

**F.No. 2/13/2016-PPP  
Ministry of Finance  
Department of Economic Affairs  
(PPP Cell)**


New Delhi, the November 7, 2016

**OFFICE MEMORANDUM**

**Subject:** Record of Discussion of the 80<sup>th</sup> Meeting of the **Public Private Partnership Appraisal Committee (PPPAC) held on October 28, 2016.**

Please find enclosed the Record of Discussions of the 80<sup>th</sup> PPPAC held on October 28, 2016 **under the Chairmanship of Secretary (Economic Affairs) for record and necessary action.**

**Encls: As above.**

  
(Abhilasha Mahapatra) 11/16  
Director (PPP)  
Phone No. 2309 4045

1. **Finance Secretary and Secretary, Department of Expenditure**, North Block, New Delhi.
2. **CEO, NITI Aayog**, Yojana Bhawan, New Delhi.
3. **Secretary, Ministry of Civil Aviation**, Rajiv Gandhi Bhavan, Safdarjang Airport, New Delhi.
4. **Secretary, Ministry of Road Transport and Highways**, Transport Bhavan, New Delhi.
5. **Secretary, Department of Legal Affairs**, Shastri Bhavan, New Delhi
6. **Secretary, Ministry of Environment & Forests and Climate Change**, Indira Parayavaran Bhawan, Jorbagh, New Delhi.

Copy to:

7. **Shri Arun Kumar**, Joint Secretary, Ministry of Civil Aviation, Rajiv Gandhi Bhawan, Safdarjung Airport, New Delhi.
8. **Shri Rohit Kumar Singh**, Joint Secretary (Highways), Ministry of Road, Transport & Highways, Transport Bhawan, New Delhi.

**Copy for information to:**

1. Sr. PPPs to Secretary, EA, 2. Sr. PPS to Additional Secretary (Investment), 3. PS to JS (Infra), 4. PS to Director (Infra).

**F. No. 2/13/2016-PPP**  
**Government of India**  
**Ministry of Finance**  
**Department of Economic Affairs**  
**PPP Cell**

**Public Private Partnership Appraisal Committee (PPPAC)**  
**80<sup>th</sup> Meeting on October 28, 2016**

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**Record Note of Discussions**

The Eightieth (80<sup>th</sup>) meeting of the Public Private Partnership Appraisal Committee (PPPAC), chaired by Secretary, Economic Affairs was held on October 28, 2016. The list of participants is attached.

The PPPAC noted that there are two (2) Aviation sector proposals from the Ministry of Civil Aviation (MoCA) and one Road sector proposal from the Ministry of Road Transport and Highways (MoRTH).

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**Agenda I: Proposal from Ministry of Road Transport and Highways for grant of final approval: 6 laning of Handia Varanasi section of NH – 2 from km 713.146 to km 785.544 (design length 72.398 km) in the State of Uttar Pradesh under NHDP Phase-V on Hybrid Annuity Mode.**

**Total length:** 72.398 km, Estimated Project Cost: Rs 2,064.99 Crore, Cost of Pre-construction Activities to be financed by NHAI: Rs 82.34 Crore, Civil Construction Cost: Rs 1,905.42 Crore, Concession Period: 2½ years of construction period *plus* 15 years operation period.

**Bidding Parameter:** NPV of Bid Project Cost and O & M Cost

**Land Status:** Total land required: 1,103.059 Ha, Existing land: 1,103.059 Ha (100%), Balance land to be acquired: NIL.

**Status of Clearances:** Environment clearance has been obtained; Forest clearance: To be obtained (proposal submitted for stage I).

