

**SECTOR:  
INFRASTRUCTURE**

**SECTOR OVERVIEW:  
March 2013**

The visit of Prime Minister David Cameron to India, his second since he took office, reinforced the UK government's commitment to growing British business and investment in emerging markets. In conversations throughout this UK-India summit, infrastructure had a central role, not only because it is highly needed in India, but because of the business opportunities that it presents for the UK's infrastructure development industry. In this report you will find notes following the Prime Minister's visit, as well as a detailed analysis on one of the projects discussed: the Bangalore - Mumbai Economic Corridor.

Also during the last quarter, India's Finance Minister announced the new 2013 Union Budget, in which Infrastructure once again, plays a key role, as is evidenced by the proposals aimed to attract yet further investment. Here you will also find out more about our recent event in Manchester, which dealt with urban regeneration, and some interesting developments in India's infrastructure sector.

We hope that you enjoy this quarterly sector report and invite you to send us your comments. For more information on UKIBC's programme of work in the Infrastructure sector, please contact: [Sonali.Patel@ukibc.com](mailto:Sonali.Patel@ukibc.com), or [Caroline.Erskine@ukibc.com](mailto:Caroline.Erskine@ukibc.com).

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**MARKET UPDATE**

**Land Economy Workshop in New Delhi on 11th April**

Next week, Minister Nath will inaugurate the land economics one-day workshop which will take place in New Delhi on 11th April. The workshop is a collaborative effort between India's Ministry of Urban Development, UKTI, UKIBC and RICS, and it follows on the work mapped out at a seminar on land economics that we held last November in London. It was put together at the request of Minister Nath, to be delivered to planning officials, including officials from State Governments.

Workshop sessions will include discussions on land economics and funding major infrastructure; land as a resource for urban purposes; and planning for optimal utilisation of land. Expert speakers from the UK include Sir Edward Lister, Chief of Staff and Deputy Mayor Policy and Planning, Greater London Authority, and Dr Angelique Chettiparamb, Senior Lecturer in Urban Planning and Governance, University of Reading.

This workshop follows on from the Urban Regeneration and New Development Memorandum of Understanding signed between BIS and the Ministry of Urban Development in London on 19th September, to encourage greater cooperation in the areas of: master planning, transport planning, land economics, heritage management, regeneration governance, regeneration capacity building and public private financing arrangements.

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### Prime Minister's Delegation to India

In February, the UK's largest business delegation ever led by a British Prime Minister visited India. The delegation, which aimed to open doors for British business and secure more trade, was well represented by top-ranking companies across sectors. In infrastructure, the group included representatives from leading firms including Aecom, Arup, Balfour Beatty, Benoy, Bluewater Bio, BP, JCB, the London Underground, Mott MacDonald, Serco and Sybarite Architects, as well as leading British business associations. Patricia Hewitt, UKIBC chair, also joined the visit.



*India Trade Mission - Business Delegation*

*David Cameron with the Business Delegation in Delhi. To view a full set of images of the India Trade Mission, go to UK in India's photostream at [www.flickr.com/photos/ukinindia](http://www.flickr.com/photos/ukinindia)*

In a meeting between the British Prime Minister and his Indian counterpart, Dr Manmohan Singh, both leaders welcomed progress made via increased cooperation between the two nations, notably in infrastructure, education, healthcare and R&D. They met with the members of the UK-India CEO forum and noted recommendations to further develop bilateral business ties. For example, the UK reinforced a keen interest in cooperating with India for the development of the Bengaluru-Mumbai Economic Corridor (BMEC) project, which I discuss in further detail below.

Energy was also one of the sectors discussed, as energy security is a major issue for both India and the UK. Partnerships could be explored for mutual benefit in: oil and gas, renewable energy, energy efficiency, power, and low carbon technologies. Britain already has substantial investment in India's energy sector, with growing participation in R&D, smart grids, renewables and associated technologies. Going forward, both nations aim to find ways to deepen cooperation via government policy, and commercial and R&D collaborations.

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**Bangalore - Mumbai Economic Corridor: Building a shared vision for growth and prosperity**

*By Caroline Erskine, Senior Business Services Manager, UKIBC*

The Bangalore - Mumbai Economic Corridor is a potential multi-billion dollar “project of projects” which envisages the development, in partnership, of a fully networked corridor with improved transportation links, well planned urban clusters and industrial nodes between the cities of Bangalore and Mumbai.

