

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

**Empowered Institution for the Scheme for Support to Public Private Partnerships
in Infrastructure**

29th Meeting on March 16, 2011

Record Note of Discussions

The twenty-ninth meeting of the Empowered Institution (EI), chaired by Additional Secretary & Director General (DoC), Department of Economic Affairs (DEA) was held on March 16, 2011 to consider fifteen proposals from five State Governments, posed for viability gap funding (VGF) under the Scheme for Support to PPPs in Infrastructure. The list of participants is annexed.

Agenda Item 1: Proposal from Government of Haryana (GoH) for grant of final approval for 400 KV Jhajjar Power Transmission Project in Haryana, (VGF support of ₹ 76.40 crore).

2. Director, DEA informed that the Haryana Vidyut Prasaran Nigam Ltd. (HVPNL), GoH have posed the instant proposal for evacuation of power from Jhajjar Thermal Power Station. The EI, in its meeting held on March 12, 2010, had considered the proposal and granted in-principle approval for a VGF support of ₹ 76.40 crore. The bid process had been completed and the project has been awarded. The Lead Financial Institution (LFI) has been appointed and the project has achieved Financial Closure and the financing agreement has been signed in November, 2010. DEA and Planning Commission, in their appraisal notes on the final project documents, have queried about the status of land acquisition and fixing of the appointed date for achieving Financial Closure. The representative of GoH informed that the possession of land for the sub-stations has been given to the Concessionaire, all the conditions precedent prescribed in the Transmission Agreement on the parts of the Authority and the Concessionaire have been fulfilled on time and the 'Appointed Date' of the project has been notified as November 9, 2010. The construction work of the project is in progress and is expected to be completed on time. The members of EI including Planning Commission, Department of Expenditure (DoE) and Ministry of Power supported for grant of final approval to the project.

3. The EI granted final approval to the proposal of Jhajjar Power Transmission Project in the State of Haryana for a VGF support of ₹ 76.40 crore.

Agenda Item 2 (i): Proposal from the Government of Maharashtra (GoM) for grant of final approval for Four laning of Nashik-Niphad-Vaijapur section of SH-30 (VGF support of ₹ 31.50 crore).

4. Director, DEA indicated that the proposal for four laning of Nashik-Niphad-Vaijapur section was considered earlier by the EI in its 3rd, 5th and 11th meetings and had been granted in-principle approval for a Total Project Cost (TPC) of ₹ (157.50 crore and a VGF support of ₹ 31.50 crore). Subsequently, GoM have completed the bid process with revised TPC of ₹ 187.13 crore and modified VGF of ₹ 43.5 crore (with ₹ 31.50 crore grant support sought from the GoI and the remaining ₹ 12.0 crore provided by the State Government). The financial closure for the Project has been achieved with IDBI as the LFI. The EI noted that GoM had not sought approval for the increased TPC of ₹ 187.13 crore, as provided in the executed Concession Agreement, before onset of bidding. However, the VGF sought by L1 bidder is within the permissible limits of the VGF guidelines i.e. 40 per cent of TPC, as approved by the EI. Further, GoM has sought final approval for VGF of ₹ 31.50 crore only.

5. Director, DEA informed that DEA had concerns with respect to the project documents:

- i. Planning Commission and DEA have expressed concern that a substantial portion of the details of the Project have been left blank in the executed Concession Agreement. Furthermore, the Concessioneing Authority has not signed on all the pages of the Agreement. These anomalies need to be rectified by the State Government.
- ii. The proposal is not based on the Model Concession Agreement (MCA) for State Highways published by Planning Commission. The State Government may, accordingly, clarify, whether the executed Concession Agreement was based on the MCA of GoM, duly approved by the Competent Authority.
- iii. As per the executed Concession Agreement, the Performance Security (PS) of ₹ 2.0 crore has been deposited by the Concessionaire, which is lower by ₹ 3.65 crore than as prescribed in the RfP (i.e. ₹ 5.65 crore,) and is valid only up to November 2, 2010. Therefore, the status of the balance PS and its validity may be indicated.
- iv. It may be confirmed that the SPV (Kalyan Infratech Private Ltd.) has been constituted by the Concessionaire specifically for the instant Project.
- v. Promoter's equity (₹ 30.58 crore) is lesser by ₹ 0.92 crore than the VGF sought from GoI (₹ 31.5 crore). The same may be enhanced atleast up to the VGF sought from GoI i.e. ₹ 31.50 crore. Accordingly, financing arrangements may be revised and updated documents may be forwarded to members of EI prior to release of VGF.

