

Chapter V

Conclusions

National Highway Development Programme is one of the prestigious projects undertaken in independent India for infrastructure development. With coverage of total road length of 13820 Km., the programme aims to upgrade existing two-lane roads into four/six-lanes. A major portion of the roads to be upgraded included Golden Quadrilateral of the four Metro cities and the North-South and East-West corridors. Phase-I of the programme, covering 6359 Km. was estimated to cost Rs.30,300 crore and was scheduled to be completed by June 2004.

In order to reduce dependency on its finance and to improve the quality of construction, Government of India decided to involve private sector participation through BOT mode. Accordingly 17 projects at a total cost of Rs.5,952 crore were awarded to private sector operators between March 1998 and April 2003. As of 31 December 2007, 4760 Km. of road had been completed at Rs.33,655 crore. However, execution of projects through private partnership suffered both in its planning and implementation from the following deficiencies:

- The Authority did not prepare corporate/strategic plan with milestones and targets for the execution of these projects. There were delays in both award and execution stages with the result that the Authority could complete only 5 of the 17 BOT projects within the prescribed time schedule. This was mainly due to delay in acquisition of land required for road projects and execution of additional items of work not envisaged at the time of award of work.
- The Authority did not prepare DPRs for two of the eight selected projects; and the DPRs of two projects were deficient in many ways such as substantial difference between DPR estimates and the lowest bid, requirement of large number of additional items of work, incorrect traffic projections, non consultation with local bodies, authorities, local public, etc.
- The Authority did not have a system in place to compute the reasonableness of the concession period to be allowed for BOT-Toll projects.

- The main objective of involving private sector in infrastructure development was to ensure superior quality construction. Quality checks conducted by CRRRI in six projects revealed that the pavement surface condition was generally found to be satisfactory in all the projects. The Authority had specified two levels of roughness viz. 'desirable' and 'acceptable' and the roughness levels in all locations test-checked were within the acceptable level. The Authority did not fix uniform levels of roughness while specifying these levels. Deflection values were more than the 'acceptable' levels in 28 out of 82 sections test-checked indicating immediate requirement of overlay. The combined thickness of wet mix macadam and granular sub-base layers did not comply with the agreement specifications in a majority of test pits locations. The conditions for maintenance were not uniform across various concession agreements.
- The Authority did not stipulate uniform contractual obligations as there were inconsistencies in the terms of references in the contracts entered into with ICs. There were instances of not carrying out the items of works as per the terms of reference in respect of appointment of team leader, professional and third party liability insurance and development of Management Information System. There was delay in appointment of IC. The IC issued completion certificate without conducting final tests and recommended unjustified bonus.
- As the financial arrangements and the execution model in the PPP projects were different from the traditional EPC contracts, framing of terms and conditions of the concession agreements and inclusion of relevant clauses to safeguard the financial interests of the Authority viz. sharing of surplus/profit in BOT-Toll agreements, recovery of savings in project cost due to deletion of items of work after the award of contract, operation of escrow account, penalty for delay in completion of the project attributable to the Concessionaire, etc., and invoking these clauses as and when required, assumed greater significance. The Authority failed to use the provision for obtaining escrow account statements and conduct independent audit as a tool for monitoring and control. Although concession agreements provided for levy of penalties for deficient/ non-performance, it failed to invoke the same. Also, the Authority did not incorporate the clause for recovery of penalty towards non-achievement of financial closure and target dates for individual milestones in BOT-Annuity projects. In respect of BOT-Annuity projects where the Authority collects

the toll revenue, it had to ensure that there are no avoidable delays in the commencement of toll collection. Such delays were noticed in all the four projects test-checked.

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