

Ministry of Finance
Department of Economic Affairs

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Public Private Partnership Appraisal Committee (PPPAC)
15th Meeting on June 17, 2008

Record Note of Discussion

The 15th meeting of the Public Private Partnership Appraisal Committee (PPPAC) was held in North Block, New Delhi at 12.00 Noon on June 17, 2008. The Finance Secretary chaired the meeting. The list of participants is annexed.

Agenda Item 1: Proposal for grant of final approval – Four laning of Cuddapah-Kurnool Section of NH 18 (Km 167/750 to Km 356/030) in the State of Andhra Pradesh under NHDP Phase III on BOT basis.

2. The representative of Department of Economic Affairs (DEA) explained that the project includes developing the existing two-lane carriageway to four-lane dual carriageway including strengthening of existing two lane with a length of 188.28 km (except for the bypass where new four lane dual carriageway has been proposed) on BOT (Toll) basis. The project highway includes about 39.68 kms length of service roads on both sides of the road. All the permanent structures are proposed to be six laned.

3. It was noted that the National Highways Authority of India (NHAI), to address and incorporate the observations of the Planning Commission in the project proposal, had amended the project documents and the revised documents had been circulated to the members of the PPPAC. Certain outstanding issues in respect of the project were, thereafter, discussed.

3.1 **Issuance of RFQ:** It was noted that the Guidelines for formulation, appraisal and approval of central sector PPP projects do not prescribe the requirement for obtaining 'in principle' approval for projects based on Model Concession Agreement. Hence Department of Road Transport and Highways (DoRTH) was advised to simultaneously initiate the process of short listing bidders and seeking approval of PPPAC so that no additional time is spent in obtaining PPPAC approval. The representative of DoRTH explained that the Department was adopting the suggested course of action, which had been earlier suggested in the 14th meeting of the PPPAC, and the RFQ for the project had been issued in May 2008. The representative of DoRTH also assured that the suggested procedure would also be adopted for other projects of National Highways.

3.2: Land acquisition: Only 35 percent of the required land was currently available with the Sponsoring authority. The possession of at least 50 percent of the land should be ensured before bidding out the project. This was agreed to.

3.3 Period of Construction: Representative of Planning Commission pointed out that the period of 910 days proposed in the draft concession agreement (DCA) for construction of the four lane project highway appears to be too long and suggested that the period of 650 days prescribed in the MCA, in square brackets, should be retained in the DCA. Representative of NHAI, explained that the proposed construction period was justified for the 188 km project highway requiring construction of service lanes, five major bridges and by-passes. This was agreed to.

3.4 Toll Rules: DoRTH confirmed that the New Toll Rules/Rates would be made applicable to all projects for which the RFP is issued after the issue of the Notification of New Toll Rules by the Department.

3.5 Cost of the project: The representative of DEA pointed out that the cost per km for the project was Rs.8.5 crore. Planning Commission, in its appraisal note, had suggested that the cost of the project can be further rationalized by reducing the service lanes and providing four lane structures on the four-lane highway. The representative of Planning Commission also suggested that the specifications of the project highway could be reviewed for reducing the cost of the project. Chairman, NHAI explained that the Organization had carefully reviewed the requirement of service lanes. Accordingly, the service lanes proposed in the project accounted for only one-third of the project length. He emphasised that the volume of traffic on the proposed highway warranted six-lane structures and specifications as provided in the project design. He also confirmed that the project was consistent with the Manual of Standards and Specifications finalised by DoRTH in March, 2008.

4 It was decided that the service lanes and the technical specifications proposed for the project were warranted and may be allowed. However, the structures could be four-laned since six laning of the project highway was not envisaged during the concession period. Representative of Planning Commission observed that the revised Schedules of the DCA required further modifications. It was agreed that Planning Commission would convey their observations regarding the Schedules of the project to DoRTH. The PPPAC granted final approval to the project subject to the above conditions.

(Action: Planning Commission, DoRTH)

Agenda Item 2: Review of other proposals from DoRTH:

5. It was noted that DoRTH had circulated eight projects mentioned below during April 2008 for obtaining approval of the PPPAC:

- i. 4 Laning of Pune-Sholapur section of NH 9 under NHDP Phase III on BOT Basis.
- ii. 4 Laning of Patna-Buxer section of NH 17 and NH 84 under NHDP Phase III on BOT Basis.
- iii. 4/6 Laning of Panaji-Goa/Karnataka border section of NH 4 A under NHDP Phase III on BOT Basis.
- iv. 4/6 Laning of Madhya Pradesh/Maharashtra border section including Kamptee-Kanhan and Nagpur by pass of NH 7 under NHDP Phase II on BOT Basis.
- v. 4/6 Laning of Coimbatore-Mettupalayam section of NH 67 under NHDP Phase IIIA on BOT Basis.
- vi. 4/6 Laning of Kuttipuram-Edapally section of NH 17 under NHDP Phase III on BOT Basis.
- vii. 4/6 Laning of Khagaria-Bhaktiarpur section of NH 31 under NHDP Phase III on BOT Basis.

