

F. No. 2/11/2015-PPP
Government of India
Ministry of Finance
Department of Economic Affairs
(PPP Cell)

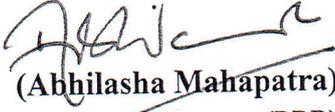
New Delhi the, April, 6, 2015

OFFICE MEMORANDUM

Subject: Record of Discussions of the 71st Meeting of the Public-Private-Partnership-Appraisal-Committee (PPPAC), held on March 20th, 2015

Please find enclosed the Record of Discussions of the 71st Meeting of the Public-Private-Partnership-Appraisal-Committee (PPPAC) chaired by Secretary, Economic Affairs & Finance Secretary held on **March, 20th, 2015.**

Encl: as stated


(Abhilasha Mahapatra)
Director (PPP)
6/4/2015.

To,

1. Secretary, Department of Expenditure, North Block, New Delhi.
2. CEO, NITI Aayog, 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 (Inv)
3. Sr. PPS to AS(EA)
4. Sr. PS to JS (Infra.)
5. PS to Director (PPP)

F. No. 2/11/2015-PPP
Government of India
Ministry of Finance
Department of Economic Affairs

Public Private Partnership Appraisal Committee

71st Meeting held on March 20, 2015

Record Note of Discussion

The 71st meeting of the Public-Private-Partnership-Appraisal-Committee (PPPAC), chaired by Secretary, Economic Affairs & Finance Secretary, was held on March 20, 2015. The list of participants is annexed.

The PPPAC considered two proposals 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 Guna to Biaora section of NH 3 from Km 332.100 to Km 426.100 in the state of Madhya Pradesh under NHDP Phase IV on Design, Build, Finance, Operate, Transfer (DBFOT) Toll basis .

Total length: 93.50 Km; Total Project Cost: Rs. 1012.90 Crores; Cost of pre-construction activities to be financed by NHAI: Rs 69.00 crore; Concession Period: 26 years including 2.5 years of construction period.

Land Status: Total land required: 561.00 Ha; RoW Available: 283.00 Ha. (50.45%); Balance Land to be acquired: 278.00 Ha. (49.55%); Amount of Forest land to be diverted: 33.24 Ha. (5.93%); Notification under Section 3D: 278.00 Ha. (49.55%); 3G Published: 245.28 Ha. (43.72%) - 60.20% of compensation completed to the land owner; Land available with the Authority: 283.00 Ha. + 245.28 Ha. = 528.28 Ha. (94.17%)

Status of Clearances: Environmental Clearance obtained; State Support Agreement has been signed; Stage I Forest clearance has been obtained; Stage II Forest Clearance - to be obtained

Major development works/ structures: Major Bridge: 4; Minor bridges: 34; Grade separated flyover: 2; Pedestrian/Cattle Underpass: 09; Major road junctions: 7; Minor road junctions: 34; Service roads: 9.80 km (both sides); No. of By-passes and length: 2 / 7.95 Km;; Toll plazas: 2 (At Km 348.885, and at Km 400.465); Truck laybys: 2; Bus bays: 22; Rest Area: 01; Culverts: 74



Agenda Item II: Proposal from Ministry of Road Transport & Highways for grant of final approval: Four laning of Biora - Dewas section of NH-3 from Km 426.100 to Km 566.450 in the State of Madhya Pradesh under NHDP Phase IV on Design, Build, Finance, Operate, Transfer (DBFOT) Toll basis

Total length: 141.260 km; Total Project Cost: Rs. 1583.79 crore; Cost of pre-construction activities to be financed by NHAI: Rs. 150 crore; Concession Period: 27 years including 2.5 years of construction period.

Land status: Total land required: 847 ha; Land available: 393 ha (46.4%); land to be acquired-454; Forest land-Nil, Notified under 3D: 454 ha (100%); Govt. Land: 85.96 ha; Notified under 3G: 343.52 ha; land available: 822.51 ha (94%); 74.04% of compensation completed to the land owner.

Status of Clearances: Environment Clearance: obtained on 16.01.2013; Forest Clearances: Stage-1 obtained on 09.01.2013; GAD: approved by Railways for 2 RoBs; Wild life Clearance: Not required

Major development works/ structures: Major Bridge: 7 (5 of 4 lane & 2 of 2 lane); Grade separator/flyovers: Nil; ROBs; 2; Bypass: 3 of 27.15 km, at Sarangpur (8.2 km), Shajapur (11.40) km & Maksi (7.55 km) ; Major road junctions: 7; Service roads: 27.22 km ; Toll plazas: 2 at km 465 & km 526.48; Minor bridges : 38 (19 of 4 lane, 19 of 2 lane) + 4 on service roads); Minor road junctions: 61; Vehicular underpass: 1; Pedestrian/Cattle underpasses: 21; Culverts: 140; Truck laybys: 6; Rest Area: 2; Bus bays and shelters: 42; Realignments: 3.57 km at 5 locations; Re-constructions: 31.85 km at 13 locations.

