

22 Evaluate the Build Operate model of PPP in the context of road construction of the country.

The government reinstated the Build operate transfer (BOT) model of road construction due to the irregularities in the current hybrid annuity model.

Build Operate Transfer model

A company agrees with government to invest in road infrastructure. It operates, maintains and manages the asset and charge toll fee then transfer the asset to government.

concern with the BOT model

As per the ICRA study (20 road projects defaulted in the last decade generating ₹2,000 crore non performing assets. The

Enforcement Directorate charged ₹800 crore

fraud against a road developer.

① Burden on sponsor (special purpose vehicles) to get funding and timely availability of

wright of way, environmental clearances
70% of the projects defaulted in operational phase due to lack of traffic.

② Risk of revenue loss The NHAI concession agreement allows partial toll collection once 75% of project is completed. This is always delayed. The special purpose vehicles negated risks through fixed price EPC contracts.

This fixed price contracts dented the balance sheet of sponsors and banks faced defaults. As sponsors found difficult to find equity up to special purpose vehicles bank entry was used.

Future

The National Logistics Policy must accommodate handle free public private partnership models. The Goat Shakti action plan and industry status to infrastructure sector can ease burdens