

Ministry of Finance
Department of Economic Affairs

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Public Private Partnership Appraisal Committee (PPPAC)
14th Meeting on April 30, 2008

Record Note of Discussion

The 14th meeting of the Public Private Partnership Appraisal Committee (PPPAC) was held in North Block, New Delhi at 11.30 AM on April 30, 2008. The Finance Secretary chaired the meeting. The list of participants is annexed.

Proposals from Ministry of Civil Aviation

- **Agenda Item 12 : City Side Development of Amritsar Airport through Public Private Partnership.**
- **Agenda Item 13 City Side Development of Udaipur Airport through Public Private Partnership**

2. At the first instance, proposals from Ministry of Civil Aviation were considered. It was indicated that the proposals for Airports at Amritsar and Udaipur related to commercial operations and maintenance of the terminal building, development of city side including the cargo facilities at the airports, maintenance of the car parking and real estate development.

3. Secretary, Ministry of Civil Aviation (MoCA) explained that a decision has been taken by Committee on Infrastructure (COI) to modernize 35 non-metro airports. Out of these, 24 have been identified as having potential to be developed in the PPP framework. The proposals for operation and maintenance, development and transfer of airports at Amritsar and Udaipur were from this identified list. It was informed that the RFQ for the two projects has been issued and a good response has been received. The Ministry of Civil Aviation was in the process of finalizing the Concession Agreement in consultation with the Planning Commission and other Departments concerned. It was expected that MoCA would soon send other projects for seeking approval of the PPPAC. Member (Finance), NHAI observed that the issue of airport connectivity would require to be addressed. It was explained that a group constituted under Member, Planning Commission was examining the matter.

4. Representative of DEA pointed out that the RFQ for the two projects has been issued without obtaining "in principle" approval of the PPPAC. In terms of observing the guidelines, this would required to be regularized through grant of ex-post facto approval. The Chairman observed that for future projects, the process

stipulated by the guidelines for appraisal and approval of Central sector projects should be adhered to.

5. Secretary, Civil Aviation informed that the bid parameter for the two proposals was the concession fee. The Chairman observed that this was likely to provide the Concessioning authority with fixed returns, independent of any upswing or downswing in the traffic volumes at the airports. Additional Secretary, Expenditure observed that revenue share could also be considered as the bid variable. Representative of DEA observed that the projects provided for a concession of 30 years for the terminal and 60 years for real estate development. It was suggested that the concession for the terminal and real estate development should be co-terminus.

6. The two proposals were granted “in principle” approval with the observation that the issues relating to the bid variable and the mis-match between the concession for the terminal and real estate development components of the projects would be addressed on receipt of the draft concession agreements for the projects.

(Action: MoCA)

II. Proposals from Department of Road Transport

7. Secretary, RTH pointed out that some of the projects being considered in the meeting had been posed to PPPAC in February. Representative of the Planning Commission stated that the projects sent were incomplete, in disorder and the documentation was wanting as a binding contract document. He urged DORTH to provide marked-up copies of the Concession Agreement, including schedules, which would ensure better documentation and faster appraisal. It was suggested that a day should be fixed on which PPPAC would be convened every month. Chairman stated that a meeting should be convened if four projects were under consideration with the Committee, even if the appraisal process had not been completed within stipulated time.

8. The PPPAC first deliberated on the issues, which were common to the highways proposals under consideration.

8.1 **RFQ Process**: It was indicated that the Guidelines for appraisal and approval of central sector PPP projects did not require ‘in-principle’ clearance if the projects were based on duly approved MCA. It was suggested that DORTH could simultaneously initiate the process of pre-qualification of bidders while sending proposals to grant of final approval of the PPPAC. Representative of NHAI informed that the RFQ process had been initiated case of eight of the ten proposals under consideration. This will saves considerable process time.

8.2 **Applicability of New Toll Rules:** Secretary, RTH informed that the Toll rules had been approved by the Committee of Secretaries. However, the Rules had not been notified since the Rules were being examined by Department of Legislative Affairs. Till the new Rules are issued the proposals would be based on the existing Toll Rules.

8.3 **Performance Security and Bid Security:** It was noted that the Performance security and bid security had not been specified in the Draft Concession agreements. Representative of NHAI explained that these were lapses at drafting stage and the observation was being addressed in all the projects.

8.4 **Other issues:** Representative of NHAI informed that the issues relating to State Support Agreement, definition of the amount of capital cost had been noted and were being addressed. It was informed that the documentation of the Schedules A, B and C had been standardized and all subsequent proposals would follow the framework which had been prepared. It was agreed that the corrections to the Schedules of the projects under consideration would be carried out.

