

SECTOR: INFRASTRUCTURE

SECTOR OVERVIEW: June 2013

Welcome to this quarter's Infrastructure sector report. Over the past few months we have seen lively discussions surrounding developments of the Bangalore Mumbai Economic Corridor (BMEC) project, with a focus on potential areas of cooperation for UK-India. At an event in June featuring Shri Anand Sharma, Indian Minister of Commerce & Industry, the BMEC was highlighted for its potential impact on India's economic growth. Meanwhile, at a meeting with members of a CII India CEOs delegation, opportunities for UK infrastructure companies in this project were discussed, along with the challenges faced. Below you will find some of the highlights from the CEOs delegation meeting.

But in addition to BMEC, the team at UKIBC also took part in many other exciting activities. To expand our work in the energy sector, the UKIBC visited the UK's largest energy event, All-energy, in Aberdeen. We also hosted an engaging roundtable featuring Vikram Mehta, Executive Chairman of Brookings India, who gave us first-hand knowledge about the sector. I am happy to share with you below some of the insights from this gathering.

Finally, in this report you will also find notes following our recent participation in UKTI's built environment mission to India, which touched down in Kochi, Kolkata and Ahmedabad, to uncover many interesting opportunities for UK businesses.

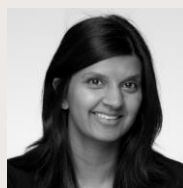
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Market Update

Bangalore Mumbai Economic Corridor meeting with members of the CII's CEO delegation

On 11th June, members of the incoming CII's CEO delegation led by Ajay Shriram, Chairman and Senior Managing Director, DCM Shriram Consolidated Ltd and President Designate CII, attended a UKIBC meeting in London to discuss the potential Bangalore Mumbai Economic Corridor project. The event was hosted by AECOM London.

The Bangalore Mumbai Economic Corridor (BMEC) is a potential multi-billion "project of projects", which envisages the sustainable development of a fully networked chain of multiple cities along the 1,000 km between Mumbai and Bangalore, across the two States of Maharashtra and Karnataka. It aims to urbanise and industrialise the small cities along the route, easing the unsustainable burden of overpopulation on the two megacities at each end.

Mike Davies, Founding Partner of Rogers Stirk Harbour, presented the BMEC conceptual vision setting out the "beaded chain" approach to planning and urban development.

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The senior delegation from India included Forbes Marshall Ltd, the State Bank of India, Standard Chartered Bank, Taylor Rubber Pvt Ltd, and representatives from UK industry including: AECOM, Arup, Standard Chartered Bank, Mott MacDonald as well as UK Trade & Investment.

There was a lively discussion around BMEC: the CEOs welcomed BMEC as a flagship project for UK and Indian industry cooperation and there was enthusiasm about the positive contribution it could make to the Indian economy. Importantly, both the UK and Indian Governments have agreed to co-fund a feasibility study.

Challenges of infrastructure projects in India

The **challenges** facing major infrastructure projects in India around land assembly, regulatory and environmental approvals and financing are well known, and undoubtedly these issues will be faced by BMEC. That being said, the Cabinet Committee on Investment is making good progress and has [cleared a number of major infrastructure projects](#) since being formed earlier this year.

The CEOs shared insights into Northern Karnataka which has a strong SME ecosystem, from agri- food processing to foundry and mechanical engineering industries. Given the importance of demonstrating the economic, social and environmental benefits BMEC will bring, it will be important to engage with all **stakeholders** across industry, State and Central governments.

Growth in Tier 2 and Tier 3 cities along the corridor was noted, with much of the development being unplanned. There was consensus that BMEC presents a great opportunity to look at city-based urban town planning and regional planning. The **skills capacity shortfall** was noted as an area where India-UK cooperation can certainly add value.

Next steps and opportunities

Valuable lessons can be learned from the \$90 billion **Delhi Mumbai Industrial Corridor**, which has been in the planning for 8 years. Many UK consultants are working on DMIC which is a project on the UK Governments High Value Opportunity programme. It is worth noting however, that BMEC would not benefit from the scale of financing that the Government of Japan has put into DMIC and UK firms will have to compete.

