

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

UNSTARRED QUESTION NO:3021
ANSWERED ON:10.02.2014
TERMINATION OF CONTRACTS
Pradhan Shri Amarnath;Ray Shri Rudramadhab

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

- (a) whether the National Highways Authority of India has asked the Government to terminate contracts for certain road projects;
- (b) if so, the details thereof along with the reasons therefor and the reaction of the Government thereto; and
- (c) whether the Government is likely to rebid these projects and if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF ROAD TRANSPORT AND HIGHWAYS (SHRI SARVEY SATHYANARAYANA)

(a) to (c) Under the current situation of economic downturn, among other reasons, lack of equity in the market is responsible for non-execution of already awarded highway projects. The National Highways Authority of India (NHA) can take appropriate action in accordance with the provisions of the respective concession agreements to terminate contracts for such road projects. To increase the pace of development of building highways infrastructure and facilitate expeditious completion of awarded highway projects facing financial stress in the current economic situation, Government has recently taken a number of initiatives to boost sentiment of investor/lender and encourage more investment in the road sector. These include formation of high level Expert Settlement Advisory Committee for one time settlement of old cases pending in the courts; to complete all pre-construction approvals prior to award of a project; streamlining the process of grant of Environment Clearances by the Ministry of Environment & Forests; facilitating exit to equity investors to unlock growth capital for utilisation in future projects and infuse fresh capital into the sector and to let Financial Institutions consider debts to the road sector as "secured" to the extent assured in terms of Concession Agreement. The Ministry of Road Transport & Highways also placed a proposal before the Cabinet Committee of Economic Affairs (CCEA) with three options pertaining to 'Policy for rationalisation of premium quoted by concessionaires in respect of Highways Projects'. CCEA, while accepting one of the options, decided to refer the modalities to an Expert Group headed by the Chairman of the Economic Advisory Council to the Prime Minister. This Expert Group was mandated to develop a framework for determining whether a project is stressed, the discount rate to be used for calculating net present value (NPV) of the amount of deferred premium payable and the conditions to be imposed. The Expert Group has recently submitted its recommendations to the Government and the same is presently under consideration.