

**SECTOR:
INFRASTRUCTURE**

**SECTOR OVERVIEW:
January 2013**

In this report we revisit the last quarter highlights in the infrastructure sector.

Minister Kamal Nath's visit in early November, only 6 weeks after his previous visit to sign a MoU on Urban Regeneration and Development clearly demonstrates his keen interest in working with UK businesses. The focus of the November visit was land economics and in this report you can read about our ongoing engagement together in this area.

November also saw two senior visitors from West Bengal, Mr Firhad Hakim, the Urban Development Minister and Mr Debashis Sen, his Principal Secretary. Both were in London to launch the West Bengal Urban Regeneration and Development Scoping Study, which highlighted key opportunities for UK Plc.

Both visits will bring opportunity for infrastructure companies in the UK, from transportation and energy experts to architects, urban planners, designers and engineers.

Under the Market Update section, we observe recent policy changes, and highlight investments that were made.

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LAND ECONOMICS, OPPORTUNITIES IN WEST BENGAL AND FUTURE STEPS

Kamal Nath Roundtable on Land Economics

As mentioned in the November sector view, on 6th November, the UKIBC, RICS and UKTI welcomed Minister Kamal Nath and his colleagues from the Ministry of Urban Development, the Town and Country Planning Organisation, and Delhi's Development Authority to a roundtable discussion on land economics.

The roundtable, which consisted of experts from industry including AECOM, Arup, Mott MacDonald, Lend Lease,

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academia, and the public sector, was designed for the Indian visitors to understand and learn from the UK's experience of planning, implementing and delivering major infrastructure projects, such as the ongoing urban development in East London and building of major transportation links in high density areas.



Land economics roundtable, RICS.

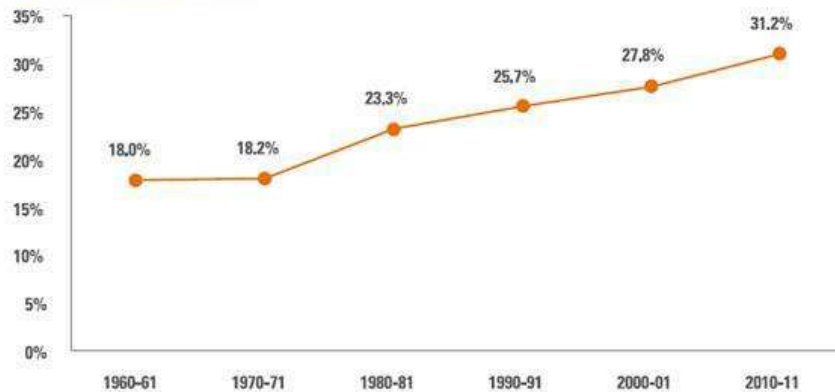
Minister Nath was keen to understand UK models for funding infrastructure development to inform government policy and explore how these might be adjusted for India. Minister Nath identified the UK as the ideal partner to learn from and engage with and encouraged even greater participation from the UK's experts in planning, property and across the infrastructure development industry.

Indian cities are growing, the urban population, is expected to expand from its current 400 million to 600 million in the next decade putting huge demands on land and already strained urban infrastructure. Much of this growth is unplanned.

Indian cities have been seeing a consistent growing trend in the last four decades. See below figure from Census of India 2011.

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Urbanization Growth in India



Source: Census of India 2011

In a recent report, 'Bridging the Urban Housing Shortage in India', KPMG explores the problem in more detail, stating that urban planners need to tackle the urban housing shortage in India. Currently, over half of New Delhi's population live in unauthorised areas without basic amenities, municipal bodies in the area have reported that only one-fourth of the city live in planned areas.

Given the scarcity of available land in Indian cities, the infrastructure and housing deficit, a more efficient use of land is imperative. An ongoing debate in India is whether to build high rise developments versus low rise. Minister Nath believes that in order to address the challenge, there is inevitably a need to construct high rise buildings. This, however, needs to be done in a way that preserves New Delhi's (and other Indian cities') historic qualities.