- vi. The status of buy back of an existing Toll Plaza at Shilapur, mentioned in the executed Concession Agreement may be indicated.
6. Representative of GoM informed the following:
- i. The cost escalation was due to increase in the cost of the raw materials including the price of bitumen, labour etc. at the time of bidding.
 - ii. The base document used for the instant project is the MCA of the GoM which is known as 'P-form' and is approved by the State Government. In this context, the Chair enquired whether the State Government on earlier occasions had awarded any project(s) based on the similar documentation. The representative of GoM informed that the first five PPP projects of GoM including the instant project were based on the 'P-form' document. All the subsequent projects are based on the MCA for State Highways published by the Planning Commission.
 - iii. The blank portion of the Agreement was due to an inadvertent error. While forwarding the documents for final approval to the EI, true copy of the financial bid containing all the financial details and duly signed by the Concessionaire and the Project Authority was not submitted. It was agreed that the same would be sent to the members of the EI.
 - iv. The SPV constituted under the instant Project is specifically for this project stretch.
 - v. The Concessionaire will update the performance security for further period within 30 days after final approval of the EI. The security deposit amount for construction period was reduced to ₹ 2 crore as per Common Set of Deviations issued during bidding.
 - vi. The Concessionaire has already been asked to modify the equity contribution and the updated documents would be submitted to members of EI.
 - vii. Toll plaza for ROB at Shilapur has been taken over, buy back achieved and the preceding toll rates would be applicable till COD is achieved for the instant Project. Further, the proposed toll plaza for the instant project is at the same location, i.e. Shilapur, new toll rates will be applicable only after COD for the instant project.
 - viii. In response to a query by the Chair, representative of GoM indicated that they have already submitted in writing their confirmation of the above mentioned riposte.

(Action: GoM)

7. Planning Commission, DoE and MoRTH supported the proposal for grant of final approval for VGF of ₹ 31.50 crore in accordance with the 'in principle approval for VGF support granted earlier by the EI.

8. The EI granted final approval to the proposal for VGF support of ₹ 31.5 crore, subject to GoM complying the conditions mentioned in para 6 above.

(Action: GoM)

Agenda Item 2 (ii): Proposal from the Government of Maharashtra (GoM) for grant of final approval for Four laning of Baramati-Phaltan-Sherwal section of SH-70 and SH-10 (VGF support of ₹ 67.80 crore).

9. Director, DEA indicated that the EI had granted “in principle” approval to the instant proposal in its 16th meeting held on February 2, 2009 for a TPC of ₹ 339.04 crore and VGF support of ₹ 67.80 crore. The present proposal posed for final approval is with the revised TPC of ₹ 355.65 crore and a revised VGF of ₹ 122.09 crore (with ₹ 67.80 crore from GoI, same amount as approved by EI at the in-principle stage and remaining ₹ 54.29 crore would be provided by the State Government). The proposal was based on the MCA published by Planning Commission, with certain changes which were agreed by a representative group from GoM, DEA and Planning Commission constituted by the EI while granting ‘in principle’ approval to the project. The financial closure for the project has been achieved.

10. The members of EI observed that the State Government had held negotiations with the L1 bidder before the award of the Project. The initial lowest bid submitted by the L1 bidder was ₹ 164.67 crore which was 46.30 per cent of TPC. Post negotiations, it had been reduced to ₹ 122.09 crore which is 34.33 per cent of TPC. Adviser to Deputy Chairman, Planning Commission indicated that the VGF Scheme states that the private sector company shall be selected through observing a transparent and open competitive bidding process and the bidding parameter shall be the VGF required by the private sector company. Hence, negotiations with the L1 bidder of PPP projects post the receipt of financial quotation may be avoided. Further, the standard bidding documents used for the project i.e. RfQ and RfP, do not specifically provide for negotiations. However, he indicated that the instant project may be granted approval, as a one-time exception, and in future no such proposals from GoM may be allowed.