8.5 **Manual of Specifications and Standards:** It was indicated that the concerns of the members of PPPAC with the Schedule D of the projects were on two counts, viz, extensive deviations to the provisions of the approved Manual of DORTH had been provided in the projects; and the Schedule was not correctly drafted- many projects provided the provisions of the Manual and IRC codes in the Appendix on deviations to the Manual. Representative of Planning Commission pointed out that this presented difficulty to appraising the projects to ensure financial, economic and legal consistency; it was also likely to make the provisions difficult to enforce during the execution of the projects. The Chairman suggested that DORTH should ensure that the documentation is precise and provided with very specific deviations. This was agreed to.

8.6 **Mandatory/standardised provisions of the Manual of Standards and Specifications:** It was noted that project specific departures from the Manual were extensive; specific instances were deviations to the provisions on service roads, deletion of clauses on cattle crossings and changes in design life of the pavements. Representative of NHAI explained that some of the provisions had been changed to curtail the project costs. Additional Secretary, Economic Affairs suggested that the Manual should provide a section on safety features and these provisions should not be deviated from in the projects. Additional Secretary, Expenditure observed that often certain provisions were not provided for on account of economy. She enquired whether such safety provisions, if required to be incorporated in the projects subsequently, would become a drain on Government finances or would be borne by the Concessionaire. Representative of Planning Commission noted that the Concessionaire could provide them, provided their provision, related to specified event clearly provided in the concession agreement. DORTH was urged to examine

the Manual, and if necessary, revise the Manual to minimize the requirement of extensive project specific departures.

8.7 **Duration of Project Milestones**: It was observed that the duration of Milestones as provided in schedule G of the Concession Agreements were longer than those suggested in the Model Concession Agreement (MCA). DORTH was requested to examine the possibility of their reduction in line with the duration provided in the MCA.

(Action: DORTH)

9. The Chairman observed that the generic issues, which had come up for discussion, were mostly different from those discussed during earlier meetings of the PPPAC. This was an indication that the members of the PPPAC were, with experience, qualitatively improving the process and the PPPAC was adding value to the delivery of results. He observed that if during the process of execution of projects, the experience suggests the need to modifications in the Model Concession Agreement or the Manual of Specifications and Standards, revisions in the standardized documents should be considered.

(Action: DORTH, Planning Commission)

Agenda 1: Four Laning of Jorhat Demow section of NH 37 in the State of Assam under SARDP-NE on BOT (Annuity) basis.

10. It was indicated that the project had been approved by CCEA in its meeting held on 23/11/06 under SARDP for construction of four lane road on BOT (Annuity) basis. The representative of DORTH explained that the Financing Plan for NHAI had been updated. It was informed that with the approval of Finance Minister, cess upto 2032 could be committed for SARDP projects. Additional Secretary, Expenditure emphasized the need for a control on the total outflow of funds by NHAI as, earlier experience suggested that proposals approved for Annuity often required substitution to the EPC mode. It was noted that the project highway was a strategic road in North East region, which justified its four laning. It was pointed out that two stage bidding process should be adopted for the project. This was agreed to. The PPPAC granted final approval to the proposal, subject to conditions in Para 8 above.

(Action: DORTH)

Agenda Item 2: Four laning of Amritsar-Pathankot section of NH-15 in the State of Punjab under NHDP Phase III on BOT basis.

11. Noting that the outstanding issues in respect of the project proposal were being suitably addressed by DORTH, the PPPAC granted final approval to the project proposal.

(Action: DORTH)

Agenda Item 3: 4/6-Laning of Ghaziabad-Aligarh section of NH91 in the State of Uttar Pradesh under NHDP Phase III on BOT basis

12. The representative of NHA explained that the cost of the project was higher on account of the large number of structures on the project, including 4 ROBs, 32 underpasses, etc. It was pointed out that the Manual for six laning of the Project Highway had not been provided and the same may be incorporated with the Schedules of the Project. This was agreed to. It was suggested that the Authority should retain the right to construct service lanes, at its own cost, after the 8th anniversary of the appointed date (instead of 12th anniversary, as provided in the Draft Concession Agreement), even if it proposed to exercise the right only after the 12th year. Secretary, RTH informed that the right to construct service lanes had been linked with the six laning of the project; changing it to the eight year could impact/enhance the VGF requirement for the project. Representative of Planning Commission pointed out that the Concession Period was twenty-two years with two stage capacity augmentation. As per the MCA the Concession Period has to be fixed with reference to the year in which the projected traffic would exceed the design capacity of the project highway. According to the projected traffic figures the design capacity 6-laning exceeds during the year 2032. Therefore the Concession Period should be increased to 24 years. Noting that the outstanding issues in respect of the project proposal were being suitably addressed by DORTH, the PPPAC decided to grant final approval to the project proposal with a concession period of 24 years.

