

F. No. 2/9/2020-PPP  
Government of India  
Ministry of Finance  
Department of Economic Affairs  
PPP Cell

North Block, New Delhi  
Dated 22<sup>nd</sup> June, 2021

**Office Memorandum**

**Subject: Record of Discussion of the 103<sup>rd</sup> PPPAC meeting to consider Ministry of Railways project proposal of 'Redevelopment of Surat MMTH and Udhna Railway Station on PPP mode'.**

The undersigned is directed to forward the Record of Discussion of the 103<sup>rd</sup> Meeting of the PPPAC to consider the project proposal of Redevelopment of Surat MMTH and Udhna Railway Station on PPP mode held on 24<sup>th</sup> May, 2021 for information and necessary action.

*Encl: As Above*



(Dr. Molishree)

Deputy Secretary to the Government of India

To,

1. Chairman, Railway Board, Rail Bhawan, New Delhi
2. CEO, NITI Aayog, Yojana Bhawan, New Delhi
3. Secretary, D/o Expenditure, North Block, New Delhi
4. Secretary, D/o Legal Affairs, Shastri Bhawan, New Delhi

Copy to:

1. Sr. PPS to Secretary, DEA
2. Sr. PPS to Joint Secretary (IPF), DEA
3. MD & CEO, IRSDC
4. Vice Chairman, RLDA

**Record of Discussion of 103<sup>rd</sup> PPPAC meeting to consider the MoR project proposal of ‘Redevelopment of Surat MMTH and Udhna Railway Station on PPP mode’**

The 103<sup>rd</sup> Meeting of PPPAC under the chairmanship of Secretary (EA) to consider the proposal of Redevelopment of Surat MMTH and Udhna Railway Station on PPP mode was held on 24<sup>th</sup> May, 2021 at 5 PM through VC. The list of participants is annexed.

<b>Project Description and its Components</b>	The Project involves redevelopment and operation of Surat MMTH and Udhna Railway stations for 60 years, along with associated mandatory developments. The Concessionaire would also be allowed to develop commercial real estate on adjoining land. Station Component (Mandatory Development) includes re-development of Surat MMTH and Udhna stations, Bus Terminus, development of associated infrastructure (road network, parking, etc.), as well as other developments in the form of railway offices, social infrastructure and residences for Indian Railways (IR) officials. Commercial Component (Non-Mandatory Development) includes mix use developments like retail, office and hospitality.
<b>Estimated Project Cost</b>	Rs. 1,236 Crore
<b>Concession Period</b>	60 years (including development of station component of 4 years).
<b>Implementing Authority</b>	Indian Railway Station Development Corporation (IRSDC) on behalf of Ministry of Railways (MoR)
<b>Approval Sought</b>	In Principle Approval

1. On behalf of the chair, JS(IPF) welcomed the participants to the 103<sup>rd</sup> PPPAC meeting and briefed the PPPAC regarding the two major flagship initiatives of Indian Railways, viz., Redevelopment of Railway Stations on PPP mode and Passenger Train Operations on PPP mode. It was informed that an Empowered Group of Secretaries (EGoS) has been formed under the chairmanship of CEO NITI Aayog for taking these initiatives forward. The progress so far in these initiatives was also apprised. It was also informed that the instant project proposal has been submitted in the light of the decision of the 6<sup>th</sup> Meeting of the EGoS held on 03.02.2020, wherein it was decided to club Surat and Udhna Railway Station Redevelopment Project Proposals.
2. JS (IPF) informed the PPPAC that as per the guidelines for formulation, appraisal and approval of central sector PPP projects, in cases where the PPP project is based on a duly approved Model Concession Agreement (MCA), ‘In Principle’ clearance by the PPPAC would not be necessary. In such cases, only final approval of the PPPAC may be obtained before inviting the financial bids. The MCA for Railway Stations have been considered in the inter-ministerial meetings, however, since MoR has not yet notified that, the proposal has come for in-principle approval. Thereafter, IRSDC, which is the Project Implementing Agency, was invited to make a presentation on the project proposal.

