

**Government of India
Ministry of Finance
Department of Economic Affairs**

Public Private Partnership Appraisal Committee

26th meeting on July 27, 2009

Record Note of Discussion

The 26th meeting of the Public Private Partnership Appraisal Committee, chaired by Finance Secretary was held on July 27, 2009. The list of participants is annexed.

2. The Chairman welcomed the participants and invited Joint Secretary (I &I), DEA to present the agenda. JS (I &I), DEA informed that 15 proposals from Ministry of Road Transport and Highways (MoRTH) would be considered for grant of final approval. Out of these 15 proposals, 11 were on BOT (Toll) basis and 4 were on BOT (Annuity) basis. It was noted that Planning Commission had sent appraisal only in respect of six projects as on July 24, 2009.

3. In the first instance, the Chairman, PPPAC suggested that generic issues covering all the projects under consideration may be deliberated. The Advisor to the Deputy Chairman, Planning Commission made a presentation listing out key issues highlighted by Planning Commission in the appraisal of the project proposals.

3.1. **Equity Support:** Planning Commission expressed reservation about allowing grant up to 40% of Total Project Cost during the construction period, since the MCA provisions allowed up to 20% of Total Project Cost (TPC) as Equity Support and remaining 20% as O & M support (clause 25.2.2 of MCA). Allowing grant up to 40% of Total Project Cost during construction period may expose NHAI to undue risks. It was pointed out that the DCAs currently provided that the equity support would be equal to 40% of TPC or “twice the equity during construction period”. It was suggested that the provision of MCA under clause 25.2.2 which states “but in no case greater than the Equity” may be retained. It was noted that allowing equity support up to 40% of TPC was based on the relaxation provided by the Committee of Secretaries (CoS) for the road projects till December

2009. To suitably incorporate the decision of the CoS in the project DCAs, the clause had been amended to allow equity support up to 40% of the TPC, while retaining the prescribed provision of equity up to 20% of Total Project Cost (viz. equity support up to twice the equity). Increase in VGF up to 40% during construction period while retaining the provision “but in no case greater than the Equity” may have an implication on the debt-equity structure of the project as well as project viability. The Chairman requested Planning Commission to suggest a suitable formulation for the DCAs which was consistent with the spirit of the CoS decision and did not pose an onerous burden on the financing requirements for the projects.

- 3.2. **Restructuring of Projects:** Representative of NHAI informed that the total project cost and cost per Km have been revised and reduced after restructuring the proposals in accordance with the agreement between Planning Commission and NHAI during meeting on July 8, 2009 and apprised to PPPAC on July 9, 2009. It was noted that these changes and revised project structures and documents had not been shared with DEA. Joint Secretary, DEA stated that the Department had appraised the projects based on traffic and cost figures provided by MoRTH, which had been amended just before the PPPAC meeting. The documents sent by MoRTH for appraisal and clearance should be in the final shape and form. It was decided that, henceforth, the procedure laid down in the Guidelines would be scrupulously followed.
- 3.3. **Cost reduction:** Joint Secretary, DEA emphasized that the cost reduction exercise should not be on an ‘ad hoc’ basis, which was endorsed by the Chairman, PPPAC. It was noted that efforts to curtail the costs by eliminating/modifying the project structures should not in any way compromise the safety of the project highways and that this may be confirmed by MoRTH. Secretary, RTH stated that NHAI will accordingly restructure the project documents and costs.
- 3.4. **Pre-Appraisal meeting:** Planning Commission suggested that the project related issues could be resolved in a pre-appraisal meeting. Joint Secretary, DEA noted that decision on generic issues could be formalized through the PPPAC. However, as decided during the 13th meeting of the PPPAC held on November 5, 2007, DoRTH could consider having a preparatory meeting before the proposals are sent for appraisal to PPPAC so that the

views and differences are clearly communicated. It was decided that representatives from DEA, Planning Commission and MoRTH would sit together to discuss their concerns on the projects, if any.