**Major Development Work / Structures:** Major Bridges: Nil, Minor Bridges: 3 Nos + 3 x 2 on service road, Flyovers: 3 Nos, ROB: Nil, Bypass: Nil, Major Junctions: 4 Nos, Toll Plaza: 1 at 746.760 km, Minor Junction: 167 Nos, VUP: 11 Nos, PUP: 12 Nos, Culverts: 207 Nos, Truck Lay byes: 4 Nos, Bus Bay plus shelters: 15 Nos, Bus Shelters: 21 Nos, Truck Lay-byes: 4 Nos, Foot Over Bridges: 2 Nos, Elevated Structures: 5 Nos

2. Joint Secretary (Infra) informed the PPPAC that the proposal from Ministry of Road Transport and Highways (MoRTH) is for 6 laning of Handia Varanasi section of NH-2 in the State of Uttar Pradesh on Hybrid Annuity Mode. Director ( Infra) stated that the project proposal with a TPC of Rs. 909.57 Crore with a concession period of 28 years including construction period of 2.5 years was granted final

approval by the PPPAC in its 53<sup>rd</sup> meeting held 16.07.2012 and the project was subsequently approved by the CCI on 04.10.2012. The bidding process was non-responsive with no bid in the first attempt and only single bid in the second attempt. Thereafter, the project was restructured with a TPC of Rs 2356.16 Crore and the same was approved by the PPPAC in its 67<sup>th</sup> meeting held on 27.11.2014 and CCEA in its meeting held on 19.02.2015. Even after this, two rounds of bidding process were non responsive. MoRTH has decided that 6-lane projects be taken up under Hybrid Annuity mode, wherein Tolling Right would remain with the Authority and 40% construction support is to be given to the Developer which is linked to physical milestone. Accordingly, the project is proposed to be implemented on Hybrid Annuity mode.

3. The Chair desired to know whether the scope of work and cost are same as approved in the 67<sup>th</sup> meeting of the PPPAC. Joint Secretary, MoRTH explained that the scope of work is exactly the same. Civil construction cost of the Project has marginally reduced from around Rs 1,936 Crore to Rs 1,905 Crore because of change in Schedule of Rates and also due to movement in Wholesale Price Index (WPI).

4. Advisor, NITI Aayog stated that width of carriageway at a few locations is not as per the Manual. Similarly, proposal to construct a flyover at chainage 784.297 appears unreasonable. Advisor, NITI Aayog further stated that MoRTH in its response had stated the reasons such as inadequate availability of ROW and hurdle of existing structures, etc, which appears admissible. The Chair stated that choice of the structures and its details may be left to the discretion of MoRTH / NHAI to a reasonable extent as they are best equipped to take into account the ground realities.

5. Joint Secretary (Infra) stated that there is a toll plaza at km 747.581. It may be clarified whether the toll plaza is operational and whether it is by a private sector Concessionaire. Chief Engineer, MoRTH stated that the existing toll plaza is for user fee collection of existing 4-lane highway section constructed under Golden Quadrilateral (GQ), a public funded Project. User fee is being collected by the NHAI through private agency. Toll collection contract to the private agency is of one year only and would not be a hurdle for the instant Project.

6. Joint Secretary (Infra) stated that Article 23.8 of DCA regarding Mobilization Advance has been revised pursuant to MoRTH Circular No. NH-24028/14/2014-H (Vol-II) dated 08.07.2016. Joint Secretary, MoRTH stated that the circular is on hold as it is realized that it amounts to a change in Model Concession Agreement (MCA). JS, MoRTH clarified that approval of the Competent Authority for the required amendment in MCA would be obtained before using the revised article relating to Mobilization Advance in the DCA.

7. The PPPAC recommended the proposal of MoRTH for 6 laning of Handia Varanasi section of NH – 2 from km 713.146 to km 785.544 (design length 72.398 km) in the State of Uttar Pradesh under NHDP Phase-V on Hybrid Annuity Mode for Estimated Project Cost of Rs 2,064.99 Crore for grant of final approval subject to fulfilment of the following conditions:

- 7.1 Revised Clause relating to Mobilization Advance would be used in DCA only after obtaining approval of the Competent Authority to the amendment in MCA.
- 7.2 MoRTH shall obtain prior approval of the PPPAC on any change in scope of work or project configuration as noted above.
- 7.2 MoRTH shall circulate the revised documents to the members of the PPPAC for record.