(Action: DORTH)

Agenda Item 4. Four Laning of Kishangarh-Beawar section of NH-8 in the State of Rajasthan (Km 364.25 to Km 396.00 and Km 0.00 to Km 58.245) (Km 364.25 to Km 396.00 and Km 0.00 to Km 58.245) under NHDP Phase III on BOT basis

13. It was observed that the Concession Period for the project should be fixed with reference to the year in which the projected traffic would exceed the design capacity of the project highway. Therefore, it should be increased to 24 years. It was pointed out that the draft concession agreement provided for provision of project vehicle by the Concessionaire, which may be deleted. This was agreed to. Noting that the outstanding issues in respect of the project proposal were being addressed by DORTH, the PPPAC granted final approval to the project proposal, with a concession period of 24 years.

(Action: DORTH)

Agenda Items 5, 6 and 7:

- **Four Laning of Bhubneshwar-Puri section of NH-203 in the State of Orissa under NHDP Phase III on BOT basis.**

- **Four Laning of Karaikudi –Ramanathapuram section of NH210 in the State of Tamil Nadu under NHDP Phase III on BOT basis**
- **Four-Laning of Trichy-Karaikudi section of NH210 and Trichy bypass in the State of Tamil Nadu under NHDP Phase III on BOT (Toll) basis**

14. It was indicated that the Draft Concession Agreement for Bhubaneswar Puri project highway had provisions on ‘obtaining environmental clearances’ and providing project vehicle as the obligations of the Concessionaire, which may be deleted. The DCA for Trichy-Karaikudi project made provision of project vehicle an obligation of the Concessionaire, which may be deleted. This was agreed to. It was noted that the traffic projections for the project highways did not justify their immediate four laning. It was decided that the projects may be bid for two laning, with capacity augmentation for four laning. It was noted that the concession period of 30 years was too long since the design life of the project was 15 years. Hence, the concession period should be 15 years. This was agreed to. Noting that the outstanding issues in respect of the project proposal were being addressed by DORTH, the PPPAC granted final approval to the project proposals.

(Action: DORTH)

Agenda item 8 and 9:

- **Four Laning of Tirupati-TirutaniChennai section of NH205 in the States of Andhra Pradesh and Tamil Nadu under NHDP Phase III on BOT basis**
- **Four-Laning of Baihata-Chariali-Tezpur section of NH 52 in the State of Assam under NHDP IIIB on BOT basis**

15. Noting that the outstanding issues in respect of the project proposals were being addressed by DORTH, the PPPAC granted final approval to the project proposal.

(Action: DORTH)

Agenda Item 10: Four-Laning of Kundapur-Surathkal section of NH17 and Mangalore-Kerala border sections in the State of Karnataka under NHDP Phase III on BOT basis

16. Representative of Planning Commission pointed out that based on the design capacity of the 4 lane highway, there was scope for increasing the concession period to 25 years. Noting that the outstanding issues in respect of the project proposals were being addressed by DORTH, the PPPAC granted final approval to the project proposal with a concession period of 25 years.

(Action: DORTH)

17. The Chairman noted that many of the issues and lacunae identified were systemic in nature and requested DORTH to show the revised documents of the project proposals, before bidding, to Planning Commission, who would examine them to ensure that the documentation was complete. He further urged DORTH to ensure that the issues discussed in the meeting are suitably incorporated in the future proposals and do not require further discussions in the subsequent meetings of the PPPAC.

(Action: DORTH, Planning Commission)

Agenda Item 11: Revitalisation of Old Mint Complex and development of Tourism Infrastructure

18. It was indicated that the Sponsoring Authority for the project is Currency & Coin Division of Department of Economic Affairs, Ministry of Finance. The Old Mint Complex at Kolkatta is one of the prime heritage structures with an overall campus spread over 12.50 acres of land distributed in 2 land parcels of 9.05 acres and 3.45 acres. With the approval of Finance Minister, it has been decided to develop the Old Mint, a heritage building, into a museum and old copper mint into a convention centre, while rejuvenating the surrounding area for tourism under the PPP mode. The focus is on rejuvenation along with generation of continuous revenue earning which shall ensure proper maintenance and upkeep. The project is being developed in close cooperation with the Jadavpur University, Kolkata and the Kolkata Heritage Commission. The project envisages restoration along with operations and maintenance of the Mint House in compliance with laid down conservation guidelines. The project consists of seven centres viz: Mint Museum, Archive Centre (James Princep centre for study of Indology), Convention Centre, Edutainment centre, Heritage hotel, Mini Financial Hub and services.

