From New Delhi by Susan Maitra

Giant pipeline project gets go-ahead

After more than a year of tussling, a Franco-Japanese consortium has won the coveted contract.

The week of April 7 in the Lok Sabha, the parliament of India, Minister for Petroluem and Natural Gas Chandrashekhar Singh announced that the government had awarded the contract for one of the world's largest underground gas pipelines—the 1,730 kilometer high-pressure pipeline from India's west coast to several centers in the northern and central states.

The $700 million turnkey project was won by a consortium led by Spie-Capag of France, and including Nippon Kokan (NKK) and the Toyo Engineering firm of Japan. Single-point responsibility for execution of the project has been fixed with Spie-Capag. The 36-inch-diameter pipe will be procured separately on the basis of tenders already invited by the Gas Authority of India, Ltd. (GAIL) and Engineers India, Ltd. (EIL), two government units that are owners and chief consultants for the project, respectively. The rest of the components and the construction of the pipeline are in the hands of the Franco-Japanese consortium.

The large project's total cost was estimated at $1.7 billion at its inception in 1984. It is designed to transport the gas from off-shore oilfields that have been developed on India's west coast to seed a string of six gas-based fertilizer plants, three power stations, and other industrial users in the north-central heartland of the country. The giant pipeline will cross 14 river beds.

According to the original schedule, a fertilizer plant being built at Bijaipur in Madhya Kadesh would be the first to receive gas through the pipeline in March 1987, and the entire project would be completed by 1990.

Completion of the fertilizer plant will cut a big chunk out of India's large import bill; last year nearly $300 million in foreign exchange was spend on fertilizer imports, double the amount of the previous year. With the current push to raise farm productivity, demand for fertilizer can be expected to continue rising dramatically.

Some time has undoubtedly been lost as the project was mired in controversy and faction-fighting for the past year or so when the government's decision to solicit international bids to undertake the project on a turnkey basis met with resistance from the bureaucracy. The opposition was based on the allegation that a turnkey job would necessarily compound the cost and time factors and that it would prevent maximum use of indigenous capabilities. These arguments were capped by the assertion that former Prime Minister Indira Gandhi had agreed, and, as a result, taken a decision to keep the project in the hands of GAIL/EIL for execution.

The efforts to get a "self-reliant" bandwagon rolling to block international tenders for a turnkey project ultimately failed, but not before the issue was aired in several successive parliamentary sessions and much mud was slung. Some insinuated that Rajiv Gandhi was slighting his mother's policies and government procedure under the influence of his wife and her friends in one of the Italian multinationals, Snamprogetti, that showed interest in the project and had already beat out C. S. Brown and its Indian partner, Protos Engineering, for lucrative contracts for four of the fertilizer plants.

The cabinet held firm to their convictions that the best interest of the country would be served by engaging only one contractor for the pipeline, and centralizing responsibilities with him for the coordination, execution, and commissioning of the project. It was never intended, government spokesmen pointed out, that GAIL and EIL would actually construct the pipeline; contractors would have been engaged in any event, but in the alternative plan, on a piecemeal basis for each of the six parts of the project.

Besides Snamprogetti and Spie-Cagag, Condux of Mexico and the Nova Corporation of Canada presented bids for the pipeline. In March, the government asked all four to make fresh offers, specifying minimum price and indicating accompanying credit and loan terms. Cacag came in with the lowest figure, and the government says it will be able to save more than $100 million in foreign exchange at current rates.

Moreover, the indigenous content of the project will be high, as specifically mandated by the government. Both private and public sector Indian firms, such as Telecommunications Consultants of India, Ltd., Hindustan Aeronautics Limited, Ltd., Bharat Heavy Electrical, Ltd., and Larson and Toubro, Ltd., will participate in crucial chunks of the work. In particular, the Indian companies will be involved in establishing the telecommunications and supervisory systems, establishing a cathodic protection system for the pipe, as well as the wrapping, coating, and laying of the line itself.