**Agenda II: Proposal from Ministry of Civil Aviation (MoCA), Government of India (GoI), for grant of in-principle and Final approval of Operation and Maintenance of Select Areas of Ahmedabad Airport.**

**Agenda III: Proposal from Ministry of Civil Aviation (MoCA), Government of India (GoI), for grant of in-principle and Final approval of Operation and Maintenance of Select Areas of Select Areas of Jaipur Airport.**

**Total Project Cost: No capital investment required; Operation & Maintenance Period: 10 years**

**Major development works:** Operation and Maintenance (O&M) of Select Areas of the Airport i.e. Passenger Terminal Building with Kerb Area; Apron area including Passenger boarding bridges (but excluding cargo areas); Surface Car Parking; All terminal approach roads including movement area between the passenger terminal (on air side) and apron

8. Member (Finance), Airport Authority of India (AAI) presented the proposals. The PPPAC was informed that during the review meeting held by PMO on July 22, 2015, it was decided that as far as airports at Ahmedabad and Jaipur are concerned, Airport Authority of India (AAI) on behalf of Ministry of Civil Aviation (MoCA), will ensure international standards of service by entering into O&M contracts, either with or without the responsibility of maximisation of non-aeronautical revenue in the Terminal building. The city-side and air-side will continue to be managed by AAI. Accordingly, MoCA has decided to select Strategic Partner as Operations and

Maintenance Operator with the responsibility of maximization of non-aeronautical revenue in the Select Areas of the Airport. The Select areas shall include:

- a) Passenger Terminal Building with Kerb Area
- b) Apron area including Passenger boarding bridges (but excluding cargo areas)
- c) Surface Car Parking
- d) All terminal approach roads including movement area between the passenger terminal (on air side) and apron

9. Member (Finance), AAI further stated that there would be no capital investment from the Operator and the Operation and Maintenance period would be 10 years. Similarly, AERA would determine the charges/tariff of Aeronautical Services. O&M Operator to determine the charges for other services which are not regulated by AERA. The revenues thus collected shall be deposited in the Escrow Account. Revenue to O&M Operator will accrue from the Fixed fees to be paid monthly by the Authority to the O&M Operator (the Terminal O&M Operator Fee) and Annual Fee from the Select Areas.

10. Secretary, MoCA stated that in order to shorten the bidding process as per the directives of PMO, AAI has adopted single stage two-envelop (Technical and Financial bids simultaneously) process, wherein the Applicants/Bidders would be pre-qualified based on the Technical and Financial Capacity provided in the Technical Bid envelop on pass-or-fail basis. Financial Proposal of technically qualified bidder will be opened subject to fulfilling the bid criteria as given in the RFP Document. Further, a pre-bid meeting is also proposed to address the issues/clarification etc. raised by the Bidders.

11. Member AAI, stated that the suggestions of the PPPAC members have been agreed to /clarified. DEA had sought clarifications on the bidding parameter, termination payments, eligibility criteria etc. and NITI Aayog had pointed out in their Appraisal certain deviations from the Operation, Management, Development Agreement for Brownfield Airport since there is no MCA for Airports including O & M (as there are only "best practice" documents developed in the erstwhile Planning Commission). Whereas many of the suggestions have been agreed to, a presentation was made by Member AAI on the pending issues related to Eligible Development Project, Award criteria, value of the underlying assets, utilisation of existing employees in the Airport, finalisation of Termination payment etc. in the project Documents.

