kolkata industrial link

- **Corridor to attract huge investments**
- **Spur economic growth & create jobs**

New Delhi: In a big push for industrialisation in the northern states, Prime Minister Manmohan Singh today gave the go ahead for the Amritsar-Delhi-Kolkata industrial corridor. It will cover the cities of Amritsar, Jalandhar and Ludhiana in Punjab and Ambala in Haryana.



According to a statement by the Prime Minister's Office (PMO), the Prime Minister has approved the commencement of preparatory work for the industrial corridor stretching from Punjab to West Bengal by setting up an inter-ministerial group consisting of secretaries of the ministries of Industry, Finance, Road Transport, Shipping and chairman, Railway Board.

This Inter-Ministerial Group will examine the feasibility of setting up this industrial corridor along with the structural and financing arrangements that would be required to operationalise it at the earliest. The IMG will give its report within a month. The Amritsar-Delhi-Kolkata industrial corridor is modelled on the Delhi Mumbai Industrial Corridor (DMIC) for which work is in progress. This is part of the government plan to unlock new infrastructure programmes to spur economic growth which in turn creates jobs.

This project is estimated to create 3 million jobs, 5 metro networks, including bullet trains and 8-10 industrial zones. It will also lead to unlocking of new cities, creation of world class infrastructure, including airports and creation of national manufacturing zones which are large sized industrial townships. The rub off effect will be that prices of land in the vicinity of the corridor will go up as development of the corridor picks up speed.

While the DMIC covers the western part of the country stretching from Rajasthan to Gujarat, the Amritsar - Delhi - Kolkata Industrial Corridor will stretch from north to east and use the Eastern dedicated Freight Corridor as the backbone.

The Eastern DFC extends from Ludhiana in Punjab to Dankuni near Kolkata. Therefore, the Amritsar - Delhi - Kolkata Industrial Corridor will be structured around the Eastern DFC and also the highway system that exists on this route.

It will also leverage the inland waterway system being developed along National Waterway - 1 which extends from Allahabad to Haldia. The Amritsar - Delhi - Kolkata Industrial Corridor will cover the states of Punjab, Haryana,

Uttar Pradesh, Uttarakhand, Bihar, Jharkhand and West Bengal. This is one of the most densely populated regions in the world and houses about 40 per cent of India's population.

According to the PMO, this is a region which needs a major push for industrialisation and job-creation and the Amritsar - Delhi - Kolkata Industrial Corridor will act as a catalyst for this growth. The corridor will cover the cities of Amritsar, Jalandhar, Ludhiana, Ambala, Saharanpur, Delhi, Roorkee, Moradabad, Bareilly, Aligarh, Kanpur, Lucknow, Allahabad, Varanasi, Patna, Hazaribagh, Dhanbad, Asansol, Durgapur and Kolkata.

SC directive on Panipat- Jalandhar highway

The Supreme Court on Friday indicated its willingness to allow construction of the 291-km Panipat-Jalandhar highway to be completed by the existing contractor instead of handing it over to the National Highway Authority of India (NHAI) as directed by the Punjab and Haryana High Court.

THE ECONOMIC TIMES

ADB to fund NE-Myanmar linking highway project

NEW DELHI: The Asian Development Bank(ADB) is ready to fund a highway project that will connect India's North-East to Myanmar. The proposed network that will link Agartala, Silchar, Imphal and Moreh with Myanmar, is in line with India's Look-East policy and part of a strategic move to curtail China's dominance over South-East Asian countries.

The highway project assumes significance as commerce minister Anand Sharma, in his just concluded three-day visit to Myanmar, has set a bilateral trade target of $3 billion by 2015. Total trade last year between India and Myanmar stood at

$1.87 billion. The road ministry is expected to soon launch a bus service from Moreh in Manipur to Mandalay in Myanmar, and the Centre is developing an integrated check-post in Moreh that will ease the movement of goods and services across the borders of the two countries.

The two nations have also expressed interest in expanding business ties in sectors like oil and gas and textiles in Myanmar. The ministry of external affairs is also keen to assist Myanmar with human resources to build their side of the road connectivity project, said people familiar with the situation. ADB officials recently visited Manipur to do a technical survey and have submitted their preliminary aid memo to the road ministry, which is now going through the appropriate alignment and other technical aspects before it gives its approval to the project and passed on to the Department of Economic Affairs (DEA). "We need to consider whether the alignment is right because these are hilly areas.

They have said they are interested in financing four-lane highways but that has to be justified with traffic and we need to see what kind of roads would be suitable in these regions," said a road ministry official.

"The talks will proceed after we take a call on whether we need this," he added. In his 2013-14 Budget, Finance Minister P Chidambaram had proposed to link the north-east to Myanmar and sought the assistance of multilateral banks. "Multilateral development banks are keen to assist in efforts to promote regional connectivity. Combining the 'Look-East' policy and the interests of the North Eastern states, I propose to seek the assistance of theWorld Bank and the Asian Development-Bank to build roads in the North Eastern states and connect them to Myanmar," the minister had said.

