

**Government of India
Ministry of Finance
Department of Economic Affairs**

Public Private Partnership Appraisal Committee

47th Meeting on November 11, 2011

Record Note of Discussion

The 47th meeting of the Public Private Partnership Appraisal Committee (PPPAC), chaired by Secretary, Economic Affairs, was held on November 11, 2011. The list of participants is annexed.

2. The Chairman welcomed the participants and noted that the PPPAC would consider eight proposals from Ministry of Road Transport & Highways (MoRTH) for grant of final approval.

Agenda Item 1: Proposals under NHDP-IV from MoRTH for grant of final approval for four-laning under NHDP-IV:

- i. **Four-laning of Hoskote-Dobbaspeth Section of NH-207 from km 58.300 to km 138.320 in the State of Karnataka under NHDP Phase IVB on BOT (Toll) basis)**

Total length: 80.02 km; Total Project Cost: Rs. 720.69 crore; Cost of pre-construction activities to be financed by NHAI: Rs. 570.99 crore. Concession period: 30 years including 2 years construction period.

Major development works/ structures: Minor Bridges : 10; Flyover: 1; ROB: 3; Toll Plaza; 2 at Km 73.50 & km 125.50 (design chainage); Service/ Slip Roads: 27.53 km; No. of Bypasses: 2 (21.10 km), Vehicular/pedestrian/cattle underpass: 7/2/2; FOB: 1; culverts: 189; busbays/shelters: 62, truck lay byes: 4; At grade separated junctions: 100; rest area: 1 at km 91.20

- ii. **Four-laning of Ghaghar Bridge (Indo Nepal Border) to Varanasi section from Km 121.800 to Km 298.450 of NH 233 in the State of Uttar Pradesh under NHDP – IV on BOT (Toll) basis.**

Total length: 177.555 km; Total Project Cost: Rs. 1530.70 crore; Cost of pre-construction activities to be financed by NHAI: Rs. 388.12 crore; Concession Period: 30 years including 2.5 years of construction period.

Major development works/ structures: 2 Major Bridge (new); 1 Major Bridges (repair); 27 Minor bridge (new); 17 Minor bridges (for repair); 3 ROB; 13 Bypass (71.39 km); 18 Major road junctions; 36 Minor road junctions, 3 Toll plazas (km 164.80, km 227.20 & km 277.00); Vehicular/pedestrian underpass: 13/23; culverts: 293; busbays/shelters: 22, truck lay byes: 6; Truck terminal: 2 at km 125.1 & km 245.14

Four laning stretches under NHDP-IV

3. Director, DEA informed that the two projects have been proposed for four-laning under NHDP IV in accordance with the dispensation by the Empowered Group of Ministers (EGoM) on Implementation of National Highways in its 5th meeting held on May 29, 2010. The EGoM had decided that out of the total of 20,000 km under NHDP IV, keeping in view the traffic projections, 2,000 km may be undertaken as four laned stretches. The PPPAC has already approved 1,992 km out of the 2,000 km allowed for four laning under the said dispensation. Hence, more four laning projects under NHDP-IV may be considered by the PPPAC after the approval of competent authority has been obtained for additional stretches.

4. Secretary, RTH responded that the Ministry has already circulated the draft Cabinet Note proposing four-laning of 5000 kms out of 20,000 kms under NHDP IV. It was requested that the projects may be considered for approval subject to approval of the said proposal by the Cabinet. The bidding would be undertaken only after the approval of the CCI has been obtained for four laning of five thousand kms under the NHDP IV. He emphasised that such an approach would result in the approval process being undertaken in a simultaneous manner and expedite the award of the project.

5. Deputy Secretary, Department of Expenditure (DoE) informed that the Department has sent comments on the said draft CCI Note. DoE has expressed concerns regarding financing issues with 4-laning envisaged for one-fourth of the total length under NHDP-IV. The revised fund requirement for NHDP is Rs. 3,23,774 crore. The 12th Five Year Plan estimates requirement for the central sector roads as Rs. 5,51,812 crore which is three times the actual availability during the 11th Five Year Plan and nearly four times the current utilisation. Thus, the expected availability of funds is rather ambitious. If the funds are not allocated by the Planning Commission, the entire proposal will not take-off. The list of roads identified for four laning has not been indicated in the Draft Cabinet Note and the process for selecting the same is ambiguous. There are concerns about possible slippages in the timelines. Hence, it would be better to obtain the Cabinet approval for proposal before granting approval for the four-laning of additional projects under the NHDP IV. The Chair concurred with the views of DoE that grant of approval to the project would be premature without ensuring the approval for financing the proposed projects.