Discussions focussed on how to value any increase that may be permitted in Floor Area Ratio. Planners wish to understand how to value floor area ratio (FAR), which can generate an increase in land value. Currently, India's FAR is much lower than other countries and adjustments may be considered. This point was reinforced by Mr Ajay Maken, Union Minister for Housing and Urban Poverty Alleviation, at the ACETECH 2012 conference on architecture, construction and engineering, where he stated that State Governments need to be more open minded with their standards on FAR to achieve FSI in double digits which is the case in developed countries.

Methods of delivery including public private partnerships, the allocation of risk between the public and private sector and taxation options such as the UK's new Community Infrastructure Levy were discussed. The importance and challenges of striking a balance to attract private sector participation, while ensuring revenue generation and provision of services that benefit the public, was noted. The Indian Government aims to attract 50% of the \$ 1 trillion infrastructure investment planned in the next 5 years from the private sector.

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Recognising that urban planning requires a holistic approach across a broad spectrum of expertise and the skills capacity shortfall in this area, Kamal Nath reiterated his wish to attract more UK experts in urban planning, valuation and all property professionals.



Kamal Nath, Minister of Urban Development, speaks at the Land Economics roundtable

The Minister also acknowledged the need to improve building standards and noting the benefits of introducing an international standardisation of building processes and terms. RICS offered their support in this area.

Real Estate Skills Required (in '000)			
2008	2012	2018	2022
10,790	14,515	20,682	24,981

Source: Human Resource and Skill Requirements in Building, Construction Industry and Real Estate Services, NSDC

The Minister and his party are keen to engage with more UK public and private sector experts to more fully understand best practices in land economics.

At Minister Nath's request a follow up workshop with both public and private sector participant is being planned in New Delhi in April to delve deeper into the subject.

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There are many opportunities for India and the UK to engage on urban development issues, and the Minister is keen to see a delegation of experts from the UK to meet with State government planning officials and developers. The UKIBC and UKTI will be supporting this business interaction. This will be a great step towards creating a strong urban transformation mechanism.

Minister Nath, who also met with Mayor Boris Johnson on his recent visit to India at the end of November, demonstrated his enthusiasm for working with the UK by announcing the importance of learning from London's experience.

Opportunities in West Bengal

The 'West Bengal Urban Regeneration and Development Scoping Study' report was launched on the 19th of November at the offices of Ashurst LLP by Mr Firhad Hakim, Minister in Charge, Municipal Affairs & Urban Development Department and Greg Barker MP, Minister of State, Department for Energy and Climate Change.



Greg Barker MP, presents West Bengal Scoping Study to Minister Firhad Hakim

The two private sector business experts, Stephen McKenna of Mott MacDonald and Ruchi Chakravarty of HOK who were in Kolkata for 3 months working with local officials to conduct the study presented the key findings. West Bengal was the chosen state based on the number of opportunities that play to UK strengths, coupled with the strong support of Chief Minister Mamata Banerjee to collaborate with the UK. The study is designed to help companies in the UK see a range of opportunities, and, at the launch event, Stephen McKenna's and Ruchi Chakravarty's presentations went into detail. The headlines, though, are that there are opportunities across urban renewal, tourism, heritage, infrastructure, waste management, urban transport systems and food supply chain infrastructure.

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During their visit, Mr Hakim and Mr Sen had a wider programme to help them see firsthand how the UK's public and private sector work together, for example on the Docklands Light Railway and the developments along the Southbank. This latter area is particularly relevant as the government of West Bengal is keen to develop the Hooghly riverfront to resemble that of the Thames, with plans for a Kolkata Eye. Beautification work has already commenced on a small stretch of river.

