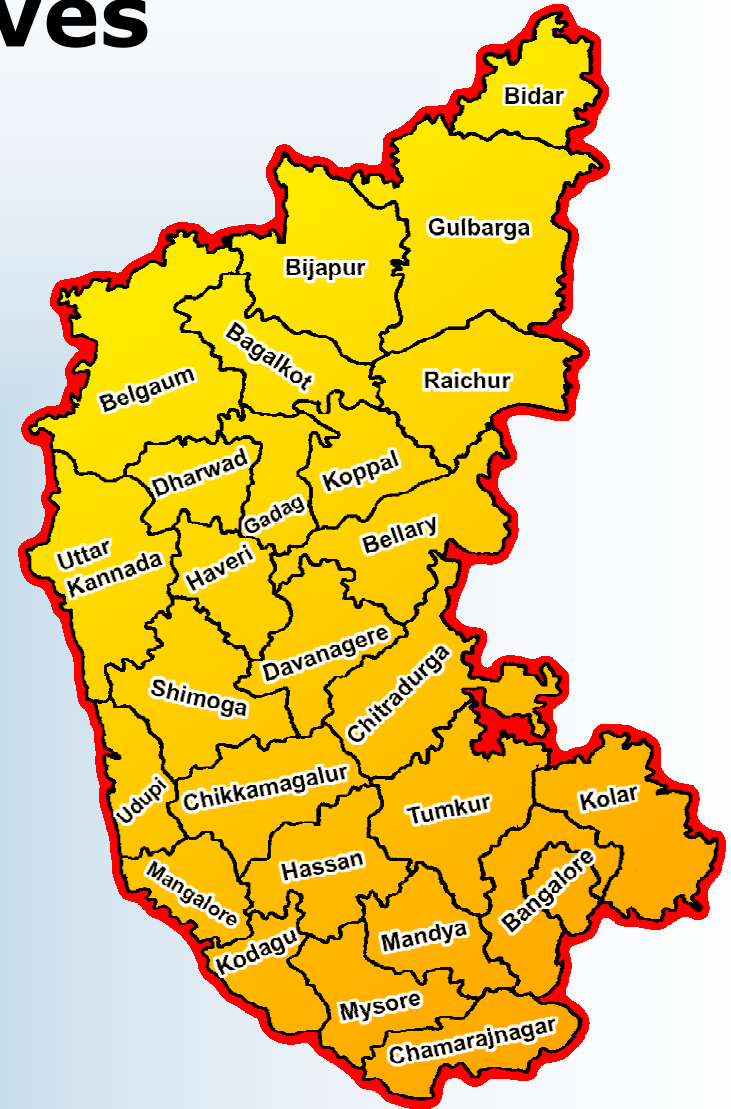


# Infrastructure Initiatives in Karnataka

Presentation by  
Infrastructure Development  
Department



# Presentation Structure

- Overview of the Infrastructure Development Department's Functioning
- Key Projects Under Implementation, with PPP
- Project Pipeline, with PPP
- (Draft) New Infrastructure Policy
- Issues for Discussion

# **Overview of IDD's Functioning**

# Structure Overview

## Infrastructure Development Department / Assisted by

**KSIIDC – Airport Cell**  
(Government of Karnataka  
Company)

**iDeCK**  
(JV of GoK, IDFC,  
HDFC)

**K-RIDE**  
(JV of GoK & MoR)

- Development of Bangalore International Airport
- Aviation Business Park
- Minor airports

- PPP projects
  - Policy
  - Development studies
  - Documentation
  - Bid process management
- Advisory services to other departments/ government agencies
- Project Development Funding
- Project Investments

- HMRDC (SPV for Hassan-Mangalore gauge conversion)
- Solapur-Gadag gauge conversion
- Hubli-Ankola new rail line
- Kottur-Harihar rail line
- Other rail projects

# Preparatory Process

- Project development studies
  - Funded entirely by the line departments/ IDD in some cases
  - Joint development utilizing the Project Development Fund through iDeCK
- Structuring of project for implementation through PPP
  - Based on independent market and technical studies
- Competitive & Transparent Bidding of projects
- Government Support
  - Land Acquisition
  - Environment Clearances
  - Financial support, if required, in specific projects