(Action: DEA, Planning Commission & MoRTH)

- 3.5. **Land acquisition:** Secretary, RTH pointed out that 80% of the total area of site required for 4-laning at RfP stage was very stringent and that the MCA provision of making available 80% of land at 'Appointed Date' would be observed. However, it was mentioned that since land acquisition is very critical for the success of a PPP project, the Authority would have to take a decision at RfP stage whether to engage in a bid based on land availability. It was decided that the MCA provision would be followed in this regard.
- 3.6. Schedule H (Drawings) and Schedule R (Fee Notification) had not been attached with project documents and may be incorporated.
- 3.7. IRC manual approved as Manual of Specification and Standards by MoRTH was not specified in the DCAs in Schedule D which may be incorporated.
- 3.8. Deviations in Schedule D may be deleted or justified by MoRTH if project specific requirements required such deviation.
- 3.9. Schedule B had cross sections, vertical plans, alignments, drawings etc. which may be reviewed.
- 3.10. **Final Bid Documents:** Planning Commission would send the appraisal notes and comments of their Legal Counsel for the project proposals. MoRTH would send the written response to the Appraisal Notes of Planning Commission and DEA on the project proposals. The documents revised on the basis of the appraisal notes would be sent to PPPAC Secretariat for record.

(Action: MoRTH)

Agenda Item I: Proposals for grant of Final Approval on BOT (Toll) basis.

- i. Design, Engineering, Finance, Construction, Operation and maintenance of 4 laning of Bijapur-Hungund section of NH 13 from km 102 to km 202 in the state of Karnataka under NHDP Phase III**
- ii. Design, Engineering, Finance, Construction, Operation and maintenance of 4 laning of Bijapur-Hungund section of NH 13 from km 202 to km 299 in the state of Karnataka under NHDP Phase III**

4. Representative of Planning Commission stated that the above two projects are not viable on account of higher number of underpasses, service road construction and several grade separators though with less traffic. Further, the Interest During Construction (IDC) and other costs for the two projects was at 31% of construction cost for the purposes of calculating of TPC as against the prescribed limit of 25% in the MCA under Article 48. It was decided that MoRTH would review the TPC in accordance with the provisions of the MCA.

5. The PPPAC granted final approval to the projects subject to the conditions and observations in paras 3 and 4 above.

(Action: MoRTH)

Agenda Item 2: Proposals for grant of Final Approval on BOT (Toll) basis.

- i. 4 laning of Baharampur-Farakka section of NH 34 from km 193 to km 295.700 in the state of West Bengal on DBFOT basis under NHDP III**
- ii. 4-laning of Farakka-Raiganj section of NH 34 from km 295 to km 398 in the state of West Bengal on DBFOT basis under NHDP III**
- iii. 4-laning of Raiganj-Dalkhola section of NH 34 from km 398 to km 452.700 in the state of West Bengal on DBFOT basis under NHDP III**

6. Representative of Planning Commission stated that MoRTH have revised the documents of these three projects, which were received by Planning Commission on July 24, 2009 and hence, could not be appraised by Planning Commission. Joint Secretary, DEA pointed out that

DEA had not been informed that the scope of the projects was being revised. It was decided that MoRTH will send the revised documents to DEA for appraisal and the observations thereon would be incorporated by MoRTH in the project documents.

7. The project proposals were granted final approval subject to the conditions indicated in Para 3 and 6 above.

(Action: MoRTH)

Agenda Item 3: Final Approval for 4 laning of Rohtak to Panipat section of NH 71A from km 0 to km 80.858 in the state of Haryana on BOT basis under NHDP III on BOT (Toll) basis.

8. Representative of Planning Commission stated that the total project cost and cost per Km are very high and the project is unviable because the traffic did not justify 4 laning. It was suggested that the project may be developed for 2 laning in the first instance and after 6 or 7 years, when justified by traffic, it may be upgraded to 4 laning. However, representatives of DEA and MoRTH held the view that the project is viable based on the traffic reported in the project documents. Representative of NHAI informed that the underpasses in the Scope of work have been reduced from 12 to 8. It was agreed that the change in scope may be allowed subject to NHAI/MoRTH revising the project costs accordingly and confirmation about safety aspects.