3. IRSDC informed that this is a unique project wherein for the first time in the history of country all the three levels of Government i.e., Central Government (MoR through IRSDC), State Government (Gujarat State Road Transport Corporation-GSRTC) and Urban Local Body (Surat Municipal Corporation-SMC) have come together and signed the Memorandum of understanding (MoU) on 17.08.2016. Through this MoU, the three levels of Government have agreed to pool their resources, including land, and formed a Joint Venture Company (JVC) for the redevelopment, operations and maintenance of Surat MMTH project. A JVC named Surat Integrated Transport Development Corporation Ltd. (SITCO) was formed in November 2017 and also a High Powered Committee (HPC) under the Chairmanship of Chief Secretary, Government of Gujarat (GoG) has been formed for steering this project. Tenders for this project have been called thrice earlier but could not succeed due to the project involving huge upfront capital expenditure and dependence on real estate revenues only. With the introduction of user charges to be levied on passengers, as a result of decision of EGoS, the project has become financially viable and has a better chance of being successfully bid-out. It was informed that User Charges for Railway Stations are under submission to the competent authority for approval and would be notified by MoR once approval is received.
4. IRSDC explained that Surat MMTH project is an integrated planned complex housing railways - long distance as well as suburban trains, long distance buses, city buses & BRT as well as metro. It is also planned to transfer/relocate certain facilities presently at Surat MMTH to Udhna Railway Station which is located at 5-6 Km distance from Surat MMTH and within Surat city. It was informed that both Surat and Udhna stations are located in congested areas and developing two terminals will help in balanced growth especially since more land is available at Udhna. Further, MoR is planning to relocate some of their east bound trains to Udhna Railway Station which is also a railway junction. Hence, due to the intrinsic synergy and for better and holistic development prospects, the two stations redevelopment project has been proposed to be taken up together. The status of various approvals for the project as well as various facilitations provided by State Government of Gujarat for making this project viable such as free FSI of 4, project area in TOZ, road network improvement in the area outside the project area by SMC were apprised to PPPAC. It was also informed that although at present road access to the Udhna Railway Station is restricted due to congestion, SMC has been contacted and it is believed that in the next 3-4 years the issues will be resolved. It was informed that all issues raised by PPPAC members have been addressed in the replies of MoR/IRSDC and only those issues on which there was a difference of opinion were taken up for consideration of PPPAC in the following paragraphs.

**PPPAC took note of the same.**

5. With the permission of Chair the following issues were deliberated: -

- a. **Clubbing of Surat and Udhna stations:** IRSDC informed that due to the reasons deliberated earlier (in paragraph 4), Surat MMTH and Udhna are proposed to be taken up together for redevelopment and the traffic guarantee will be easier to be given for the combined traffic of the two stations. DEA expressed that the two stations, namely, Surat MMTH and Udhna have different traffic potential and therefore traffic projections will also vary. Hence, it was suggested that while calculating combined traffic guarantee for both the stations, these variations should be kept in mind. IRSDC informed that Udhna station redevelopment project has been added later on as quarters from Surat have been planned to be shifted to Udhna and Western Railway has planned for shifting of some trains from Surat to Udhna. Hence, providing a combined traffic guarantee for both the stations shall ensure holistic development of railway facilities in Surat city where both the stations are situated. It was further informed that passenger traffic guarantee would be only for Railway Passengers and not for bus depot or metro or other modes of transit in the MMTH. IRSDC also informed that the passenger traffic guarantee would be governed by the decisions of the 93<sup>rd</sup> PPPAC meeting and the extant provisions of the MCAs under consideration of MoR.