# **Key Projects Under Implementation, With PPP**

# Bangalore International Airport



# The New Airport

- World class new airport
  - First PPP airport in the country. Joint venture of AAI (Government of India), KSIIDC (Government of Karnataka), and Private Promoters (Siemens, Zurich Airport, Larsen & Toubro)
- Work has commenced, and due for completion by April 2008
- The Initial Phase was originally conceived for 4mn pax per annum. However, in the recent years, Bangalore has experienced tremendous growth in traffic. The airport capacity is being scaled up to handle 11.4mn pax per annum at the opening.
  - The airport will have an ultimate capacity of 40mn pax per annum
- Critical linkages and non-aviation facilities are on the anvil

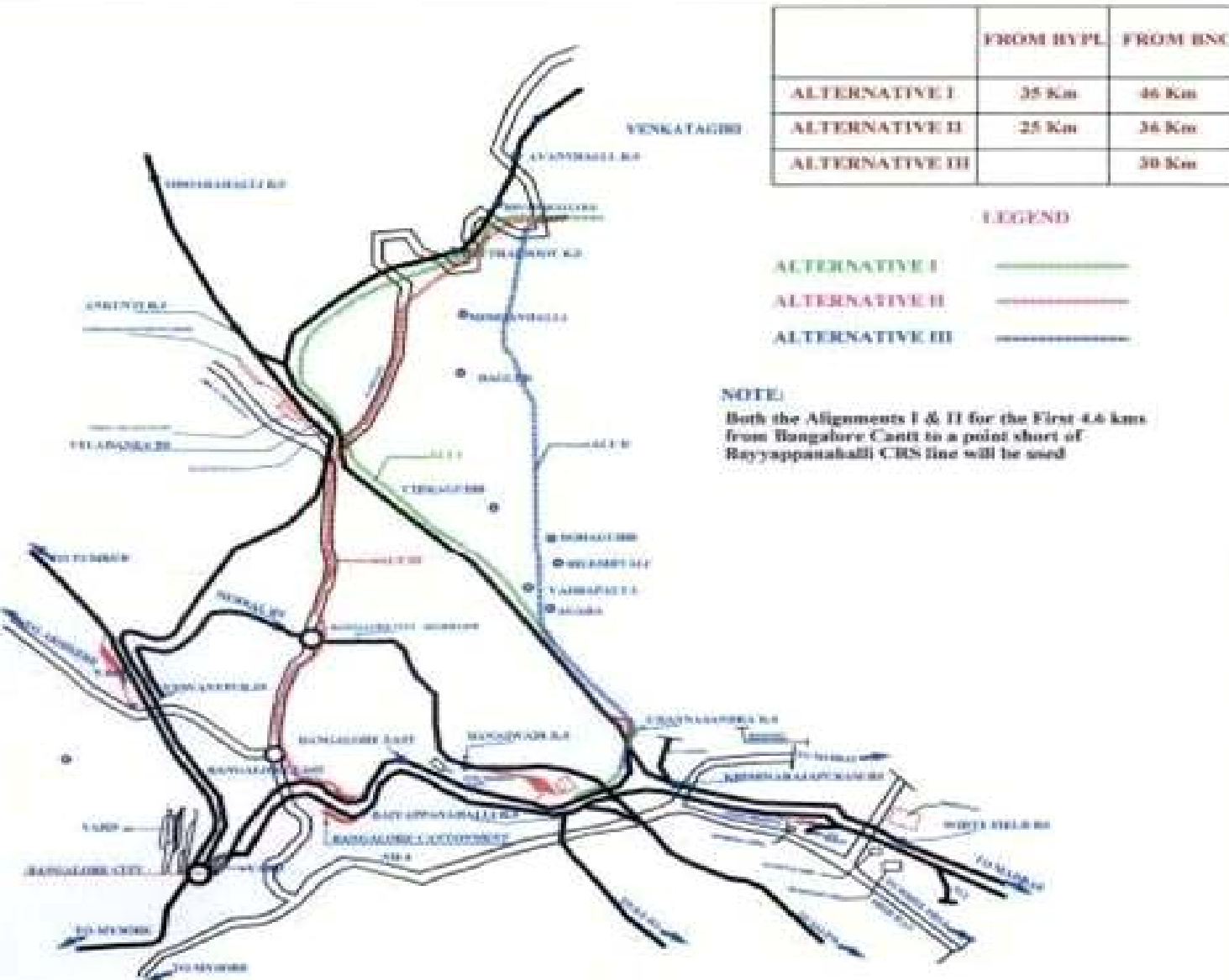


# List of Projects – Already Bid Out

<b>Bangalore International Airport</b>	<b>1800 (Rs. Cr.)</b>	<b>Construction in progress</b>
<b>Hassan-Mangalore Rail Line</b>	<b>310</b>	<b>Completed</b>
<b>Elevated Expressway to E-City</b>	<b>600</b>	<b>Construction commenced</b>
<b>Sandur Bypass</b>	<b>20</b>	<b>Concession signed</b>
<b>Kalasipalyam Bus Terminal</b>	<b>35</b>	<b>Bidder Identified</b>
<b>EWS Housing in Bangalore</b>	<b>165</b>	<b>Bidder Identified</b>
