

## IMPORTANCE OF ROAD TRANSPORT AND PUBLIC PRIVATE PARTNERSHIP IN THE DEVELOPMENT OF ROADS IN INDIA

**Mahesh B. Jadhav and Dr. Siddharth R. Kamble**

Assistant Professor, Patkar Varde College, S. V. Road, Goregaon - Mumbai.  
Principal, Dr. Ambedkar College, Wadala - Mumbai.

**Abstract :** Roads are the oldest means of transport. The efficient transport infrastructural facilities have been the pre-condition for the smooth and efficient development of trade and also the overall economic development of a country. It plays an important role right from the sourcing, processing of raw materials and its distribution to the final customer. The efficiency and quality of road transport services depends on the development of roads in the country. As far as India is concern the road development was neglected due to some reasons like lack of sufficient finance, etc. At present the government is taking several measures for the development of roads. The present paper seeks to find out the importance and development of roads transport and roads respectively.

### INTRODUCTION

Transport is the basic infrastructural requirement for industrialization. It provides a vital link between production centers, distribution and the final consumers. Development in the transport sector has been significant over the years. With the Indian economy expected to grow at around 8 percent per annum, the transport sector is expected to grow at 10 per cent per annum. Indian planners have given high priority to the development of transport, because according to them an efficient and well developed system of transport and communication is vital to the success of a plan of economic development. The allocation for transport sector was high during the first three plans i.e. between 25 to 28 per cent. The provisions in the successive plans declined gradually, in the eighth plan it was only 13 per cent. The lower allocation does not mean that the transport sector has been fully developed. India still requires efficient, well developed and well co-ordinated system of transport so as achieve the sustained economic growth. The road network has expanded at an annual rate of 5 per cent, about 70 percent of the Indian villages have been connected by a net work of rural roads and over 40 per cent of our villages are served by all weather roads.

### Objectives of the study:

- 1.To study importance of road transport.
- 2.To study the public private partnership in the development of roads.

### Research Methodology:

To undertake the present study the information has been collected through secondary sources. The secondary data has been collected from internet, reference books, and government reports.

Importance of Road Transport.

**1.Employment opportunities:** There is tremendous scope for creating employment through road construction and maintenance.

**2.Quicker, flexible:** road transport is comparatively quicker and flexible. It is good for short distance travel as well as for movements of goods. Door to door collection and delivery are possible in the case of road transport.

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**3.Complementary to railways:**There are large numbers of villages in India and it is only roads which can connect villages. Railway stations should have good network of feeder roads. Only through these roads the railways can receive their passengers and goods.

**4.Convenient to farmers:**Good roads help the farmers to move their produce to the mandis and towns. If the road transport is well developed, the farmers can be assured of steady market for their products.

**5.Road transport and Competition:**An improved system of road transport affects competition to an appreciable extent, lowering the prices of commodities for consumers. Competition is caused either due to the expanded market or to competition among transporters.

**6.Transport and land Utilization:**It has been generally experienced that land has been utilized to the maximum advantage of the community due to the availability of long distance cheap transport. Even those people who were living at distant places from the market began to produce.

**7.Transport and Industrial Development:**Transport industries have been set up in all countries of the world to move huge quantities of goods and transport millions of passengers. Motor industries have been established to manufacture buses, cars and trucks, etc. Millions of workers are employed and a huge capital has been invested in these transport industries.

### GROWTH OF TRANSPORT SYSTEM SINCE 1951

			1950 -51	1970 -71	2005 -06	2009 -10	2011 -12
1	Roads :	Total length ('000 km)	400	915	2,713	4,582	4650
		surfaced	160	400	1,510	2,433	2525
		No.of goods vehicles ('000)	82	343	4,782	6,432	7064

Source: Tenth five year plan, 1997-2002, vol. II. And Economic Survey, 2012-2013.

The above table shows that the road network has expanded at an annual rate of 5 per cent while road transport fleet has increased by 7 per cent per annum in respect of goods vehicles. About 70 per cent of the Indian villages have been connected by a network of rural roads and over 40 per cent of our villages are served by all weather roads. The growth of the transport sector in general is indeed quite impressive and it reflects the enormous outlay allocated to the development of the transport system during the planning period.

### Road Development Public Private Participation (PPP)

#### 1.Backgroun

- ❖ Traditionally, the road projects were fully financed and controlled/ supervised by the Government. The implementation of road projects was purely dependent on the availability/allocation of funds out of the budget of the Government.
- ❖ It was assessed, at the time of the preparation of the Tenth Plan that for National Highways alone, Rs. 1,65,000 crore is required for removal of the deficiencies.
- ❖ It is in this context that alternative innovative means of financing have gained importance for providing an adequate and sustained support for financing the road projects.