Experts say this project is important for India as well as countries like Japan that are seeking to check China's ascendancy in the lesser developed South-East Asian countries.

"China is all over the place in South-east Asia. One of the things we don't often realise is a number of these countries do not have confidence in China and are looking to India in the hope it will play a more significant role," said Biswajit Dhar, Director-General, Research and Information System for Developing Countries (RIS).

India offers help to build roads

India has offered to help Myanmar upgrade its 160 km Tamu-Kalewa-Kalemyo road, build the Kaladan multi-modal transit transport project that involves setting up roads and inland waterways from Sittwe port in Myanmar to Mizoram; and some segments of the 1,360-km trilateral highway project connecting Moreh (Manipur) to Mae Sot (Thailand) through Myanmar. These will prove beneficial to India's land-locked North East, said Commerce Minister Anand Sharma.

THE TIMES OF INDIA

CMs push for better road networks in Maoist-hit states

NEW DELHI: The chief ministers of Maoist-hit states have pushed for the second phase of constructing 5,624 km of road stretches in 34 districts falling in Red zones with an investment of Rs 9,400 crore. The government is yet to take a decision on the funding for these.

The finance ministry had earlier refused to give this additional amount to the road transport and highways ministry. As per the original plan, the works spread across eight states were to be completed during the 12th Five Year Plan (2012-17).

Andhra Pradesh chief minister Kiran Kumar Reddy reportedly took up the case with the Union home minister during a meeting called by the Centre to counter Maoists, this week. Sources said that except chief ministers from West Bengal and Uttar Pradesh, all the others attended the meeting.
"Reddy cited the state's success in countering Maoist movement and how new roads in troubled zones help build confidence of locals. He also suggested that after road infrastructure is in place, the governments must target only the hardcore extremists," said a government official present in the meeting.

Second phase of the road development plan in Maoist-hit regions gains importance considering the government's move to improve connectivity to unreachable areas so that economic activities and development works can start. The road stretches identified fall in critical districts including Bastar, Bijapur, Dantewada, Narayanpur, Kanker, Rajnandgaon, Garhchiroli and Malkangiri where Maoists have been striking at will.

When the road ministry had taken up the issue of seeking fund from gross budgetary support, the finance ministry had asked it to do some innovative dovetailing with the ongoing Centre-funded schemes of other ministries.

THE ECONOMIC TIMES

PM sets up inter-ministerial group on Amritsar-Delhi-Kolkata corridor

NEW DELHI: The government has approved the setting up of an inter-ministerial group to undertake preparatory work on the proposed Amritsar-Delhi-Kolkata Industrial Corridor.
A government statement said on Friday that Prime MinisterManmohan Singh had set up a group, which will include the secretaries from the finance ministry, department of industrial policy and promotion, urban develoment, shipping, road transport and highways and chairman Railway board.

This group will examine the feasibility of setting up the Amritsar-Delhi-Kolkata Industrial Corridor along with the structural and financing arrangements that would be required to operationalize it at the earliest. It has been asked to submit its report within a month.

The Amritsar-Kolkata Industrial Corridor is patterned on the Delhi-Mumbai Industrial Corridor (DMIC). The DMIC uses the Western Dedicated Freight Corridor as the backbone. The DMIC has financial support from the Japanese government and is expected to attract large investments leading to rapid industrial growth in Rajasthan, Gujarat, Haryana and Maharashtra through the development of new cities, industrial zones, and world-class infrastructure .

The Amritsar-Delhi-Kolkata Industrial Corridor will use the Eastern dedicated freight corridor as the backbone . The Eastern DFC extends from Ludhiana in Punjab to Dankuni near Kolkata. Therefore, the Amritsar-Delhi-Kolkata Industrial Corridor will be structured around the Eastern DFC and also the highway network that exists on this route. It will also leverage the Inland Waterway System being developed along National Waterway-1 , which extends from Allahabad to Haldia.
It will cover Punjab, Haryana , Uttar Pradesh, Uttarakhand , Bihar, Jharkhand and West Bengal. This is one of the most densely populated regions in the world and houses about 40% of India`s population. An interesting point is that most of these states are non-Congress ruled states. "This is a region which needs a major push for industrialization and jobcreation and the Amritsar-Delhi-Kolkata Industrial

Corridor will act as a catalyst for this growth. The corridor will cover the cities of Amritsar , Jalandhar, Ludhiana, Ambala, Saharanpur, Delhi, Roorkee, Moradabad, Bareilly , Aligarh, Kanpur, Lucknow , Allahabad, Varanasi, Patna, Hazaribagh, Dhanbad , Asansol, Durgapur and Kolkata," the statement said.

