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Of hanging projects and growing impatience

HISTORY'S LONGEST RUNWAY?

Of hanging projects and growing impatience
Times of India

Bangalore: Siemens India managing director Juergen Schubert's outburst raised the red flag in the Indian Silicon Valley over its infrastructure projects. "Slowly and surely, our patience is going down," Schubert said during a media briefing in Bangalore in October with reference to the proposed Bangalore international airport, a project in which Siemens has a 40% stake.

The cat was out of the bag. All was not well with the airport project. Since then, the Karnataka government's intention to re-look at the financial support has become known. The state government wants to pare down its contribution to Rs 75 crore from an earlier commitment of Rs 350 crore. Couple of more months and the idea of an international airport steps into its fourteenth year.

Meanwhile, another project which has had a longer history than that of the airport's is running aground. The Bangalore-Mysore expressway, mooted in 1983, has taken a controversial turn with the state government constituting a review committee. The issue has come to a head with the Nandi Infrastructure Corridor Enterprises (NICE) threatening to drag the state government into an arbitration settlement unless the review committee is recalled. BMIC (Bangalore-Mysore Infrastructure Corridor) too completes 10 years without progress.

The third mega project that is hanging is the Rs 13,800 crore Royal Garden City (NRI City) near Bangalore promoted by the Royal Indian Raj International Corporation of Canada. Mooted in 2000 during the Global Investors' Meet in Bangalore, the project is yet to get any clearances from the state government.

Mega projects in Karnataka somehow have managed to land in controversies and eventually vanish. A case in point is the ambitious power project by Cogentrix and China Light and Power in Mangalore which was caught in a legal battle and the venture called off. ONGC's proposed Rs 25,000 crore petroleum complex near Mangalore appears to be jinxed.

Many investors who are at their wits end today are those who came for the Global Investors' Meet in 2000 at the invitation of the Karnataka government. They came. They showed their willingness and capacity to bring in substantial money. They showed evidence of their experience in the areas they planned to invest. Yet, over four years since then, many are still running from one department to another.

“What’s the point of having tamashas like Global Investors’ Meet when there is actually no seriousness? Elsewhere in the world, I could sue them for misrepresentation of facts,” says an investor. Some of the investors are NRIs who have made their money overseas and whose primary interest is to see Karnataka develop. NICE chief Ashok Kheny was in the US for over 30 years and came to Karnataka only to give something back to his state with the experience he had gained overseas. Ditto with the Benjamins of Royal Indian Raj. Collins Benjamin, who went to Canada in 1969, is today a Canadian citizen, but is here in India now because he thinks he could do some world-class projects for his home country.

Royal Indian Raj has secured a 300 million pounds equity line of credit through UK based GEM Global Emerging Markets’ Global Yield Fund. Pre-sales, debt finance and an IPO are the other proposed sources of funds. On the land front, it has obtained agreements from owners of some 3,000 acres of land near the proposed international airport.

The exasperation is evident. “Our people are getting fed up. Our investors are getting impatient. Money can’t wait,” says an investor who has lined up commitments for funding from varied sources.

The big question is: can Karnataka pull off mega projects on its soil?

The Road to Nowhere?

1985 - GoK moots Bangalore-Mysore expressway

1988 - Attempts to bring in private participation falls through. GoK explores possibility of getting World Bank/Asian Development Bank assistance but backs out when it realizes that the state exchequer will have to bear a huge burden.

February 1995 - GoK signs MoU with Kalyani Group led consortium. The consortium includes VHB International and SAB of US.

June 1995 - High-level committee submitted to study the project.

November 1995 - GoK accepts the project under BooT basis. Effects certain modification from the original proposal.

April 1997 - Frame Work Agreement executed between GoK and Nandi Infrastructure Corridor (NICE). Construction period is set as 10 years, toll franchise period as 30 years. After this period the road will be handed back to the state at no cost. A single empowered committee set up to monitor the project having jurisdiction throughout the project area.

December 1997 - GoK offers 100% stamp duty exemption for registration of land from KIADB to NICE. As part of its infrastructure policy, offers government land at concessional rate. Directs KIADB to acquire land as per NICES’ time-frame. FWA

challenged in the Karnataka High Court calling for a CBI probe into the deal and subsequently dismissed.

1999 - Special Leave Petition in the Supreme Court against the project subsequently dismissed.

March 2000 - Modifications to the FWA.

January 2001 - GoK fixes prices of government land.

March 2004 - NICE achieves financial closure for the first phase of the project. The road is re-aligned owing to environmental reasons.

November 2004 - GoK appoints a review committee to go into the land misuse allegations. NICE threatens to exercise its rights in the case of a governmental default which includes going for an arbitration.

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