For BMEC to progress, the UK needs to offer financing, technology and skills. Up until now, domestic banks have been the largest lender to the sector, with the State Bank of India leading the way. However, domestic banks are reaching infrastructure lending caps so it will be important to attract foreign investment. The ambition is that through a coordinated investment strategy, BMEC will create an enabling environment for commercially viable investments.

UKIBC co-ordinated the business input into the BMEC vision paper which was presented to both Prime Ministers during the course of the summit in February. You can read the full text of the BMEC vision [here](#).

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Built Environment Mission to India, 2-7th June

Following on from the [West Bengal Regeneration and Development Scoping Study](#), the UK Trade and Investment led a built environment mission to India in June. Visiting Kolkata, Kochi, and Ahmedabad, the mission explored opportunities in the infrastructure, construction, water and environment sectors and forged potential partnerships. The Rt Hon Eric Pickles, British Cabinet Minister for Communities and Local Government, led the mission made up of UK infrastructure companies, and representatives from Local Enterprise Partnerships LEPs and UKIBC. Below you will find some of the highlights we experienced in each location.



Source: UKTI; British Cabinet Minister for Communities and Local Government, Eric Pickles at the inaugural session of UK Built Environment Expertise during his visit to Kolkata on 3 June 2013.

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Source: UKTI; British Cabinet Minister Eric Pickles speaking to the media at the UK Built Environment Expertise seminar held in Kochi on 5 June.

Kolkata, West Bengal

In Kolkata, delegates had the opportunity to network with local businesses at a seminar showcasing UK expertise. They also met with Minister of Urban Development and Municipal Affairs, Firhad Hakim and Sri Debashis Sen, IAS, Principal Secretary at [HIDCO](#) (West Bengal Housing Infrastructure Development Corporation) who spoke about their plans to transform New Town (Rajarhat) into a financial hub, with monorail connectivity to Kolkata and creating an IT hub as a gateway to northern states. They also discussed the state's wider infrastructure projects and the expertise they were looking for on areas such as space saving technology, water purification and renewable energy. Project tenders can be found at [HIDCO's website](#), and Mr Sen added that, while many projects are not open to foreign companies, UK companies can access opportunities via joint ventures working alongside Indian companies and providing their expertise in projects.

Kochi, Kerala

Delegates on the construction itinerary followed on to Kochi, where they met with the Honourable Chief Minister of Kerala, Oommen Chandy and other state officials including the Minister for Public Works, VK Ebrahim Kunju; and Tom Jose, MD of Kerala State Industrial Development Corporation. The state of Kerala is keen to work with the UK to achieve its

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infrastructure goals as it is currently following an ambitious agenda to upgrade ports, highways, highspeed rail, water transport technology, power generation and waste management.

This will help the state generate business in tourism, and allow them to proceed with plans for life sciences and IT parks. Energy is one of the challenges in Kerala, so the state is working on streamlining power to make it available 24/7.

Opportunities for British businesses can be found in infrastructure development, including monorail and ports. British expertise on contracts, financing, project management consultancy and technical assistance is also highly valued. In addition, opportunities can also be found in skills development, IT sector, retail, and health areas.

Ahmedabad, Gujarat

The last leg of the mission went on to Ahmedabad to meet with private companies and public authorities such as the Ahmedabad Municipal Corporation, the Ahmedabad Urban Development Agency and [GIFT City](#). Ahmedabad, whose aim was to be a well-planned city like London, has done a fantastic job of city planning compared to other cities across India. Inspired by riverfront designs around the world, their two main infrastructure successes are their BRTS and the Sabarmati Riverfront developments, which have significantly improved the road network and provided areas for public use. The city also has plans to build a metro.

Ahmedabad and the wider state of Gujarat offer opportunities in bus and rail, solid waste management, bioenergy, water, and world class designs and technology.