The proposed 1,000km corridor across the States of Karnataka and Maharashtra would build on existing regional freight rail and road infrastructure. One of the overall objectives of the BMEC, through a coordinated investment strategy would be to promote transportation and urbanisation along this route and more widely in the region, thereby creating an enabling environment for commercially viable investments.

UKIBC, working alongside UKTI, coordinated the business inputs into the vision paper “Bangalore - Mumbai Economic Corridor - Building a shared vision for growth and prosperity” which during the course of the Prime Minister David Cameron’s visit last month was presented to Prime Minister Singh. There is clear political commitment on both sides to further develop the vision and the reference to BMEC in the recent Indian budget is positive.

Contributors to the vision paper included companies from the UK and India, such as Arup, AECOM, Balfour Beatty, Herbert Smith Freehills, Parsons Brinckerhoff, Serco, KPMG, Pinsent Masons, Standard Chartered Bank, Tata Capital, BNP Paribas, State Bank of India, IL&FS and IIFC.

The corridor currently accounts for 5.4% of the Indian population and 10.7% of India’s GDP. With forecasts by Indicus and MGI showing this region will account for 5.8% of the demographic growth and 11.8% of the GDP increase up to 2030, a key objective for BMEC would be to ensure tangible, sustained benefits for the local population, as well as national and international investors.

There are 11 key districts along the route and areas such as Chitradurga, Davangere, Ahmednagar, Satara and Haveri provide opportunities for broad investment in both physical and social infrastructure.

Given its scale, it is envisaged that BMEC would be a “project of projects” some of which would be commercially viable and could be developed on a PPP basis, whilst others would need to draw on the Government of India’s existing initiatives such as the Viability Gap Funding Scheme to make economically essential projects commercially viable.

The UK’s infrastructure development industry has a global reputation as a provider of world class infrastructure in terms of designing, planning, developing, implementing and financing major projects. The City’s expertise in structuring complex transactions is another area where UK can add value as a gateway to international funds and global banks.

UK and Indian firms are already working in partnership on ventures along the route and across the country in numerous sectors. BMEC offers the prospect of greater bilateral trade between the UK and India. It sees UK and Indian companies collaborating across sectors from advanced engineering and manufacturing, linking with the planned National Manufacturing and Investment Zones along the route to IT, aviation and financial services. The vision, which extends beyond transport, communications and services is to create a joint legacy

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that will support employment, education, skills, healthcare and culture.

Over the coming months the UK and Indian governments and industry will work in parallel to explore possible implementation models, identify individual projects and examine possible financing structures.

To read the full text of the vision paper, [click here](#).

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### Opportunities in Built Environment in West Bengal and India

*By Sonali Patel, Business Services Manager, UKIBC*

Following on from the successful launch of the 'West Bengal Urban Regeneration and Development Scoping Study' in London in November 2012, a subsequent event recently took place in Manchester at the offices of Pinsent Masons LLP on 6th March. The event addressed the opportunity in West Bengal while informing attendees of a follow up trade mission to India in the coming months.



The event featured experts Stephen McKenna of Mott MacDonald and Ruchi Chakravarty of HOK. Both of them went to Kolkata last year to investigate the current setting in West Bengal and highlight the opportunities within the state for urban regeneration and development. As we mentioned in our last [Infrastructure report in January](#), the authors worked with private sector and government authorities in the State. Their findings provide a detailed overview on opportunities across urban renewal, tourism, heritage, infrastructure, waste management, urban transport and more. To access the opportunities and to read the scoping study report in detail, [click here](#).

This is one of many UKTI High Value Opportunities (HVOs), which John Nutt, International Business Specialist, UKTI, highlighted. The HVO programme helps UK businesses in identifying and accessing large scale business opportunities in other countries.



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Going forward, the UKIBC will be working closely with the Government of West Bengal, following an agreement we signed with the West Bengal Industrial Development Corporation to connect UK businesses to the opportunities in the State, including the building of 32 hospitals. We are also working on similar partnerships with the states of Gujarat and Maharashtra.