Project Preparedness & Cost of preconstruction activities

6. The Chair observed that the level of preparedness of NHAI for award of the instant projects did not merit an immediate consideration and approval by the PPPAC. The Chair observed that 82 percent of the land is yet to be acquired for the project from Hoskote to Dobbaspeta. Further, the cost of pre construction activities in respect of the project is Rs. 570.99 crore, which is Rs 7.14 crore per km as against the norm of Rs. 75 lakh per km, i.e. about 10 times of the norms and 80 percent of the TPC. A Right of Way (RoW) of 60 meters has been proposed while the RoW required for four-laning of stretches is around 40 to 45 meters. He advised that the requirement of land acquisition and the process thereof may be reviewed and communicated to the PPPAC.

7. Member, NHAI indicated that as RoW of 60 meters was being proposed to be in accordance with the IRC Guidelines, though, technically, RoW of 40-45 meters is required

for four-laning the stretches. Secretary, RTH agreed to review reduction in the costs related to land acquisition by limiting the RoW to 45 meters.

8. Member, NHAI informed that NHAI had estimated the extent of land required to be acquired for both scenarios (i.e. RoW of 60 meters and 45 meters). He stated that while further review of extent of land acquisition required would be undertaken, the rates would be subject to prevalent market rates and Bangalore circle has high market rates. Thus, the cost of land acquisition is expected to be high for this project. He requested that since 8 to 9 months are required in the process of land acquisition, this process could be undertaken simultaneously with the procurement process.

Delays in award of projects and commencement of works

9. Joint Secretary, DEA pointed out that the Chair had earlier drawn the attention of Secretary, RTH, through a demi-official communication about a large number of projects, cumulating to around 5,000 km which have been granted approval by the PPPAC but have not concluded the bid process. Further, many projects that had concluded the bid process were getting delayed due to delays in the land acquisition process. Member, NHAI informed that they had prepared a status update on the projects. Secretary, RTH requested NHAI to share the details with the Ministry for further examination. The Chair advised MoRTH to re-examine such projects and send the status update on both the categories of projects (i.e. projects granted approval by PPPAC yet to be awarded and projects those were awarded but pending commencement of work) to the PPPAC .

(Action : MoRTH/NHAI)

Traffic justification

10. The Chair noted that that four-laning on the stretch from Hoskote to Dobbaspet is not justified until the year 2026 for about 40 kms, which is half the road length proposed for up gradation. Member, NHAI informed that out of 80 km, only 21 km is not justified for four-laning. However, in order to maintain consistency in road development for smooth flow of traffic, the entire length has been proposed as a four-laned highway. It appeared that 40 km did not justify the proposed four laning on account of the location of the traffic survey, i.e., at the Toll Plaza where the toll would be collected for 40 km of the project stretch. Further, it was expected that once the Bangalore-Chennai expressway is constructed, the traffic on the balance stretch 21 km, with lesser traffic, would also increase.

11. Member Secretary, Planning Commission queried whether the traffic was expected to grow, independent of the proposed Bangalore Chennai expressway. Member, NHAI confirmed that since the proposed stretch is a shorter route, diversion of traffic to the stretch, subsequent to its four-laning was anticipated. Director, DEA pointed out that the complete Feasibility Report along with the results of a recent traffic survey had not been provided with the project documents, hence, it was difficult to comment on the observation. The Feasibility Report may be sent to the members of PPPAC to examine the matter. This was agreed to.

(Action : MoRTH/NHAI)

Responsibility/ jurisdiction of NHAI

12. Adviser, Planning Commission indicated that Hoskete comes within the urban limits of Bangalore City. Hence, it should be the responsibility of the Bangalore Development Authority and not NHAI to develop this project which will serve as a ring road to the Bangalore city. Member, NHAI responded that the project is a National Highway, hence, it was being developed by NHAI. Further, the cost of development of the project was very high. Hence, the Bangalore Development Authority would not be able to develop such a project from within its resources.

Primacy of Toll Policy over MCA

13. The Chair enquired whether the provisions of the Toll Policy or the Model Concession Agreement (MCA) (and draft Concession Agreement) should be given precedence in case of divergence in the provisions. It was stated that few tenets of the Model Concession Agreement were contrary to the Toll Policy, which may not be correct. Director, DEA elaborated that as per Clause 27.1 of the MCA, Toll rates can be lowered by the Concessionaire, which is contrary to the provisions of the Toll Policy, wherein Toll rates are fixed and cannot be changed. Representative of NHAI indicated that during the preparation of the MCA, the old Toll Policy was in existence, wherein the provision for toll rates were capped to maximum limits and the Concessionaire could charge a lower amount from the Users. Hence, the MCA could be re-examined.

