

F. No. 2/1/2018-PPP  
Ministry of Finance  
Department of Economic Affairs  
(PPP Cell)


North Block, New Delhi  
Dated 2<sup>nd</sup> April, 2018

**OFFICE MEMORANDUM**

**Subject: Record of Discussion of 30<sup>th</sup> Meeting of the Empowered Committee (EC) for the Scheme for Financial Support to PPPs in Infrastructure (Viability Gap Funding Scheme) – reg.**

The undersigned is directed to enclose a copy of Record of Discussion on 30<sup>th</sup> Meeting of the EC for the grant of VGF under the Scheme for Financial Support to PPPs in Infrastructure held on 7<sup>th</sup> March 2018 under the Chairmanship of Secretary (EA) for information and necessary action.

Encl: as stated above

o/c  
  
(Manoj Kumar Madholia)  
Deputy Director  
Ph: 23095232

To,

1. Shri. Ajay Narayan Jha, Secretary, Department of Expenditure, North Block, New Delhi  
2. Shri. Amitabh Kant, CEO, NITI Aayog, Yojna Bhawan, New Delhi  
3. Shri. Durga Shankar Mishra, Secretary, Ministry of Housing and Urban Affairs  
4. Shri. Kiran Gitte, CEO& MC, Pune Metropolitan Region Development Authority

Copy to:

1. Chairman, PMRDA, Pune  
2. Sr. PPS to Secretary (EA)  
3. Sr. PPS to Special Secretary (EA)  
4. PS to JS (IPF)

18/04/2018  
2/4/2018

F. No. 2/1/2018-PPP  
Government of India  
Ministry of Finance  
Department of Economic Affairs  
PPP Cell

**Record of Discussion of 30<sup>th</sup> meeting of Empowered Committee (EC) for the 'Scheme for Financial Support to Public Private Partnerships in Infrastructure'**

The 30<sup>th</sup> meeting of Empowered Committee (EC) for the Scheme for Financial Support to Public Private Partnerships in Infrastructure chaired by Secretary, Economic Affairs, was held on 7<sup>th</sup> March 2018. The list of participants is annexed.

The EC considered the proposal from Pune Metropolitan Region Development Authority (PMRDA) for in-principle approval of Viability Gap Funding (VGF) under the Scheme for Financial Support to Public Private Partnerships in Infrastructure.

The EC noted that the Scheme for Support to PPPs in Infrastructure prescribes that VGF up to Rs.100 crore for each project may be sanctioned by the Empowered Institution (EI), proposal for VGF up to Rs.200 crore may be sanctioned by the Empowered Committee (EC), and amounts exceeding Rs.200 crore may be sanctioned by the EC, with the approval of Finance Minister.

**Proposal from Pune Metropolitan Region Development Authority (PMRDA), Government of Maharashtra for "in-principle" Approval**

**Agenda Item:** Development of Pune Metro Line- III from Hinjewadi-Shivajinagar on Design-Build-Finance-Operate-Transfer (DBFOT) basis under PPP mode.

**Project Details:** Length: 23.33 km; Total Project Cost: Rs. 6,124 crore; Concession Period: 35 (including 3 years construction period) from the appointed date (extendable by another 25 years as per the provisions of the Concession Agreement)

**Major Development Work / Structures:** Alignment & Formation, Station Buildings, Depot, P-Way, Traction & Power Supply, Signaling and Telecom, Rolling Stock, CPD

**VGF Sought:** Up to 20% of the Total Project Cost

1. Joint Secretary (IPF) informed the EC that a proposal for "in-principle" approval has been received from Pune Metropolitan Region Development Authority (PMRDA) for Pune Metro Line- III from Hinjewadi- Shivajinagar on Design-Build-Finance-Operate-Transfer (DBFOT) basis and explained the salient features of the project.
2. Secretary, EA enquired from PMRDA about the reasons for taking up Pune Metro Line-III on PPP Mode while the other two lines of Pune Metro have been taken up on EPC Mode. CEO, PMRDA (Project Authority) clarified that due to concentration of IT industry in the area, there is a scope of private participation. JS(IPF) added that Hyderabad Metro Rail Project has also been developed on PPP mode. CEO, PMRDA



also informed that the Authority has followed the bid documents of erstwhile Planning Commission as the base document.

