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Government of India
Ministry of Finance
Department of Economic Affairs
Infrastructure Finance Secretariat
Infrastructure Support & Development Division
Private Investment Unit (PIU)

5th Floor, Jawahar Vyapar Bhawan,
Tolstoy Marg, New Delhi
28th April 2023

OFFICE MEMORANDUM

Subject: Record of Discussion of 111th Meeting of the PPPAC to consider the project proposal from the D/o Telecommunications for 'Monetization of Telecom Tower Assets of BSNL under an Operate-Maintain-Transfer (OMT) concession'.

The undersigned is directed to enclose a copy of the minutes of the 111th Meeting of the PPPAC held on 6th April 2023 under Chairmanship of the Secretary (EA) for information and necessary action.

2. This issues with the approval of the Secretary, Economic Affairs.

Encl: As above


(Preeti Jain)
Director

To,

1. CEO, NITI Aayog
2. Finance Secretary & Secretary, Department of Expenditure
3. Secretary, D/o Telecommunications
4. Secretary, D/o Legal Affairs

Copy to:

1. Sr. PPS to Secretary (EA)
2. Sr. PPS to JS (ISD)

Record of Discussions of 111th Meeting of PPPAC to consider the project proposal from D/o Telecommunications for ‘Monetization of Telecom Tower Assets of BSNL under an Operate-Maintain-Transfer (OMT) concession’.

1. The 111th Meeting of the PPPAC chaired by the Secretary, DEA was held on 6th April 2023 at 1630 Hours to consider the project proposal from D/o Telecommunications for ‘Monetization of Telecom Tower Assets of BSNL under an Operate-Maintain-Transfer (OMT) concession’. The list of attendees is annexed (Annexure-I). Brief particulars of the project are as below:

Project	Monetization of Telecom Tower Assets of BSNL under an Operate-Maintain-Transfer (OMT) concession
PPP Mode	The monetization of these assets is proposed on an OMT mode on the lines of the model Toll-Operate-Transfer (TOT) concession adopted in the Highways sector (BSNL’s Tower Assets are brownfield assets that are operational).
Locations	Across India (Telecom Tower Sites are spread across 26 circles in India). 10802 sites were identified in the Feasibility report prepared by BSNL. However, the final number of towers will be finalized after validation by BSNL.
Administrative Department	Department of Telecommunications (DoT), Ministry of Communications
Sponsoring Authority	Bharat Sanchar Nigam Limited (BSNL)
Capital Cost	<ul style="list-style-type: none"> ○ This is a brownfield O&M Concession, there is no capital investment envisaged on infrastructure. ○ However, there are some capitalised expenditures covering pre-operative expense and financing charges considered in the financial model.
Concession Period	20 years
Revenue Streams	<ul style="list-style-type: none"> ○ Site Rentals (79% of expected revenues) ○ Deployment of MEC Servers (12% of expected revenues) ○ New Technology and Microwave Rollout (6% of expected revenues) ○ EV Charging (3% of expected revenues)
Tariff	<ul style="list-style-type: none"> ○ The Concessionaire would fix the Tariffs/ Rentals for leasing out space to TSPs on commercial terms. The agreement provides the right to concessionaire to demand and collect appropriate Rentals and Fees, based on terms laid out in the Master Service Agreement and other Project Agreements. ○ The Concessionaire can also generate other ancillary revenue for which it will be allowed to charge on commercial terms.

	The Concessionaire would provide BSNL one Reserved Spot of infrastructure on the Towers free of cost. The Concessionaire will charge Rentals & Fees to BSNL for all Assets deployed by BSNL on the Project beyond this Reserved Spot. The rates for such Rentals & Fees for BSNL will be fixed based on benchmark Master Service Agreements entered by the Concessionaire with other Tenants, and as determined by the BSNL.	
Clearances	Particular	Details
	Environmental Clearance	The Authority already has all requisite clearances, permits and no objection certificates in connection with the operation and maintenance of the Tower Assets, so no prior clearance is required.
	Clearances from State & Local Bodies	The Concessionaire would need to adhere to all the Applicable Permits to perform its obligations as per the terms of the agreement. Authority shall provide reasonable support and assistance to the Concessionaire in procuring Applicable Permits required from any Government Instrumentality for implementation and operation of the Project
Financial Parameters	Particular	Details
	Initial Estimated Concession Value (IECV)	~ Rs 4,700 Cr (revised to Rs.4,200 Cr)
	Project IRR	13.18%
Eligibility Criteria	The eligibility of the bidder is exclusively based on its financial capacity. However, the bidder is required to submit an undertaking stating that that they have the requisite technical expertise either on their own or through O&M partner(s) to fulfil the service level requirements.	
Shortlisting of bidders	Single Stage, Two-part selection process is envisaged.	
Appraisal Sought	In-Principle and Final appraisal simultaneously	

2. On behalf of the Chair, JS, ISD welcomed the attendees to the meeting. The PPPAC was informed that D/o Telecommunications (DoT) has proposed the 'Monetization of

Telecom Tower Assets of BSNL under an Operate-Maintain-Transfer (OMT) concession’.

