

REF: The Economic Times dt.28.09.06

Gammon, L&T take NHAI row to plan panel

Priyanka Talwar NEW DELHI

TOP construction companies such as Gammon India, Larsen & Toubro (L&T) and Hindustan Construction (HCC) have sought Planning Commission assistance in resolving long-pending cases with National Highways Authority of India (NHAI).

The companies allege that legislative changes during the course of the projects, like increase in taxes and royalty, are not incorporated in reimbursements by NHAI. "Any decrease in tax rates is immediately taken into account by NHAI and deducted from the contractors' payments," Construction Federation of India (CFI) director general SC Mehta said. CFI is the industry body representing Gammon, L&T and HCC, among others.

The contractors have been facing various issues relating to NHAI projects and very often, these lead to much heartburn. "All issues are routinely referred to dispute resolution boards (DRB) and subsequently to arbitration and litigation," Mr Mehta said.

Citing some specific instances, he said entry tax and royalty were routinely altered by state governments, thereby impacting NHAI projects. "However, neither entry tax nor royalty is reflected in the Wholesale Price Index and hence, does not get covered in the price adjustment formulae in the contract," he complained. HCC, for its part, has said the total value of the extra cost of increase in royalty for their Paradip Port connectivity venture has gone up to Rs 7.25 crore. This additional cost was not paid even though the DRB directed NHAI to pay up.

L&T, too, was denied payment when the Maharashtra government raised the works contract tax from 2% to 3%. Furthermore, NHAI is still to issue approval for effecting payment of Rs 1.27 crore due to increase in taxes and royalties for their Tumkar-Sira project on NH 4. Similarly, entry tax on goods brought into a state is changed regularly by state governments. Gammon, in particular, has been at the receiving end of one such non-payment of increase in entry tax by NHAI for various projects in Bihar and UP.