The report is a step towards even greater UK collaboration with West Bengal. During a visit to Kolkata in early December, our Chief Executive, Richard Heald, met Chief Minister Mamata Bannerjee and signed an agreement with the West Bengal Industrial Development Corporation to connect UK businesses to the opportunities in West Bengal across a wide range of sectors.

A follow up delegation to Kolkata is expected in 2013 to explore the specific infrastructure opportunities in more detail. For more information on the report or any other questions please contact sonali.patel@ukibc.com

MARKET REPORT

JNNURM

As existing JNNURM-funded projects have not yet been completed, it has been announced that the funding will be extended by two years until 2014. The Ministry of Urban Development has also announced that new projects in smaller cities will be given priority for the next two years.

JNNURM was originally launched in 2005 to reform and fast track urban development across India.

Land Acquisition Bill

The Land Acquisition Bill has now been cleared by the Union Cabinet. This means that private sector projects would need the consent of 80% of the people needing resettlement. For public-private partnership projects, the requirement is consent from 70%. Finalised by the Rural Development Ministry and taking in suggestions from the UPA Chairperson Sonia Gandhi, it is hoped that this Bill will unlock infrastructure projects. Finance Minister Chidambaram believes that this step will also improve the economy in the coming months. Prime Minister Manmohan Singh, also in support of the bill, added that there should be changes to certain provisions to be more fair and transparent. However, commentators vary with FICCI observing that certain clauses should be re-examined before it is tabled in the winter session of parliament for example in relation to the restrictions on the acquisition of irrigated multi crop land which can only be acquired under exceptional circumstances. Read more: http://articles.economictimes.indiatimes.com/2012-11-02/news/34876070_1_land-acquisition-bill-private-sector-public-purpose

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Smart Cities

Within Phase II of JNNURM, the government is planning on creating two smart cities in every state. Minister Nath proposes that these cities will have half a million to one million population. The smart cities will feature intelligent transport, be energy efficient and be hosted of information technology services. At the recent FICCI Annual General Meeting, Nath went on to mention that under JNNURM II grants may only be given to states who establish a municipal service which can allow for each state to manage these smart cities.

For more information on smart cities that will feature on the Delhi Mumbai Industrial Corridor, you can read more in the June 2012 [report](#).

PPP on Railway Projects

The Union Cabinet has recently approved the policy framework for private participation on railway projects. In an effort to improve investment and enhance freight traffic by rail, private firms can now work on railway projects. The policy includes 5 models: private, joint venture, customer- funded, build operate transfer (BOT), and BOT annuity. The Ministry of Railways expect investments worth Rs 3,800 crore (£ 450 million) from the private sector, and have invited the private sector to re-develop railway stations in Bhopal, Chandigarh, Pune and Delhi. Railway Minister Pawan Bansal believes that other private sector involvement can include manufacturing engines, running high-speed trains and dedicated freight corridor.

INVESTMENT UPDATE

Chennai Bangalore Industrial Corridor

The Chennai Bangalore Industrial Corridor which is the third project backed by Japan will soon be publicizing their funding. The project will be financed by Official Development Assistance from Japan. South India states and the Indian government are showing interest in the corridor which will allow the south to extend their route and include plans to establish a manufacturing hub between Chitradurga and Tumkur. The project will focus initially on the Chennai Outer Ring Road, Chennai-Bangalore Expressway, airports in Chennai, Bangalore and Sriperumbudur, ports in Chennai and Ennore, and high-speed rail between Chennai, Bangalore and the Avadi rail link.

<http://www.thehindu.com/business/Economy/japan-to-fund-multibillion-dollar-cbic-project-soon/article4116235.ece>

JCB sets up in Jaipur

JCB India have signed an agreement with Mahindra World City in Jaipur, investing Rs 5 billion (£59 million) in this new

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facility which is the largest investment made by JCB in India. They currently operate three factories in Ballabgarh, Haryana and two in Pune.

http://articles.timesofindia.indiatimes.com/2012-11-02/jaipur/34877143_1_jcb-india-jc-bamford-excavators-anthony-bamford