<b>Waste-to-energy plant at Bangalore</b>	<b>60</b>	<b>Construction in progress</b>
<b>SWM treatment and Landfills in Bangalore and Shimoga</b>	<b>25</b>	<b>Bangalore – Construction in progress Shimoga - Bidder Identified</b>
<b>Redevelopment of commercial properties in Bangalore (2) and Mysore (1)</b>	<b>65</b>	<b>Bangalore – 1 completed, one in construction Mysore - Bidder Identified</b>
<b>24X7 water supply project in 3 ULBs</b>	<b>70</b>	<b>Construction in progress</b>
<b>Redevelopment of 11 tourism properties</b>	<b>30</b>	<b>Completed, except one just handed over</b>
<b>TOTAL</b>	<b>3180</b>	

# **Pipeline of PPP Projects**

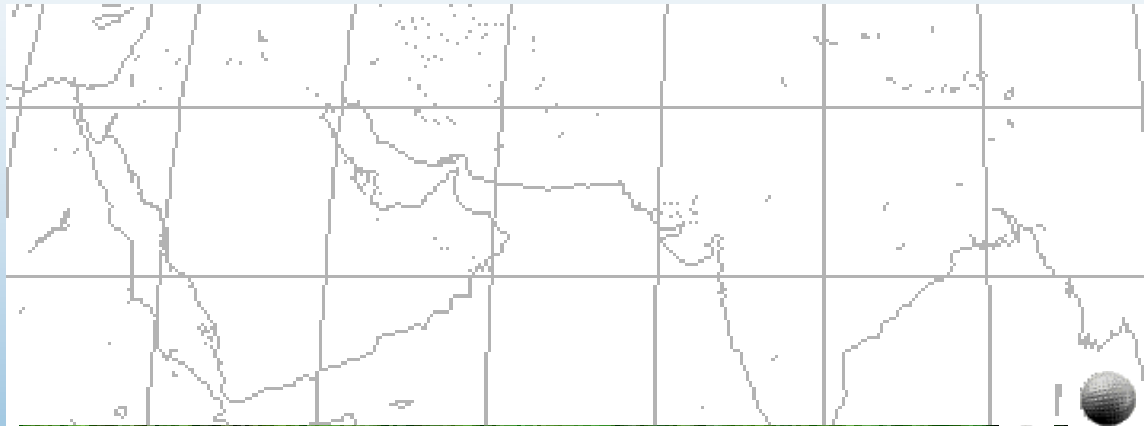
# High-Speed Rail Link to Bangalore Airport



# High-Speed Rail Link to Bangalore Airport

- Estimated Project Cost – Rs. 800 crores (including cost of land and rolling stock)
- Preliminary studies by iDeCK indicate that project could be implemented as a PPP (MoR + GoK + private investor/developer)
- Route length – approx. 30 kms
  - Byappanahalli – New Airport Site
  - Estimated travel time - 30 minutes
  - Estimated fare – Rs. 300 per trip
- Check-in facility at city
- Detailed Project Studies to be undertaken after approval by Cabinet