Joint Secretary, DEA informed the PPPAC that an earlier proposal for a stretch of 321 km from Shivpuri – Dewas was approved by the PPPAC in its 41st meeting held on January 25, 2011 with TPC of Rs. 2815.00 crore (Rs. 8.77 crore per km). The project was awarded to M/s GVK Transportation Pvt. Ltd on 22.09.2011 with a premium of Rs. 180.90 crore, however the Concession was terminated. The two proposals to be considered by the PPPAC at this meeting are a part of this earlier approved project stretch. MoRTH was requested to provide clarifications and reasons for termination of the earlier approved project and the present status of fulfilment of Conditions Precedent by the NHAI.

2. Member, NHAI stated that both parties i.e. the Concessionaire & NHAI could not fulfil their respective parts of the Conditions Precedent and the project was terminated in May, 2014. Subsequently, it was decided to implement the project by dividing the entire length into three packages i.e. Shivpuri to Guna with length of 97.70 km and TPC of Rs. 786.64 crore, Guna to Biora with a length of 93.5 km and TPC of Rs. 1012.90 crore and Biora to Dewas with length of 141.26 km and TPC of Rs. 1583.79 crore. The first package (Shivpuri to Guna) has already been approved by the Standing Finance Committee (SFC) headed by Secretary, MoRTH and

approval of Minister, RTH obtained as the project cost is less than Rs. 1000 crore. The remaining two packages are now for consideration of the PPPAC.

3. Member, NHAI further stated that inspite of the present circumstances where poor response or very costly bids are being received on BOT (toll) projects, the two projects proposed to the PPPAC are expected to get reasonable bids as a large number of bidders had participated during RfQ stage. The projects are expected to be viable with VGF of upto 12.95% of TPC for Guna to Biaora stretch and upto 23.57% of TPC to achieve 15% Return on Equity. The proposed projects are part of NH 3 which connects from Agra to Bombay (earlier called as AB road) and the average traffic on the highway ranges from 15,000 PCUs to 20,000 PCUs.

4. Member, NHAI also informed the PPPAC that in order to avoid delay in fulfilment of Conditions Precedents, the Authority has already acquired about 94% of land for both projects and 3 G Notification is under process for balance land. In addition, the Environment clearances, Stage I Forest clearance and State Support Agreement have been obtained. While the package from Guna to Biora did not have any RoBs/RUBs in the stretch, as regards, Biaora to Dewas, necessary approvals from the Railways had been obtained.

5. The Chair enquired on the amount of bid security forfeited on termination of the contract by NHAI. Member, NHAI responded that M/s GVK, the Concessionaire had first terminated the contract for non fulfilment of Conditions Precedent by NHAI but NHAI contested the termination as the Concessionaire had not submitted the Performance Security and Financial Closure was not achieved, hence Article 37 was not applicable. However, when NHAI started proceedings for forfeiture of the bid security, the Concessionaire approached the High Court and obtained a Stay Order on account of Force Majeure. The contract was terminated in May 2014 on mutual consent though the matter is still in arbitration.

6. Joint Advisor, Niti Aayog sought clarification on the need for construction of 6 lane carriageway for 17 Km of the project length from Guna to Biora and 19 Kms of service roads in the inhabited areas, i.e around 18% of the total length stating that there appears to be no justification for constructing 6 lane carriageway based on the traffic estimates as there is no such requirement in the new IRC specifications. MoRTH was requested to consider limiting the scope of the Project to 4-lane to further improve the project viability and reduce VGF Grant, given that the new IRC specifications do not provide for six- laned structures.

7. Joint Secretary, DEA stated that six laning has also been proposed for 26.44 km along with service roads for 27.22 km of the Biaora to Dewas stretch which also does not appear to be justified by the present and projected traffic estimates, especially when no capacity augmentation is envisaged during the entire concession period.



8. Joint Secretary (MoRTH) explained that the 6-lane carriageway section is proposed only at built-up areas keeping in mind safety considerations. To a question from JS/DEA on why the IRC manual did not provide for such safety standards, CGM, NHAI clarified that six laning and service roads have been proposed only in built-up areas in accordance with the earlier proposals approved by the PPPAC based on IRC:SP:84-2009. Even though the new IRC:SP:84-2014 manual does not provide for six laned structures, these have been provided for in the project stretch considering the safety of habitants in built-up areas. The total 6-laning length excluding approaches for the Guna to Biaora stretch comes to only 8.30 kms. As regards the total financial implication for 6 laning and service road, this would be about Rs. 45 crores for one project.

