

F. No.2/8/2019 -PPP
Government of India
Ministry of Finance
Department of Economic Affairs
(PPP Cell)

North Block, New Delhi
Dated 9th January 2020

OFFICE MEMORANDUM

Subject: Record of Discussion of 92nd Meeting of the Public Private Partnership Appraisal Committee (PPPAC) held on 19th December, 2019 to consider the proposal of Passenger Train Project for In-Principle Approval

The undersigned is directed to enclose a copy of Record of Discussion of 92nd Meeting of the PPPAC held on 19th December 2019 under the Chairmanship of Secretary (EA) to discuss the captioned proposal for information and further necessary action.

Encl: as above



(Shubham Goyal)
Assistant Director (PPP)
Ph: 23095150

To,

1. CEO, NITI Aayog, Yojana Bhawan, New Delhi
2. Chairman, Railway Board, Rail Bhawan, New Delhi
3. Secretary, Department of Expenditure, North Block, New Delhi
4. Secretary, Department of Legal Affairs, Shastri Bhawan, New Delhi

Copy to:

1. Sr. PPS to Secretary (EA)
2. JS (IPF)
3. Director (PPP)
4. DD (PPP)

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Record Note of Discussions of 92nd Meeting of PPPAC

The 92nd meeting of PPPAC chaired by Secretary, Economic Affairs, was held on 19th December 2019 to consider the proposal of Ministry of Railways (MoR) of PPP in Passenger Trains on Design, Build, Finance, and Operate (DBFO) basis under PPP mode. The list of participants is *annexed*.

Passenger Train Project on Design, Build, Finance and Operate (DBFO) basis under PPP mode

Project Description: Operation of passenger trains on 100 origin-destination pairs divided into clusters. Each cluster shall include origin-destination pairs that require operation of a minimum of 12 (twelve) rakes.

Estimated Project Cost: Rs.22,500 crore. It includes the cost of procurement of 150 passenger trains of distributed power with 16 coaches in each train. The cost of each Train will be approximately Rs.150 crore.

Concession Period: Concession Period will be 35 years from the Appointed Date.

1. Joint Secretary (IPF), DEA informed the PPPAC that proposal of operation of Passenger Trains for "In- principle" approval has been received from Ministry of Railways (MoR) on Design, Build, Finance and Operate (DBFO) basis under PPP mode. The proposal has been appraised by the PPPAC members and the Appraisal Notes have been sent to Ministry of Railways.
2. ED (Transformation), MoR made a presentation on the proposal. He explained that the Project of operation of passenger trains on 100 origin-destination (OD) pairs would be divided into clusters. No Bidder shall be awarded more than three clusters. If any Bidder becomes the Highest Bidder for more than three clusters, the particular Bidder shall be awarded the clusters in which the Bidder has offered highest premium and for the remaining clusters, Bidders other than the Highest Bidder for the respective cluster shall be invited to match the Bid submitted by the Highest Bidder. In case the maximum limit of awarding three clusters to a Bidder results in non- award of any cluster, the limit of awarding three clusters to a Bidder shall not be applicable for that cluster and the Highest Bidder for that specific cluster shall be considered for award of that cluster.
3. ED(Transformation), MoR further stated that the Indicative Project Cost of the proposal has been estimated at Rs. 22,500 crore. It includes the cost of procurement of 150 passenger trains of distributed power with 16 coaches in each train. The cost of each Train will be approximately Rs.150 crore.

4. The Chair suggested to MoR to carry out detailed stakeholder consultations while finalizing the Bid Documents to ensure that the project is viable, bankable and also attractive to private sector bidders, given that this is a new activity for private participation. He further suggested to take into account all the taxation issues (including GST, service tax, withholding tax, etc) that will have impact on the project.

