

F. No. 2/5/2015-PPP
Government of India
Ministry of Finance
Department of Economic Affairs
(PPP Cell)


New Delhi the, January 28th, 2015

OFFICE MEMORANDUM

Subject: Record of Discussions of the 69th Meeting of the Public-Private-Partnership-Appraisal-Committee (PPPAC), chaired by Finance Secretary & Secretary, Economic Affairs held on January 22, 2015

Please find enclosed the Record of Discussions of the 69th Meeting of the Public-Private-Partnership-Appraisal-Committee (PPPAC) held on January 22nd, 2015

Encl: as stated


(Abhilasha Mahapatra)
Director (BPP)

1. Secretary, Department of Expenditure, North Block, New Delhi.
2. Secretary, NITI Ayog, Yojana Bhawan, New Delhi.
3. Secretary, Ministry of Road Transport & Highways, Transport Bhawan, New Delhi.
4. Secretary, Department of Legal Affairs, Shastri Bhawan, New Delhi.
5. Secretary, Ministry of Environment & Forest, Indira Paryavaran Bhawan, New Delhi

Copy to:

Shri R.K. Singh, Joint Secretary (Highways), Ministry of Road Transport & Highways, Transport Bhawan, New Delhi.

Copy also to:

1. PSO to Finance Secretary
2. Sr. PPS to AS (EA)
3. Sr. PS to JS (Infra.)
4. PS to Director (PPP)

F. No. 2/5/2015-PPP
Government of India
Ministry of Finance
Department of Economic Affairs

Public Private Partnership Appraisal Committee

69th Meeting held on January 22, 2015

Record Note of Discussion

The 69th meeting of the Public-Private-Partnership-Appraisal-Committee (PPPAC), chaired by Finance Secretary & Secretary, Economic Affairs, was held on January 22, 2015. The list of participants is **annexed**.

2. It was noted that the PPPAC would consider one proposal in the road sector from Ministry of Road Transport & Highways (MoRTH) for grant of final approval.

Agenda Item I: Proposal from Ministry of Road Transport & Highways for grant of final approval: Four laning of Hospet-Chitradurga section of NH-13 from km 299.000 to km 418.750 in the state of Karnataka under NHDP – III on Design Build, Finance, Operate and Transfer (DBFOT) basis

Total length: 120.180 km; Total Project Cost (TPC): Rs. 1388 crore; Cost of pre-construction activities to be financed by NHAI: Rs. 131.72 crore. Concession period: 25 years including 2.5 years of construction period.

Land status: Total land required: 712.58 ha; Land available: 478.50 ha; land to be acquired- 234.08 ha; Notified under 3D: 139.75 ha; Notified under 3G: 119.82 ha; Land available including 3G: 83.97%.

Status of Clearances: Forest Clearances: Obtained for Stage-I in May, 2014; MoEF: Obtained in April, 2013; GAD: Approved.

Major development works/ structures: Major Bridge: 2; Minor bridges: 52; ROB/RUB: 1/1; Major junctions: 1; Service roads: 39.52 km; Toll plazas: 2 at km 320.000 & km 383.200; Minor junctions: 93; Vehicular underpass: 11; Pedestrian underpasses: 11; Culverts: 287; Truck laybys: 6; Bus bays: 8; Bus Shelters: 40; Rest area: 2; Realignments: 2.443 km at 3 locations; FoB: 1.

3. Director, DEA informed the PPPAC that the project had been cleared earlier at the PPPAC 's 46th meeting held on September 14, 2011 for a project cost of Rs. 1034.47 crore with concession period of 25 years. MoRTH has now informed that the project was terminated in December 31, 2013 and submitted revised proposal to the PPPAC.

MoRTH was requested to provide the reasons for termination of the earlier Concession and status of fulfilment of Conditions Precedent by NHAI.

4. Joint Secretary, MoRTH clarified that the project was awarded on 30.11.2011 with a premium of Rs. 63 crore (first year) to M/s Ramky Infrastructure with the Concession Agreement signed on 19.01.2012 and Financial Closure achieved on 12.11.2012. However the project was terminated in December 31, 2013 after the Concessionaire did not accept the Appointed Date due to delay in meeting Conditions Precedent from both the sides.

5. On the status of various clearances, Member, NHAI apprised the PPPAC that environment clearance and forest clearance (Stage-I) were obtained on April 2, 2013 and May, 2014 respectively, GADs for RoBs have been approved from Railways and that about 84 percent land is already available including notified under 3G. The project is expected to be viable with Viability Gap Funding (VGF) upto 11.80 percent of TPC to achieve 15% Return on Equity and 19 applications received at the RfQ stage.

6. Joint Secretary, DEA stated that as per the revised proposal, the TPC for the project has increased from Rs. 1034.47 crore (Rs. 8.62 crore per km), approved by the PPPAC in September, 2011 to Rs. 1388 crore (Rs. 11.55 crore per km) now proposed. Further, concession period has been proposed as 25 years as against 24 years based on the projected average total traffic and design capacity of the NH for four lane taken as 60, 000 PCUs. While the latter appeared acceptable, the reasons for this increase in per Km cost needs elaboration.

7. Member, NHAI clarified that the increase in project cost is due to the updation of Schedule of Rates (SOR) from 2010-11 to 2013-14 and further updated upto 2015 by increasing 5% per year as per the NHAI policy. There is an increase of Rs. 60 Crore due to additional 2 VUPs (on SH), 5.16 Km Service Road, 1 RUB on service road, change of span of ROB as per approved GAD, revised 4-lane Manual and 27 culverts as compared to the earlier proposal approved by the PPPAC. Further, as per the extant MoRTH guidelines, the approved per km cost for 4 laning is Rs. 13.67 crore for 2014-15, whereas the per km cost for the proposed project is Rs. 11.55 crore, hence within the approved limits and the costs therefore reasonable. As regards the concession period, this is based on the design capacity at toll plaza II. This was agreed to by all PPPAC members.