- a) **Eligible Development Project:** Joint Secretary (Infra) pointed out the stringent criteria set for “Eligible Development Project” i.e. development of at least one international airport with a passenger terminal building having a built-up area of not less than 93,000 sq.mt. (e.g. in case of Ahmedabad Airport) may need review as O&M operators may not require such “Development/expansion” experience for an O&M project where the Authority has envisaged no capital investment by the Operator. Chairman, AAI stated that the objective of the project is to improve customer excellence/ performance efficiency and enhance non-aeronautical revenue at the airport. The Chair enquired whether the threshold limit in the eligibility criteria had a basis and whether it needs to be lowered to encourage competition. Chairman, AAI stated that number of Footfalls per year shall be the deciding factor ( based on estimated growth path of the airports) and the exact size of select areas of the existing Airports has been considered; therefore there are also different criteria for different airport. Secretary (MoCA) also explained that in order to increase competition and to ensure that the O&M Operator is able to provide inputs on Terminal design/ layout, capacity augmentation etc., the thresholds in the eligibility criteria have been drawn up. These have been fixed keeping in mind the need that the selected Operator should also have experience of designing/developing airport terminals. However, AAI may like to have a RE-relook at eligibility criteria, with a view to enhancing competition, and take appropriate view.
- b) **Cap for Award of Project:** Joint Secretary (Infra) pointed out that as per the RFQ, Applicants may bid for both the Airport projects, but, under no circumstances shall the same Applicant, whether individually or as part of a consortium, be awarded both the contracts. It is unclear why this restriction has been provided. Chairman, AAI stated that the objective of the Authority is to gain from the experience of various international operators, having two different Operators for the projects, will allow AAI to leverage from the performance of different entities for its future projects. Additionally, having separate Operators for the projects allows AAI to mitigate the risk in case of event of default resulting in termination of both the projects in case the same operator is awarded both projects. Secretary, MoCA explained that initially, the Authority was considering rolling out O&M contracts based on clusters (clubbing of Airports in the same Zone), however, in view of the limited number of existing Airport operators available in the country, the Authority may consider removing the cap of one project per Operator.
- c) **Conditions Precedent:** Advisor, NITI Aayog pointed out that different timelines have been provided for fulfillment of different Conditions

precedent of the Concessionaire, which may lead to disputes and payment of damages by the Concessionaire. Member (Finance), AAI stated that this has already been done but will be again checked for necessary changes in the Document with maximum period of fulfilling the Conditions precedent by both the parties would be 180 days.

- d) **Treatment of existing Employees:** Joint Secretary (Infra) stated that the treatment of existing employees may be formalised before award of concession. Member (Finance), AAI stated that this will be done and that it has been decided that employees un-willing to join the Operator would either be allocated to other functions to be undertaken by Authority at the Ahmedabad/Jaipur Airports or reallocated to other airports.
- e) **Advertising at the Terminal:** Advisor, NITI Aayog stated that no restrictions regarding size/area of the Advertisements have been provided in the O&M Agreement. Secretary, MoCA explained that specific restrictions regarding size/area of advertisements may be unnecessary and overly restrictive, given the objective of the project is to enhance non-aeronautical revenue, however, O&M Agreement stipulates that all advertising shall comply with Applicable Law, Safety requirements, Good Industry Practice and in a manner which does not adversely affect flow of passenger traffic, passenger amenities, aesthetic value of the terminal or structural integrity of the building and overall subject to prior approval from AAI. AAI would consider further safeguards such as submission of advertising plan to AAI by the O& M operator periodically.
- f) **Change of Scope:** Advisor, NITI Aayog stated that the O&M Agreement does not contain provisions regarding Change of Scope of the obligation of the Concessionaire and the consequential provisions in respect thereof. Chairman, AAI explained that Change of Scope is typically used in a contract involving construction activities. In the present case, the contract is based on a set area which the O&M Operator will have to maintain, and for which a specified monthly fee is payable by the Authority. A change to this will result in the cost impact increasing upon the O&M Operator, however, AAI will review whether any further incorporations are required to the existing provisions before issue of bid documents.
- g) **Termination Payments:** Joint Secretary (Infra) stated that a complex formula has been provided for calculation of Termination Payments. The Authority may provide the basis for assessing the quantum of termination payments under different circumstances. Similarly, it is unclear why non-

aeronautical revenues have been segregated for assessing the quantum of Termination Payments and whether a simpler formula can be devised. Member, AAI explained that the formula has been developed keeping in mind the Terminal Operator Fee and Annual Fee. Secretary, MoCA requested the officials of AAI to separately meet /explain to DEA and NITI Aayog the formula.

