

Gist of CFI Office Bearers Meeting with Ms. Anna Roy, Principal Economic Adviser, NITI Aayog,

CFI Office bearers had an opportunity to meet **Ms. Anna Roy, Principal Economic Adviser, NITI Aayog** and senior officials **Ms. Urmila**, Director (DM&A), **Ms. Anshika Gupta**, Specialist (Urban Development), **Mr. Rupesh Singh**, Senior Specialist/Joint Adviser (Industry-I), **Mr. Abhishek Agarwal**, Senior Specialist Director (Infrastructure Connectivity) and **Mr. Arunava Dey**, Research Officer, Managing Urbanisation held on **16th July 2024** at NITI AAYOG, New Delhi.

CFI President, **Mr. Vinayak Pai**, Treasurer, **Ms. Priti Patel**, along with **Mr. Rajeev Sharma**, Deputy Director, **Mr. Shiv Rawat**, Deputy Director and **Ms. Kalpana Garg**, Executive Officer respectively from CFI participated in the meeting.

While apprising the NITI Aayog officials of key activities and initiatives, President CFI, briefed upon the revamping and restating of CFI and formation of new National Council. Since inception and journey of 24 years CFI has been stressing upon policy advocacy, submission of suggestions on contractual and finance issues impacting the infrastructure construction industry.

Mr. Pai also informed her of the formation of 3 Committees by the CFI – **Policy Advocacy**, Contracts, Finance, Taxation, **Safety, Sustainability & Technology** and **Supply Chain Management & Workforce Development**. Information about CFI organising major Construction Equipment expo with bauma CONEXPO on 11th-14th December 2024 at Greater Noida was also shared.

CFI Office bearers deliberated about magnitude of problems – liquidity challenges coupled with lots of dispute resolution cases and mentioned about the recent **Department of Expenditure Guidelines on Arbitration which suggests that arbitration (if included in contracts) may be restricted to disputes with a value less than Rs. 10 crores. They pointed out that in the majority of the instances, the claim and counterclaim in any construction dispute exceeds Rs. 10 crores respectively.**

President said that key reason attributed to this is preparation of poor quality of DPRs completed within timeframe of 4-6 weeks only in comparison to international standards where it takes about 6 months and there is a need to change scope in majority of contract conditions of client's organisations. Mr. Pai stressed for urgent need to enhance quality and review whole process of DPRs.

Ms. Priti Patel said that PPP model is absolute failure and it's very difficult to execute projects in this model in view of series of issues faced by the Contractors.

Mr. Pai also suggested on adoption of pre-cast technologies for faster execution of infrastructure, affordable housing projects. It was also mentioned by CFI members that in countries like Korea, China, Japan, contractors receive lots of support from

government to make them global contractors and suggested for creation of Construction Eco System by avoiding disputes and adopting EPC models.

NITI Aayog Principal Economic Adviser mentioned about 'Surat Growth Hub Projects' which are part of government's initiatives to develop economic 'Growth Hubs' across the country. She advised CFI to send concrete suggestions on labour shortage and how to attract young generation for employment in construction sector on following topics: -

- Construction of Affordable Housing in proximity of Township Development projects for construction workers, labours etc.
- Urbanisation projects
- Innovative and Sustainable Building Materials - Specific materials, for hilly areas like Andaman & Nicobar, Western Ghats etc.
- Safety, Sustainability & Digital technological advancements like BIM, keeping the geographical conditions and heritage of the surrounding areas safe and intact.
- Any policy suggestion which needs government's immediate attention

She also mentioned about various verticals being formed by the NITI Aayog like Infrastructure-Connectivity; PPP, Industries.

Ms. Anna Roy questioned about the viability of commercial courts in resolving majority of dispute cases. **CFI suggested that dedicated and fast track courts should be formed to resolve construction related disputes.**

NITI Aayog officials also mentioned about government focus during last 5-10 years primarily on development of highways, roads, ports, network and digitization of infrastructure sector which is witnessed from various ongoing and upcoming projects. NITI Aayog is expecting from contractors to shift durability of construction design of critical infrastructure projects from shorter duration 10-15 years to longer duration say 40-50 years.