**PPPAC while agreeing to the proposal of MoR/IRSDC to take up Surat and Udhna in a single tender, opined that the issue of passenger traffic guarantee to be taken up at the RfP stage.**

- b. **Project Cost:** DEA highlighted that the cost for Surat MMTH was calculated on the basis of Plinth Area Rates (PAR) of 2012 and then escalated till 2018-19 while, for Udhna Station, PAR of CPWD for 2019 had been adopted. Further, rate of interest on debt has been considered as 12% p.a. whereas recently it has been seen in other Railway Station project proposals that interest rates have been coming down. DEA requested IRSDC to quantify the impact of both these issues on the Estimated Project Cost (EPC). IRSDC informed that as per PAR 2020 the estimated cost of Surat MMTH is Rs.935 Crore and project cost of Udhna as per PAR 2020 works out to almost the same as in case of 2019 PAR rates. Further, the interest rate for debt has been considered as 10.50% with the debt-equity ratio of 70:30 in the revised calculations. As such the Mandatory cost of the project including escalation, IDC and cost of financing etc. now works out to Rs.1284.98 Crore which shall be used for the eligibility criteria. IRSDC also informed that the business plan has been updated with class wise passenger forecasts on the basis of ticket sale data for the last 8 years available with CRIS, and the passenger increment has been projected passenger class wise instead of 1% increase across all the categories. As per this plan the net surplus after accounting for Authority payouts etc. is around Rs.614 cr. IRSDC mentioned

that broad level financial feasibility has been submitted at RfQ stage and that the detailed financial model shall be submitted at the RfP Stage.

**PPPAC took note of the same.**

- c. **Lease period for station estate:** DEA highlighted that in the project proposal, the concession period (licence) for station for both Surat and Udhna was 60 years, but Station Estate lease period for Surat was kept at 90 years. This is not in conformity with the decision of the EGoS, where lease period for Station Estate development has been fixed at 60 years. Only in case of residential development, the concerned part of land may be given on lease for a period of 99 years. Further, the MCAs under consideration of MoR also provide for 60 year lease period for station estate development and 99 years lease for residential development. Hence, it was suggested that lease period for station estate development in this case also should be kept at the standard 60 years as in other projects, unless residential development is proposed here. IRSDC explained the conditions of MoU signed with the approval of MoR and GoG which specifically states that the JVC shall be given leasehold rights for real estate development for 90 years by all the project promoters. It was also informed that all bus terminals in the State of Gujarat are given on lease of 90 years and the lease period of 90 years has been kept at the behest of GoG. IRSDC also informed that in this project mix use of land is permissible and it will be open to the concessionaire to decide the final use of land, whether residential or commercial. Hence, IRSDC requested that this being a special project, PPPAC may agree for a lease period of 90 years for station estate for Surat MMTH. It was also informed that as far as financial viability is concerned, prima facie even with 60 years lease period for station estate at Surat, the project is likely to be viable now that a significant component of user charges is also available. NITI Aayog enquired whether there would be a possibility of inconsistencies/conflict with regard to divestment and termination payments etc. in case where station licence period and station estate lease period are different leading to revenue realizations accruing to different parties. NITI Aayog also emphasized that should the demarcation of 60/90 years to continue then the concession agreement should be carefully drafted to ensure that provisions adequately address the issues. IRSDC further informed that station estate development is captured in the concession agreement through the station Estate Lease Deed.

**PPPAC deliberated on this issue and took note that prima facie even with 60 years lease period for station estate at Surat, the project is likely to be financially viable. PPPAC decided that if the MoU for Surat MMTH has any restrictive clause for not giving concession for station estate component to concessionaire for less than 90 years then 90 years lease period for Surat station estate can be kept, otherwise the uniform lease period of 60 years agreed for other projects should be adopted in this project also. PPPAC also**

advised MoR/IRSDC to immediately talk to GoG to bring them on board on this issue before inviting RFQ as this is a joint development project. In case there is no such restriction in the MoU, then, the leasehold rights of Station Estate Development for the concessionaire shall be 60 years only.

- d. **FAR available for the project:** IRSDC informed that FAR of 4 has been agreed for the project by Government of Gujarat (GoG) by declaring it as a Transit Oriented Zone (TOZ). DEA enquired if it is possible to explore the possibility of allowing FAR of 5 for the MMTH. This will improve the viability of the project and also cater to the future requirements of development. It was deliberated that although the absorption capacity for a higher FAR may not be available today, but the market may develop appetite over the concession period of 60 years.

