**TALK TO EXPERTS – 9**

Author

While discussing the reasons for the projects that languish and do not see completion in time, we came to a point where we had to talk about Toll and Annuity projects.

Let us see the difference between the toll projects and the annuity projects.

Toll projects are also known as BOT Toll projects.

In this model, the concessionaire builds the road all by himself without any financial support from the government. He builds it. By toll, he gets his investment back. Toll is money paid for the use of a road or any facility. Usually, the builder is allowed to collect toll over a concession period of 30 years. By the time, it is possible that he has got back the money he put in for the construction of the road; besides, he has had some extra too, apart from the expenses he has had to incur in maintaining the road.

This model, however, is not viewed favorably by the developers though they are allowed to collect toll charges from the commuters. The revenue from the toll charges depends on the traffic flow and the traffic flow is not the same in all places. Again, collection of toll is found not possible in semi-urban and rural areas. In other words, the developer faces the traffic risk. And the loan he wants to get from the banks is not easy to have since traffic flow is uncertain. The uncertainty in the traffic flow which in turns leads to uncertainty in revenue generation is looked upon as the weak point in this model.

The Annuity model, which is also known as BOT Annuity, differs in terms of the developer's commitment to investment. In this model, the developer builds the facility and operates it maintaining it for a specified period and then finally transfers it back to the government. The developer gets payments from the government when the facility becomes commercially operable. The payments will be made on a six month basis. The major difference here is the developer is not permitted to collect toll.

Since the annuity contract is generally for a very long period, about 15 - 20 years, this model too has not been found attractive and feasible in all places.

Now, reverting back to the beginning of the discussion, namely, whey banks refuse to accept NHAI as the first charge to lend loans to the concessionaire: Obviously, in both the models, the concessionaire is not able to fully finance the projects for many reasons and NHAI comes forward to assist them provided it is considered as the first charge. Banks are not willing because only the first charge will get the money and the banks as the second charge will have to wait. Banks have to monitor their assets in the interests of the public who have put trust in the banks that their money will be properly utilized and dividends will be given to them in time, so to say.

For these reasons, many projects keep languishing uncertain of implementation. The government, however, cannot remain idle because it is also accountable to the public for the money it has invested in such projects. Therefore, it has mooted a new model which we will see in the next session.