

“We are in a much better position as compared to where we were about four-five years back”



**Over ₹ 67,000 crore has been allocated for the roads and highway projects in the Union Budget for 2017-18. What will the increase in budgetary allocation mean for the sector?**

Actually, the government has started giving priority to the sector from the very beginning of the last fiscal with significant increase in budgetary allocation. This year it has been marginally increased say—an increase of about 15% over the last year allocation. Nevertheless, it gives a sense that the government has strong intention and commitment to promote project execution and revive the sector, which had almost hit a deadlock.

As of now, I personally feel, funds won't be a problem for the roads and highway sector because there are some other non-budgetary allocation modes through which sector is expected to fetch funds. For example, NHAI has been mandated to raise funds through bonds. In addition, the policy makers have brought in certain reforms that may avail funds. So, now there are three modes of the fund raising for the sector, first through budgetary allocation, second through bonds and third through Toll-Operate-Transfer (TOT) model. Two-three years back this model was not available to NHAI.

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**If we see the past track under PPP mode the government introduced built-operate-transfer model, which was not that much successful and now it has come up with TOT. How do you see this move in terms of viability?**

BOT has its own challenges and moreover failed to work as per expectation under public private participation. I believe that the model failed to procure expected results due to double-fold risk—a mix of construction and commercial traffic risk—and widely the industry is yet not prepared of well-equipped to handle such model. As of now just 10% of the total projects have been rolled out under this model and gradually BOT model is expected to become obsolete because of financial challenges.

Whereas, the TOT model is very different and is conducive to the climate what we have currently. The need of TOT is basically because NHAI and its proponents such as state road development authorities have to raise funds and a considerable proportion of road projects are going to come on EPC model. Largely, the capital expenditure must be funded by the

development authorities or one can say the entire burden will be on the government for funding the project under EPC model. And, if it is under annual hybrid (HAM) model 40% of the capital expenditure is funded by the government while the balance 60 % is paid as variable annuity amount after the completion of the project depending upon the value of assets created.

Keeping this in view, in both cases there is a need for strengthening the source of funding and here comes the importance of TOT. However, TOT has its own set of challenges. As an optional model the government wants to roll it out and has to do with somebody who can take a commercial call on the traffic growth of the project on long term basis say 25 to 30 years. However, it does not have any construction risk because a large part is already funded by the agencies. So, we need those pension funds, sovereign funds, multi-lateral funding agencies which can take a commercial call. They are the one right fit for these kinds of models.

**How can road-safety concerns be addressed by the players and the government?**

The road safety is getting increasingly important. It is not only for the road sector but also for the railway sector. The government has announced huge allocations for the safety fund in both the transport systems. It understands the need as India has the most unsafe ecosystem in terms of roads projects with record high rate of road accidents. The government is trying to incorporate performance related clauses in the concession of limited self. During the operation and maintenance there are aspects which are being highlighted on the safety front which are directly linked to the performance of the developer. So, in a way safety aspects

are getting imbedded in the operation and maintenance part of the road projects. Hence, I think over the next three to four years we will see much more evolved roads and highway systems, which is rightly the need of the hour. There is no point in increasing the average speed at which we can ply unless and until you can make roads and highway corridors more safer.

**How the various national schemes launched in the road sector are helping in overall growth?**

We are doing better as compared to about four-five years back and certainly the government schemes have their contribution in that. For example, average road construction per day has increased from about 9-10 kms a day to 20-22 kms a day. Further, the near future target of 30 to 35 km a day is expected to be reached soon. I think, there are many schemes on which we can be proud of.

The projects which are major iconic projects like national highways initiative-- Golden Quadrilateral and at the village connectivity schemes like Pradhan Mantri Gram Sadak Yojana (PMGSY) have actually been very successful.

**Which are the key projects that are drawing interest and investment across the country?**

If you look at the most iconic one and the most talked about one is the bullet train, which is expected to entail an investment of about ₹ 98,000 crore. The other projects include metro projects in major cities and airport infrastructure development that includes modernization of major airports and developing new airports in the country. Apart from this, there are some sophisticated infrastructure projects execution taking place in the country. Few of them are ongoing tunneling projects for road

connectivity in the difficult terrain of J&K and North East states.

**Congested, clogged roads and heavy traffics are the biggest challenges facing the EPC players in roads and highways in large cities. What steps can be taken to overcome these?**

Every city will have own set of challenges, this is not just applicable for cities of India but globally. When you talk of peak traffic demand its get very difficult for government to come out with a model which is actually buyable. Now, how the EPC companies and the project management companies can really gear up giving a solution, I think it has to be a mix of the model in which the government rolls out the projects. BOT concept, I think it will be a farfetched challenge. These projects will have to be rolled out on EPC and then taking into account various models and variants of PPP. It can actually have some component of commercial risk being taken by the private sector players, once these assets are commissioned.

The other aspect is that we cannot have just one solution to the traffic issues as every city have its own geographical and infrastructure development statistics with set of challenges. The government must look at multi module splits in terms of traffic. So, if you look at coastal and waterways I think we are almost zero or negligible in terms of the transportation which happened in that front. In terms of some urban railways, we all know there is a high level of saturation, so that needs to be expanded. We have just talked about the underground and over ground projects connectivity on the metro front. Third, aspect is how we can expand the roads. It is very difficult to expand the roads on the main corridors. We can definitely do some value engineering here and there but we have to look at some alternative options like the coastal road.

EPC