8. The Chair inquired whether the project is a standalone project and asked for the details of structures proposed in the project. Member, NHAI responded that the

project is a standalone project and the adjacent stretch from Hungund – Hospet has already been 4 laned recently . On the structures, Member , NHAI stated that two new major bridges, 52 minor bridges and one RoB have been proposed in the project which are essential based on site location, safety and convenience of users.

9. Additional Secretary, DEA inquired on the status of the bid security on termination of the contract. Member, NHAI responded that initially, Bank Guarantee for Performance Security was en-cashed and demand draft of Rs. 51.68 crore was received from the lead financial institution, however due to legal issues the demand draft could not be encashed . Subsequently, the Concessionaire deposited 1% of the TPC (Bid Security amount) as per the provisions of the Concession Agreement and the Settlement/ Closeout Agreement were also signed on October 31, 2014.

10. Joint Advisor, NITI Aayog indicated that Schedule 'C' mandates construction & maintenance of PIU complex and also to provide two brand new vehicles with driver and two mobile phones with service for entire concession period, these provisions should be deleted from the scope of the project as decided earlier by the PPPAC. CGM, NHAI agreed to delete the same.

(Action: MoRTH/ NHAI)

11. Joint Secretary, DoE indicated that the proposed road is a very busy stretch and in bad condition, there are many upcoming industries being developed along the corridor with huge potential for industrial development, hence, proposed 4 laning is supported. Joint Secretary, RTH informed that there is delay of about 4 years for implementation of the project and traffic has increased substantially. The present traffic is 19098 PCUs at toll plaza -I and 16914 PCUs at toll plaza -II, hence, immediate action is required for implementation of the project as a 4 lane.

12. Joint Secretary, DEA stated that the project has been proposed in NHDP phase IV. PPPAC in its 46th meeting held on September 14, 2011 had decided that the proposed project would be considered in NHDP Phase -III instead of IV and that the length of 120.18 km chargeable to toll may exclude structures of more than 60m length of 0.243 km for which additional toll is leviable. CGM, NHAI informed that project is being proposed under NHDP Phase III and that necessary correction would be incorporated in the Bid Documents for the toll.

(Action: MoRTH/ NHAI)



13. The PPPAC recommended the proposal for grant of final approval: Four laning of Hospet-Chitradurga section of NH-13 from km 299.000 to km 418.750 in the state of Karnataka under NHDP – III on Design Build, Finance, Operate and Transfer (DBFOT) basis, for TPC of Rs. 1388 crore with VGF as per the Scheme Guidelines, subject to fulfilment of the following conditions:

- 13.1. MoRTH shall modify the documents to incorporate (i) change of NHDP Phase IV to NHDP Phase III (ii) Schedule 'R': The length of 120.18 km chargeable to toll may exclude structures more than 60m length of 0.243 km for which additional toll is leviable (iii) Schedule 'C': deletion of provision from the scope of the project for construction & maintenance of PIU complex and providing two brand new vehicles with driver & two mobile phones during the concession period.
- 13.2. MoRTH shall issue Request for Proposal (RFP) only after ;
- 13.2.1. Completing the land acquisition as per the decision of PPPAC in its 56th meeting held on December 21, 2012 that *"atleast 60% of the total land should be available or notification under Section 3(A) should have been issued for at least 90 percent of the land required and notification under Section 3(D) should have been issued for atleast 60 percent of the land required for the project"*
- 13.2.2. Obtaining the environment clearances for the project
- 13.3. MoRTH shall incorporate the observations of NITI Aayog and DEA with respect to the project DCAs as agreed to by MoRTH in their responses.
- 13.4. MoRTH shall obtain prior approval of the PPPAC on any change in scope of work or project configuration as noted above.
- 13.5. MoRTH shall circulate the revised documents to the members of the PPPAC for record.

(Action: MoRTH/ NHAI)

14. The meeting ended with a vote of thanks to the Chair.



Ministry of Finance
Department of Economic Affairs

Public Private Partnership Appraisal Committee

69th Meeting on January 22, 2015

List of Participants

I. Department of Economic Affairs, Ministry of Finance

- i. Shri. Rajiv Mehrishi, Finance Secretary & Secretary, Economic Affairs
(In Chair)
- ii. Shri Dinesh Sharma, Additional Secretary
- iii. Ms. Sharmila Chavaly, Joint Secretary(Infra)
- iv. Ms. Abhilasha Mahapatra, Director (PPP)

II. Department of Expenditure, Ministry of Finance

- v. Shri Arunish Chawla, Joint Secretary

III. NITI AAYOG

- i. Shri Amitabha Ray, Joint Advisor
- ii. Dr. Tanu Kathuria, Eco. Officer (Infra)
- iii. Shri K. Ranga Reddy, Consultant
- iv. Shri Renbi Jamir, S.R.O

IV. Ministry of Road Transport & Highways (MoRTH)

- v. Shri Rohit K. Singh, Joint Secretary
- vi. Pawan Kumar, SE (PPP)
- vii. Akhtarul Hanif, DS & DFA

V. Department of Legal Affairs

- viii. Shri T.K. Malik, Dy. Legal Advisor

VI. National Highway Authority of India

- ix. Shri Sudhir Kumar, Member (PPP)
- x. Shri A.K. Singh, CGM
- xi. Shri Ashish Asati, GM (T)
- xii. Shri Asheesh Kumar Jain