[GIFT City](#), which is being built near Ahmedabad in Gandhinagar, will be designed as a global financial hub focusing on the service sector. With plans for commercial, residential and social areas, the city is being designed as a 'walk to work' area and designed by Halcrow. Opportunities in GIFT include utility tunnel, construction, affordable housing, real estate, social infrastructure and more.

All the states that we visited during this mission were interested in the concept of zero waste, and welcomed any UK expertise in this area. They all consistently said that in order to enter the market and be successful it is best to find a local partner in India which will help them win tenders more easily.

The mission provided participating UK companies with valuable insights into the Indian market and invaluable access to government officials, industry bodies and the private sector. It also gave delegates the opportunity to understand the differences and challenges in each state in terms of infrastructure planning and be better prepared to successfully bid for tenders.

The UKIBC's British Business Centres are opening in Delhi in September 2013. We invite UK companies to make use of these centres and gain a footing in India.

For more information, please contact Sonali.patel@ukibc.com

Consult tenders at:

HIDCO - http://www.wbhidcoltd.com/About_HIDCO/about_hidco.html

GIFT City - <http://giftgujarat.in/>

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UK India Energy Partnership

In an effort to increase our work in the energy sector, the UKIBC, together with FICCI, recently held an exclusive roundtable featuring Vikram Mehta, Executive Chairman of Brookings India, and previous chairman of Shell Companies in India.

At the event, Vikram shared his knowledge of the Indian energy landscape, which has seen a steady demand due to the country's growing population and industry. In order to achieve the proposed GDP growth levels of 8-9% per annum, the country needs to focus its efforts on ways to source their energy needs through oil & gas, coal and renewable sources.

Mr Mehta, joined by Rt Hon Patricia Hewitt, Chair of UKIBC, and leading companies in the energy and financial services sector, spoke about challenges and opportunities in India's energy landscape. Some of the issues that were brought up include problems with land rights, approvals from government ministries and infrastructure needs to fit the changing energy pattern. As India moves from fossil fuels to other modes of energy, the country is in great need to change its infrastructure to support newer energy sources.

The sector has moved from being primarily government-owned to increasingly becoming more market-regulated. There are currently seven government ministries involved in energy. Mr Mehta further stated that in order to deal with the energy crisis, India needs a holistic approach by creating one single energy policy.

Vikram Mehta also spoke about potential areas of UK-India collaborations. The UK has great expertise in wind energy and in many other renewable technologies, which could help diversify India's energy basket and ensure the country's energy security. India should also increase their efforts in R&D in order to harness the local talent base. At the moment, India has one of the lowest R&D spending among emerging countries.



Vikram Mehta and Patricia Hewitt discuss India's energy landscape at the UKIBC roundtable.

Investment Update

West Bengal: Emerging Investment Opportunities

On 17 May, we hosted a roundtable discussion welcoming British Deputy High Commissioner for Eastern India, Sanjay Wadvani. The meeting highlighted business and investment opportunities for British businesses in the Indian state of West Bengal.

In this insightful conversation, we heard about some of the factors that are making this eastern state an attractive business destination. Located at the hub of India's eastern and north-eastern states, it has the potential to act as a business springboard to neighbouring countries such as Nepal, Bangladesh, China, Burma and ASEAN. The recent political shift in

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West Bengal has opened many opportunities, with a particular investment focus on infrastructure, manufacturing and power, agriculture, low carbon energy and healthcare projects.

West Bengal contributes 7% to national GDP, and is home to an outstanding number of highly skilled people and educational institutions.

At the roundtable, Sanjay added that the British High Commission in Kolkata works closely with the Indian Government. As an example, he mentioned a recent initiative in West Bengal, where the Kolkata Municipal Corporation has achieved electricity savings of 52% by switching from HPSV to LED lamps, as part of a pilot project featuring British technology.

Upcoming Event

Opportunities in India with British Expertise

Join us on 17 July to an exclusive event in London featuring experts in the infrastructure sector. Discussions will seek to understand more about the key opportunities in India's built environment, and what the UK is doing to support British companies on the ground. Attendees will have an opportunity to learn from the experiences of other UK businesses in India and about the legal implications of conducting business there.

For more information, please visit our [events page](#).