**PPPAC deliberated the issue of FAR and asked MoR/IRSDC to approach GoG for permitting additional FAR for this project if the supporting infrastructure is in place and there is demand for the additional FAR in foreseeable future.**

- e. **O&M Experience:** DEA pointed out that the RfQ submitted by MoR/IRSDC does not have the provision for seeking undertaking for O&M Experience from the bidders. As per the decisions of the 95<sup>th</sup> PPPAC Meeting, revisited in the 99<sup>th</sup> PPPAC meeting, Undertaking for O&M Experience for the railway station needs to be obtained from the bidders. Further, in railway station redevelopment projects being implemented by RLDA, such undertaking is being sought from the bidders in the RfQ. This is necessary since O&M of the Railway Station commences from the appointed date. Further, in the railway station development projects, there is no Technical Bid criteria and bids are evaluated based only on financial criteria. IRSDC informed that for ensuring O&M of the station, Key Performance Indicators (KPIs) are identified in the concession agreement hence an undertaking for the same may not be required. NITI Aayog also expressed that the formulation for O&M Experience as approved in the 95<sup>th</sup> PPPAC Meeting revisited in the 99<sup>th</sup> PPPAC meeting be adopted for all railway station development projects.

**PPPAC deliberated in detail on the issue and decided that the provision for O&M experience as approved by PPPAC in its 95<sup>th</sup> Meeting and revisited in its 99<sup>th</sup> Meeting, shall be followed, along with asking for an undertaking for the same.**

- f. **Eligibility criteria for the construction experience:** DEA pointed out that IRSDC has proposed a modification in the eligibility criteria for construction experience. It was pointed out that the eligibility criteria for construction experience had been finalized in the 95<sup>th</sup> PPPAC Meeting after due deliberations, hence, station wise deviation in the same is not advisable. MoR/IRSDC informed the advantages of the proposed modification as it will permit more competition without diluting the requirement of requisite experience.

PPPAC after detailed deliberations approved the proposal of MoR/IRSDC as given hereunder for uniform adoption for other railway station development projects as well:

Clause	Existing Provision in RFQ	Modification Approved
2.2.3.1 of RFQ	For demonstrating Construction Experience, selected Bidder or the entity contracted to by the selected Bidder shall, over the past 5 (five) financial years immediately preceding the Bid Due Date, have paid for, or received payments for, construction / development of Eligible Project(s) such that the amount is: <ul style="list-style-type: none"> <li>i. 80% of Estimated Project Cost from One Eligible Project, or</li> <li>ii. 60% of Estimated Project Cost each from Two Eligible Projects, or</li> <li>iii. 40% of Estimated Project Cost each from Three Eligible Projects, or</li> <li>iv. 30% of Estimated Project Cost each from Four Eligible Projects</li> </ul>	For demonstrating Construction Experience, selected Bidder or the entity contracted to by the selected Bidder shall, over the past 5 (five) financial years immediately preceding the Bid Due Date, have paid for, or received payments for, construction / development of Eligible Project(s) such that the amount is: <ul style="list-style-type: none"> <li>(i) 80% of Estimated Project Cost from One Eligible Project,</li> </ul> <p style="text-align: center;"><u>Or</u></p> <ul style="list-style-type: none"> <li>(ii) <u>120% of Estimated Project Cost from the combination/mix of maximum 4(four) Eligible Projects provided the payment/receipts as above of such individual Eligible Projects is not less than 30% of Estimated Project Cost.</u></li> </ul>

- g. **Construction Period for Udhna station:** DEA highlighted that construction period is envisaged as 4 years for the entire project. It was discussed that Udhna is a small station and its period of completion can be less than 4 years. Hence, it was suggested that construction period for both the stations may be defined separately so that construction of Udhna Railway Station may not be delayed to 4 years if it can be completed earlier. IRSDC explained that two different completion dates will be difficult to manage in concession. However, to ensure that Udhna station is completed earlier, the same will be covered in milestones for completion of the project at RFP stage and the milestone for completion of Udhna station shall be three years. Hence, although the construction completion period for the project shall be 4

years but the project milestones shall mention construction completion period for Udhna as 3 years.