Current status of PPP projects

Keeping in mind the investment that is foreseen in the port sector, the Assocham study looks at the actual scenario that exists at state level. The PPP database maintained by the Planning Commission, as on April 30, 2013, reveals that a total of 62 projects out of a total of 881 PPP projects (value ₹5.4 lakh-crore) are in different stages of implementation in the ports sector throughout the country. The total valuation of these projects stands at ₹82,000 crore.

States	Nos.	Value (` crore)	% Share
Gujarat	12	12,453	50.4
Odisha	2	4,169	16.9
Maharashtra	5	3,772	15.3
Andhra Pradesh	3	1,425	5.8
Tamil Nadu	3	1,218	4.9
Kerala	1	703	2.8
Puducherry	1	416	1.7
West Bengal	3	330	1.3
Goa	1	220	0.9
All India	**31**	**24,707**	**100.0**

Source: Planning Commission

The study also revealed the following:

- In India, so far 31 projects worth around ₹25,000 crore were completed and are under operation through PPP model. They account for 30 per cent of total value of projects taken up so far under the PPP model. Projects worth ₹ 43,000 crore (21 in number and 52.7 per cent of total value involved) are currently in construction stage. Eight projects that are yet in the bidding stage make up 16.9 per cent share of the total value of PPP projects.

- If we consider projects that have been completed and put to operation, 50 per cent of projects that are completed belong to Gujarat alone. Odisha and Maharashtra are the other states which have 16.9 per cent and 15.3 per cent share respectively. The combined share of both these states works out to roughly one-third of all the projects.
- Projects under construction stage reveal that Andhra Pradesh is ahead in the particular classification of PPP projects with a share of 46.2 per cent. Maharashtra, Kerala and Odisha are also receiving investment via PPP route.
- Kerala, Maharashtra and Karnataka are the states that have got PPP projects that come under the purview or are under bidding process. Amongst the three, Kerala has got the highest share (39.8 per cent) in the projects that are being put to competitive bidding. Maharashtra with 36.9 per cent share is in second place.

[redacted]

	Nos.	Value (` crore)	% Share
Construction	21	43,439	52.7
Under operation	31	24,707	30.0
Under bidding	8	13,939	16.9
EOI stage	1	273	0.3
Cancelled	1	45	0.1
All India	**62**	**82,403**	**100.0**

Source: Planning Commission

[redacted]

	Nos.	Value (` crore)	% Share
Kerala	2	5,554	39.8
Maharashtra	3	5,147	36.9
Karnataka	3	3,238	23.2
All India	**8**	**13,939**	**100.0**

Source: Planning Commission

PROJECT monitor

Andhra has highest share of projects

Andhra Pradesh commands the lion's share of over 46 per cent with three projects worth over ₹20,000 crore under construction in the ports sector under the PPP model as on April 30, 2013, according to a study by Assocham.

With three projects worth over ₹1,425 crore, AP has a share of about 6 per cent in PPP port projects under operation and the state has no projects in the ports sector that are under bidding, the study titled ‘Port Developments in India’ said.

"While Gujarat accounts for maximum share of over 50 per cent in the total number of completed projects in the ports sector, which have been put to service delivery under the PPP model as on April 30, 2013, Kerala has the highest share of about 40 per cent in the PPP ports projects under bidding," the study highlighted.

[redacted]

	Nos.	Value (` crore)	% Share
Andhra Pradesh	3	20,090	46.2
Maharashtra	3	6,783	15.6
Kerala	2	6,268	14.4
Odisha	3	4,192	9.7
Puducherry	1	2,948	6.8
Gujarat	4	1,651	3.8
Tamil Nadu	4	1,477	3.4
Goa	1	30	0.1
All India	**21**	**43,439**	**100.0**
Source: Planning Commission			

Out of the total of 881 PPP projects worth over ₹5.4 lakh-crore taken up across India, 62 projects worth over ₹ 82,000 crore are in different stages of implementation.

While 21 PPP projects in the port sector with a share of over 52 per cent and worth over ₹43,000 crore are under construction, eight projects worth about ₹14,000 crore with a share of about 17 per cent are under bidding. Of the remaining, one project is in the EOI stage and one has been cancelled.

Of the total, 31 PPP port projects worth over ₹24,700 crore are in operation in India as of April 30, 2013, Gujarat accounts for over 50 per cent share with 12 completed PPP projects worth over ₹ 12,400 crore, according to the study.

With two port projects worth over ₹4,100 crore completed and put to operation in PPP mode, Odisha ranks second with a share of about 17 per cent followed by Maharashtra where five projects worth over ₹3,700 crore are under operation. Andhra Pradesh and Tamil Nadu, each with three projects under operation, have garnered a share between 5-6 per cent followed by Kerala (2.8 per cent).

Apart from Andhra Pradesh, the states of Maharashtra, Kerala, Odisha and the Union Territory of Puducherry are other regions with maximum share ranging between 7-16 per cent in PPP projects worth over ₹2,900 crore to ₹6,700 crore under construction.