3. DoT explained that in this proposal there is no separate RFQ stage and the bidding is single stage two envelop bidding. It was also informed that the DoT has submitted the RFP and DCA which has been examined by the members of the PPPAC and recommendations / suggestions received from various PPPAC members have been agreed to by DoT except those which are flagged in today’s discussion. Therefore, the Secretary, DoT requested that the PPPAC may consider the project proposal for ‘In-Principle and Final’ appraisal simultaneously.
4. JS, ISD informed the PPPAC that in earlier instances also, the PPPAC has considered project proposals for ‘In-Principle and Final’ appraisal simultaneously. Representative of NITI Aayog said that the RFP and DCA required to be submitted for ‘Final’ appraisal of the PPPAC have already been submitted by the DoT and examined by the members of the PPPAC. Upon request of the DoT, the PPPAC decided, for the reasons explained above, to consider the project proposal for ‘In-Principle and Final Appraisal’ simultaneously. DoT was then requested to make their presentation on the project proposal.
5. DoT informed that BSNL has ~ 68,049 tower assets across India of which 70% are fiberized. These are suitable for network and service densification (for both 5G and 4G). Following the release of Government of India’s National Monetization Pipeline and subsequent discussion with NITI Aayog, monetization of 10,802 Telecom Tower on Operate-Maintain-Transfer (OMT) model was recommended in the Feasibility report prepared in January 2022. This model is based on Toll Operate Transfer (TOT) monetization model followed in roads and is well understood by stakeholders. A single stage two-part process is envisaged with the highest total upfront concession fee as the bidding parameter. TOT model concession agreement of Government of India has been used as a base document & contextualized for telecom towers. Further revisions in the project documents based on the comments of the PPPAC members have also been undertaken.
6. Following the presentation, the Chair made the following observations:
 - a. There are ~2000 tower sites, for which rental agreement renewal is still pending. It may be ensured that known disputed sites may not be included in the proposal.
 - b. Furthermore, there should be a mechanism for rental agreement renewal for rented sites.
 - c. It is observed that the clauses relating to Termination Payment are in variation with TOT agreements. This may be further elaborated on.
 - d. The eligibility criteria for the bidders may be so designed to ensure better competition.
7. The Chair then invited the PPPAC Members for any further comments. With the permission of the Chair, the following issues were then raised:

- a. NITI Aayog raised the following issues:
 - i. The mechanisms may be inbuilt into the project to capture any windfall gain that may accrue to the concessionaire.
 - ii. The Right of First Refusal to the concessionaire may be done away with, as there is no visibility of handing over additional tower assets.
 - iii. For force majeure condition, the adverse impact on *10% of the telecom towers operated by telecom service providers in India* may be revised to 10% of the project assets.
 - iv. The Article/Clauses pertaining to the Independent Engineer (IE) may be included to boost the confidence of the bidders.
 - v. In Article 18 of the Draft Concession Agreement (DCA), the definition of allied services is open ended. Hence, it is suggested that the scope of permissible allied activities may be well-defined in the document.
 - vi. A comprehensive legal vetting is required of these project documents after incorporating all comments/suggestions. In the current document there are many clauses which are repeated and there are many capitalized terms which are not defined.
- b. DoE raised the following issues:
 - i. Enquired on whether the concession period can be defined for 10 years and be further extended based on review as the life of the technology is only 10 years.
 - ii. The number of towers to be monetized through this project as given in the presentation (10,014) and as circulated in the documents (10,802) are at variation and the same may be rectified.
- c. DoLA informed that there are no specific legal issues as such and they have no comments to offer.

8. DoT submitted the following responses in this regard:

- a. **Rental Sites:** It will be ensured that known disputed sites will not be included in the proposal. Further, rental agreement renewal is a continuous ongoing process and sites are renewed on a 5 year basis. However, this is a business risk and will be accounted for in the bids made. ~90% of site renewals occur on time. There are continuous efforts and liaising with landlords to ensure that rental agreement is renewed on time. An appropriate mechanism for the same exists in the BSNL.
- b. **Termination Payments:** Termination payments have been linked with discounted concession fee. A table with discounting factors applied to the concession fee less insurance cover to be paid by the concessionaire for each scenario that triggers a termination event shall be provided in the concession agreement.
- c. **Eligibility Criteria:** It has been kept simple without the technical eligibility criteria to attract maximum participation from industry. AIFs are also allowed for widening the bidder universe.