14. Secretary, RTH stated that the Toll Policy constitutes the law of the land and would, therefore, take precedence over the provisions of MCA or the draft DCA. He explained that the intent of the provision in the DCA was to enable lower tariffs, if desired by the Concessionaire. It was stated that MoRTH was neutral to lower tariffs since the project structure did not envisage revenue sharing. Hence, if any Concessionaire desires to reduce the toll rates, there may not be any perceived discord on the matter with the Government. The provision had been put in the MCA to allow lower rates, if thus desired by the Concessionaire, especially on days such as Independence Day, Gandhi Jayanti or other festivals.

15. Joint Secretary, DEA, indicated that the Concessionaire may reduce the Toll rates in order to attract traffic of the other competing roads and hence benefit from the same. Such an act would impact other projects and may result in disputes. Further, it could also result in a situation where the Concessionaire was pressurised by users of the stretch to not increase the toll, even when justified, by alluding to the said clause. Hence, it was suggested, that the provision of the Toll Policy may not be retained in the MCA and the project DCAs. Member Secretary, Planning Commission endorsed the view.

16. Secretary, RTH agreed to review of either the provisions of Toll Policy or the MCA. Member Secretary, Planning Commission advised that while undertaking the review, the decision with regard to the changes in the Toll Policy, if any, may only be taken in consultation with all Departments and entities that were consulted while drafting the Toll Policy. The Chair endorsed the advice.

17. Secretary, RTH indicated that he would schedule a meeting of the Inter Ministerial Group (IMG) to review the provisions in the MCA with reference to the Toll Policy. Director,

DEA suggested that during the meeting of the IMG, another issue that could be discussed was review of the use of the term “debt of the Concessionaire” in Clause 5.2.3 of the MCA, which should be amended to “Debt Due”, a defined term, limiting the committed liabilities of the Authority. This was agreed to

(Action: MoRTH/NHAI)

Anomalies in project scope of work

18. The Chair indicated that inconsistency has been observed in the scope of work as mentioned in the DCAs of the two projects and their PPPAC memos. GM, NHAI indicated that inconsistency noted by DEA was being rectified.

(Action: MoRTH/NHAI)

Estimation of Project financials and viability

19. The Chair observed that the project financials assume considerable leakage in traffic while calculating the financial viability of the projects and queried whether such assumption should be considered in BoT projects. Director, DEA indicated that NHAI has issued a circular dated 29.04.2011 on calculation of project cost and financials and that DEA has concerns regarding some of the methodology therein, particularly, the calculation of TPC, leakages in traffic, concession period etc. It was pointed out that EPC costs have been calculated after taking into account the contingencies of 3 percent of the civil costs. However, this should be a component of 25 the percent of the civil cost of construction, as per the MCA. Hence, this may lead to double counting in cost calculations. Member, NHAI informed that TPC is being calculated by the financial consultant based on the actual working and is not based on 25 percent of the civil costs. It was stated that the norm of 3 percent for contingencies may be included as a part of the 25 percent of the civil costs. CGM, NHAI indicated that leakages have been considered on account of diversion of traffic to other roads after the commencement of toll. Joint Secretary, DEA indicated that traffic diversion should be on the basis of traffic survey report which is different for each project and not on a generalised basis. The assumed level of traffic diversion for calculating financial viability was not agreed to by the members of PPPAC. Secretary, RTH indicated that the project financials were based on very conservative assumptions. Director, DEA requested that the referred circular may be reviewed in consultation with the DEA for calculating the financial viability. Secretary, RTH agreed to the same.

(Action: MoRTH/NHAI)

Project Engineering

20. Member Secretary, Planning Commission stated that provision of at-grade junction or overpasses should be considered as per IRC Manual of Standards and Specifications (MSS). Vehicular underpasses may be considered for road sections having average daily traffic as 5,000 PCUs or above. Underpasses should be constructed beneath the road instead of by raising the road by 15 ft through a length of about 500 m. Provision of service road of 11.67 km where the traffic is only 5,455 PCUs may be reviewed. The Chair observed that issues with regard to at grade junction / overpasses were deliberated at length in the 46th meeting of the PPPAC. Secretary, RTH explained that construction of at grade junction/overpass may not be feasible within taking due account of the Indian local condition such as water logging, which may impede traffic movement and closure of roads as in the case of Delhi

airport road. Joint Secretary, DEA queried whether these provisions were part of the MSS. Member, NHAI confirmed that scope of work has been proposed as per the MSS.