11. Representative of GoM indicated that negotiations with the L1 bidder were a requirement of their State’s Finance Department and they have followed a competitive and transparent bidding process. Accordingly, they had negotiated only with the L1 bidder, which had led to a reduction of the VGF support from ₹ 164.67 crore to ₹ 122.09 crore, i.e. savings of ₹ 42.58 crore.

12. In response to a query by the Chair on the Central Vigilance Commission (CVC) guidelines, representative of Ministry of Power (MoP) informed that the CVC guidelines allow for negotiations with the L1 bidder under exceptional circumstances. The Guidelines provide that justification and details of such negotiations should be duly recorded and documented. Joint Secretary, MoRTH observed that the State Government has certified that the project has been awarded

after observing transparent process of bidding. The need for carrying out bidding afresh is not there. Bidding the project afresh would further increase the project cost and the requirement for VGF. Approval may be granted subject to clarification by GoM that the framework of the model documents of MoF have been followed and the process observed is in line with the CVC guidelines. Adviser to Deputy Chairman, Planning Commission agreed with the suggestion.

13. The Chair suggested that the advice of CVC may be sought separately with regard to the negotiations with L1 bidder in order to take a policy view for the future.

(Action: DEA)

14. The EI granted final approval to the proposal for a VGF support of ₹ 67.80 crore.

(Action: GoM)

Agenda Item 2 (iii): Proposal from the Government of Maharashtra (GoM) for grant of final approval for Four laning of Berala Phata-Chikhali-Amdapur Khamgaon of SH-205 and 173 part II (VGF support of ₹ 18.58 crore).

15. Director, DEA indicated that the instant proposal was granted in-principle approval by the EI with TPC of ₹ 92.89 crore and for VGF support of ₹ 18.58 crore (20 per cent of TPC). The project had been awarded after five rounds of bidding. The LFI has been appointed for the project and financial closure has been achieved. The proposal posed for final approval has a revised TPC of ₹ 213.50 crore and a revised VGF requirement of ₹ 85.40 crore (with ₹ 18.58 crore from the GoI, the same amount earlier approved by the EI at the "in-principle" stage and the balance amount of ₹ 66.82 crore being provided by the State Government). Although, the VGF sought by the bidder is 40 per cent of revised TPC, it is 93 per cent of the TPC earlier approved by the EI.

16. The EI noted that the EI in its 14th meeting had advised GoM to examine the reasons for inadequate bid response to the project and accordingly revise the TPC. GoM had been requested to send the revised proposal, based on the standardised/model documents, to the EI for considering for grant of VGF. However, no revised proposal of the GoM had been received for in principle approval of the revised cost and VGF.

17. Joint Secretary, Ministry of Road Transport & Highways (MoRTH) stated that the revised TPC is much higher than the TPC earlier approved by the EI. Representative of Department of Expenditure (DoE) also expressed concerns about cost overruns in the project. Representative of GoM informed that the change in project cost was due to increase in the rates of raw material, royalty charges and

labour rates. Further, the change of scope of work was necessitated in order to provide for requirements of paved side shoulders, as per IRC specification in the Manual of Specifications and Standards. It was emphasised that the concerned project stretch is an important link between National Highway (NH) 4 & NH 6. The four laning work of other links in between NH 4 & NH 6 is either complete or nearing completion. The instant four-lane project stretch would facilitate smooth movement of the traffic between NH 4 & NH 6 and is the last link to cover a distance of 400 km to the NH. In view of importance of the road and its connectivity to major cities of the State, GoM is willing to bear the additional VGF requirement of ₹ 66.82 crore over and above of the GoI support of ₹ 18.58 crore, initially approved by EI. In response to a query by the Chair, representative of GoM informed that they have already submitted a detailed justification with regard to the cost overruns.

18. Adviser to Deputy Chairman, Planning Commission indicated that the cost per km of ₹ 4.04 crore of the project was almost half of the cost of four-lane National Highway projects. He stated that Planning Commission was in favour of granting approval to the proposal in its present format subject to GoI contribution being limited to 20 per cent of TPC, the originally approved VGF i.e. ₹ 18.58 crore.