19. Planning Commission pointed out that the Guidelines of the Scheme state that 'The proposal shall relate to a Public Private Partnership (PPP) project which is based on a contract or concession agreement between a Government or statutory entity on the one side and a private sector company on the other side, for delivering an infrastructure service on payment of user charges.' Since the proposal was sponsored by Security Printing and Minting Corporation of India Limited (SPMCIL), which is not a statutory entity, it was not eligible for support under the Scheme. It was clarified that the Sponsoring Authority was Department of Economic Affairs (Currency and Coinage Division) and, therefore, the proposal was eligible under the Scheme.

20. Planning Commission noted that Empowered Sub-Committee, of Committee on Infrastructure has recently formulated the definition of Infrastructure. Tourism does not fall under the purview of the definition of Infrastructure as defined by the Empowered Sub-Committee. However, infrastructure for tourism such as roads, rails,

airports etc., would be covered as part of tourism infrastructure. Hence, though the proposal was eligible for PPP framework, it cannot be considered for assistance under the VGF Scheme.

21. Joint Secretary, Department of Economic Affairs noted that the Scheme for Financial Support to PPPs in infrastructure stipulated that for support under the Scheme the proposal could belong to:

- (i) Roads and bridges, railways, seaports, airports, inland waterways;
- (ii) Power;
- (iii) Urban transport, water supply, sewerage, solid waste management and other physical infrastructure in urban areas;
- (iv) Infrastructure projects in Special Economic Zones; and
- (v) International convention centres and other tourism infrastructure projects;

Provided that the Empowered Committee may, with approval of the Finance Minister, add or delete sectors/sub-sectors from the aforesaid list.

The current project proposal, viewed on an overall basis, is a Tourism Infrastructure Project, and eligible under the VGF Scheme. It was suggested that if further endorsement is required, then the matter can be processed on file for approval of the Finance Minister, in accordance with the provisions of the Scheme. This was agreed to.

22. The PPPAC granted approval to the proposal and gave permission for proceeding with the RFQ stage. Planning Commission, who sought further time for providing comments on the draft Concession Agreement, were requested to send their comments, if any, within a period of two weeks. "In principle" approval for grant of Viability Gap Funding of Rs.29.77 crore, being 20% of the estimated project cost was granted.

(Action: Department of Economic Affairs; Planning Commission)

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

**Ministry of Finance
Department of Economic Affairs**

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**Public Private Partnership Appraisal Committee (PPPAC)
14th Meeting on April 30, 2008**

List of Participants

I. Department of Economic Affairs

- i. Dr. D. Subbarao, Finance Secretary (In Chair)
- ii. Smt Sindhushree Khullar, Additional Secretary
- iii. Dr. Arvind Mayaram, Joint Secretary
- iv. Smt. Aparna Bhatia, Joint Director
- v. Shri B.S Rawat, Deputy Secretary
- vi. Ms. Prathibha, A., Assistant Director

II. Department of Expenditure

- vii. Smt Rita Menon, Additional Secretary

III. Ministry of Civil Aviation

- viii. Shri Ashok Chawla, Secretary
- ix. Ms Anna Roy, Director

III. Planning Commission

- vii. Shri Gajendra Haldea, Adviser to Deputy Chairman.
- viii. Shri Ravi Mittal, Adviser (Infra.)
- ix. Shri K. Ranga Reddy, Deputy Adviser
- x. Shri Babu P. , Economic Officer

IV. Department of Legal Affairs

- xi. Smt. Poonam Suri, AGC

IV. Department of Road Transport and Highways

- xi. Shri Brahm Dutt, Secretary

V. National Highways Authority of India

- xiv. Shri N. Gokulram, Chairman
- xxi. Shri A. Didar Singh, Member (F)
- xv. Shri S.K. Puri, Member (T.)

- xvi. Shri K.S. Money, Member (A)
- xvii. Shri A.P. S. Sethi, CGM
- xviii. Shri G. Sharan, DG (RD)
- xix. Shri S.K. Nirmal, GM
- xx. Shri Rajesh Poonia, GM
- xxi. Shri Vinod Kumar Giri,
- xxii. Shri Pravin Kumar Das

VI. IL & FS

- xxiii. Shri Vivek Kejriwal,
- xxiv. Shri Sudip Datta,