With two projects worth over ₹5,500 crore, Kerala has the maximum share of about 40 per cent in PPP ports projects under bidding. Maharashtra and Karnataka are the other states with share of over 37 per cent and 23 per cent in this category.

PROJECT monitor

Delays result in sharp cost and time overrun

Out of 566 major central sector projects (each with ₹1.50 billion and above outlay), on record with Online Computerised Monitoring System of the Ministry of Statistics and programme Implementation in December 2012, only 171 projects were on schedule, or a little ahead of schedule, and 276 others faced time overruns.

Further, what is worse, there were 119 projects that did not have fixed dates of commissioning, or commissioning schedules finalised subsequently.

Out of 276 overdue projects, 73 had delays of up to one year, 61 between one to two years, 97 in the range of 25 to 60 months, and 45 more than 60 months.

Apart from inordinate time overrun, which is generally in limelight as the major ailment suffered by public sector projects, the private sector projects also suffer from substantial cost overruns that result from time overrun as also actual cost turning out to be several times the original approved cost. This is due to lethargy in drawing up project reports which have to be revised to correct grossly inadequate provisions for various costs as also factor in changes in the scope of projects and post-sanction cost hikes.

The cumulative result of deferrals, expanded scope of project and/or material and service cost hike was ₹1.42 trillion (18.1 per cent) cost push, lifting project cost to ₹9.27 trillion. Viewed from a business angle for project service/material providers, these projects would see disbursements of over $4.93 trillion in the coming months and years.

[redacted]

Sector	No. of Projects	Original Cost	Anticipated Cost	Cumulative Expenditure	Balance Expenditure
Atomic Energy	5	415.48	478.32	240.59	237.74
Civil Aviation	6	54.74	60.63	47.36	13.27
Coal	51	360.56	375.11	134.63	240.47
Fertiliser	3	40.66	40.66	9.46	31.20
Steel	17	652.86	714.43	458.41	256.03
Petrochemicals	1	54.61	89.20	59.82	29.38
Petroleum	73	1,774.48	1,886.92	862.14	1,024.79
Power	99	2,278.23	2,436.53	1,090.48	1,346.05
Railways	126	613.93	1,481.32	612.17	869.15
Road Transport & Highways	146	944.18	963.57	689.89	273.67
Shipping & Ports	20	159.08	181.75	80.43	101.32
Telecommunications	14	59.65	59.06	17.28	41.77
Urban Development	4	442.45	495.18	37.09	458.09
Water Resources	1	5.43	11.87	0.35	11.52
Grand Total	**566**	**7,856.34**	**9,274.54**	**4,340.10**	**4,934.45**

The cost overrun in central sector projects was assessed at 17-19 per cent during 2012 (barring a decline to 16 per cent in July and 15 per cent in August), showing improvement over 18-19 per cent in 2011. Earlier, the extent of cost escalation had steadily dropped to around 12 per cent in March 2008, from a high of 36 per cent in 2000 and 62 per cent in 1991. The ratio of overdue projects to total projects on the central government project monitor worked out to around 48-50 per cent in the second half of 2012; earlier the ratio had reached a bottom of 32 per cent in March 2002 and a high of 62 per cent in March 1991.

By the way, cost escalation has not crippled all 566 projects. Cost overrun was reported in 186 projects which accounted for around 28 per cent of the total original cost of the 566 projects, whereas 380 projects accounting for 72 per cent of cost of all central sector projects have adhered to their original cost, going by MoSPI compilation.

The 186 problem projects suffered cost escalation because of various reasons that pushed up their cost by as much as 68 per cent to ₹3.72 trillion. Out of these troubled projects, there were 98 projects, which had to contend with both cost escalation as also delays, as a result of which their original outlay of ₹1,857 billion shot up to ₹2,919 billion.

[redacted]

Project	Date Of Approval	Cost of Projects (` crore)	Cost Overrun	
		Original	**Anticipated**	**(%)**
Champadanga-Talwara (NL), Northern Railway	March 1981	37.68	1,036.78	2651.54
New BG rail line from Eklakhi-Balurghat including Gazole-Itahar (NL), North East Frontier Railway	April 1983	36.8	703.17	1810.79
Howrah-Amta-Champadanga (NL), South Eastern Railway	April 1974	31.42	499.16	1488.67
Bankura-Damodar (GC), South Eastern Railway	March 1998	111.9	1,412.74	1162.5
Rupsa-Bangriposi (GC), South Eastern Railway	February 1996	57.94	639.97	1004.54

Cost overrun by sectors

Railways account for 61 per cent cost overrun in central sector projects. In all, 108 out of 126 ongoing railway projects suffer from this weakness, which would push up original cost by 141 per cent, according to current assessment. Railway projects are also notorious for time overruns: there were 44 railway projects with delays of one to 216 months that would push up their costs from ₹291 billion to ₹766 billion.

