

“We intend to make our highways world class”

Exclusive Interview with Kamal Nath, Minister for Road Transport and Highways, on recent developments, upcoming projects and FDI in India's infrastructure sector

M+V: Why should foreign companies invest in infrastructure projects in India?

Kamal Nath (KN): India today is a leading destination for infrastructure spends and, underscored by the aspirations laid out in the Eleventh Five Year Plan, this sector offers tremendous growth potential. Highways have a large shelf of projects which are on offer. Given our historical under-investment in highway infrastructure and the role this sector can play in stimulating economic growth, we believe it is imperative that adequate investment flows are attracted to this segment. The world economic revival hinges on higher consumption/ spending/ investment and Asia and in particular countries like India can afford such spending. Hence naturally India is an attractive investment destination.

M+V: In the recent World Economic Summit 2009 in New Delhi you noted that, while your last job was largely about talking, „in this job, talking is not progress - building roads is”, and hence you want to “fast track” projects. One tool for this is a larger amount of money. What are other changes that your administration wants to make in order to “fast track” infrastructure projects?

KN: Resources are a must for any development project or process. Resources in terms of money, adequate manpower, appropriate technology etc and a responsive administrative system which will enable the road sector to rightly use these resources are essential to add momentum to the Indian Highways sector. The processes and procedures are being geared to remove the impediments which were hampering the process of award of road projects.

Within the last three months, we have identified the primary areas of concern through discussions with the various stakeholders. The government has recently approved recommendations that largely address stakeholder concerns. The biggest challenge is to bring about an attitudinal change of the people involved in the process. For one, we must believe that we can do 20 km's a day.

M+V: Road projects have faced major delays in the last 2-3 years and have not progressed according to plan. What do you see as the major barriers and bottlenecks

in implementation, and what specific plans do you have to overcome these?

KN: We have had a combination of factors adversely affecting road sector awards in the past few years. Financial sector meltdown, FII withdrawing funds from Indian market, liquidity issues, perceived non-viability of road sector projects, bid documentation issues, institutional and structural inadequacies etc., issues of delays in land acquisition and award/execution procedural issues. The market related issues are getting resolved with the market showing a slow but steady revival. Structural, procedural and institutional issues are being addressed and solutions are being worked out. The results are positive and we are hopeful that the process initiated by us would yield good results.



Kamal Nath, India's Minister for Road Transport and Highways, during the Interview with Klaus Maier, Managing Director of M+V.

M+V: Last year you said the model for PPP projects would need to change to be viable (as some potential private investors had been critical of the potential return on investment). Can you tell us about the model you are proposing now?

KN: The model remains the same. However, we have changed many of the provisions that were to be seen to be enhancing the execution and financial risk and hence viewed as unfriendly by the market. This has created a positive sentiment and the response to bids has scaled up.

M+V: Can foreign registered private companies participate in PPP projects? Are there any specific incentives or barriers for foreign companies to invest in infrastructure development in India?

KN: In the Highway sector 100% FDI is permitted. The entity so permitted has to invest directly in projects. We have a level playing field for the Indian and foreign companies and the projects are bid out on international competitive bidding.

M+V: Please tell us about the new “Super Highway” that we read about in the News lately?

KN: We intend to make our highways world class. Traffic will be the main determinant to determine whether a particular highway will be 4 lane, 6 lane or 8 lane. We intend to have mega road projects in the coming years. These mega road projects will be for a length of more than 500 km and with TPC (total project cost) of about 1 billion dollars. We are

hopeful that these projects with a higher threshold limit would be attractive to bigger players in India and to foreign infrastructure companies as well.

M+V: You have set up an expressway division in the National Highway Authority, what are their tasks and what are their goals?

KN: The Expressway Authority of India would be structured in a manner similar to National Highways Authority of India. Currently, it is set up as a division within NHA. They would be handling a series of totally new Greenfield projects. The Government is examining the various models for building these Expressways.



Kamal Nath and Klaus Maier at the Minister's residence in New Delhi.