19. The EI granted final approval to the project for VGF support of ₹ 18.58 crore.

(Action: GoR)

Agenda Item 3 (i): Proposal from Government of Rajasthan for grant of 'in principle' approval for enhanced project cost for two-laning with paved shoulders from Kotputli to Kuchaman and Daulatpura via Neem ka Thana, Sikar, Losal Road section of SH-37 B, SH-8A, SH-7 and MDR-24 on BOT (Toll) basis (VGF support of ₹ 71.55 crore).

20. Director, DEA indicated that the GoR has posed three proposals for grant of in-principle approval. The State Government had developed the projects with advice from the Planning Commission. The EI had first considered the instant proposal in its 4th meeting held in October, 2006 and granted in principle approval. Subsequently, the proposal has been revised and EI granted in principle approval to the revised project in its 25th meeting held on September 10, 2010 with TPC of ₹ 230.99 crore and VGF of ₹ 46.20 crore. Thereafter, the proposal has, further, been revised by GoR and approval has now been sought for TPC of ₹ 357.75 crore and VGF requirement of ₹ 71.55 crore.

21. The representative of GoR informed that the revision in TPC was due to enlargement in length for rigid pavement from 4.6 km to 13.5 km to cover the water logged area, one major bridge costing ₹ 7.6 crore and additional length of 55 km

being added for widening capacity of augmentation to four-lane for a length of 8 km and to two-lane for 15 km.

22. Since, the cost per km of the project of ₹ 1.59 is reasonable and within the norms followed for National Highways, the members of EI, including Planning Commission, DoE and MoRTH supported the grant of approval to the project.

23. Accordingly, the EI granted in principle approval to the project with TPC of ₹ 357.75 crore and VGF support of ₹ 71.55 crore.

(Action: GoR)

Agenda Item 3 (ii): Proposal from Government of Rajasthan for grant of 'in principle' approval for Two laning with paved shoulders from laning of Chomu to Mahla on BOT (Toll) basis (VGF support of ` 26.84 crore).

24. Director, DEA informed that the instant proposal was granted in principle approval by the EI in its 25th meeting for TPC of ₹ 126.86 crore and VGF requirement of ₹ 25.37 crore. Subsequently, the GoR revised the proposal with change in scope of work, incorporating the Jobner Bypass adjacent to the project stretch, which was originally proposed under the Jaipur-Nagaur project. Hence, the TPC has been revised to ₹ 134.20 crore and with VGF requirement of ₹ 26.84 crore.

25. The representative of GoR informed that Jobner Bypass was earlier a part of the Jaipur-Nagaur project, which has also been considered by the EI and granted in principle approval. However, no bids were received for the project. Since, the instant Chomu-Mahla project is at an advanced stage of bidding, incorporation of the said bypass in this project would ensure smooth completion of the works.

26. The members of EI, including Planning Commission, DoE and MoRTH supported the grant of approval to the proposal.

27. The EI granted in principle approval to the project for TPC of ₹ 134.20 crore and a VGF requirement of ₹ 26.84 crore subject to the condition that the proposed stretch of Jobner Bypass would be deleted from the scope of work of the Jaipur-Nagaur project, with a corresponding decrease in the TPC and VGF of the Jaipur-Nagaur project.

(Action: GoR)

Agenda Item 3 (ii): Proposal from Government of Rajasthan for grant of 'in principle' approval for Two-laning with paved shoulders of Rawatsar-Nohar-Bhadra section of MDR 18 (VGF support of ₹ 58.31 crore).

28. Director, DEA informed that GoR posed the instant proposal to develop two-laning with paved shoulders of Rawatsar-Nohar-Bhadra section with TPC of ₹ 291.56 crore and a VGF requirement of ₹ 58.31 crore. Representative of DoE indicated that the cost per km for this project is slightly higher as compared to the other two projects posed by the State Government. The representative of GoR informed that the higher TPC is due to the major structures/works including 3 ROBs costing around ₹ 60.0 crore, major/minor road junctions, culverts etc.