21. The Chair summarised the deliberations. He requested Secretary MoRTH to **re-submit the two proposals for consideration by the PPPAC** after reviewing the project cost and design, re-estimating the requirement of the RoW for the project and the cost thereof and making corrections in the project documents, including the schedules, to align them with the Toll Policy and the proposed scope of work. He advised MoRTH to obtain the approval of the CCI for four-laning 5000 km under NHDP after addressing the concerns of Ministry of Finance.

22. The PPPAC deferred the two projects subject to resolution of the aforementioned issues.

(Action: MoRTH/NHAI)

Agenda Item 2: Proposal from Ministry of Road, Transport and Highways (MoRTH) for grant of final approval for construction of new bridges and operation and maintenance of four-laned road of the Baleshwar-Kharagpur section of NH-60 from km 0.00 to km 119.30 on BOT (Toll) basis:

Total length: 119.30 km; Total Project Cost: Rs. 480.38 crore; Concession period: 24 years including 2.5 years of construction period.

Major development works/ structures: Major Bridges: 4 no. (new, 6-lane), 2 nos. (repair); Minor bridges: 48 nos. (new- 6-lane), 21 nos (repair); ROB: 4 nos. (repair); Slip road: 2.24 km; Vehicular underpasses: 1 no. (new), 3 nos. (repair); Culverts: 113 nos (new), 28 nos. (reconstruction); Toll plazas: 2, existing being retained (km 52.00 & km 103.50);

23. Member, NHAI informed that four-laning for the project stretch, which is part of the Golden Quadrilateral(GQ), was completed in the year 2007. Due to flash floods in September 2007 and June 2008, vast tract of the road section was submerged and damaged at several locations. The present proposal is not redevelopment of the existing highway but is construction of additional bridges to provide adequate waterways for cross drainage across the NH-60 to avoid submerging of the road in future. It was emphasised that that the proposed works were a felt need of the region.

24. Member Secretary, Planning Commission, questioned the need for six-laned bridges when the entire highway stretch is four-laned for the entire duration of the concession period. Member, NHAI responded that as per the MSS, the width of six lane Bridge should be 2*15.20 m and the width of four lane bridge should be 2*12 m. However, under the GQ, the bridges were constructed for a width of 2* 13.75 m. Accordingly, the present proposal provides bridges with the width of 2*13.75 m with the aim to maintain consistency within the GQ. Director, DEA pointed out that as per their response to the observations of Planning Commission's appraisal note, NHAI have reduced the TPC to Rs. 426.49 crore, by reducing the width of the bridge to 2*12 m. Member, NHAI indicated that they are proposing the width of 2*12 m only at the insistence of Planning Commission though they would prefer to maintain consistency within the GQ with bridges with the width of 2*13.75m. All members

of the PPPAC agreed that NHAI may be allowed to develop the bridges under the instant project with the proposed width of 2*13.75 m to maintain consistency in development of the GQ.

25. Director, DEA stated that MoRTH has proposed construction of new 6-lane bridges and operation and maintenance of 4-laned road of the Baleshwar-Kharagpur section of NH-60 under NHDP-V. However, NHDP-V has been approved by the CCEA only for six-laning of the identified stretches. Secretary, RTH re-iterated the urgent requirement for reconstruction and development of the project stretch. He suggested that the reconstruction of the stretch as a four lane highway and the six-laning of the bridges thereon may be considered under NHDP-I, the phase under which the project stretch was initially constructed. The PPPAC agreed to consider the proposal under NHDP Phase I.

26. The Chair observed that the concession period of 24 years in view of the traffic projections on the stretch. This was agreed to.

27. The PPPAC granted final approval to the project under NHDP-I for a TPC of Rs 480.38 crore with a maximum admissible VGF for the project of Rs 48.038 crore (10 % of TPC), subject to fulfilment of the following conditions:

- a. Concession period shall be 24 years.
- b. NHAI would ensure land acquisition in respect of the project to provide ROW in accordance with the provisions of the Model Concession Agreement (MCA) for National Highways.
- c. MoRTH would obtain clearances such as environment and forest clearance, before commencing work on the project site.
- d. NHAI would incorporate modifications in the project DCA to align it with the provisions of the Toll Policy.
- e. NHAI would incorporate the observations of Planning Commission and DEA with respect to corrections in the Schedules of the project DCAs.
- f. MoRTH would obtain prior approval of the PPPAC on any change in scope of work or project configuration as noted above.
- g. MoRTH would circulate the revised documents to the members of the PPPAC for record.