**PPPAC took note of the same.**

- h. **Regulatory Authority:** DoE observed that presently user charges are to be notified by MoR and an independent regulatory authority may be notified for this purpose. IRSDC explained that the user charges will be notified in the concession agreement with the formula for their revision in future. As such no economic regulation is required. For other disputes/ differences, there is a mechanism of Independent Engineer in the Concession Agreement. Hence, there is no need for setting up of a Regulatory Authority for these projects.

**PPPAC took note of the same.**

- i. **Revenues from Surat MMTH:** DEA observed that in the preliminary financials of the project as submitted by MoR/IRSDC, revenues from bus depot and other such transit modes which may accrue to the concessionaire have not been captured while computing the NPV of the project. Since Surat Railway Station is proposed to be developed as a Multi Modal Transport Hub, it may be appraised as to whether the same will enable the concessionaire to receive revenues other than Railway Station Revenues such Revenues from Bus Depot (if any) etc. DEA also suggested that since capital costs for the entire MMTH is included in EPC of the project, hence commensurate revenue from the same should also be considered. IRSDC explained that in the terms of para 17 of MoU, JVC/ Concessionaire will be allowed to manage and collect revenue from streams of services such as parking of vehicles, kiosks, food stalls, advertisements, retiring rooms, dormitories, cloak room, etc. (including novation of existing licenses) in JVC's Jurisdiction including redeveloped railway station (excluding train operations, ticketing & parcels) and bus terminal (excluding bus operations/ ticketing). Thus, the revenues from kiosks, advertisements, parking etc. from GSRTC bus depot and BRT shall also flow to the concessionaire. However, there will be no user charge on the GSRTC and BRT passengers. Considering the profile of GSRTC and BRT passengers, the revenue from parking, advertisement, kiosks etc. from GSRTC bus depot and BRT shall be negligible and hence, currently no revenue from GSRTC boarding/ alighting station or BRT has been considered as a revenue stream in business plan. IRSDC also informed that detailed financial modelling shall be shared at RfP stage and that time such revenue streams would be re-estimated and accordingly dealt with.

**PPPAC took note of the same.**

6. PPPAC concluded that this is a unique project where all the modes of transit/transport are being integrated seamlessly and will become an example for other cities. PPPAC opined that this project presents a unique opportunity for TOD. IRSDC informed that there might



not be a demand for higher built up area as per the current assessment. However, it was noted that considering the long concession period of 60 years, the demand might materialize in future. MoR / IRSDC were advised to have a discussion with GoG to explore possibility of FSI upto 5 at the MMTH provided the carrying capacity of the area is adequate or can be augmented.

7. It was also noted that the issues of road connectivity outside the project area, augmentation of water supply, sewerage, drainage infrastructure, clearly defined SLAs/ KPI for O&M, commuter experience at scoping stage etc. need to be looked into in detail for the overall success of the project.
8. PPPAC also suggested that a mechanism for finalizing reserve premium price for the project, after the financial bids have come in but before opening the same, should be explored at the RfP proposal stage.
9. The project has been in the planning stage for 5 years and hence all efforts should be made to expedite the project roll out and the RfP proposal along with all necessary documents and detailed financial plan should be submitted for 'Final Approval' at the earliest.
10. After deliberations, PPPAC accorded 'In-Principle Approval' to the project proposal of Ministry of Railways for Redevelopment of Surat MMTH and Udhna Railway Station on PPP mode with the following decisions and subject to laid down conditions:
  - a) Surat MMTH and Udhna Railway Station Development project should be taken up in a single tender.
  - b) Revised project EPC cost of Rs. 1284.98 Crore should be used for the eligibility criteria.
  - c) If the MoU for Surat MMTH has any restrictive clause for not giving concession for station estate component to concessionaire for less than 90 years then 90 years lease period for Surat station estate can be kept. Otherwise the uniform lease period of 60 years agreed for other projects should be adopted in this project also. MoR/IRSDC to immediately talk to Government of Gujrat to bring them on board on this issue before inviting RfQ as this is a joint development project. In case there is no such restriction in the MoU, then the leasehold rights of Station Estate Development for the concessionaire shall be 60 years only.
  - d) MoR/IRSDC should approach Government of Gujrat for permitting higher FAR for the project as this MMTH offers unique opportunity for the TOD.
  - e) Issues of road connectivity outside the project area, augmentation of water supply, sewerage, drainage infrastructure, clearly defined SLAs/ KPI for O&M, commuter