29. Joint Secretary, DEA indicated that Ministry of Railway (MoR) usually reimburses 50 per cent of the cost of construction of ROBs. Hence, MoR may be approached for reimbursement of the same for the instant project. Adviser to Deputy Chairman, Planning Commission informed that MoR have not agreed to reimburse the cost in respect of PPP projects. MoR reimburses costs only when the expenditure on the construction of RoBs has been incurred by the State Government. Hence, the Concessionaire is not eligible for the reimbursement. Further, Planning Commission has, on earlier occasions, interacted with MoR to remove the anomaly. DEA may also take up the matter with MoR for reimbursement of the cost of construction of RoBs in a PPP projects, which will reduce project cost and enhance its viability. The Chair suggested that the communications between Planning Commission and MoR with respect to reimbursement of the cost of construction of RoBs for PPP projects may be obtained by DEA and matter taken up with the MoR a fresh.

(Action: Planning Commission and DEA)

30. Adviser to Deputy Chairman, Planning Commission indicated that the cost per km of the project is reasonable and within norms as compared to NH projects. However, there were some discrepancies in Schedules B, C, F, J, Q, U and Schedule V which had been highlighted in the Appraisal Note and may be corrected. This was agreed to by the State Government.

31. The EI granted in principle approval to the project with TPC of ₹ 291.56 crore and VGF of ₹ 58.31 crore, subject to the condition that GoR would send the revised project documents incorporating the necessary corrections in the project Schedules.

(Action: DEA & GoR)

Agenda Item 4: Proposals from Government of Uttar Pradesh (GoUP) for grant of in-principle approval:

- i. **Four-laning of Lucknow-Hardoi-Shahajanpur section (VGF support of ₹ 246.65 crore)**
- ii. **Four-laning of Meerut-Karnal section of SH-82 (VGF support of ₹ 116.65 crore)**

32. Director, DEA informed that the Uttar Pradesh Highways Authority (UPSHA) have posed two proposals for grant of in-principle approval for VGF

support. The appraisal notes of Planning Commission are awaited. Representative of DoE stated that detailed justification of higher costs may be provided by GoUP. Adviser to Deputy Chairman, Planning Commission indicated that on account of internal approval process, the appraisal of these two projects were pending and requested for deferment of the consideration of the two proposals from the GoUP for the next meeting of the EI.

(Action: Planning Commission)

33. The two proposals of the GoUP were deferred for consideration in the next meeting of the EI.

Agenda Item 5: Proposals from Government of Madhya Pradesh (GoMP) for grant of in-principle approval:

- i. Two laning of Betul-Sarni-Tikadhan-Junnardeo-Parasia section of SH-43 in the state of Madhya Pradesh on BOT (Toll) basis (VGF support of ₹ 47.53 crore).
- ii. Two laning of Rau-Mhow-Jamghat-Mandleshwar section of SH-38 from km. 14.78 (old NH-3) to km 0.00 in the state of Madhya Pradesh on BOT (Toll) basis (VGF support of ₹ 35.21 crore).
- iii. Two laning of Jhabua-Jobat-Zeerpanya-Bagh-Kukshi section of SH-39 from km. 0.0 to km 63.2 in the state of Madhya Pradesh on BOT (Toll) basis (VGF support of ₹ 31.49 crore).
- iv. Two-laning of Damoh-Batiyagarh-Baxwaha-Hirampur section of SH-37 from km. 0.0 to km 69 in the state of Madhya Pradesh on BOT (Toll) basis (VGF support of ₹ 24.55 crore).
- v. Two-laning of Sarangpur-Akodia-Shujalpur section of SH-41 (VGF support of ₹ 13.51 crore).
- vi. Two-laning of Khandwa-Dehtala-Burhanpur section of SH-50 (VGF support of ₹ 45.41 crore).

34. Director, DEA informed that the GoMP has forwarded six proposals for in-principle approval of the EI. The financial analyses of the project proposals reveal marginal viability of the Projects. In order to make the projects commercially viable on a self-sustained basis, the GoMP has introduced the concept, termed as “Deemed Shadow Toll (DST)” in the projects. The concept had been first discussed in the 28th meeting of the EI when, the first four proposals of GoMP were considered. Since the DST is a new concept, requiring analysis on the policy impacts, the EI had advised GoMP in the 28th meeting to make a presentation on the formulation of DST and related issues, such as, the State Toll Rates and list of exempted vehicles vis-a-vis the National Toll Rules.