- d. **Windfall gain:** The possibility of earning a windfall gain is very limited in this sector due to intense competition in this sector and very small land parcel and nature of asset.
 - e. **Right of First Refusal:** The right of first refusal (RoFR) is only in case of bids within 10% of the highest offer and in case of matching the highest offer. While this is not having any adverse impact on the bid but it has positive impact in terms of giving comfort to existing and tested operator. The same was included in the DCA to increase participation from the market.
 - f. **Force Majeure:** The suggestion of NITI Aayog in this regard is accepted and the necessary changes will be made in the document.
 - g. **Independent Engineer:** IE will be appointed for this project.
 - h. **Allied Services:** The scope of allied activities is limited as only 120-150 sq.ft area is provided to the concessionaire. Some allied activities like EV Charging, edge computing, advertisement, etc., have been considered for computing IECV. However, given that concession is for a 20-year period & it is a technologically fast evolving sector, it may not be possible to envisage all possible use cases upfront. Hence, mechanisms to protect the interest of BSNL have been incorporated in the DCA.
 - i. **Concession Period:** Given the rapid technological developments in the sector, a concession period of 20 years has been decided.
 - j. **Number of Tower Assets:** Monetization of 10,802 Telecom Tower assets were recommended in the Feasibility report dated January 2022. As of 13th March 2023, 10,014 towers have been selected for monetization out of which 8,356 towers have been validated. BSNL will endeavor to have complete clarity on sites being taken up for monetization.
9. After deliberations, based on the simultaneous 'In Principle and Final Appraisal', the PPPAC decided to recommend the project proposal for approval of the competent authority, with the following observations:
- a. Provision for de-scoping of 10% of the project sites seems reasonable and may be followed.
 - b. Provisions regarding RoFR to be retained.
 - c. Known Disputed sites should not be made part of the final bid documents.
 - d. Provision pertaining to IE should be included in the project documents
 - e. In place of "10% of the telecom towers operated by telecom service providers in India", "10% of the project assets" may be inserted as one of the conditions to be fulfilled for an event to be considered as force majeure event.
 - f. A comprehensive legal vetting of the project documents may be carried out by DoT after incorporating all comments/suggestions.
 - g. Revalidation of its recommendations by the PPPAC is not required for following post recommendation changes in the project/bid documents:
 - i. Impact of changes in the Project cost, Concession terms like concession period, termination payment, development rights, penalty clauses, is less than 20% of the originally recommended,
 - ii. Any change in the date/time period for any timebound actions like

- appointed date, financial close, etc.,
- iii. Non-Substantial change in risk allocation,
 - iv. Any other changes/modification (except as stated above) in the project proposal with the overall objective of making project successful,
 - v. Further, the DoT will decide whether the changes proposed post recommendation of the project proposal by the PPPAC, fall within the threshold criteria as stated above,
 - vi. All such changes falling within the threshold criteria as stated above, shall be appraised at the level of Secretary, DoT without any further need of revalidation by the PPPAC and DoT shall proceed with the approval process accordingly.

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

Annexure - I

List of participants of 111th Meeting of PPPAC held on 06.04.2023 to consider the project proposal from D/o Telecommunications for 'Monetization of Telecom Tower Assets of BSNL under an Operate-Maintain-Transfer (OMT) concession':

1. **Department of Economic Affairs (DEA), Ministry of Finance**

- a. Sh. Ajay Seth, Secretary (In Chair)
- b. Sh. Baldeo Purushartha, Joint Secretary (ISD)
- c. Ms. Preeti Jain, Director, (PIU)
- d. Dr. Kartik Agrawal, Deputy Director
- e. Ms. Arya BK, Deputy Director

2. **Department of Expenditure (DoE), Ministry of Finance**

- a. Sh. Vijay Kumar Sinha, Joint Secretary (PFC-II)
- b. Sh. Rangin Murmu, Deputy Director

3. **NITI Aayog**

- a. Sh. Partha Sarathi Reddy, Adviser (PPP)

4. **Department of Legal Affairs (DoLA)**

- a. Dr. R.J.R. Kasibhatla, Deputy Legal Advisor

5. **Department of Telecom (DoT)**

- a. Sh. K. Rajaraman, Secretary
- b. Sh. Manish Sinha, Member (Finance)
- c. Sh. Pravin Kumar Purwar, CMD BSNL