3. CEO, PMRDA made a presentation on Pune Metro Line- III and explained that in the proposed Metro network of the city, Shivaji Nagar is the junction of three lines and until the 3<sup>rd</sup> line is operational, integration of lines will not take place. It was also informed that Project Authority has already floated RfQ and 3 bidders have been shortlisted. He also informed EC that Comprehensive Mobility Plan (CMP) was initially prepared for Pune City in 2008. JS (IPF) pointed out that as per new Metro Rail Policy, fresh CMP is required if it is older than five years. On this, CEO, PMRDA informed EC that Comprehensive Traffic and Transport Study (CTTS) is under process and is expected to be completed by May, 2018 which may serve the purpose of CMP.
4. On a question about the present mode of travel, CEO, PMRDA informed that majority of the commuters travel by private vehicles or buses. Secretary, EA also enquired about the rationale of preferring 3 coach metro trains when the projected ridership is on the higher side. CEO, PMRDA clarified that with latest technology, the capacity on the line can be augmented by increasing the frequency of trains to 90 seconds in each direction at peak hours without increasing the number of coaches. Regarding capacity at this frequency, PMRDA informed that it can reach upto 60,000 Peak Hour Peak Direction Traffic (PHPDT). However, JS, Expenditure stated that at this frequency, the maximum capacity would approximately be 40,000 PHPDT. CEO, PMRDA assured the EC to look into the matter.
5. CEO, PMRDA highlighted that the fare structure of Line -III is on the higher side in comparison to other two Pune Metro lines being developed under EPC mode. JS (IPF) stated that the fares should be in consonance with the Schedule-R of draft Concession Agreement. JS(Exp) explained that as per the Metro Railway (Operation and Maintenance) Act, 2002, concessionaire has the right of issue fare notification at the time of initial opening and Fare Fixation Committee (FFC) will fix all fares for any further revision. CEO, PMRDA assured that Basic Fares and annual escalation will be in accordance of the Schedule-R of the Concession Agreement. OSD (UT), MoHUA added that Metro Railway Act is being amended, which will *inter-alia* also address the issue of discretionary powers of FFC vis-à-vis the tariff stipulations in the Concession Agreement for PPP projects.
6. CEO, PMRDA informed the EC about charging differential tariffs at Peak Hours. In this regard, Secretary, EA suggested PMRDA to clearly define Peak Hours and the extent to which fare can be different from fares of non-peak hours. Regarding land acquisition, CEO, PMRDA explained that 90% of required land will be available to the Concessionaire before the date of signing of Concession Agreement and the remaining 10% before the Appointed Date. Currently, around 80% of required land is in possession of Project Authority. Secretary, EA suggested that the clause providing transfer of 100% of required land prior to the Appointed Date may lead to delay in starting of the project and suggested PMRDA to re-examine the matter.





7. While giving an overview of the draft Concession Agreement, CEO, PMRDA explained that as a measure of risk mitigation for the Concessionaire, for every 1% shortfall in average ridership compared to target ridership, the Concession Period is to be extended by 1.5%. Similarly, for every 1% excess in average ridership compared to target ridership, the Concession Period is to be reduced by 1.5%. (However, in the draft CA submitted by PMRDA, under clause No.29.2.2, in case of 1% excess in average ridership compared to target ridership, the Concession Period reduction has been indicated as 1%; CEO, PMRDA informed that it is typographic error and would be corrected to 1.5% in DCA). Adviser, NITI Aayog explained that generally target date for traffic sampling is about the 15<sup>th</sup> year from the date of signing of Concession Agreement and the traffic sampling is undertaken for a continuous period of 7 days during 15 days prior to the target date. However, EC suggested that the moving average of 3 years may be taken including two years preceding the target year.
8. PMRDA informed that a platform length of 75 meter is being planned under the project instead of the standard 140 meter. This is because only 3-coach trains will initially be plied on the route. JS (Exp) informed that the cost difference between the 75 and 140 meter platform is not significant. Secretary, EA opined that the standard 140 meter platform could be a better choice keeping the long-term perspective.
9. JS (Exp) pointed out that it has been proposed that the WPI for the week ending Jan 31<sup>st</sup> of each year will be reckoned for fare calculations. EC suggested that since WPI varies significantly in 12 months, therefore the possibility of using moving average of WPI for the past 6 or 12 months instead of point to point may be examined. PMRDA agreed to reexamine the matter.
10. JS (Exp) further stated that, as per clause 5.2.4 of DCA, Concessionaire may not grant any sublease for cumulative period of more than 3 years whereas normally commercial businesses expect leases to be available for at least 5 to 10 years. Secretary, EA suggested that leases may not be restricted to 3 years. JS (IPF) suggested that the lease should, at the most, be co-terminus with the Concession Period. PMRDA agreed to make the required changes. JS (Exp) also pointed out that, Branding (as defined in clause 5.11.2 of DCA) may be allowed in rule based manner rather than by making an Application to Authority. PMRDA clarified that it will be in accordance with the local bye-laws and other applicable laws. EC suggested PMRDA to re-examine the matter.
11. Adviser, NITI Aayog stated that as per clause 4.2 of the draft Concession Agreement, damages payable shall be the sole remedy available to the Concessionaire for delay by the Authority which is inconsistent with clause 35.3. EC suggested PMRDA to re-examine the matter and make clause 4.2 and 4.3 consistent with clause 35.3 and 10.3.2 of draft Concession Agreement. PMRDA also agreed to incorporate the latest clauses from the Concession Agreements of Road Sector with respect to Termination Payment during the Construction Period and Refinancing. Adviser, NITI Aayog also suggested PMRDA to re-examine clause 5.2.2 of the DCA in which it is mentioned that Concessionaire shall be required to obtain the prior written approval of the Authority for execution of the draft Financing Agreement. CEO, PMRDA agreed to the same.