35. MD, MPRDC presented the concept and the need for 'Deemed Shadow Toll' for the 6 aforementioned projects. It was indicated that the MCA published by the Planning Commission is being followed for all the project proposals. The Grant component covered under Article 25 of the DCA, prescribes 20 per cent of TPC as the Equity Support and 20 per cent of the TPC as the O&M Support. The Equity Support shall be given after the Concessionaire has expended its equity and would be released in proportion to the loan disbursement. The O&M Support shall be disbursed after CoD. However, in spite of these provisions, the projects were unlikely to receive favourable bids from bidders as the projects were commercially unviable. Thus, to address the need for financial viability and requirements of overall road development in the backward areas, the State Government has introduced the concept of 'Deemed Shadow Toll', wherein MPRDC proposes to pay the Concessionaire a lumpsum amount of (DST) as user fee for vehicles exempted from the payment of toll based on the Toll Policy of the State.

36. MD, MPRDC presented the category of vehicles that were proposed to be covered under the exempt category for payment for the projects (Annexure 2 of the ROD). The DST was covered under Article 27 on User Fee, of the DCAs. It was stated that DST shall be a pre-decided, fixed cash payment rendered annually to a Concessionaire for a period of 10 years. It was stated that the value of this payment shall be determined by converting the number of exempted vehicles plying on the road, made equivalent to Passenger Car Units (PCUs) and adopting the toll payable for cars in accordance with the Toll Policy. The proposed car traffic shall be taken as projected at the time of Commercial Operations Date (COD). As this is meant to be pre-decided payment, it has been termed as 'Deemed Shadow Toll'. It was reiterated that this payment is not a grant as per the VGF Scheme and is a cash payment covering the users charge for exempt vehicles. This cash payment is proposed to be met out by the State Government on its own and no additional support from the Central Government is involved. Based on the calculations undertaken by the MPRDC, the cash payment for the 6 proposals is in the range of 1.35 to 1.80 per cent of the TPC of the respective projects and, on NPV basis, is lesser than 10 per cent of the TPC. Approval for the said concept was solicited; it was specified that because of this approval, the GoMP will be able to develop roads in the backward areas of the State and connect them to the main stretches without having to resort to BoT (Annuity) or EPC routes.

37. Adviser to Deputy Chairman, Planning Commission stated that Planning Commission supports the concept of 'Deemed Shadow Toll' and recommended approval of these projects. He indicated that Planning Commission does not have any serious objections to the concept as no additional liability from GoI is envisaged and the rules and procedures of the VGF Schemes are being adhered to. It was stated that since the exempt vehicles were the actual vehicles that were plying on these roads, user fee in lieu of the exemption may be considered. Additionally, since

the bidders would be aware of this additional support, the actual VGF quoted by bidders may get reduced.

38. Joint Secretary, MoRTH indicated that their Ministry has no objection to the proposed concept and the projects may be granted approval. The approval may be considered as the grant component remains within the specified limit of the VGF Scheme. The proposed cash payment is not likely to be greater than 10 per cent of the TPC on NPV basis. It also recognised, based on the clarification by GoMP, that exempt vehicles are not greater than as recommended by the Central Government. However, he cautioned that due care must be taken to ensure that exemption is not extended to vehicles other than the ones presented to the EI and covered under the current State Toll Policy.

39. Representative of DoE stated that they did not support the concept of 'Deemed Shadow Toll'. Director, DEA stated that DEA was in receipt of a communication from DoE on the subject, indicating the main reasons of non-support, indicated below:

- i. Proposed concept of cash payment leads to grant that shall be greater than 40 per cent of the TPC.
- ii. It is not in accordance with the VGF Scheme.
- iii. In order for the proposed concept to be brought under the ambit of the VGF scheme for PPP projects, further analysis including the Value for Money (VFM), needs to be conducted to understand its merits.
- iv. Based on the Project proposals submitted and the present traffic figures, it has been noted that more than 66 per cent of vehicles fall under the exempt category in some stretches. Such a large-scale coverage was not supported. Further, policy implications pertaining to the overall concept of 'Deemed Shadow Toll' was yet to be examined in detail and related implications were required to be discussed at a wider scale within the Central Government.

