
Monday, June 20, 2011 2:49 AM EDT

Urban India needs to pay more for better services: Kamal Nath

Hundreds of millions of Indians living in the country's overcrowded cities must get used to paying more for better public services as the government pushes a huge infrastructure privatisation programme, urban development minister Kamal Nath said.

The Indian economy is one of the fastest growing in the world, but city councils are struggling to pay for the rocketing demands for electricity, clean water and good roads in some of the most populous cities and biggest slums on the globe.

Instead, the Indian government must foster the growth of domestic and foreign companies to lift the lid on privatisation in public utilities, passing the costs on to consumers, Kamal Nath said at the Reuters Global Real Estate and Infrastructure Summit.

"Everything has happened for free in the municipalities," Nath said in an interview at his office in the capital.

"This has to change, and it requires a huge mindset change."

The government has pushed privatisation in the form of public-private partnerships (PPPs) to plug huge infrastructure gaps that put the brakes on faster economic growth.

The government aims to invest \$1 trillion in the sector between 2012 and 2017, half of which will come from private money.

A drive towards such a development model means private construction companies are, for example, building slick roads across the country and charging drivers toll fares.

That's a world away from the free but shoddy services that plagued India's state-planned economy before liberalisation in 1991.

Nath, a charismatic stalwart in the ruling Congress party, who in his previous post

as road transport minister energetically courted foreign investors for highway projects, wants to push such a transformation in city utilities.

"We've got to develop the right PPP models," he said. "We are now having discussions, we are engaging with financial institutions, on what is the right PPP model.

"I think that in our water waste disposal, we should target at least 50 percent (of funds from the private sector), and for this we need to be having proper PPP models," he added.

A push for private partnerships could open more doors for infrastructure firms such as GMR Infrastructure Reliance Infrastructure Ltd and **SPML Infra.**

GMR operates India's biggest airport, while Reliance is building the Mumbai metro. **SPML runs water utilities for municipalities.**

Inviting private companies will improve services as well as the finances of municipal corporations, opening the door for India to deepen its municipal bond market in the government's next five-year economic plan, which runs to 2017, he said.

"Our bond market is very weak, and that is one of our challenges," Nath said.

STAKE SALE

India plans to sell a 10 percent stake in the National Buildings Construction Corp (NBCC), the country's largest state-run construction company in three months, Nath said.

An influx of poor, rural migrants has fed a population explosion that may see 590 million people -- nearly double the population of the United States -- live in Indian cities by 2030, an estimate by the McKinsey Global Institute showed.

Indian drivers face an average peak morning commute of more than one-and-half hours to two hours, while its cities treat only 30 percent of sewage generated and its sewers reach less than two-thirds of the population, the McKinsey report showed.

"The carrying capacity of our existing urban areas is already way exceeded," Nath said.

"Because of this, there is so much stress in every urban infrastructure activity of ours."