# Mega-Convention Center

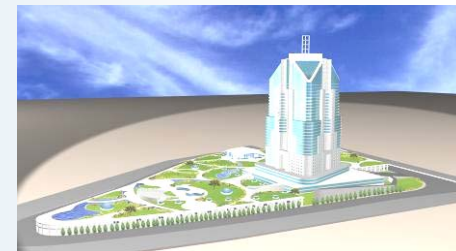
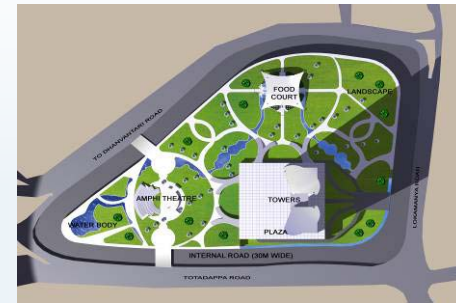


# Mega-Convention Center

- The mega-convention center at Bangalore is proposed to be located near the new international airport at Devanahalli
- It is proposed to develop the project under a PPP structure
  - The project is eligible for financial assistance under the viability-gap funding scheme of MoF, GoI
- Request for Qualification issued by iDeCK
- Project studies are underway

# Inter-modal Transit Center

- Located at Subhashnagar and integrating
  - MRTS
  - Intra-city bus service (BMTC)
  - Inter-city bus service (KSRTC)
  - City railway station
- Request for Qualification stage completed
- Project studies being finalized
- Request for Proposal to be issued to short-listed bidders



# List of PPP Projects – Bidding Underway/To be bid shortly

Project Name	Cost (Rs. Cr.)
Airport rail link	800
Inter-modal transit centre at Subhashnagar	500
Mega Convention Centre	500
Tornagallu-Kudligi Road and Sandur-Hospet Road	200
Biotech Park at Bangalore	200
Luxury tourist train in Karnataka	30
Bus terminals at Channapatna and Shimoga	20
Multi-level parking complex in Bangalore	60
Treatment and disposal facilities in 7 ULBs	40
<b>TOTAL</b>	<b>2350</b>



# **New Infrastructure Policy**

# Vision

- Build strong Public-Private Partnerships in infrastructure development to achieve the twin objectives of high growth and equity
- Expand, broaden and deepen private investment in infrastructure
- Establish Karnataka as a role model for infra development, where governance is based on best practices

# Touchstone Principles

- Efficient Use of Existing Assets
- Payment for Services
- Equitable Contractual Structures
- Transparent Process of Procurement
- Fair Regulatory Framework
- Enabling Institutional Infrastructure
- Sustainable Incentives & Concessions

# Key Provisions

- Payment for Services – tolls , user charges
- Options for PPP
  - Implementation by GoK/GoK Agency followed by medium/ long-term O&M contract by private contractor
  - Implementation by SPV with GoK stake followed by divestiture to private entity
  - Implementation by private developer on stand-alone basis or through JVs under a license/ concession structure
- Procurement principles
  - Objective evaluation criteria (technical and financial)
- Streamlining of Approval Process
  - Role of Line Departments
  - Role of IDD in standardizing processes
  - Timelines for evaluation/approval
- Building Institutional Capability
  - Preparation of standard toolkits
  - Facilitation/ assistance by iDeCK in evaluation of PPP proposals
  - Systematic project development process, and cost recovery of the same
- Preparation of Sectoral Strategies

# Applicable Sectors

Transportation and  
logistics



- Roads
- Railways
- Airports
- Minor ports
- Bus/truck terminals
- Urban transit systems
- Warehousing infrastructure
- Parking infrastructure

Urban & Municipal  
Infrastructure



- Township development
- Commercial development with common-user facilities
- Water supply & sewerage
- Wastewater recycling
- UGD
- Solid Waste/Bio-medical/Hazardous waste management

# Applicable Sectors

Tourism



- Amusement/ Entertainment / Theme Parks
- Hotels/Resorts
- Convention/Exhibition Centres
- Trade Fairs
- Cultural Centres