12. Adviser, NITI Aayog pointed out that scope of lease of land is much broader than license and lease gives additional rights to concessionaire compared to license. Special Secretary (EA), added that as the lease gives substantial rights to the Concessionaire, Project Authority should ensure that there should be no problem in Transfer of land to the Authority after the expiry of concession period.
13. MoHUA suggested that there should be design consistency while procuring Metro coaches, rolling stock etc.
14. JS (IPF) pointed out that RfQ of the Project has been issued before the 'in-principle approval' of VGF, which is a violation of the Scheme and Guidelines for Financial Support to PPPs in Infrastructure. After discussion, EC decided to waive off this violation. JS (IPF) also pointed out that Model RfQ and Model RfP documents issued by MoF stipulate the limit of shareholding in case of conflict of interest at 5%. However the PMRDA had increased the limit to 15%. EC agreed to this amendment given that RfQ has already been issued by PMRDA. It was also suggested that option of common tariff card for public transport could be explored for the Pune Metro project (same metro card may be used in all lines of Pune Metro, Bus, etc.) to make inter-modal public transport easier. Such a system is in place for the Kochi Metro project.
15. JS (IPF) also highlighted that in the RfQ, O&M Experience with respect to Estimated Project Cost has been reduced to 25% from 100% of Total Project Cost. PMRDA responded that this clause has been taken from the RfQ of Hyderabad Metro Rail. OSD (UT), MoHUA also added that requirement of 100% O&M experience will make the bid very restrictive. EC agreed to the minimum requirement of 25% of TPC for O&M experience.
16. EC granted 'in-principle approval' for VGF for the Project subject to the following conditions:
- Metro Fares charged by the Concessionaire will be in accordance of the Concession Agreement and for the purpose of Fare calculation, annual average WPI will be taken as suggested by EC.
  - The need to take approval of Govt. agencies for fare fixation/revision may be relooked.
  - The issue of number of coaches and frequency of the Rail will be re-examined.
  - Clause 29.2.2 of the DCA would be amended to the effect that in case of every 1% ridership in excess of target ridership, the Concession Period would be reduced by 1.5% (instead of 1%). Likewise, for every 1% shortfall in average ridership compared to target ridership, the Concession Period is to be extended by 1.5% under clause 29.2.1. Suggestion of EC that the moving average of 3 years may be taken for traffic sampling including two years preceding the target year would also be incorporated.
  - Clause 5.2.4 of the DCA may be amended with regard to the period of sub-leasing.
  - Clause 5.11.2 of the DCA may be amended to allow for Branding in rule-based manner.
  - Clause 4.2 and 4.3 of DCA may be amended to make it consistent with the clause 10.3.2 and clause 35.3 as suggested by NITI Aayog.
  - Make necessary changes in DCA to incorporate standard clauses relating to Termination Payment during construction period and Refinancing.



## List of Participants

### 1. Department of Economic Affairs, Ministry of Finance

- i. Shri Subhash Chandra Garg, Secretary, Economic Affairs (In Chair)
- ii. Dr. M.M.Kutty, Special Secretary, Economic Affairs
- iii. Shri Kumar V Pratap, Joint Secretary (IPF), Economic Affairs
- iv. Shri Manoj Kumar Madholia, Deputy Director
- v. Shri Shubham Goyal, Assistant Director (PPP)
- vi. Shri Rajesh Gupta, Section Officer (PPP)

### 2. Department of Expenditure, Ministry of Finance

- vii. Shri K. Rajaraman, Joint Secretary

### 3. NITI Aayog

- viii. Shri Praveen Mahto, Adviser, (PPPAU)

### 4. Ministry of Housing and Urban Affairs

- ix. Shri Mukund Kumar Sinha, OSD(UT)
- x. Shri Janardan Prasad, Director (UT)
- xi. Shri Ambuj Bajpai, Under Secretary (UT)

### 5. Government of Maharashtra

- xii. Shri Kiran Gitte, Metropolitan Commissioner and CEO, PMRDA
- xiii. Shri Chandrakant Jawale, Superintendent Engineer, PMRDA