(Action: MoRTH/NHAI)

Agenda Item 3: Proposal from Ministry of Road, Transport and Highways (MoRTH) for grant of final approval for six-laning of Vijayawada-Gundugolanu section of NH-5 section from km 1076.48.00 to km 1022.48 under NHDP Phase V on BOT (Toll) basis:

Total length: 103.59 km; Total Project Cost: Rs. 1684.00; Cost of pre-construction activities to be financed by NHAI: Rs. 327.00 crore. Concession Period: 30 years including 2.5 years of construction period.

Major development works/ structures: Major Bridges: 3 no. (New (2 at Vijayawada bypass & 1 on its service road, 4-lane), 2 nos. (repair); Minor bridges: 42 nos. (New- 6-lane), 17 nos (repair); ROB: 3 nos. (New) 2 nos. (repair); Flyover: 6 nos.; Bypasses: 2 nos. (54.58 kms & new); Slip road: 73.318 km; At-grade intersections: 58 nos. (improvements); Vehicular underpasses: 10 no. (New), 8 nos. (repair); Pedestrian underpasses: 13 nos. (New), 2 nos. (repair); Toll plazas: 3, km 11.5 & km 35.0 on Vijayawada bypass & km 1050.78 of NH-5, Culverts: 75 (new), 171 (repair), truck lay byes:2, bus bays: 8

28. The Chair observed that the cost of the project is Rs. 16.35 crore per kilometre which is higher than the norms of Rs. 10 crore per km. CGM, NHAI stated that the cost per km is high due to the 49 kms long Vijayawada bypass that is costing Rs. 890 crore, which includes construction of major bridge costing Rs. 302 crore over River Krishna. Member, NHAI informed that other options were also considered such as to construct the road through Vijayawada city which would have cost Rs. 741 crore and pre construction costs would be Rs. 191.53 crore for a 24.2 km track. Additionally, widening the road through the city would encounter problems relating to land acquisition, Rehabilitation & Resettlement (R&R) and law and order. Bypass on the other side of the Vijayawada city was also considered which was not found feasible in comparison with the instant proposal. It was informed that the cost of the project had been considered by the Standing Cost Committee and approved.

29. Additional Secretary, DEA enquired whether land acquisition for the Vijayawada bypass had been completed. Member, NHAI indicated that land was yet to be acquired; however the same shall be acquired within the time frame mandated as per the MCA.

30. Member Secretary, Planning Commission pointed out that service roads on the bypass may not be required and the provisions may be re-examined. Member, NHAI clarified that service roads are proposed to be provided on the bypass only at stretches where it has been deemed necessary for ensuring safety in order to restrict direct entry to the NH road such as entry and exit points.

31. Member Secretary, Planning Commission observed that the toll rates on the bypass for cars and three axle trucks would be Rs. 101 and Rs. 348 respectively. At these rates, general public may be discouraged to use the bypass. Since the estimated traffic on the bypass is around 8000 PCUs, investing Rs. 890 crore on the bypass may be considered carefully. Further, it was stated that a ring road may be considered instead of a bypass, which may be funded by the Vijayawada Development Authority.

32. Member, NHAI informed that the traffic estimates are based on the present Origin Destination (OD) survey which may change considerably after the construction of the bypass. The bypass and the project stretch is expected to give impetus to rapid development of the surrounding region and further give boost to traffic growth on the bypass. It is also expected that once the Bypass is constructed, the commercial traffic would

not ply through the city. Hence, the bypass is required and would be more cost effective than attempting to acquire land for widening the NH within the city limits. . In response to the query on the ring road, it was stated that as the road is a part of the NH, it shall be the responsibility of the NHAI to develop the stretch.

33. Director, DEA enquired whether the performance security figure estimated for the toll revenues collected in the 1st year is greater than the 5 percent of TPC. Further, it was pointed out that the scope of work as mentioned in the PPPAC memo varies from the one provided in the DCA. CGM, NHAI confirmed that 5 percent of TPC i.e. Rs 84.20 crore is expected to be higher than the collection received through tolls in the 1st year. With regard to the scope of work, the details mentioned in the DCA were correct and PPPAC memo may require to be corrected.

