

F. No. 2/4/2018-PPP  
Government of India  
Ministry of Finance  
Department of Economic Affairs  
PPP Cell

North Block, New Delhi  
Dated 19<sup>th</sup> December, 2018

**Office Memorandum**

**Subject: Record of Discussion of the 84<sup>th</sup> Meeting of Public Private Partnership Appraisal Committee (PPPAC) held on 07.12.2018 to discuss Development of Eco-Tourism Resorts in Lalaji Bay, Long Island, Andaman & Nicobar Islands through PPP mode.**

The undersigned is directed to forward the Record of Discussion of the 84<sup>th</sup> PPPAC Meeting held on 07.12.2018 under the chairmanship of Secretary, EA to discuss Development of Eco-Tourism Resorts in Lalaji Bay, Long Island, Andaman & Nicobar Islands through PPP mode.

Encl. as above

  
(Mukesh Kumar Gupta)  
Director (PPP)

1. Home Secretary, North Block, New Delhi
2. CEO, NITI Aayog, Sansad Marg, New Delhi
3. Secretary, Department of Expenditure, North Block, New Delhi
4. Secretary, Department of Legal Affairs, Shastri Bhawan, New Delhi
5. Secretary, Ministry of Environment, Forest and Climate Change, Indira Paryavaran Bhawan, Jor Bagh, New Delhi

**Sub: Record of Discussion of the 84<sup>th</sup> Meeting of Public Private Partnership Appraisal Committee held on 10 December, 2018**

The 84<sup>th</sup> Meeting of Public Private Partnership Appraisal Committee (PPPAC), chaired by Secretary, EA was held on 07.12.2018. The list of participants is annexed. This PPPAC meeting considered one proposal from Ministry of Home Affairs for grant of **in-principle approval**.

**I. Proposal from Ministry of Home Affairs**

**Agenda Item: Development of Eco-Tourism Resort in Lalaji Bay, Long Island, Andaman & Nicobar Islands through PPP mode**

**Project Development:** Completion for 110 rooms (keys) and optional element of additional rooms subject to a maximum of 220 rooms over 15 years.

**Total Estimated Project Cost:** Rs.379 crore (for 220 rooms) includes construction cost, infrastructure cost, RO Plant, Solar Power and Beach Facilities

**Concession Period:** 60 years including 3 Years Construction Period with Right of First Refusal in case of re-bid

**Scope of Work:** Designing, financing, procurement and construction of the Project-220 keys along with all necessary and incidental infrastructure, for a state of the art island resort and the management, operation and maintenance of the island resort.

Joint Secretary (IPF) informed the PPPAC that the proposal from Ministry of Home Affairs for Development of Eco-Tourism Resort in Lalaji Bay, Long Island, Andaman & Nicobar Islands through PPP mode has been received for 'in-principle' approval. The proposal has been appraised by the PPPAC members and the appraisal notes have been sent to the Ministry of Home Affairs.

2. Chair enquired about connectivity of the proposed resort with Port Blair as that would mainly determine the financial viability of the Project. In response, Chief Secretary (Andaman and Nicobar Islands Administration) stated that jetties will be provided by the Andaman and Nicobar Administration and Private Operators will run the boat services connecting the resort to Port Blair. Chair desired that there should be some assurance about connectivity infrastructure and proposed connectivity infrastructure should be stated in the bid documents.

3. JS (Infra) brought to the notice that the Single Bidding Parameter has been proposed as Annual Concession Fees while at the same time, elsewhere in the document the Concession Fee has been defined as Re. 1 to be paid to Authority. In response, AS (MHA) informed that provision of Re. 1 as Concession Fee will be removed and only Annual Concession Fee will be kept as the Bidding Parameter. Adviser (NITI Aayog) suggested that Revenue Share along with Annual Concession Fee can be considered as Bidding Parameter by keeping the Concession Fee fixed. The Committee felt that calculation of Revenue Share becomes complicated and revenue can be manipulated by the Private Developer. Therefore, Annual Concession Fees with inflation indexation was decided to be kept as the Bidding Parameter.