Out of 126 railway projects, only eight were on schedule/ahead of schedule, 44 delayed and 74 projects lacked information in this respect.

Power (outlay: ₹158 billion) and petroleum (₹112 billion) are the two other sectors with a large share in overall central government project cost escalation; though, the cost overrun rate was much less at 7 per cent in total power and 6 per cent in petroleum projects.

Contrary to popular perceptions, 99 power projects together would cost only ₹158 billion, or 7 per cent more, even as 52 projects, accounting for 58 per cent of total outlay, were running behind schedule. Seventeen power projects accounting for a fifth of total power sector outlay were stated to be suffering both time and cost overruns.

In petroleum sector, out of 73 projects with originally estimated outlay of ₹1.77 trillion, 16 projects (₹543 billion) faced cost overrun and 13 projects (outlay: ₹525 billion) faced both time and cost overruns.

Six out of 17 steel projects faced cost escalation of 26 per cent, even as the escalation in total steel sector projects was limited to 9.4 per cent. Bailadila iron ore project of NMDC Ltd (outlay: ₹2.96 billion) faced both cost and time overruns.

In coal sector, 21 out of 51 projects were running behind schedule, though total cost escalation in all coal mining projects was assessed at only 4 per cent.

The brief reasons for time overruns, as reported by various project implementing agencies, are delays in land acquisition, forest clearance, supply of material and equipment, shortage of skilled manpower, inadequate mobilisation by the contractor, fund constraints, delay in equipment erection, change in scope of work, law and order problem etc.

It has also been observed that several project agencies are not reporting revised cost estimates and commissioning schedules for projects, which suggests that time and cost overrun figures are under-reported.

Milestones

A major reform badly needed in public sector project management is laying down, in clear terms, the major milestones along the critical path of project construction by project authorities. There were as many as 380 projects with capital outlay of ₹ 3,447 billion that did not contain information on milestones. Out of 3,404 identified milestones in other 286 projects, 1,274 were reportedly achieved till the end of 2012.

Milestones are like dashboard reviews of a project. Activities which were planned at the beginning of the project with their individual timelines are reviewed for their status. It also gives an opportunity to check the health of the project. When combined with a scheduling methodology such as Program Evaluation and Review Technique (PERT) or the Critical Path Method (CPM), milestones allow project management to much more accurately determine whether or not the project is on schedule.

The total outlay of the 566 projects when sanctioned was of the order of ₹7,856 billion; this was subsequently revised to an anticipated total of ₹9,275 billion. The expenditure incurred on these projects till the end of 2012 was ₹4,340 billion. This would imply that ₹4,935 billion would be spent on these projects in the next few years (provided the projects adhere to their revised schedules).

Power, petroleum, railways and urban development (metro rail projects) together would be calling for material and service supplies worth around ₹3,700 billion in the coming years. Maharashtra would be home to 12 per cent of capex spending on central sector projects in coming years followed by Karnataka and Delhi 7 per cent each. Multi-state projects would account for 17 per cent of future capex.

With the details mapped by individual projects, the report, though limited to central government projects only, is a very useful information source for the project fraternity

BUSINESS STANDARD

GMR writes off Rs 450 cr on coal and airport assets

Bangalore-based firm has been pursuing arbitration in Singapore court over its exit from the $500-mn Male airport project, seeking $800 mn damages

GMR Infrastructure has written off Rs 453 crore on two of its global assets in coal mines and airports.

The company, which reported a healthy jump in yearly profits thanks to the sale of its 70 per cent stake in a power project in Singapore, said it wrote off Rs 251 crore when it made impairment (reduction in company's stated capital) of assets in its South Africa-based coal mine subsidiary Homeland Energy Group, and another Rs 202 crore after it was forced out of the Male airport project.

The Bangalore-based publicly-held company has been pursuing arbitration in a Singapore court over its exit from the $500-million Male airport project, seeking $800 million damages. While the Maldivian government has submitted the reasons that led to the exit of the consortium led by GMR, the compensation claim of $800 million is expected to be considerably watered down.

For the past six months GMR has, as part of its 'asset light, asset right' strategy, been aggressively shedding assets including 74 per cent stake in a highway project besides the power project in Singapore.

The company has indicated it intends to raise as much as Rs 5,000 crore during FY14 by shedding assets.

While the first target is to shed its stake in three highway projects, the firm is also understood to have initiated a process to exit from the Istanbul Sabiha Gokçen International Airport in Turkey.

For the past two years, GMR has been struggling over its high leverage (ratio of debt to equity), which stood at 3.07 by the end of FY13, against 2.59 in the previous financial year. The net debt, as of end-FY13, is Rs 33,700 crore, up 15 per cent from the previous financial year.