34. The PPPAC granted final approval to the project under NHDP-V for a TPC of Rs 1684 crore with a maximum admissible VGF for the project of Rs 168.40 crore (10% of TPC), subject to fulfilment of the following conditions:

- a. NHAI would ensure land acquisition in respect of the project to provide ROW in accordance with the provisions of the Model Concession Agreement (MCA) for National Highways.
- b. MoRTH would obtain clearances such as environment and forest clearance, before commencing work on the project site.
- c. NHAI would incorporate modifications in the project DCA to align it with the provisions of the Toll Policy.
- d. NHAI would incorporate the observations of Planning Commission and DEA with respect to corrections in the Schedules of the project DCAs.
- e. MoRTH would obtain prior approval of the PPPAC on any change in scope of work or project configuration as noted above.
- f. MoRTH would circulate the revised documents to the members of the PPPAC for record.

(Action: MoRTH/NHAI)

Agenda Item 4: Proposals from Ministry of Road, Transport and Highways (MoRTH) for grant of final approval of NHDP –II projects on BoT (Annuity) basis:

- i. **Four-laning a section of the National Highway IA, between Banihal to Ramban section from km 151.00 to km 187.00 in the State of J&K on BOT (Annuity) basis:**

Total length: 32.01 km; Total Project Cost: Rs. 1224.126 crore; Cost of pre-construction activities to be financed by NHAI: Rs. 120.92 crore. Concession period: 20 years including 4 years of construction period.

Major development works/ structures: Bypasses: 2 of 0.630 km; Major Bridges: 8; Tunnels: 6 (2.967 km); Minor bridges: 23, Minor junctions: 5, Toll plaza: 1, rest area: 1, culverts: 152

- ii. **Four-laning a section of the National Highway IA, between Udampur to Ramban section from km 67.00 to km 89.00 and km 130.00 to km 151.00 of NH-1A in the State of J&K on BOT (Annuity) basis:**

Total length: 40.07 km; Total Project Cost: Rs. 1282.76 crore, ; Cost of pre-construction activities to be financed by NHAI: Rs. 131.20 crore. Concession period: 20 years including 4 years of constructon period.

Major development works/ structures: Bypasses: 2 of 2.70 km; Major Bridges: 9; Tunnels: 1(888 m); Major Junctions: 2; Minor bridges: 51, Minor Junction : 7, Toll plaza: 1, rest area: 1, culverts: 262

35. Secretary, RTH indicated that 6 projects were proposed from Jammu to Srinagar under NHDP-II on BoT (Annuity) basis. Four projects have been on awarded; the award of the instant two projects would complete the North-South Corridor. The two projects could not be awarded due to high annuities quoted by bidders which were higher than the acceptable limit for return on equity of 21 percent, in accordance with the BKC Committee recommendations.

36. The Chair observed that the cost of the projects are very high and queried whether the costs have been cleared by the Standing Cost Committee, chaired by Additional Secretary & Financial Adviser, MoRTH. Member, NHAI confirmed that the cost has already been approved by the Cost committee in its meeting held on August 13, 2011. It was clarified that high costs is due to the additional features such as tunnels, drainage and concrete retaining walls for required strength in the mountainous terrain. The costs are based on the cost index based on current Schedule of Rates (SOR) of the PWD norms.

37. Deputy Secretary, Expenditure observed that per kilometre cost of the two projects is Rs 38.24 crore and Rs. 32.01 crore respectively which are very high. It was indicated that DoE has serious concerns regarding cost escalation as the causes stated by NHAI for the increase is that the original estimation was based on 2010 SORs, which has been escalated to 2012 (when work will start); reduction in annuity payment period from 17 to 16 years and increase in construction period from 3 to 4 years with resultant increase in TPC and IDC. The robustness of the estimates mandates that the enhancements are made by only following the standard processes of escalation. The Cost Committee deliberations do not provide the necessary clarity on these issues. It was suggested that the Cost Committee may examine these issues, and the RfQ for the projectS invited afresh after review and re-estimation of the TPC of the projects.

38. Director, DEA enquired whether budget provisions for payment of annuities are available with MoRTH to implement these projects. Secretary RTH informed that approved envelop for payment of annuities for J&K and SARDP-NE projects was not likely to be adequate for meeting the requirements for the instant projects. He suggested that the projects may be considered for approval by the PPPAC subject to approval of the Cabinet for the requirement of budgetary resources for meeting the annuity commitments.

39. Member Secretary, Planning Commission, observed the decisions to carry out these projects on annuity basis should be based upon the cumulative annuities payable each and every year and after taking approval of the Cabinet for the same.

40. Deputy Secretary, Expenditure stated that funding for the stretches was a serious concern. The other stretches of the same highway in J&K, have taken up Rs 1798.50 crore out of the annual approved allocation/cap on annuity payments of Rs 2500 crore per annum. If these 2 stretches are added the figure ranges between Rs 2274.20 crore and Rs 2390.10 crore out of annual ceiling of Rs 2500 crore and there may be many more roads on BoT(Annuity) mode. The PPPAC may consider the proposal only after a new financial dispensation is obtained from the Cabinet after a comprehensive proposal covering all Annuity roads of J&K and SARDP-NE are given by MoRTH.