experience at scoping stage etc. should be looked into in detail for the overall success of the project.

- f) The provision for O&M experience as approved by PPPAC in its 95<sup>th</sup> Meeting and revisited in its 99<sup>th</sup> Meeting, should be followed, along with asking for an undertaking for the same.
- g) Modified Eligibility Criteria for Construction Experience as approved for this project at para 5(f) above may be followed. The same may be adopted uniformly for other railway station development projects as well. MoR may incorporate the modified eligibility criteria for construction experience in the MCAs under its consideration.
- h) Although the construction completion period for the project shall be 4 years but the project milestones shall mention construction completion period for Udhna as 3 years.
- i) There is no need for setting up of a Regulatory Authority for notification of User Charges for these projects.
- j) Detailed financial model should be submitted at the RfP Stage and at that time all revenue streams should be identified and re-estimated and accordingly dealt with.
- k) The issue of passenger traffic guarantee should be taken up at the RfP stage.
- l) A mechanism for finalizing reserve premium price for the project, after the financial bids have come in but before opening the same, should be explored at the RfP proposal stage.
- m) The bid documents should be revised by MoR/IRSDC to incorporate the decisions of the PPPAC deliberated in previous paragraphs as well as aligning the RfQ with the previously approved/issued RfQs.
- n) MoR/IRSDC should ensure that all the applicable clearances required for the project are obtained within the stipulated period of time, and the concessionaire should be pro-actively supported in obtaining such clearances which are to be taken only by the concessionaire.
- o) MoR/IRSDC should obtain prior approval of the PPPAC for any change in the scope of work or project configuration.
- p) All efforts should be made to expedite the project roll out and the RfP proposal along with all necessary documents and detailed financial plan should be submitted for 'Final Approval' at the earliest.

11. The meeting ended with a vote of thanks to the chair.

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**Annexure-I**

**List of participants of the 103<sup>rd</sup> Meeting of PPPAC to consider project proposal for Redevelopment of Surat MMTH and Udhna Railway Station on PPP mode**

<b>Sl. No.</b>	<b>Name</b>	<b>Designation and Department</b>
1.	Shri Ajay Seth	Secretary, EA - in Chair
2.	ShriSanjeev Mittal	Member Infra, Railway Board
3.	ShriNareshSalecha	Member Finance, Railway Board
4.	Shri O P Singh	AM/ L& A, Railway Board
5.	Shri Ohm Mehr	Director/SD, Railway Board
6.	Dr. Sajjan Singh Yadav	JS, PFC-I, DoE
7.	Shri B. Purushartha	JS, (IPF), DEA
8.	Dr. Molishree	DS (PPP), DEA
9.	ShriKartikAgrawal	DD (PPP), DEA
10.	ShriSanjeev Kumar Lohia	MD & CEO, IRSDC
11.	Shri R K Singh	Director/P & P, IRSDC
12.	ShriAshwani Kumar	CGM/W & BD, IRSDC
13.	Shri V B Sood	CGM/P & P, IRSDC
14.	Shri Deep Sharma	GM/Civil, IRSDC
15.	ShriAsheeshMehrotra	Sr. Expert/BD, IRSDC
16.	MsNidhiArora	Consultant (Legal), NITI Aayog
17.	Dr. R.J.R. Kasibhatla	Deputy Legal Adviser, D/o Legal Affairs

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