According to the company, most of the debt has been ring-fenced over the cash flow of specific projects and there isn't much of a concern over servicing the debt. The interest charges were Rs 608 crore during the last financial year, growing by 31 per cent.

Going forward, GMR plans to spend around Rs 1,700 crore towards funding its ongoing power vertical and other projects.

THE ECONOMIC TIMES

CCI: Government's big idea to revive investment cycle is yet to hit the ground running

At two separate venues in Mumbai last Thursday, India's biggest industrialist, Reliance Industries Limited chairman Mukesh Ambani and finance minister P Chidambaram were talking about lakhs of crores of investments. But the contexts they spoke in, couldn't have been more contrasting - at least on the surface.

The RIL chief announced the largest capex plan by any enterprise in India's history to invest Rs 1.5 lakh crore in three years, while Chidambaram outlined the government's latest action plan to resuscitate 341 investment projects worth Rs 10.5 lakh crore held up in red tape for almost historic periods.

But Ambani implicitly raised the very same concerns the finance minister was seeking to allay, calling its investment plans "an expression of the faith of Reliance in India and in her potential" at a time when manufacturing growth had hit the lowest point in a decade. But few other captains of India Inc have either RIL's faith or the cash reserves to dream as big in an economycrash-landing after years of high growth.

NOT GAME CHANGER, PER SE

The Cabinet Committee on Investment or CCI was the government's big idea to revive the investment cycle, with a mandate to fast-track projects over Rs 1,000 crore running behind schedule for want of some statutory approval or another. In its six months of existence, the CCI has just met five times and its diktats have pertained largely to public sector investments, though a few processes have been tightened for expediting public private partnerships (PPPs) in ports (by streamlining security clearances of bidders) and highways.

India Inc is far from impressed by the CCI's performance, through which the government claims to have cleared investments of over $27 billion. A lot more needs to be done if the country wants to dispel the sentiment of doom and gloom, industry bigwigs say.

"The committee should meet more often than once a month and have a process to review projects that it had cleared earlier and check if they have gotten off the ground," HDFC chairman Deepak Parekh told ET. The HDFC chief, who heads the

Centre's high-level committee on Infrastructure Financing, also referred to the policy paralysis induced by the flurry of damaging CAG reports and CBI actions on retired babus, as a problem area. "Decisions are not being taken as bureaucrats are concerned about the environment," said Parekh. "The CCI has cleared a few projects in oil and gas and other sectors and issued an ultimatum to a couple of ministries like defence (to ease project hurdles), but how much of this has translated into actual investments needs to be assessed," he stressed.

While the CCI has cleared projects, there is no clear uptick in activity related to such projects, notes a research paper called "Smoke and Mirrors" issued by Barclays last week. "We believe that activity/investment related to such projects could remain subdued, given the weak momentum and sentiment in the economy... the CCI clearance, per se, is not the "game changer" the government see it as being," Barclays said.

The global bank's conclusions assume significance since they are based on interactions last week with telecom and law minister Kapil Sibal, Congress general secretary Digvijaya Singh and Planning Commission deputy chairman Montek Singh Ahluwalia and Raghuram Rajan, the chief economic advisor in the ministry of finance. "The government has already taken some steps such as the diesel price hike, which clearly indicates it has the will and intent to act. However, we would like to see some major steps on the infrastructure front that will help kick-start the growth momentum," said Uday Kotak, founder and managing director of Kotak Mahindra Bank.

The slowdown in investment is not a policy issue, but more of an implementation problem, a senior Congress politician told the Barclays' research team, which said that investments are unlikely to look up anytime soon as the "slow-moving bureaucratic machinery" would combine with "the normal preelection slowdown in both private and public investment spending." The head of India's largest lender, State Bank of India, said that there's no silver bullet as each stalled project has its own unique problems.

"There's no single solution to get all projects going. All interested players including banks are working towards resolving these issues," said SBI chairman Pratip Chaudhuri.

TASK CUT OUT FOR NEW PANEL

Industry believes salvaging bigticket projects can be the best driver for growth in the short as it doesn't require legislative action, but executive orders.

CII president and Infosys Technologies CEO Kris Gopalakrishnan called for a special focus on PPP projects that are running into a lot of problems."If the government wants to build an infrastructure asset under PPP mode, why can't it get all clearances in advance and then invite bids so that they are focusing on execution rather than running around for paperwork?" he asked.

"Most of the projects which are stuck are in the domain of private sector and it is important that they are also considered on priority by the CCI," said FICCI president and HSBC country head Naina Lal Kidwai. "Many of these projects are very large and have the potential to stimulate economic activity and generate employment," she said, adding that the industry body recently urged Cabinet Secretary Ajit Seth to help push forward private sector projects.

Some course correction has begun. Last Thursday, Chidambaram said that Prime Minister Manmohan Singh has approved the creation of a new panel in the cabinet secretariat to identify and help restart 241 stalled projects worth Rs 7 lakh crore, where banks have already disbursed over Rs 53,000 crore.