#### 2 Private Sector Participation

- ❖ With a view to attract private investment in road development, maintenance and operation, National Highways Act (NH Act) 1956 was amended in June 1995.
- ❖ In terms of these amendments, the private persons can invest in the NH projects, levy, collect and retain fee from users and is empowered to regulate traffic on such highways in terms of provisions of Motor Vehicle Act, 1988

#### 3. Incentive announced by the Government for Private Sector and foreign direct investment are :

- a) Government to bear the cost of-
  - Project Feasibility Study
  - Land for the right of way and way side amenities
  - Shifting of utilities
  - Environment clearance, cutting of trees, etc.
- b) Foreign Direct Investment up to 100 % in road sector.

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- c) Provision of subsidy up to 40% of project cost to make projects viable. The quantum of subsidy to be decided on a case-to-case basis.
- d) 100% tax exemption in any consecutive 10 years out of 20 years after commissioning of the project.
- e) Duty free import of high capacity and modern road construction equipments.
- f) Declaration of the road sector as an industry (Infrastructure as defined in section 18(1)(12) of the Infrastructure Act includes Roads).
- g) Easier external commercial borrowing norms.
- h) Right to retain Toll ? Toll rates are indexed to the wholesale price index.

### **4. Types of Public Private Partnership**

The common forms that are popular in India and have been used for development of National Highways are -

- Build Operate and Transfer (BOT) Toll basis.
- Build Operate and Transfer (BOT) Annuity basis.
- Special Purpose Vehicle (SPV) basis

#### **4.1 BOT (Toll) Model**

- ❖ In a BOT (Toll) Model, the concessionaire (private sector) is required to meet the upfront/construction cost and the expenditure on annual maintenance.
- ❖ The Concessionaire recovers the entire upfront/construction cost along with the interest and a return on investment out of the future toll collection.
- ❖ The viability of the project greatly depends on the traffic (i.e., toll). However, with a view to bridge the gap between the investment required and the gains arising out of it, i.e., to increase the viability of the projects, capital grant is also provided (up to a maximum of 40% of the project cost has been provided under NHDP).

#### **4.2 BOT (Annuity) Model**

- ❖ In a BOT (Annuity) Model, the Concessionaire (private sector) is required to meet the entire upfront/construction cost (no grant is paid by the client) and the expenditure on annual maintenance.
- ❖ The Concessionaire recovers the entire investment and a pre-determined cost of return out of the annuities payable by the client every year.
- ❖ The sele
- ❖ The client (Government/NHAI) retains the risk with respect to traffic (toll), since the client collects the toll.

#### **4.3 Special Purpose Vehicle**

- ❖ The NHAI has also formed Special Purpose Vehicle (SPV) for funding road projects.
- ❖ SPVs are separate legal entities formed under the Companies Act, 1956.
- ❖ It involves very less cash support from the NHAI in the form of equity/debt; rest of the funds comes from Ports/Financial Institutions/beneficiary organisations in the form of equities/debt.
- ❖ The amount spent on developments of roads/highways is to be recovered in prescribed concession period by way of collection of toll fee by SPV.

### **5. Advantages**

- ❖ Involving the private sector leads to greater efficiency.
- ❖ The private sector has more flexible procurement and decision-making procedures and therefore, it can speed up implementation efforts.
- ❖ Implementation of projects under Public Private Partnership (PPP) has the following advantages-
  - (i) Better quality since the concessionaire (private sector) is to maintain the road for the period of concession.
  - (ii) Early completion of the project, since the concessionaire could save interest and earn early toll (in the case of BOT project) / additional annuity instalments (in the case of Annuity project).
  - (iii) The Client (Government/NHAI) does not have the burden of maintaining the highways.

**6. Projects undertaken through PPP are as under.**

**6.1 BOT (Toll) Projects**

- ❖ So far 48 numbers of projects valued about Rs.9329.21 crore haven been taken up on Built Operate and Transfer (BOT) basis (Toll based projects)
- ❖ Out of this, 23 numbers of projects have been completed and 25 projects are under progress.

**6.2 BOT (Annuity) Projects**

- ❖ 8 number of projects valued about Rs. 2354 crore, has been taken up on Annuity basis of which all projects except only two, amounting to Rs. 664.30 crore are completed.

**6.3 Special Purpose Vehicles (SPV)**

- ❖ 12 number of projects valued about Rs. 2339 crore have been taken up under SPV funding
- ❖ 5 number of projects amounting to Rs. 890 crore have been completed so far.
- ❖ 7 number of projects amounting to Rs. 1449 crore are in progress on SPV basis.

**Conclusion:**

Road transport is an important infrastructure for rapid industrial and socio-economic development. Since independence it has emerged as the dominant form of transport of people and of goods. More than 80 per cent of passengers and over 60 per cent of freight move by roads and it is expected to rise in future. There are many villages which are still required to be connected with the roads, the movement of highways is suffering from frequent stopovers and congestion. 15 per cent of the national highways and 75 per cent of the state highways are still single lane roads, further there is inadequate road pavement, thickness, poor riding quality, weak and distressed bridges and culverts, lack of wayside amenities and inadequate road safety measures. Therefore, these highways require major augmentation of capacity as well as structural upgradation. Having considered the present situation the government of India should take the corrective measures and be more liberal towards foreign investment and public private partnership in the development of roads.

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