Industrial  
Infrastructure



- Industrial Parks
- SEZ/FTZs
- Industrial Estates & Townships

Energy



- Power
- Oil& Gas
- Renewable/Non-renewable sources

# Applicable Sectors

## Agri-Infrastructure



- Agri/Horticulture Markets
- Agro-food processing/allied infrastructure (common-user type)
- Canals,Dams and Weirs

## Education



- Specialized Institutions for Higher Education
- R&D Facilities

## Health Care



- Hospitals

# **Points for Discussion**



# Clearance from MoEF

- Automatic clearance may be considered in certain cases:
  - Where land (twice the extent being acquired, for compensatory afforestation), has been handed over to the forest department
  - Where land requiring clearance is less than 5% of total land required for the project (e.g. Sandur Bypass project)
- Increase criteria/ limits for sanction at regional offices
- Information dissemination on forms/ data to be submitted
  - Time-limits for processing

# Funding for PPP Under JNNURM

- Involving private sector is one of the key stated objectives, but the process set down for PPP projects under JNNURM is not facilitative
  - Level of DPR and financial analysis is higher, for initial submission
  - Confirmation is sought on the financing structure from private participants/ lending institutions
  - Process for approval of funding requires the project to have achieved financial close
- However, private sector participation in bidding possible only after in-principle sanction of funds by GoI

# Land Acquisition

- Deliberating on the issue of whether separate legislation is needed for acquisition of land for infrastructure projects:
  - An examination of the Statutes (regular acquisition, as well as under the KIADB Act), indicate that statutory acquisition timelines are of the order of 8-9 months, if pursued earnestly. This is manageable to be folded into the development process
  - However, the important issues seems to be to have a focused approach and fixing of responsibility
    - Annual allocation of funds

# In-principle Approval for VGF

- Under the VGF, for in-principle approval:
  - The proposal for seeking clearance of the Empowered Institution shall be sent (in six copies, both in hard and soft form) to the PPP Cell of the Department of Economic Affairs in the format specified at Annexure-III. The proposal should include copies of all project agreements (such as concession agreement, state support agreement, substitution agreement, escrow agreement, O&M agreement and shareholders' agreement, as applicable) and the Project Report
- As one of the State Governments had raised in the Delhi meeting, can this "in-principle" approval process be simplified, since the level of detail asked for presupposes a fair level of project development
  - These details can be submitted at a later stage...

# Suo-Moto Proposals

- Discussions in the previous meeting indicate that the “Swiss Challenge” approach may not be an unbiased approach
  - “Public Projects & Private Partnerships” is a clearly understood concept
  - However, it is true that not all project proposals, for public projects, may be delineated and studied by the State Government
  - Hence a need to leave some mechanism for suo-moto proposals
- Evaluation of suo-moto proposals in specific sectors
  - Proposals to contain
    - Documentation to establish “public need”
    - Technical details & financial feasibility
    - Cost of development studies
  - Government to evaluate appropriateness of proposal
  - Transparent bidding – with no strings attached
    - Reimbursement of project development expenses in case project proponent is not the successful bidder

# Project Structures... (1)

- Bangalore International Airport: SPV with GoK & GoI participation
  - Board participation necessitates certain complex issues to be resolved in relation to the Government Director's Corporate Governance function, vis-à-vis the process and due diligence that have to be performed on the Board, by virtue of being a Government nominee with limited delegation of powers and an oversight responsibility
  - Related party transactions of the private sector partners, are an ongoing issue that needs to be resolved, from a Government perspective
  - Different perspectives of Government and private sector representatives on ends, means and processes

# Project Structures... (2)

- HMRDCL: JV between MoR, GoK and some strategic private and public sector investors
  - MoR being the Concessioneing authority, is also constructing and maintaining the line through separate Construction and O&M contracts
  - The representative power on the Board, by virtue of proportionate equity, is not reflected in actual executive power/ control on the project progress, costing and management

# Project Structures... (3)

- Other structures attempted in Karnataka:
  - Gulbarga Roads, where KRDCCL constructs and maintains certain road stretches, and local (cement) companies pay on a quarterly basis for 64 quarters – a PPP financing model
  - Bangalore – Maddur: Annuity paid by KRDCCL
  - “Joint Development” (of properties): BMP for various projects, where private sector participant redevelops a certain area, and then shares ownership with BMP



**THANK YOU**