41. Joint Secretary, DEA pointed out that TPC has been calculated by adding 41.46 percent of the civil cost as against 25 percent of the civil cost as provided in the MCA. Member, NHAI informed that cost escalation and cost of financing are much higher due to the construction period of 4 years as against other projects where the construction period is 2.5 years. Director, DEA indicated that MCA provides for maximum of 25 percent of the civil cost for calculating the TPC as considered for other hilly regions such as Himachal Pradesh wherein also the construction period are long. Hence, the TPC may be reviewed. Member, NHAI agreed for review the same. Deputy Secretary, Expenditure stated that in case TPC is reduced, this would impact the costs provided during the RfQ stage, thus, fresh RfQ may be needed. Member, NHAI responded that in case there is a variation of 10 percent in the TPC, only then a fresh RfQ may be sought.

42. The Chair suggested that the cost estimates of the projects may be sent to DEA and another meeting of the Standing Cost Committee may be convened to address the concerns with the project cost and quantum of annuities for the same. This was agreed to.

(Action: MoRTH/NHAI)

43. Director, DEA indicated that the DCA has been prepared is not in accordance with the MCA for BoT (Annuity) projects. Secretary, MoRTH responded that these issues shall be reconciled prior to the issue of the RFP and requested that the projects may be conditionally approved.

44. Additional Secretary, DEA indicated that the CCI had granted approval for incurring annuities for the six projects. However, MoRTH has projected requirements for annuity payments which are at a variance with, and much higher than, the CCEA's earlier approval. He advised that it would be appropriate that the justification for the revised cost is first presented to the CCI and approval of the CCI obtained for the revised requirement before granting clearance to the projects. The Chair agreed with the views.

(Action: MoRTH/NHAI)

45. The PPPAC returned the two projects to MoRTH and advised MoRTH obtain the specific approval of the Cabinet for the revised requirement of annuities for the projects and to submit revised proposals after review of the project documents and clearance by the Standing Cost Committee in respect of the cost of the projects as well as the methodology adopted for estimation of the Total Project Cost and annuities for the project.

(Action: MoRTH/NHAI)

Agenda Item 5: Proposal from Ministry of Road, Transport and Highways (MoRTH) for grant of final approval for four-laning Kiratpur- Ner Chowk Section from Km 73.20 to Km 186.50 of NH-21 in the State of Himachal Pradesh under NHDP-III on BOT (Toll) basis:

Total length: 84.38 km; Total Project Cost: Rs. 1818.47 crore; Cost of pre-construction activities to be financed by NHAI: Rs. 537.73 crore. Concession period: 28 years including 3 years of construction period.

Major development works/ structures: Major Bridges: 15 nos. (new, 4-lane); Tunnel: 5 (2-lane, bi-directional); Flyover:1 at km 142.68, new, 4-lane; Minor bridges: 30 nos. (29 new, 4-lane, 1-repair); Major Road junctions: 12 nos.; Bypasses: 2 (10.228 km, sundar nagar & ner chowk); Pedestrian underpass: 4 nos. (new, 4-lane); Realignment: 59.542 km; Toll plaza: 2, at Km. 81.62 & 151.735, minor junctions: 42, culverts: 247, truck lay byes: 3, bus bays: 50

46. The Chair observed that the cost of the project appeared high, and queried whether the same has been considered and approved by the Standing Cost Committee. Secretary, RTH indicated that costs are high due to the road track being in a hilly region and that the clearance of the Cost Committee has been obtained.

47. Director, DEA enquired whether the project was a part of NHDP-III. CGM, NHAI informed that MoRTH has approved the inclusion of the stretch under the NHDP III. Director, DEA indicated that The Cabinet has granted approval to the identified stretches totalling 12,109 km under NHDP-III. The stretches to be taken up under the phase had also been approved by the CCEA. Hence, any additions or deletions in the list may be with the prior approval of the Cabinet. Secretary, RTH agreed to obtain the approval of the CCI and requested that the approval from the Cabinet may be a parallel activity to the approval; of the instant project. This was agreed to.