- h) **Terminal Operator Fee and Annual Fee:** Advisor, NITI Aayog pointed out that the O&M Agreement provides for a payment of a monthly Terminal Operator Fee by the Authority to the Concessionaire with annual revision thereof and the payment of an Annual Fee calculated on the basis of the enhanced revenues and that based on inputs to be received from AAI, the revenue model and financial covenants under the Agreement may be revised and amended, this may be explained. Member (Finance), AAI stated that the remuneration to the O&M Operator will have 2 components, i.e., Fixed Fee (Terminal Operator Fee) and Revenue based on lowest percentage of yearly incremental per passenger revenue generated from the Select Areas (Annual Fee – Bid Parameter.) The Fixed Fee will be pre-specified in the O&M Agreement, calculated based on 80% of existing O&M expenses at the Airports for FY 2015-16. The base amount shall be adjusted for change in CPI to the date of signing of Agreement and will be disbursed to the O&M Operator each month. The Annual Fee payable depends on the incremental revenue of the Airports from Select Areas. Joint Secretary (Infra) stated that DEA had requested for the relevant documents for finalization of Terminal O&M Operator Fee, i.e., the Revenue model and associated commercial / financial covenants . Secretary, MoCA instructed AAI to forward the details of Revenue Model to the members of PPPAC at the earliest.

**(Action: AAI)**

12. Director (PPP) stated that there are few issues related to gaps in documentation that would need to be taken care of before issue of RfQ/RfP, for e.g., the O&M contract, being -performance –based, should specify upfront the Value of underlying Assets, Key Performance Indicators, Manual of Specifications and Standards etc. based on which the delivery of the project parameters would be measured. This is imperative to ensure that the key objective of the Authority to have high standards of service in the Airports is achieved. Member (Finance), AAI agreed that such information will be included in the final documents before release to the bidders.

13. Members of PPPAC while supporting the project stated that AAI and MoCA may make necessary changes to the project documents as discussed and



provide further explanation/clarification on the issues identified to DEA and NITI Aayog. It was agreed to recommend the project to the competent authority.

**(Action: AAI/MoCA)**

**14.** The PPPAC recommended the proposals of MoCA for Operation and Maintenance of Select Areas of Ahmedabad and Jaipur Airport to the competent authority for grant of in-principle and Final approval subject to fulfilment of the following conditions:

- a. AAI shall incorporate the observations of NITI Aayog, Department of Expenditure and DEA with respect to O&M Agreement and other project documents as agreed to by AAI.
- b. AAI shall ensure that the legal vetting of the revised documents is undertaken to ensure that there are no discrepancies in the contract documents.
- c. AAI shall obtain prior approval of the PPPAC on any change in scope of work or project configuration as noted above.
- d. AAI shall circulate the final documents to the members of the PPPAC for record.

**(Action: AAI/MoCA)**

**15.** The meeting ended with a Vote of Thanks to the Chair.



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

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**Public Private Partnership Appraisal Committee (PPPAC)**

**80<sup>th</sup> Meeting on October 28, 2016**

**List of Participants**

**I. Department of Economic Affairs**

1. Shri Shaktikanta Das, Secretary, Economic Affairs – In Chair
2. Shri Ajay Tyagi, Additional Secretary (Investment)
3. Ms. Sharmila Chavaly, Joint Secretary (Infra)
4. Ms. Abhilasha Mahapatra, Director (PPP)
5. Shri. Mrutyunjay Behera , Director (Infra)

**II. Department of Expenditure**

6. Shri Rajiv Wadhawan, Joint Director (PF-II)

**III. NITI AAYOG**

7. Shri Praveen Mahto, Advisor

**IV. Ministry of Road Transport and Highways (MoRTH)**

8. Shri R.K.Pandey, Member
9. Shri Rohit Kumar Singh, Joint Secretary
10. Ms. Debjani Chakrabarti, Director (Highway)
11. Shri Sanjeev Kumar, SE, MoRTH
12. Shri J.K.Goyal, CGM - NHAI
13. Shri V.K.Joshi, GM (Tech) - NHAI

**V. Ministry of Civil Aviation (MoCA)**

14. Shri R.N.Choubey, Secretary
15. Shri Arun Kumar, Joint Secretary
16. Shri V.Hegde, Director

**VI. Airport Authority of India (AAI)**

17. Shri Guruprasad Mohapatra, Chairman
18. Shri S. Suresh, Member (Finance)
19. Shri Pankaj Jain, Executive Director