However, while forwarding the proposals, DoRTH had pointed out deficiencies in project documents and requested NHAI to rectify and forward the revised proposal for consideration by PPPAC. The revised documents had been received from NHAI during the second week of June 2008. Representative of Planning Commission requested that the soft copies of the documents may be provided to facilitate appraisal. Secretary, DoRTH assured that the same would be made available expeditiously.

(Action: DoRTH)

6. It was noted that the project proposal on construction of a Dedicated Elevated Road for Chennai Port from Gate No. 10 to Maduravoyal Junction on NH4, Integration of Elevated Road with NH-4 Projects from Koyamebedu to Maduravoyal, had been circulated by DoRTH to all members of the PPPAC during May 2008. However, the project documents were received by Planning Commission in first week of June, 2008. Accordingly, the appraisal was underway. Planning Commission assured that the appraisal note for consideration of the PPPAC would be sent at the earliest.

(Action: Planning Commission)

7. Representative of DEA pointed out that DoRTH had lately circulated project proposal on development of Armur-Adloor Yellareddy stretch of NH 7 in Andhra Pradesh for consideration and approval of PPPAC. However, DoRTH had identified several shortcomings in the proposal and requested NHAI to revise the project

documents. DoRTH /NHAI was requested to expedite the circulation of the modified project documents for early appraisal and approval of the project. While appreciating the process of screening and scrutiny of the projects being undertaken by DoRTH, the PPPAC requested DoRTH to circulate only finalised project documents to the members for consideration by the PPPAC.

(Action: DORTH)

9. The Chairman requested the members of the PPPAC to send their observations on the project proposals of DoRTH at the earliest to enable the PPPAC to consider the nine proposals during July 2008.

Agenda Item 3: Additional item with the approval of the Chair: Guidelines on Short listing of Bidders

10. Additional Secretary, Economic Affairs informed that Ministry of Finance had been apprised about concerns raised by certain builders/ developer firms of Indian origin regarding their exclusion during the RFQ stage, which they attributed to *bias* in the prescribed pre-qualification process. Chairman, NHAI noted that the prescribe process required the bidders to provide voluminous documentation at the RFQ stage. He informed that NHAI was collating the short-listing of bidders carried out by NHAI to empirically examine the issues involved and that NHAI/DORTH would share their observations on the subject with Ministry of Finance. Representative of Department of Expenditure noted that the Department had also requested NHAI for certain information and would further examine the matter in consultation with the concerned Departments/ Ministries to resolve the issue.

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

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**Public Private Partnership Appraisal Committee (PPPAC)
15th Meeting on June 17, 2008**

List of Participants

I. Department of Economic Affairs

- i. Dr D. Subbarao, Finance Secretary (In Chair)
- ii. Smt. Sindhushree Khullar, Additional Secretary
- iii. Shri Govind Mohan, Director
- iv. Smt. Aparna Bhatia, Joint Director

II. Department of Expenditure

- v. Dr Anuradha Balaram, Director

III. Planning Commission

- vi. Dr Subas Pani, Secretary
- vii. Shri Gajendra Haldea, Principal Adviser to Deputy Chairman.
- viii. Shri Ravi Mittal, Adviser (Infra.)
- ix. Shri K. Ranga Reddy, Joint Adviser

IV. Ministry of Law

- x. Shri T.N. Tiwari, Additional Legal Adviser

V. Department of Road Transport and Highways

- xi. Shri Brahm Dutt, Secretary
- xii. Shri B.K. Sinha, SE (PIC)

V. National Highways Authority of India

- xiii. Shri N. Gokulram, Chairman
- xiv. Shri Nirmaljit Singh, Member (T)
- xv. Shri S.K. Puri, Member (T.)
- xvi. Shri A.V. Sinha, Member (T)
- xvii. Shri G. Sharan, DG (RD)
- xviii. Shri Gautam Das, GM
- xix. Shri K. Venkato Ramane, GM (PC) I
- xx. Shri M.P. Sharma, GM