40. Director, DEA alluded to the concern of DoE regarding the new concept not being aligned to the provisions of the VGF Scheme. It was indicated that since the 'Deemed Shadow Toll' was payment of user charges for exempt vehicles by MPRDC and covered under the User Fee category and not under the ambit of grant, it did not contravene the providing of the VGF Scheme. It was informed that the MPRDC have received premium on the last three projects that were bid out after grant of in-principle approval by the EI for VGF support. She suggested that since the instant projects have not been competitively tested even once in the market, it was advisable to undertake the procurement process without the provisions of 'Deemed Shadow Toll'.

41. MD, MPRDC stated that the exempted vehicle were not 66 percent of the total traffic on any of the project stretches. The lump sum payment against the exempt vehicles was not more than 30 per cent of vehicles on COD. Further, he reiterated that based on their assessment, the projects unviable and are not likely to evince any responsive bids. He requested that the projects may be bid out with the provisions of the 'Deemed Shadow Toll'.

42. Advisor to Deputy Chairman, Planning Commission indicated that development of PPP projects such as metro and power Transmission projects have real estate component and unitary charges respectively. These components enhance the viability of the projects, while keeping the VGF as a maximum of 40 per cent of the TPC. He suggested that the DST should be considered as an instrument of enhancing viability as on similar lines. He reiterated that provision of DST would either make unviable projects viable with VGF upto 40 per cent of TPC or reduce the VGF quoted by the bidders

43. Principal Secretary, Public Works Department (PWD), Government of Rajasthan observed that the concept of 'Deemed Shadow Toll' was a novel concept. Government of Rajasthan is in support of overall development of roads which are financially unviable or marginally viable on this framework. Further such a concept may also be acceptable to the elected representatives and thus, result in greater economic development, along such routes. It was emphasised that though, in terms of traffic, exempt traffic may constitute around 30 per cent of the overall traffic, but, likely revenue earned from these exempt vehicles may not be more than 10 per cent of the total revenue stream. Accordingly, the concept may be granted approval.

44. Joint Secretary, DEA indicted that there were policy considerations with regard to concept which would have nation-wide ramifications. Further, he indicated that Article 27.1.1 and 27.1.2 of the DCA was contradictory and required legal review prior to approval. In particular, reference was made to the calculations under the provisions of an illustration in the Article 27. It was pointed out that since a lump sum payment is proposed to be made on an annual basis for a period of 10 years, the number of deemed exempt vehicles and quantum of DST may be provided in precise and unambiguous terms in the Article. He enquired whether the MCA with the provisions of 'Deemed Shadow Toll' had been approved by the competent authority at the State level.

45. MD, MPRDC informed that the concept of 'Deemed Shadow Toll' and the DCAs have been approved by the State Cabinet. Furthermore, allocation of resources for financing the 'Deemed Shadow Toll' was underway by the State. He agreed to carry out suitable revisions in the DCA, including in the Article 27 of the DCA, as advised by DEA and other members of EI.

46. The Chair noted that there was need for approval from the competent authority prior to grant of clearance to the concept and the project proposals. He observed that there was consensus among the members present that DST did not contravene the provision of the Scheme and would serve as an instrument for enhancing the viability of marginally viable projects. He noted that approval of the projects with the provision of DST would become precedence for future projects and, therefore, needs to be discussed, especially with the Department of Expenditure in view of the concerns expressed by them. Accordingly, the proposals may be granted approval after being considered on file for obtaining the views of DoE.

(Action: DEA)

47. MD, MPRDC stated that this consultation process could delay the State projects. It was suggested that while a final view is being taken on the concept from the policy perspective, the State Government may be allowed to bid the projects without the provision of Deemed Shadow Toll. The EI granted in principle approval to the projects (with TPCs and VGFs as mentioned in the heading of the agenda item 5 on page 9 of the RoD) subject to incorporation of observations of the members of the EI and bidding of the projects without the provisions of deemed shadow tolling.

(Action: GoMP)

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