

## Infrastructure Update: India's New Highways

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India will require US\$ 70 billion in investments over the next three years to realize plans to build 20 kilometres of road per day to ensure future growth.

How will ambitious road projects be achieved in a sustainable manner in times of tight credit?

#### Key Points

- Improving infrastructure is the key to India ' s development.
- The government is addressing the challenge of land acquisition for highway construction.
- India remains attractive enough to make finance available, but major hurdles remain, such as lengthy dispute resolution processes and a banking system in need of reform.
- Contracts within the public-private partnership framework need to be made more attractive.

#### Synopsis

One of the key priorities of India ' s growth is infrastructure, government spending on which has nearly doubled in the past decade. Although India currently has 3.3 million kilometres of roads – the second largest such network in the world – the shortage of highways has been a major hurdle for attracting foreign investment. A recent survey of business leaders identified India ' s underdeveloped state of infrastructure as the top priority, while an inefficient government bureaucracy is also a top concern.

Within the infrastructure deficit, the lack of roads remains the greatest challenge. Although there are 71,000 kilometres of national highways, 16,000 are single lane roads. To embrace the challenge of building 20 kilometres of road per day, the government of India has embarked on one of the largest public-private partnership schemes in history. The cost will amount to US\$ 20 billion, 60% of which will be raised by the private sector.

Participants from the private sector voiced a need for government reform. To encourage them to take risks, contracts need to be more attractive. The government is in the process of correcting some of these roadblocks. Clauses within contracts are being reworked with the input of private industry. Government officials have heard from the world ' s largest construction companies that they will invest only if “ mega-projects ” – those valued at US\$ 1 billion or more per year – become available, which will attract the best technologies and best practices of international firms. The government wants to see 600 such mega-projects go forward in the near future.

But foreign firms are often discouraged by India ' s inefficient bureaucracy. One major concern is the acquisition of land, which often results in prolonged court battles that reach the Supreme Court. Another issue is that estimates are often much lower than the actual cost of the project, resulting in the contractor bearing the extra costs. In addition, key decisions are often made by very few people through a long, tedious process.

The government has begun to address these problems. One recent reform will allow the government to shorten the length of time it takes to acquire land from 18 to 8 months, and no project will be awarded until the government has already acquired 80% of the land. Consultants who have consistently miscalculated estimated costs of projects are being reviewed. Regarding dispute resolution, the government is considering a more equitable process that will avoid time-consuming arbitration battles.

#### Special Guest

Kamal Nath, Minister of Road Transport and Highways of India

#### Introduced by

Robert Greenhill, Managing Director and Chief Business Officer, World Economic Forum

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<http://www.weforum.org/sessions/summary/infrastructure-update-indias-new-highways>

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### Discussion Leaders

David Birch, Regional Managing Director, Halcrow Group, India

Ajit Gulabchand, Chairman and Managing Director, Hindustan Construction Company, India; Global Agenda Council on Urban Management

Onkar S. Kanwar, Chairman, Artemis Health Science; Chairman, Apollo Tyres, India

Harpinder S. Narula, Chairman, DSC, India

### Moderated by

Alan G. Friedman, Executive Editor and Anchor, FBC Group, United Kingdom

This summary was prepared by Daniel Pepper. The views expressed are those of certain participants in the discussion and do not necessarily reflect the views of all participants or of the World Economic Forum.

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Recommended reading for: Transportation industry, government, construction industry, foreign investors