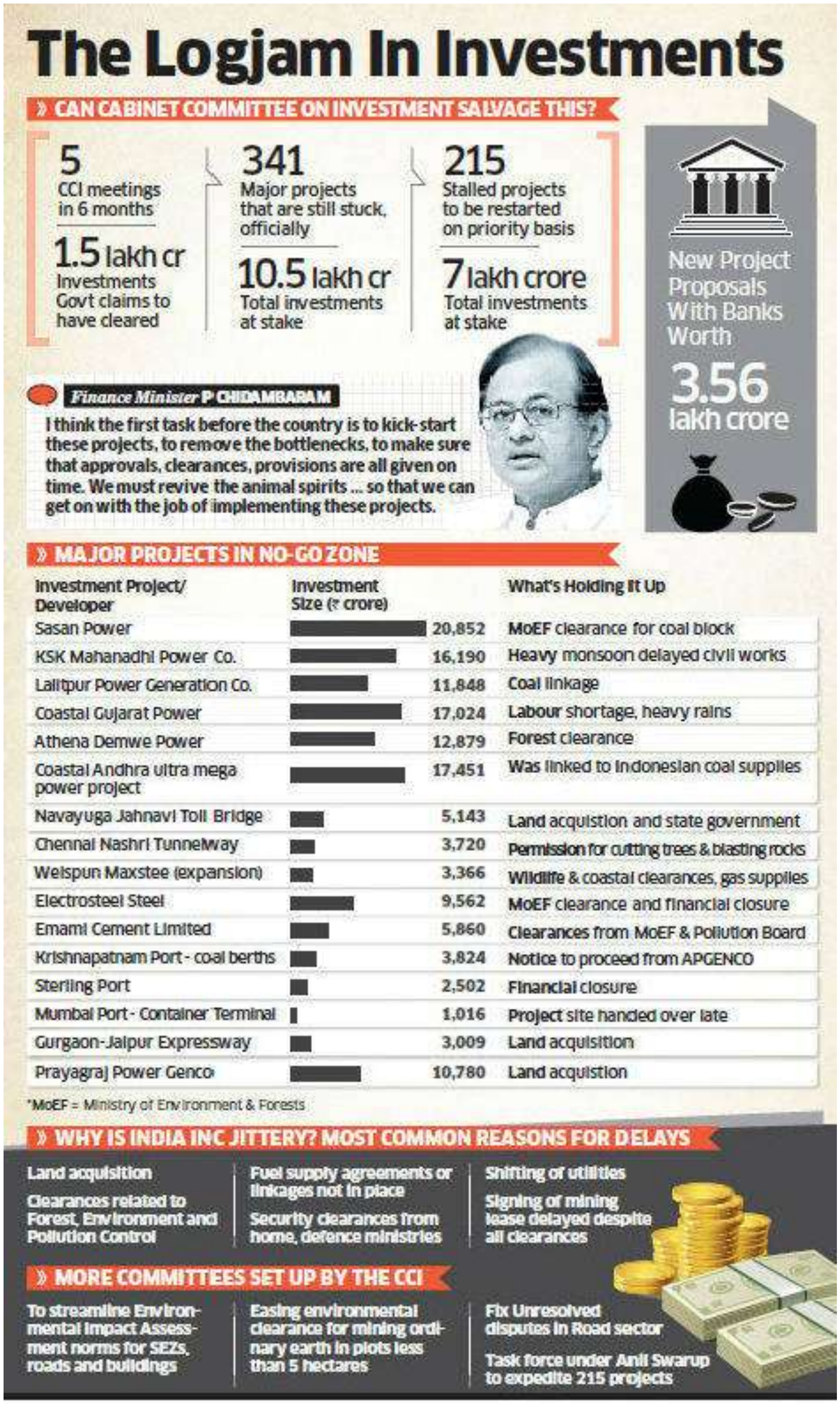
The new panel is to be steered by indefatigable bureaucrat Anil Swarup, who has been implementing one of the world's most effective health insurance schemes - the Rashtriya Swasthya Bima Yojana. "The idea is to first pick up those projects where there are minor issues and can be quickly resolved. For example, there are some projects where 90% financial closure is done, and there are some minor issues which can be easily resolved by the banks," a senior finance ministry official said.

So projects, where 90% of the land has been acquired, or permissions from a single body are pending, would be taken up on a priority basis. The finance ministry is doing the prepartaory work so that the CCI can clear these issues in a single meeting or two, the official added. Kidwai has some hopes from the new panel led by Swarup, which she said filled the need for "some kind of dedicated institutional mechanism" to track and follow-up on the progress of delayed projects with individual departments.