5. JS(IPF) raised the issue of divided responsibilities and possibility of disputes between Indian Railways (IR) and prospective bidders as IR would provide its existing Railway infrastructure to private train operators who would be responsible for procurement and operation of passenger trains on IR infrastructure. He pointed out that lessons should be learnt from Delhi Airport Metro PPP transaction. In that particular case, there was continuous blame game between the Authority (DMRC) and Concessionaire for the latter not being able to fulfill its obligations. Therefore, suitable risk mitigation measures may be incorporated in the Concession Agreement to cover this aspect.

6. While the need for capping the fare during festive seasons was highlighted, it was decided not to keep any cap on the fares to be charged by the private operators. Any revenue earned by the concessionaire will be shared with the Government and market forces and competition with other modes (like airlines) will ensure that fares are reasonable.

7. JS (IPF) suggested that the specifications and standards for the trains should be output based and enough room should be given to the concessionaire to innovate and add value. It was decided that the Concession Agreement shall include key performance indicators which are also to be output-based. The Agreement shall have pre-defined penalties/ incentives for shortfall/improved performance.

8. The issue of capacity constraint in Indian Railways was also discussed wherein it was pointed out that many sections of IR are running at 120% capacity utilization. However, it was clarified that the proposed 100 OD pairs have been identified considering the completion of DFC, following which nearly 30% capacity would be added.

9. Adviser, NITI Aayog suggested that Ministry of Railways should form the identified 100 Origin Destination pairs into indicative clusters and include the same in the RFQ for better clarity to prospective investors. These clusters would be subject to change till the RFP stage. Ministry of Railway agreed to the same.

10. Adviser, NITI Aayog further stated that RfQ may allow participation of financial investors including Private Equity (PE) funds for increased participation and competition in bidding, With respect to the O&M experience, in the event that the Applicant does not have the requisite O&M experience, it shall be required to enter into an agreement with an entity having the requisite O&M experience, or engage experienced and qualified personnel for discharging its O&M obligations in accordance with provisions of the Concession Agreement. The RFQ may be modified accordingly to enable PE participation.

11. The representative of DoLA pointed out that MoR should check up whether PPP in Passenger Trains is allowed as per the Railways Act.

12. MoR raised the issue of percentage of shareholding with regard to conflict of interest clause in RFQ and it was decided that it shall be kept at 20% as suggested by NITI Aayog.

13. It was also decided by PPPAC, that similar to the decision on Railway Stations redevelopment, there would be no cap on the number of bidders shortlisted at the RfQ stage.

14. The proposal was accorded "in-principle approval" by PPPAC subject to the following conditions:

- a. Ministry of Railways should form the identified 100 Origin-Destination pairs into indicative clusters (which would be subject to change upto the RfP stage) and include the same in the RfQ.
- b. RfQ to be modified to enable PE and financial investor participation.
- c. MoR to carry out detailed stakeholder consultations while finalizing the Bid Documents.
- d. In case of any material changes in the RfQ document, scope of work or project configuration based on stakeholder consultation including bidders, it was clarified that the proposal would need to be re-submitted to PPPAC.

15. The meeting ended with vote of thanks to the Chair.

92nd Meeting of PPPAC held on 19th Dec 2019List of Participants

Sl.No	Name	Designation
1	Shri Atanu Chakraborty	Secretary(EA)- In Chair
2	Shri P.S. Mishra	Member (Traffic), Railway Board
3	Mrs. Manjula Rangarajan	Financial Commissioner, Railway Board
4	Shri Rajeev Ranjan	Additional Secretary, Department of Expenditure
5	Dr. Kumar V Pratap	Joint Secretary(IPF), DEA
6	Shri Sudheer Kumar	Principal Executive Director (Transformation), Railway Board
7	Shri A. Madhu Kumar Reddy	Principal Executive Director (Coaching), Railway Board
8	Shri S.K.Saha	Adviser/PPP, NITI Aayog
9	Shri Narendra	ED (F&PPP), Railway Board
10	Dr. R.J.R. Kashibhatla	Deputy Legal Advisor, Department of Legal Affairs
11	Shri Ch. Partha Sarathi Reddy	Executive Director (Transformation), Railway Board
12	Shri Shubham Goyal	Assistant Director, DEA