NITI Aayog also felt that CFI should come forward and engage more and more construction players and can play a big role for Indian construction sector while working on capacity building of construction companies to the level of global competitors with the help of government initiatives.



Gist of CFI Office Bearers Meeting with Mr. Tarun Kapoor, Advisor to PM, PMO

CFI Office bearers had an opportunity to meet **Mr. Tarun Kapoor, Advisor to PM, PMO on 17th July 2024** at PMO, South Block, New Delhi.

CFI President, **Mr. Vinayak Pai**, Treasurer, **Ms. Priti Patel**, **Mr. Kaushal Kodesia**, Executive Director– Railways, KEC International Ltd., **Mr. Viraj Shah**, Head Corporate Affairs, Tata Projects Ltd. and **Mr. Rajeev Sharma**, Deputy Director CFI participated in the 30 minutes discussion.

During the discussion, CFI President briefed Mr. Kapoor about key activities and initiatives being undertaken by the Federation in the last 24 years for the upliftment of construction sector by advocating on crucial policy guidelines, contractual issues, finance and taxation issues.

Mr. Pai also mentioned on the formation of 3 Committees being set up by the CFI – **Policy Advocacy**, Contracts, Finance, Taxation, **Safety, Sustainability and Technology** and **Supply Chain Management & Workforce Development**.

President CFI raised the key challenges being faced by the industry –

- Recent **Department of Expenditure Guidelines on Arbitration** which suggests that arbitration (if included in contracts) may be restricted to disputes with a value less than Rs. 10 crores. He pointed out that the majority of the instances, the claim and counterclaim in any construction dispute exceeds Rs. 10 crores respectively.
- Liquidity problems being faced by construction companies.
- DPR issues in majority of infrastructure projects – preparation of poor quality of DPRs within timeframe of 4-6 weeks only in comparison to international standards and needs to change of scope in majority of contract conditions of client's organisations. **Suggested** urgent need to improve quality of DPRs during finalization and to be reviewed before the implementation and execution of the projects.
- Mr. Pai however appreciated the NHAI initiative in terms of land acquisition in which 95% land acquisition process is completed before the award of a project.
- Same contract conditions should be adopted for all infrastructure projects irrespective of Ministry. Citing the example of projects being awarded by Railway Board / Ministry of Railways with specific contract conditions has impacted majority of big infrastructure construction companies.

Mr. Kaushal Kodesia from KEC also felt that due the same reason bigger companies like Tata Projects, L&T, KEC, Afcons etc. are now hesitant to bid for Railway Projects, and new companies with less years of experience and expertise are bidding for these projects which results into cost and time overruns and disputes.

- Bankruptcy of Construction companies.

CFI Secretarial also informed him about the key role played by the CFI during the formation of Construction Sector Skill Council of India (CSDCI) and the support provided to National Skill Development Council (NSDC) which was appreciated by Mr. Kapoor.

Mr. Kapoor called upon CFI Office bearers to make CFI **'A Voice of Construction Industry with Capacity Building'** as growth of construction companies is also required for the massive development of infrastructure projects- highways, bridges, railways, metro etc.

Skill Workforce Shortage, Employment- Skilling of Labour

Mr. Kapoor further said that despite the formation of CSDCI and other institutions, schemes, shortage of skilled manpower adversely impacted the execution of critical infrastructure projects and advised Federation to bring upon the innovative suggestions to bridge the gap of skill workers shortage in the country. He also emphasised on the generation of employment while identifying and recognizing the ways to attract and retain the existing skilled / unskilled labour force particularly in the construction sector.