48. The PPPAC granted final approval to the project under NHDP-III for a TPC of Rs 1818.47 crore with a maximum admissible VGF for the project of Rs 727.38 crore (40% of TPC), subject to fulfilment of the following conditions:

- a. MoRTH would obtain approval of the competent authority for inclusion of the project under NHDP -III before award of the project.
- b. NHAI would ensure land acquisition in respect of the project to provide ROW in accordance with the provisions of the Model Concession Agreement (MCA) for National Highways.
- c. MoRTH would obtain clearances such as environment and forest clearance, before commencing work on the project site.
- d. NHAI would incorporate modifications in the project DCA to align it with the provisions of the Toll Policy.
- e. NHAI would incorporate the observations of Planning Commission and DEA with respect to corrections in the Schedules of the project DCAs.
- f. MoRTH would obtain prior approval of the PPPAC on any change in scope of work or project configuration as noted above.
- g. MoRTH would circulate the revised documents to the members of the PPPAC for record.

(Action: MoRTH/NHAI)

Agenda Item 5: Proposal from Ministry of Road, Transport and Highways (MoRTH) for grant of final approval for four-laning a section of the National Highway 73, between 4 Laning of Panchkula – Yamunanagar section from Km 71.640 to Km 179.285 in the State of Haryana under NHDP-III on BOT (Toll) basis:

Total length: 104.770 km; Total Project Cost: Rs. 934.93 crore; Cost of pre-construction activities to be financed by NHAI: Rs. 86.23 crore. Concession period; 22 years, including 2.5 years of construction period.

Major development works/ structures: Major Bridge: 14 nos. ; Flyovers: 5 Nos.; ROB: 1 No. No. of Toll Plazas: 2 Nos.; Length of Service roads: 46.912 km; No. of Bypasses: 4 Nos. Major road Junctions: 18 Nos: Minor bridge: 34; Vehicular underpass: 4; cattle underpass: 4; pedestrian underpass: 1, culverts: 173, bus bays: 58, 6-laning from km 164.933 to km 168.763 and 4-laning for km 71.64 to km 164.933 & km 168.763 to km 176.41

49. Secretary, RTH presented the proposal. It was indicated that the proposal was granted final approval by PPPAC on September 16, 2009. However, no bids were received. The instant project was, accordingly, restructured. The cost per km is Rs 8.90 crore and is within the norms of Rs 9.5 crore/km.

50. The PPPAC granted final approval to the project under NHDP-III for a TPC of Rs 934.93 crore with a maximum admissible VGF for the project of Rs 373.97 crore (40% of TPC), subject to fulfilment of the following conditions:

- a. NHAI would ensure land acquisition in respect of the project to provide ROW in accordance with the provisions of the Model Concession Agreement (MCA) for National Highways.
- b. MoRTH would obtain clearances such as environment and forest clearance, before commencing work on the project site.
- c. NHAI would incorporate modifications in the project DCA to align it with the provisions of the Toll Policy.
- d. NHAI would incorporate the observations of Planning Commission and DEA with respect to corrections in the Schedules of the project DCAs.
- e. MoRTH would obtain prior approval of the PPPAC on any change in scope of work or project configuration as noted above.
- f. MoRTH would circulate the revised documents to the members of the PPPAC for record.

(Action: MoRTH/NHAI)

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

**Ministry of Finance
Department of Economic Affairs**

Meeting of the Public Private Partnership Appraisal Committee (PPPAC)

47th Meeting on September 11, 2011

List of Participants

- I. Department of Economic Affairs**
- i. Shri R. Gopalan, Secretary (Economic Affairs) (In Chair)
 - ii. Shri Rajesh Khullar, Joint Secretary
 - iii. Smt. Aparna Bhatia, Director
- II. Department of Expenditure**
- i. Smt. Sigy Thomas, Deputy Secretary (PF II)
- III. Planning Commission**
- ii. Smt. Sudha Pillai, Member Secretary
 - iii. Shri K. R. Reddy, Joint Advisor
 - iv. Shri Amitabha Ray, Deputy Advisor
- IV. Ministry of Road Transport & Highways**
- v. Shri A. K. Upadhyay, Secretary
- V. Ministry of NHAI**
- vi. Shri Rajiv Yadav, Member , NHAI
 - vii. Shri B.N. Singh, Member, NHAI
 - viii. Shri M.P Sharma, Chief General Manager
 - ix. Shri S. C. Jindal, Chief General Manager
 - x. Shri R. K. Singh, Chief General Manager
 - xi. Shri Shashank Kumar, General Manager
- VI. Department of Legal Affairs**
- xii. Shri Y. K. Singh, Assistant Legal Advisor
- VII. Ministry of Environment and Forest**
- xiii. Shri C.D. Singh, IGF (FC)
 - xiv. Shri E. Thirunavukkarsu, Deputy Director