9. The Chair stated that while MoRTH should not include additional scope of work in BOT projects making the projects unviable on BOT (Toll) basis, however, since the financial impact for the extra scope of work works out to only around 3 percent of the TPC, and in case the projects are viable on BOT (Toll) basis, the PPPAC could consider these as an exception. MoRTH was advised that in future, NHAI should propose the projects based on the new IRC manual approved by the MoRTH. This was agreed to. (Action: MoRTH/
NHAI)

10. Joint Advisor, Niti Aayog stated that the TPC as provided in the PPPAC Memo and the TPC indicated in Article 48 of DCA differs for the Biaora to Dewas project, and needs to be reconciled. CGM, NHAI responded that TPC as per DCA is correct and was incorrectly mentioned in the Memo due to a clerical error. The Chair advised MoRTH/NHAI to ensure adequate care is taken while submitting documents to the PPPAC. This was agreed to. (Action: MoRTH/ NHAI)

11. Director, DEA stated that TPC has increased from Rs. 8.77 crore per km (approved by the PPPAC in January, 2011 for the entire Shivpuri to Dewas stretch) to Rs. 11.22 crore per km for the Biaora to Dewas stretch and sought justification for the increase in project cost by 28%. CGM, NHAI responded that the increase in project cost is due to the revised Manual of Standard & Specifications and updating of the Schedule of Rates (SOR) from 2010-11 to 2013-14. The costs were further updated to 2015 by providing for an increase of 5% per year as per the NHAI guidelines. It was further clarified that, as per extant guidelines of MoRTH, per km cost for 4 laning is Rs. 13.67 crore for 2014-15, whereas the per km cost for the proposed project is only Rs. 11.22 crore, hence, the proposed cost is reasonable.

12. Director, DEA indicated that as per Schedule 'R' for the Biaora to Dewas stretch, the total length chargeable for toll has been indicated as 153.379 km as against actual length of 141.260 kms; Schedule 'R' therefore needs to be reconciled and corrected. CGM, NHAI responded that Schedule 'R' has been corrected and modified.

13. The PPPAC recommended the grant of final approval to the proposals:

- (i) Four laning of Guna to Biaora section of NH 3 from Km 332.100 to Km 426.100 in the state of Madhya Pradesh under NHDP Phase IV on Design Build, Finance, Operate and Transfer (DBFOT) basis , for TPC of Rs. 1012.90 Crores with VGF as per the Scheme Guidelines; and
- (ii) Four laning of Biora - Dewas section of NH-3 from Km 426.100 to Km 566.450 in the State of Madhya Pradesh under NHDP Phase IV on Design Build, Finance, Operate and Transfer (DBFOT) basis, for TPC of Rs. 1583.79 crore with VGF as per the Scheme Guidelines,

subject to fulfilment of the following conditions, for both projects:

MoRTH shall issue Request for Proposal (RFP) only after;

- 13.1 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 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)

Ministry of Finance
Department of Economic Affairs

Public Private Partnership Appraisal Committee

71st Meeting on March 20, 2015

List of Participants

- I. Department of Economic Affairs, Ministry of Finance
 - i. Shri Rajiv Mehrishi, Secretary, Economic Affairs & Finance Secretary (In Chair)
 - ii. Shri Dinesh Sharma, Additional Secretary
 - iii. Ms. Sharmila Chavaly, Joint Secretary, Infrastructure
 - iv. Ms. Abhilasha Mahapatra, Director (PPP)
- II. Department of Expenditure, Ministry of Finance
 - v. Ms. Saheli Ghosh Ray, Director (PF-II)
- III. NITI AAYOG
 - vi. Shri Amitabha Ray, Joint Adviser
- IV. Ministry of Road Transport & Highways (MoRTH)
 - vii. Shri Rohit K. Singh, Joint Secretary (Highways)
 - viii. Shri Pawan Kumar, SE (PPP)
 - ix. Shri Akhtarul Hanif, DS & DFA
 - x. Shri Sharin Sharan Pintu, EE
- V. Department of Legal Affairs
 - xi. Shri G.C.Mishra, JS & LA
- VI. National Highway Authority of India
 - xii. Shri Sudhir Kumar, Member (PPP)
 - xiii. Shri Atul Kumar, CGM
 - xiv. Shri Khushal Chand, GM (T)