He particularly informed members about the PM Fund / Schemes for Skilling and stressed on welfare activities for workers like housing projects, skilling programmes and medical facilities. Mr. Kapoor elaborated on the various key PM Funds initiated to generate employment generation across the country

- PM SVANidhi Yojana which helps formalize the street vendors with objectives of facilitating working capital loan and will open up new opportunities to move up the economic ladder.
- PM Vishwakarma with objective to provide end-to-end support to artisans and craftsmen who work with their hands and tools.

Advisor to PM has invited CFI members for effective utilization of PM Funds on the above lines by suggesting innovative Schemes which can create jobs opportunities for the existing workforce.



Gist of CFI Office Bearers Meeting with Senior representatives of Japan International Cooperation Agency (JICA)

CFI Office bearers had an opportunity to meet Japan International Cooperation Agency (JICA) Senior Officials **Mr. Taniguchi Hajime**, Senior Representative, **Mr. Masuda Koji**, Senior Advisor for Construction Safety & Quality and **Mr. Fujiwara Hidenobu**, Representative held on 17th July 2024 at JICA Office, New Delhi.

Mr. Vinayak Pai, CFI President, **Mr. Viraj Shah**, Head Corporate Affairs, Tata Projects Ltd., **Mr Kaushic Khanna**, Chief Manager-BD, **Mr. Mukesh Arora** - DGM- EHS & ESG, **Mr. Jiya Ram Pal**, GM Projects, **Ms. Sreepriya Pokkula**, Assistant Manager, Sales & Marketing T&D, South Asia, respectively from KEC International Ltd., **Mr. Rajeev Sharma**, Deputy Director, **Mr. Shiv Rawat**, Deputy Director and **Ms. Kalpana Garg**, Executive Officer respectively from CFI participated in the meeting.

During the discussion, CFI President apprised JICA officials about their interactions with Advisor to PM and NITI AAYOG officials and informed them on their upcoming 18th July key meeting with Finance Secretary & Secretary, Department of Expenditure.

Mr. Pai also informed them about formation of 3 Committees– **Policy Advocacy**, Contracts, Finance, Taxation, **Safety, Sustainability & Technology** and **Supply Chain Management & Workforce Development** and revamping & restating of Federation to make it a single point of contact for infrastructure construction industry issues.

President CFI further said that Federation will be happy to organise a Special Session between JICA, other MDBs Senior Representatives / Country Directors and CFI members.

Crucial issues faced by industry were discussed by President which includes;

- Liquidity issues,
- Preparation of poor quality of DPRs, After project awarded, only 6 months time provided for design process,
- Arbitration, legal hurdles,
- Tendering period of only 2-3 months,
- Awarding the project to L1 bidder

It was also informed by President that CFI is organising major Construction Equipment expo with bauma CONEXPO on 11th-14th December 2024 at Greater Noida.

Detailed suggestions on JICA Standard Bidding Documents and FIDIC books issues were submitted by President CFI to JICA officials.

Members also informed JICA officials that in case of railway projects, smaller companies are unable to execute such projects and highlighted discrepancies in JICA contract conditions.

JICA officials also felt that there are few discrepancies in JICA general contract conditions in comparison to FIDIC and they sought from the CFI some case studies of few projects, highlighting the difficulties faced by them with JICA SBDs and FIDIC books issues without mentioning name of the particular companies.

CFI President also advocated for Quality cum Cost based Selection (QCBS) for procurement of works and non-consultancy services.

JICA official, **Mr. Masuda Koji**, agreed to CFI suggestion on Safety Procedures Clause which suggests that all the items required generally in safety arrangements before and during construction works like cautionary signboards, cones, ribbons, siren, light, reflectors, etc. as per preliminary drawing and as directed by Independent Engineer, should be each BOQ item and paid for as per actual work done and certified by Independent Engineer. This will entail better implementation of safety at site and Contractor will be inclined towards implementation of same as it will be paid for.

President appreciated the industry-friendly general contract conditions but felt that during the negotiation stages, the executing agencies modify the SBDs / contract conditions which is impacting the sector.

