


2A/1/2010-PPP  
Government of India  
Ministry of Finance  
Department of Economic Affairs  
(PPP Cell)

New Delhi, the February 22, 2010

**Subject : 31st Meeting of the PPPAC – Record of Discussion**

The thirty-first meeting of the Public Private Partnership Appraisal Committee was held on February 10, 2010. The record of discussion of the meeting is enclosed.

  
(Aparna Bhatia)  
Director (PPP)


1. Ms Sudha Pillai, Secretary, Planning Commission, Yojana Bhawan, New Delhi
2. Ms Sushma Nath, Secretary, Department of Expenditure, North Block, New Delhi
3. Shri D.R. Meena, Secretary, Department of Legal Affairs, Shastri Bhawan, New Delhi
4. Shri Brahm Dutt, Secretary, Ministry of Road Transport and Highways, New Delhi

Copy to:

1. Shri Brijeshwar Singh, Chairman, National Highways Authority of India, Sector 10. 5&6. Dwarka, New Delhi.
2. Shri Ravi Mittal, Adviser Planning Commission, Yojana Bhawan, New Delhi

Copy also to:

- a. Sr. PSO to Finance Secretary
- b. PPS to AS(EA)
- c. PS to Joint Secretary (Infra & Investment)

  
(Aparna Bhatia)  
Director (PPP)

Government of India  
Ministry of Finance  
Department of Economic Affairs

**Public Private Partnership Appraisal Committee**

**31<sup>st</sup> meeting on February 10, 2010**

**Record Note of Discussion**

The 31<sup>st</sup> meeting of the Public Private Partnership Appraisal Committee, chaired by Finance Secretary was held on February 10, 2010. The list of participants is annexed.

2. The Chairman welcomed the participants and noted that nine proposals from Ministry of Road Transport and Highways (MoRTH) would be considered during the meeting for grant of final approval, of which one proposal was for six-laning of the project stretch under NHDP Phase V; four projects were for four-laning under NHDP Phase III; and four projects under NHDP Phase IV.

3. It was noted that MoRTH had sent written response on the appraisal notes of Planning Commission and Department of Economic Affairs on the project proposals in accordance with the procedure prescribed for formulation, appraisal and approval of PPP projects. Most of the issues had been addressed through the response, the outstanding concerns would be considered on project to project basis.

**Agenda Item 1: Six laning of NH 4 from Kagal to Satara in the State of Maharashtra under NHDP Phase V**

4. The representative of MoRTH presented the proposal. It was noted that the 132 km four-laned stretch was proposed to be developed into a six-lane highway. Maharashtra State Road Development Corporation (MSRDC) was awarded the project to develop the stretch as a four-lane facility in 2003 for a concession period of 20 years (i.e. till 2022). NHAI was in the process of buying back the concession to enable six-laning of the project under NHDP V. Chairman, NHAI informed that there were differences between NHAI and MSRDC on the buy back cost.

5. Adviser, Planning Commission stated that the buy back of the stretch from the current concessionaire should be first finalised before the project is posed to PPPAC for clearance. A delay in finalisation of the same could impact the cost of the project and other project parameters which are indicated in the project documents. Further, greater clarity was required about the process of collection of tolls during the interim period between the termination of the current concession and award of the new one for development of the six lane highway.

6. Adviser, Planning Commission observed that the cost of the project could be reviewed to examine its reduction through non-construction/phasing of some structures and other measures as indicated by Planning Commission in their appraisal note. It was noted that the schedules of the DCA were being revised based on the observations of Planning Commission. It was requested that the revised documents should be sent after finalisation to the members of the PPPAC.

7. The representative of Department of Legal Affairs noted that while provisions exist in the Concession Agreement for termination of the concession with MSRDC, the process itself could take time in case the amount of termination payment was not agreeable to both the parties.

8. Joint Secretary, Department of Expenditure (DoE), noted that the traffic was below 40,000 PCUs. Hence immediate six-laning of the project stretch was not warranted. Further, the viability of the project should not be viewed in isolation – the cost of termination of the earlier concession should also be taken into account. Accordingly, the project was not supported.

9. Joint Secretary, Department of Economic Affairs (DEA) summarised the discussion. It was noted that it was pre-mature to bring the project for approval by PPPAC since the buy back arrangement had not been finalised. Further, the total traffic of 34,340 PCUs on the stretch did not justify the proposed six-laning. The proposal may be posed for clearance subsequent to the termination of the existing concession and finalisation of the project parameters.

10. It was decided to return the project to MoRTH. NHAI was advised to settle the termination arrangements with MSRDC and then proceed with seeking clearance and bidding the project as a six-lane stretch under NHDP V.

