

Road construction suffers capacity constraints

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Highways development, which remained largely comatose during UPA-I, has got an adrenalin injection with the induction of Kamal Nath as the minister in-charge. But his pitch to create 20 km of highways, despite his good intentions, looks hard to achieve, primarily because of capacity constraints in the road construction industry—an issue that has got much less attention than it deserves.

Reasons and solutions for the slow progress in this sector have been discussed by various committees. Policy attention have been mainly on three areas: (a) reducing pre-construction delays—land acquisition, tree-felling and shifting of utilities; (b) changes in the policy environment—changes in request for qualification or proposal (RFQ & RFP) documents, model concession agreements, viability gap funding, public-private partnership format (BoT or annuity or a mixture) and fiscal concessions & taxation, besides introduction of new windows of financing; and (c) strengthening the capacity of NHAI to implement a vastly enlarged programme.

While the government prepares to reintroduce the two Bills on land acquisition and resettlement & rehabilitation, Kamal Nath has already taken administrative steps to reduce pre-construction delays. The BK Chaturvedi committee has been entrusted with the job of finalising the changes in the policy environment, and a formal announcement of the changes is expected. Strengthening NHAI's capacity is proving a daunting task, and nothing concrete has been done so far. Theoretically, even if these three factors were to be handled, it would still be impossible to make a quantum leap in the speed of project execution, since the road construction industry lacks the capacity to execute projects quickly. This area is not under the government control, and hence received poor attention.

When the National Highways Development Authority was launched and 100% foreign direct investment was allowed in the sector, the objective was to bring about a paradigm shift in the quality and execution of road projects. It was then hoped that foreign road construction companies would bring in better technology, equipment and experts and global best practices. In the initial years of National Highways Development Project, (NHDP) there were encouraging changes in these spheres. The change over to a managerial system based on 'supervision consultants' and 'independent engineers' vastly improved project execution and monitoring.

There were also bigger and better pavers, hot-mix plants, concrete batching plants, rollers, levellers and crushers. More companies jumped into road construction and suddenly, there was a huge demand for civil engineers and skilled and semi-skilled workers. It appeared as if the road construction industry was going through a process of qualitative change. Ten years down the line it seems that this process got derailed somewhere and the initial expectations stand belied now.

There has been little consolidation in the industry and the number of companies that can take up big projects is pretty limited. Western companies have ignored the programme, and a handful of East Asian companies continues to be there. The size and quality of machinery and equipment have also reached a plateau. While technology has moved everywhere else at a face pace, we no longer see equipment capable of delivering projects quickly. There is a massive shortage of qualified civil engineers, diploma holders, masons, carpenters, electricians, mechanics, cutters, welders and machinery operators.

No lessons seem to have been learnt on imbibing best practices. Just sample the excruciatingly slow and shoddy way in which the three flyovers on the outer Ring Road in New Delhi have been/are being built by Afcons, one of the largest road construction companies in India.

If the NHDP has to speed up the pace of project execution to the level envisioned by the minister, then the average capacity of present road construction contractors will have to increase manifold. This can happen only if big foreign construction companies enter the scene. The minister's plan to introduce ultra-mega projects to attract big foreign companies is a step in the right direction.

The domestic industry is beset with capacity constraints on two fronts. One, there is an extreme shortage of skilled and semi-skilled human resources. Two, there is a shortage of quality construction equipment. On both these fronts, the domestic industry will have to raise its capacity by a factor of three. The construction industry needs to sit down with the government and adopt a time-bound action plan for: (a) increasing the number of civil engineers, diploma-holders and other semi-skilled workers; (b) introducing capacity building courses for each segment of human resources; (c) bringing construction specifications to international standards; and (d) increasing the availability of latest equipment and machinery.

The government and the road construction industry need to wake up to this challenge of capacity constraint.

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