Assuring for review of general contract conditions as per the CFI submission JICA officials were keen to approach CFI for any feedback / suggestions on various industry related issues etc.



Gist of CFI Meeting with Dr. T V Somanathan, Finance Secretary & Secretary Department of Expenditure, Ministry of Finance.

Despite of his busy schedule due to Union Budget 2024, CFI Office bearers had an opportunity to meet **Dr. T V Somanathan**, Finance Secretary & Secretary Department of Expenditure, Ministry of Finance on **18th July 2024** at North Block, New Delhi.

CFI President, **Mr. Vinayak Pai**, **Mr. Kaushal Kodesia**, Executive Director– Railways, **Mr. Amit Goyal**, Vice President Accounts & Commercial respectively from KEC International Ltd., **Mr. Viraj Shah**, Head Corporate Affairs, Tata Projects Ltd., **Mr. Rajeev Sharma**, Deputy Director, **Mr. Shiv Rawat**, Deputy Director and **Ms. Kalpana Garg**, Executive Officer respectively from CFI participated in the meeting.

During the discussion, CFI President briefed Dr. Somanathan about CFI key activities and initiatives undertaken in the past 24 years since formation by advocating on crucial policy, contractual and finance issues impacting the infrastructure construction sector. Mr. Pai also mentioned about the liquidity and cash flow problems faced by Federation members.

Mr. Pai also mentioned on the formation of 3 Committees being set up by the CFI – **Policy Advocacy**, Contracts, Finance, Taxation, **Safety, Sustainability and Technology** and **Supply Chain Management & Workforce Development** and adoption of best practices being implemented by the members.

President CFI raised the difficulties being faced by entire construction industry from Department of Expenditure Guidelines on Arbitration & Mediation in Contracts and requested Finance Secretary for efficient and faster dispute resolution for all infrastructure projects and submitted detailed suggestions / recommendations compiled from feedback of CFI members.

Finance Secretary recalled the CFI constructive inputs on various industry related issues in the past and initiatives towards skill development.

CFI Secretariat informed him about the key role played by the Federation in bringing together all the stakeholders during the formation of Construction Sector Skill Council of India (CSDCI) and the support provided to National Skill Development Council (NSDC). He acknowledged and appreciated the activities & initiatives of the Federation for the formation of CSDCI.

Dr. T V Somanathan stated that arbitration has not at all served its intended purpose and has failed to resolve majority of industry and employer issues. He also felt that the process of arbitration itself takes a long time and is not as quick as envisaged, besides being very expensive too.

A large majority of arbitration decisions are being challenged in the Courts both by the Government (or its entity or agency) and by the opposite party, when the decision of the arbitrators is not to the satisfaction of either party. The expectation that challenge to arbitration award would be rare, has not been realised in practice. The objective of relieving the burden on Courts is generally not been achieved.

This situation arises due to arbitrators' conflict of interests which is evident from many judgements and is not providing equal opportunities to both parties. He emphasised that for fair dispute resolution, the arbitrator must be impartial and independent in nature.

Finance Secretary & Secretary Expenditure suggested the members that adoption of mediation will be a better solution for amicable settlements for resolution of disputes / arbitration cases. And these **Guidelines on Arbitration & Mediation in Contracts** are being reviewed in the ministry also for better adoption and effective outcomes.

President also raised the non-Payment of Increased GST (from 12% to 18%) by various Govt. Departments / Central & State PSUs. Despite the contractual obligation to adjust the contract price in response to tax variations, certain govt departments / Organizations are failing to adhere to such Contract Clauses. This disregard results in a direct 6% cost impact on executed or ongoing projects. Additionally, the 6% increase in GST rate particularly affects contracts where the price includes taxes, leading to significant financial losses for infrastructure companies and causing project delays due to cash flow constraints.

CFI members requested Finance Secretary for issuance of an appropriate Circular or Directives to Central & State Government entities.