**(Action: MoRTH, NHAI)**

**Agenda Item II and III: Grant of final approval for -**

- i. Four laning of Pali-Pindwara section of NH 14 from km 115 to km 244.120 in the State of Rajasthan on BOT basis under NHDP III
- ii. Four laning of Beawar Pali section of NH 14 in the State of Rajasthan

11. It was noticed that section of NH 14 in Rajasthan had been divided into two packages viz. Beawar- Pali (115 km) and Pali-Pindwara (129 km) and posed to PPPAC for clearance. It was noted that the traffic on the stretches justified the proposed augmentation and the project appeared to be viable. However, 75 per cent of the land in respect of the two projects was yet to be acquired by NHAI. Further, Planning Commission had expressed concern about the project cost.

12. Chairman, NHAI informed that 3(A) notification for the land had already been published. It was expected that land acquisition under Section 3(D) could be completed soon since NHAI had generally managed land acquisition in Rajasthan with little difficulty. Further, NHAI had already reviewed the project cost and the proposed structures. Only those structure and by-passes as absolutely essential had been included in the project stretches. The financials of the project also indicated that the projects are likely to get a good response.

13. Joint Secretary, DoE stated that while projects appeared to be financially strong at pre-bid stage, often at the post-bid stage, the response indicates a high requirement of VGF, hovering close to the threshold level of 40 per cent. Chairman, NHAI clarified that during the current year, NHAI had awarded 22 projects with nine projects being bid with a negative grant. Hence, there was overall accrual of premium by the 22 awards rather than outflow of VGF.

14. The projects were granted final approval subject to the following conditions:
- i. MoRTH would review the project cost and undertake revision of the schedules of the DCAs as indicated by Planning Commission in their appraisal notes in respect of the projects.
  - ii. MoRTH/NHAI would certify that all changes as per the duly approved MCA and BKC recommendation had been incorporated in the project documents.
  - iii. MoRTH/NHAI could provide the revised project documents to the members of the PPPAC.

**(Action: MoRTH, NHAI)**

**Agenda Item IV: Grant of final approval for four laning of Patna Bakhtiyarpur section of NH 30 in the State of Bihar**

15. It was noted that the project was earlier posed for upgradation of a two-lane stretch from Patna to Bakhtiyarpur to four/six-lane highway. However, based on the appraisal notes of Planning Commission and DEA in respect of the project, the proposal had been revised. It was now proposed to develop the stretch as a four-lane highway with a total project cost of Rs.574.19 crore and a concession period of 18 years. The four-laned structures were proposed to be developed as per the revised proposal.

16. Adviser, Planning Commission noted that the per unit cost of the project was very high, primarily on account of a bypass of 36.14 km in a project of 50 km. The representative of NHAI stated that there was no bypass in the project- one realignment of 36 km stretch had been proposed to avoid the heavily built up area along the existing road resulting in increase in the cost. The financial analysis indicated that the VGF requirement was around 7 per cent of TPC. Adviser, Planning Commission suggested that NHAI could consider applicability of the toll rates for bypass structures in respect of the new alignment to enhance the project's viability.

17. Joint Secretary, DoE expressed concern about the cost of the project and noted that about 67 per cent of the land required for the project was yet to be acquired.

18. Chairman, PPPAC noted that while the cost of the project may be reviewed by MoRTH/NHAI, he was of the view that the fresh alignment which was the requirement of the project should be retained in the scope of the project. Since the development of infrastructure is with a long term perspective, an attempt to merely strengthen/augment the existing heavily built up road would not be an optimal solution. Secretary, Planning Commission supported the decision and suggested that Planning Commission in their appraisals should also impute and quantify the economic cost of not building the proposed infrastructure in the region concerned.

19. The PPPAC granted final approval to the project subject to the following conditions:

- i. MoRTH would consider applying the toll rates for bypass structures in respect of the new alignment to enhance the project viability.

- ii. NHAI would undertake revision of the schedules of the DCAs as indicated by Planning Commission in their appraisal notes in respect of the projects.
- iii. NHAI would ensure that 80 per cent of the land required is available for handing over to the concessionaire in accordance with the MCA provisions.
- iv. MoRTH/NHAI would certify that all changes as per the duly approved MCA and BKC recommendation had been incorporated in the project documents.
- v. MoRTH/NHAI could provide the revised project documents to the members of the PPPAC.

*(Action: MoRTH, NHAI)*

**Agenda Items V, VI, VII and VIII: Grant of final approval for NHDP IV proposals:**

- i. **2 lane with Pave shoulder from Varanasi to Gorakhpur section of NH 29 in the State of UP**
- ii. **2 lane with pave shoulder from Aligarh to Kanpur on NH 91 in the State of UP**
- iii. **2 lane with pave shoulder from Bilaspur Urdawal section of Chattisgarh on NH 200**
- iv. **2 lane with pave shoulder on Raigarh Saraipalli on NH 216 in the State of Chattisgarh**

20. Joint Secretary, DEA indicated that the observations of Planning Commission and DEA in respect of the four projects were being addressed by NHAI. MoRTH had also requested DEA to consider the proposals under NHDP IV for grant of VGF under the Scheme for Support to PPPs in Infrastructure, administered by DEA. In the event the proposal was agreeable, the clearance by PPPAC could also be considered as deemed approval of VGF support under the Scheme.