4. JS (IPF) brought to the notice of the Committee that there is confusion about the Concession Period of the project, which is defined as 66 years in some submitted documents, while it is 60 years and 50 years in some other documents. Specifically, in the submitted Draft Financial Feasibility Report, calculations appear to be done on the basis of 50 years concession period. He also suggested that no Right of First Refusal (RoFR) should be given. After deliberations, it was decided that Concession Period should be fixed at 60 Years (without any RoFR).

5. JS (IPF) also pointed out that, technical capacity has been estimated in terms of Rooms. However, as per the model RfQ issued by D/o Expenditure, technical capacity should be twice the Total Project Cost. Adviser, NITI Aayog added that construction experience of total 550 rooms is being considered which is 2.5 times the proposed capacity of the Resort. Considerable discussion took place on the issue. It was felt by most members that it is not possible to estimate Total Project Cost when there is no specific design of the Project. Further, there are two stages of completion of the Project. After deliberations, it was decided that MHA can go ahead with the criteria as mentioned in the submitted documents.

6. JS (IPF) highlighted that Estimated Project Cost of Rs. 379 crore has been stated in the Draft Financial Feasibility Report for 220 rooms while there is an obligation of 110 rooms for the Concessionaire in the initial 3 years for commencement of the Facility. After discussions, it was felt that two stage completion of the Project would be fair ask from the bidder as MHA is trying to develop tourism in this greenfield area. Expecting all 220 rooms to be ready before the project becomes operational may impact the interest of developers quite adversely and we may end up getting no real bids. It was decided to retain the provision of two staged completion of facility.

7. It was also stated that as per the submitted documents, project is to be developed considering security concerns. Therefore, clauses relating to security concerns may be included in the RfQ Document. Chair stated that MHA should take care of the security concerns of the proposal. It was also agreed that financial structure of the implementing company may be left to the concessionaire.

8. After deliberations, the proposal was granted 'in-principle' approval subject to the following conditions:

- i. Assurance about Connectivity of the Resort to Port Blair should be stated in the bid documents.
- ii. There should be Single Bid Parameter (Annual Concession Fee). Ambiguity about the term Annual Concession Fee will be removed from the documents.
- iii. Concession Period would be kept 60 Years without any Right of First Refusal. The Concession shall end after 60 years should be stated explicitly and unambiguously in the documents.
- iv. Phase wise construction cost should be worked out and the financials should be revised accordingly.
- v. Security concerns will be taken care of by Ministry of Home Affairs in the bidding process.
- vi. Financial structure (Debt Equity ratio) of the company implementing the project may be left to the discretion of the Concessionaire.

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Annexure

**List of participants in the 84<sup>th</sup> Meeting of Public Private Partnership Appraisal Committee held on 10 December, 2018**

<b>Sl.No</b>	<b>Name</b>	<b>Designation and Department</b>
1	Shri Subhash C Garg	Secretary, EA - in Chair
2	Dr. Kumar V Pratap	Joint Secretary (IPF), DEA
3	Shri Chetan B. Sanghi	Chief Secretary, Andaman and Nicobar Islands
4	Shri Govind Mohan	Additional Secretary, Ministry of Home Affairs
5	Shri Yashpal Garg	Secretary (Tourism), Andaman and Nicobar Islands
6	Shri S.K. Saha	Adviser, PAMD/PPP, NITI Aayog
7	Shri N.K.Sinha	Economic Adviser, Ministry of Home Affairs
8	Shri Mukesh Kumar Gupta	Director (PPP), DEA
9	Shri Rajiv Wadhavan	Director, Department of Expenditure
10	Shri Shreeshail Malge	Director, Ministry of Home Affairs
11	Shri Mohd. Pervaiz	Andaman & Nicobar Islands Integrated Development Corporation Limited
12	Shri Manoj Kumar Madholia	Deputy Director (PPP), DEA
13	Shri Shubham Goyal	Assistant Director (PPP), DEA
14	Shri Rangin Murmu	Assistant Director, PFC-II, D/o Expenditure
15	Dr. Harindkar Pal Singh,	Assistant Legal Adviser, D/o Legal Affairs