

**GOVERNMENT OF INDIA  
ROAD TRANSPORT AND HIGHWAYS  
LOK SABHA**

STARRED QUESTION NO:448  
ANSWERED ON:24.04.2002  
PRIVATE PARTICIPATION IN ROAD DEVELOPMENT  
DINSHA J. PATEL; UMMAREDDY VENKATESWARLU

**Will the Minister of ROAD TRANSPORT AND HIGHWAYS be pleased to state:**

- (a) whether the National Highways Authority of India is considering to invite private participation in road development;
- (b) if so, the conditions laid by NHAI for private investors;
- (c) whether it is a fact that NHAI has assured liberal and high returns on the investment on private capital in BOT projects; and
- (d) if so, the minimum rate of return assured by the NHAI to private operators?

**Answer**

THE MINISTER OF STATE OF THE MINISTRY OF ROAD TRANSPORT AND HIGHWAYS (MEMBER GENERAL (RETD.) B.C. KHANDURI)

(a) to (d) A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PART (a) TO (d) OF LOK SABHA STARRED QUESTION NO. 448 FOR ANSWER ON 24TH APRIL, 2002 ASKED BY PROF. UMMAREDDY VENKATESWARLU AND SHRI DINSHA PATEL REGARDING PRIVATE PARTICIPATION IN ROAD DEVELOPMENT.

(a) Yes, sir.

(b) The conditions for Private Investors are as in the Annex.

(c) & (d) No assurance is given. However, bids are invited on competitive basis and the bidders, based on their own assessment of risk/reward perspective, quote for the projects.

ANNEX REFERRED TO IN REPLY TO PART (b) OF LOK SABHA STARRED QUESTION NO. 448 FOR ANSWER ON APRIL, 2002 ASKED BY PROF. UMMAREDDY VENKATESWARLU AND SHRI DINSHA PATEL REGARDING PRIVATE PARTICIPATION IN ROAD DEVELOPMENT.

Conditions for Private Sector Participation.

(i) Private sector is allowed to retain toll money in toll based BOT projects.

(ii) 100% tax exemption is given for a period of 10 years. This may be availed in 20 years.

(iii) Concession period is allowed upto 30 years.

(iv) Duty-free import of identified high capacity equipment for highway construction.

(v) National Highways Authority of India permitted to participate in the equity of BOT projects upto 30% of the total equity.

(vi) Government to provide land at no cost and free from all encumbrances.

(vii) Capital grant upto 40% of the project cost to enhance viability on a case-to-case basis is permitted.

(viii) Arbitration based on United Nations Commission on International Trade Law (UNCITRAL) provisions.

(ix) Housing and Real Estate Development, which is an integral part of the highway projects, will be treated as infrastructure and will be entitled for the same tax benefits.

(x) Two Model Concession Agreements have been finalised for projects to be taken up on Build-Operate-Transfer (BOT) basis. One for the projects costing more than Rs. 100 crore and the other for projects costing upto Rs. 100 crore. The salient features for bid conditions relate to the concession period, Obligations of client and concessionaire, Force Majeure, Suspension & Termination, Financial closure, Grant, Revenue shortfall loan, Project scope, Operation, Maintenance and Safety Requirements, Standards & Specification and fee to be charged, etc.