Apart from this panel, the CCI has set up three committees in its short tenure, starting with one to recommend improvements in the environmental clearance process for mining brick earth and ordinary soil from areas less than 5 hectares. Former space scientist and Planning Commission member K Kasturirangan heads the other two committees — to review the environmental impact assessment norms for buildings, roads and special economic zones; and the "resolution of unresolved bottlenecks" in the road sector.

ET VIEW: What counts is politics, not committees

Projects remain stalled essentially because of a crisis in politics, one that transcends the UPA. In India, politics is funded almost exclusively by the proceeds of corruption. Creating a maze of clearances in the path of any project is part of political funding: every hurdle is a rent-seeking opportunity. At the same time, institutions of transparency (RTI) and accountability (the Courts, popular protest) are maturing, to penalise the corrupt. But the logical extension is not, of creating a non-corrupt way of funding politics. So, the hurdles remain, but the babus are too scared to help projects cross them. Stasis results. A systemic solution is to fund politics transparently



The Logjam In Investments

» CAN CABINET COMMITTEE ON INVESTMENT SALVAGE THIS?

5 CCI meetings in 6 months

1.5 lakh cr Investments Govt claims to have cleared

341 Major projects that are still stuck, officially

10.5 lakh cr Total investments at stake

215 Stalled projects to be restarted on priority basis

7 lakh crore Total investments at stake

New Project Proposals With Banks Worth **3.56 lakh crore**

Finance Minister P CHIDAMBARAM

I think the first task before the country is to kick-start these projects, to remove the bottlenecks, to make sure that approvals, clearances, provisions are all given on time. We must revive the animal spirits ... so that we can get on with the job of implementing these projects.

» MAJOR PROJECTS IN NO-GO ZONE

Investment Project/ Developer	Investment Size (₹ crore)	What's Holding It Up
Sasan Power	20,852	MoEF clearance for coal block
KSK Mahanadhi Power Co.	16,190	Heavy monsoon delayed civil works
Lalitpur Power Generation Co.	11,848	Coal linkage
Coastal Gujarat Power	17,024	Labour shortage, heavy rains
Athena Demwe Power	12,879	Forest clearance
Coastal Andhra ultra mega power project	17,451	Was linked to Indonesian coal supplies
Navayuga Jahnavi Toll Bridge	5,143	Land acquistion and state government
Chennai Nashri Tunnelway	3,720	Permission for cutting trees & blasting rocks
Welspun Maxstee (expansion)	3,366	Wildlife & coastal clearances, gas supplies
Electrosteel Steel	9,562	MoEF clearance and financial closure
Emami Cement Limited	5,860	Clearances from MoEF & Pollution Board
Krishnapatnam Port - coal berths	3,824	Notice to proceed from APGENCO
Sterling Port	2,502	Financial closure
Mumbai Port - Container Terminal	1,016	Project site handed over late
Gurgaon-Jaipur Expressway	3,009	Land acquisition
Prayagraj Power Genco	10,780	Land acquistion

*MoEF = Ministry of Environment & Forests

» WHY IS INDIA INC JITTERY? MOST COMMON REASONS FOR DELAYS

- Land acquisition
- Clearances related to Forest, Environment and Pollution Control
- Fuel supply agreements or linkages not in place
- Security clearances from home, defence ministries
- Shifting of utilities
- Signing of mining lease delayed despite all clearances

» MORE COMMITTEES SET UP BY THE CCI

- To streamline Environmental Impact Assessment norms for SEZs, roads and buildings
- Easing environmental clearance for mining ordinary earth in plots less than 5 hectares
- Fix Unresolved disputes in Road sector
- Task force under Anil Swarup to expedite 215 projects

THE ECONOMIC TIMES

Builders' Association of India hopes Real Estate Bill is passed in monsoon session

MUMBAI: Builders' Association of India (BAI) today said it has welcomed Centre's move to clear the Real Estate (Regulation and Development) Bill and hoped that the same would be passed in the Parliement's monsoon session.

"We welcome the Bill and hope that it will be passed by the Parliament in the forthcoming monsoon session, and thereafter respective states would also pass the bill in their respective assemblies," BAI General Secratery Anand Gupta said in a statement here.

"BAI has represented to the Central and state governments to regulate the real estate industry, which in its stupendous growth, has been attracting several players with dubious records.

"It is because of easier entry into this industry, which does not have any control such as registration and regulations, these fly-by-night operators have brought bad name to the real estate industry. Today any one can become a developer," he further said.

Gupta added that the Bill must fix up registration and prequalification criteria for any one to register as real estate developer. "Importantly the responsibilities of the various stake holders like developer, local self governments, state government and the Centre should be very clearly defined and all should abide by a predefined time-bound programme for the completion of project."

Long time-frame to complete projects due to various hindrances like Government approval process, project finance and title issues have been the biggest problems faced by the real estate industry in India today. Launching a housing project normally needs more than 55 approvals from various departments of local self government as well as the state and central governments, which takes minimum 15 to 24 months for compliances, he said.