

Report Summary

Report of the Committee on Public Undertakings on the National Highway Authority of India

- The Committee on Public Undertakings (Chair: Mr. Shanta Kumar) submitted its report on the National Highways Authority of India on August 2, 2017. National Highways Authority of India (NHAI) is responsible for the development, maintenance and management of National Highways. The report looked at NHAI's performance from March 2016 till July 2017. Key findings and recommendations of the committee include:
 - **Project delays:** It was noted that from 1995, till June 2016, out of the total 388 projects completed, only 55 projects were completed on or before time. Delays in the completion of the projects were mainly attributed to: (i) the long time taken in land acquisition, and obtaining environment and forest clearances, (ii) poor performance of concessionaires due to economic slowdown, and (iii) law and order issues. The Committee recommended that delays in execution of works may be reduced by better project monitoring and fixing accountability on the part of the contractor, concessionaire, and officials of NHAI.
 - **Land acquisition:** The Committee noted that from January 1, 2015, the compensation for land acquired by NHAI would be determined as per the Right to Fair Compensation and Transparency in Land Acquisition Rehabilitation and Resettlement Act, 2013. Due to higher compensation under the 2013 Act, the expenditure by the Ministry of Road Transport on land acquisition increased from Rs 9,097 crore in 2014-15 to Rs 21,933 crore in 2015-16. The Committee also observed that farmers who were entitled to lesser compensation under the older law, have been approaching courts for increased compensation. This has further delayed the land acquisition process.
 - The Committee recommended strengthening of Land Acquisition Cells (at the district level) to facilitate greater coordination between stakeholders in the land acquisition process. It also recommended NHAI to plan the highway development programme keeping in view the long term requirements of highways infrastructure (quantum of traffic, the rising cost of land, and time taken in the land acquisition process).
 - **Public private partnership (PPP) projects:** The Committee noted that issues that have caused delays in completion of PPP projects include: (i) poor performance of concessionaires due to economic slowdown, (ii) inability of concessionaires to meet their debt service obligations due to reduced growth in traffic and lesser revenue realization, and (iii) poor planning and execution capacity of the government. The Committee noted that the government introduced the PPP model without due planning or creating an enabling policy environment for better implementation of the model. It recommended that the government should not use the PPP model as the first delivery mechanism without checking its suitability for a particular project.
 - However, due to the high cost of the infrastructure development projects, resources need to be mobilised from sources other than government funding. Therefore, the Committee recommended that the project execution model under PPPs must remain reasonably attractive for private investors.
 - **Insufficient utilisation of funds:** The Committee noted several issues in the financial performance of NHAI such as (i) insufficiency of funds, (ii) gap between the amount of fund allocated and released, and (iii) under-utilisation of funds. For example, funds that are left unspent at the end of a financial year is shown as 'opening balance' at the beginning of the next financial year. This opening balance was Rs 2,672 crore and Rs 6,740 crore for the years 2015-16 and 2016-17 respectively. This shows NHAI's inability to optimally utilise the available funds. The Committee recommended that NHAI must also consider its opening balance when devising its borrowing strategy.
 - **Road safety:** The Committee noted that road accidents increased by 2.5% from 4,89,400 in 2014 to 5,01,423 in 2015. 28% of the total accidents occur on National Highways. The Committee noted that monitoring of road construction and maintenance standards could help improve road safety. It noted that while NHAI monitors road construction standards, it does not have a mechanism to monitor the maintenance of highways work after the construction is over. It recommended that NHAI may develop a policy for maintenance of roads post construction. Further, the government should allocate sufficient funds for ensuring adequate safety norms in design and construction of roads. This amount would be around Rs 20,000 crore.

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