21. Secretary, MoRTH stated that Planning Commission had suggested that the NHDP IV projects could be considered for support under the VGF Scheme; however, the Ministry held a view that it was not in a position to provide the balance 20 per cent TPC as VGF from budgetary allocation of MoRTH. The same was expected to be financed by NHAI as the identified stretches for part of the NHDP.

22. Joint Secretary, DoE pointed out that the financing plan for NHAI provided resources for NHDP IV projects. Joint Secretary, DEA stated that the understanding of the Department was that the counterpart funding of VGF (upto 20 per cent of

TPC) to the support from the VGF Scheme was expected from the State Government concerned (the implementing agency) or MoRTH through other budgetary sources. Since the intent was otherwise, the proposal would require further examination. It was decided that supporting the projects under the Scheme for support to PPPs in infrastructure could be considered separately; the PPPAC could consider the projects for clearance in accordance with the guidelines for formulation, appraisal and approval of Central sector PPP projects.

23. It was noted that the observations in respect of the four projects were being addressed by NHAI. Joint Secretary, DEA pointed out that it was proposed to develop the stretch from Aligarh to Kanpur as two-laned highway with paved shoulders for a period of 11 years though the project had traffic of over 14,000 PCUs. For Level of Service B, such traffic merit a four-lane highway. The representative of MoRTH stated that the project was marginally viable with VGF upto 40 per cent of TPC. The project was likely to be unviable as a four-lane highway.

24. The Chairman, PPPAC expressed concern at the proposed scope of work which appeared to minimise the structures required for safety and speed on the project highways. Adviser, Planning Commission stated that the concerns were being adequately addressed in the projects.

25. The PPPAC granted final approval to the projects subject to the following conditions:

- i. NHAI would undertake revision of the schedules of the DCAs as indicated by Planning Commission in their appraisal notes in respect of the projects.
- ii. NHAI would ensure that 80 per cent of the land is available for handing over to the concessionaire in accordance with the MCA provisions.
- iii. MoRTH/NHAI would certify that all changes as per the duly approved MCA and BKC recommendation had been incorporated in the project documents.
- iv. MoRTH/NHAI could provide the revised project documents to the members of the PPPAC.

*(Action: MoRTH, NHAI)*

**Agenda Item IX: Final approval for 4 laning of Deoli Kota section of NH 12 on Kota bypass in Rajasthan**

26. The representative of MoRTH presented the proposal. It was noted that the 83 km stretch was proposed to be developed at a project cost of Rs. 593.38 crore. The adjacent stretch from Jaipur to Deoli was also being developed and had already been awarded. The cost of the project was high on account of requirement for construction of a tunnel of 1.12 km.

27. It was noted that 76 per cent of the land required for the project was yet to be acquired, including 150 hectare of forest land. The representative of NHAI clarified that the process had already been initiated and land acquisition was expected to be completed by April, 2010.

28. The PPPAC granted final approval to the project subject to the following conditions:

- i. NHAI would undertake revision of the schedules of the DCAs as indicated by Planning Commission in their appraisal notes in respect of the projects.
- ii. NHAI would ensure that 80 per cent of the land is available for handing over to the concessionaire in accordance with the MCA provisions.
- iii. MoRTH/NHAI would certify that all changes as per the duly approved MCA and BKC recommendation had been incorporated in the project documents.
- iv. MoRTH/NHAI could provide the revised project documents to the members of the PPPAC.

*(Action: MoRTH, NHAI)*

29. The meeting ended with a vote of thanks to the chair.



Ministry of Finance  
Department of Economic Affairs

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Public Private Partnership Appraisal Committee (PPPAC)  
31<sup>st</sup> Meeting on February 10, 2010

**List of Participants**

- I. Department of Economic Affairs**
- i. Shri Ashok Chawla, Finance Secretary (In Chair)
  - ii. Shri Govind Mohan, Joint Secretary
  - iii. Ms. Aparna Bhatia, Director
  - iv. Shri Abhijit Phukon, Deputy Director
- II. Department of Expenditure**
- v. Ms. Meena Agarwal, Joint Secretary
- III. Planning Commission**
- vi. Shri Sudha Pillai, Secretary
  - vii. Shri Ravi Mital, Adviser
  - viii. Shri K.Ranga Reddy, Jt Adviser
- IV. Ministry of Law**
- ix. Dr. R.J.R. Kasibhatia, Asstt. Legal Adviser
- V. Ministry of Road Transport and Highways**
- x. Shri Brahm Dutt, Secretary
  - xi. Shri P.K. Tripathi, Joint Secretary
  - xii. Shri A.V. Sinha, ADG
  - xiii. Shri Ashok Kumar
- VI. National Highways Authority of India**
- xiv. Shri Brijeshwar Singh, Chairman
  - xv. Shri Subhash Patel, Member Project
  - xvi. Shri B. N. Singh, Member Project
  - xvii. Shri J.N. Singh, Member Finance
  - xviii. Shri S.K. Nirmal, CGM
  - xix. Shri M P Sharma, CGM