### *Trade mission to India*

Given UK expertise in planning, design, construction and infrastructure delivery and maintenance, businesses are well placed to succeed in India. With this in mind, the UKTI, in partnership with British Enterprise and British Water, is planning a trade mission to India in June. The visit will focus on construction and water, and will be going to Kolkata to follow up on the opportunities highlighted in the report, as well as visits to Kochi and Ahmedabad. The mission will include site visits to key infrastructure projects; roundtables with business leaders, industry bodies and government officials; and networking opportunities with private sector. For more details on the mission or to register, please [click here](#).

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### **Union Budget 2013-14: Incentives for manufacturing**

In February, India's Finance Minister, Shri Palaniappan Chidambaram, announced the Union Budget for 2013-14, which introduced a number of tax and non-tax incentives to stimulate domestic and foreign investment in a wide range of sectors. Infrastructure has been identified as critical for growth and employment generation. In view of this, the new budget seeks to stimulate investment in infrastructure, which will help raise the country's growth rate to around 6.2% in the coming year. According to [analysis by PwC](#) on the implications of the Indian Union Budget 2013, in order to achieve the country's 12th Plan projection to attract investment worth 1 trillion USD in infrastructure, three important proposals are being put into place:

- Encouraging infrastructure debt funds
- Allowing the India Infrastructure Finance Corporation Ltd to offer credit enhancement to infrastructure companies to access the bond market, and
- Allowing companies to raise infrastructure tax-free bonds up-to 500 billion INR

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### **INVESTMENT UPDATE**

#### **Incentives for green energy**

Although India has a cost advantage in terms of labour, land and construction, consumers still pay a high price for green energy mainly because of the high cost of finance. As part of the 2013 Budget, and continuing efforts towards making renewable energy more affordable, [Finance Minister P Chidambaram recently announced initiatives](#) such as: the provision of low interest bearing funds, and a proposal to encourage cities to participate in more waste-to-energy projects via PPP schemes and other instruments including viability gap funding, repayable grant and low cost capital. A generation-based incentive was also unveiled for the wind energy sector, as £ 97 million were allocated to the Ministry of New and Renewable Energy for wind energy projects.

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**Government identifies six corridors for high-speed rail projects**

[Six corridors have been identified](#) by the government of India as potential for the development of high-speed rail transit systems. As stated by railways minister Pawan Kumar Bansal, a project steering group is assessing options for the pilot project between Mumbai and Ahmedabad and considering viable financial models. Cooperation with Indian States will be essential and PPP schemes are being explored.

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**Gujarat's Finance Tech City to invest in further infrastructure**

Gujarat's upcoming International Finance Tech City (GIFT) [plans to invest over £240 million on setting up infrastructure](#) over the next year. The complex's new tower, the tallest in the state, was recently inaugurated by Gujarat's Chief Minister Narendra Modi just before the opening of Vibrant Gujarat. GIFT aims to become an international financial services centre with plans to attract major institutions such as the NYSE, the World Bank and the IMF. Four more towers are to be built in the coming year, and officials state that infrastructure like roads, sewerage, water supply and power facilities are already in place. Optical Fibre Cable (OFC) has also been laid. So far, the Gujarat government has invested £36 million into GIFT's infrastructure.

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**France's Development Agency to finance 110 million euro in Bangalore's metro project**

In March, the French Development Agency AFD and the Bangalore Metro Rail Corporation [signed an agreement to finance Phase I](#) of the Bangalore Metro Project with an amount of 110 million euros. Phase I consists of two lines and 40 stations and will be implemented in cooperation with the Government of Karnataka, the Asian Development Bank, the Japanese International Cooperation Agency and other Indian financial institutions.

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**First stretches of Mumbai's metro and monorail to open this year amidst challenges**

As was recently reported by the [Financial Express](#), urban transport projects in Mumbai are seeing progress, with metro and monorail sections set to open this year. Once completed, Mumbai's Monorail will be the first such mass rapid transit system in India and the second largest in the world after Japan's Osaka corridor. However, as the article points out, Mumbai poses very unique problems for developers, with delays seemingly becoming the norm rather than the exception. For example, the monorail line expected for completion in August was initially planned to be ready by 2011. Scarce land, a population density of 20,000 people per square metre, unmarked utilities for water and sewerage and slums encroachment are some of the challenges that complicate land acquisition, surveying and development. Despite such challenges, Mumbai, and India as a whole, presents many opportunities for urban developers and planners.