9. The project was granted final approval subject to the conditions in Paras 3 and 8 above.

(Action: MoRTH/NHAI)

Agenda Item 4: Final Approval for 4 laning of Moradabad-Bareilly section of NH 24 from km 148 to km 262 in the state of Uttar Pradesh on DBFOT basis under NHDP III on BOT (Toll) basis.

10. It was noted that the cost at Rs. 12.27 crore/km is on the higher side and it should be reduced to comply with the budgetary constraints of NHAI. The toll for this road would be twice the toll for other roads and the by-pass of 22 km must have a Toll Plaza. In response, representative of NHAI confirmed that the re-engineering of the project had been done in

different stages. Further, based on future traffic and capacity of highways taken as 60,000 PCUs, concession period should be 23 years instead of 25 years as projected. Secretary, RTH stated that the Ministry would review the project structure and convene a meeting with representatives of members of PPPAC to finalise the scope of work and its TPC.

11. The project was granted final approval subject to the conditions indicated in Para 3 and 10 above.

(Action: MoRTH/NHAI)

Agenda Item 5: Final Approval for Upgradation of existing 2 lane road to 4 lane divided carriageway configuration of Ranchi-Rargaon-Jamshedpur stretch from km 112.400 to km 198 to km 277.500 of NH 33 in the state of Jharkhand under NHDP Phase III on BOT (Toll) basis.

12. It was indicated that the project did not have robust traffic and the project financials required a review as they were based on Old Toll Policy. They may be reworked based on the New Toll Policy. It was decided that the project may be restructured for 2 laning with paved shoulders, augmented to 4 laning when justified by traffic. The final project documents may be submitted to DEA for record.

13. The project was granted final approval subject to the conditions mentioned in Para 3 and 12 above.

(Action: MoRTH)

Agenda Item 6: Final Approval for 4 laning of Muzaffarnagar-Haridwar section of HN 58 from km 131 to 211 of NH 58 in the state of UP and Uttarakhand on BOT (Toll) basis.

14. Representatives of Planning Commission stated that traffic estimates did not justify 4 laning of one section. Representative of NHAI informed that the earlier traffic figures forwarded to Planning Commission were incorrect. The traffic figure had subsequently been corrected and the average traffic at the stretch is 21,590 PCUs for 2009-10. The project was granted final approval subject to the conditions indicated in Para 3 above.

(Action: MoRTH)

Agenda Item 7: Final Approval for Six laning of Chenagapjalli to sate of Coimbatore bypass section 1 and four laning from end of Coimbatore bypass to TN/Kerala Boarder of NH 47 in the State of Tamil Nadu on BOT (Toll) basis.

15. Representative of Planning Commission stated that the cost of the project is very high and there is a need to delink 4 lane with 6 lane. Representative of NHAI, however, held the view that the project may get a premium since the projected traffic is robust. It was further stated that the structures on the project were necessary and further re-structuring may not be possible at this stage. The project was granted final approval subject to the conditions in Para 3 above.

(Action: MoRTH)

Agenda Item 8: Final Approval for Design, Engineering, Upgradation, Finance, Operation and Maintenance of Hyderabad-Bangalore section of NH 7 in the state of Karnataka under NHDP Phase VII on BOT (Toll) basis.

16. Representative of NHAI stated that although the cost per km of the project was high, the corresponding traffic and toll is very high and traffic engineering has already been done. All traffic proceeding to the airport would have to pay the toll irrespective of whether they have used the 22 km of highway with 4 km elevated road. Representative of NHAI further pointed out that on account of high traffic it was expecting to get a low grant on actual bidding. A case for traffic diversion on account of the Bangalore High Speed Rail Link project linking to the airport , which would impact this project, was brought up. However, it was informed that the decision on the Bangalore High Speed Rail Link project has been deferred, and thus would not impact the project traffic.

17. The project was granted final approval subject to the conditions indicated in Para 3 above.

Agenda item II: Proposals from MoRTH for final approval on BOT (Annuity) basis:

18. Representative of Planning Commission mentioned that the project cost of these four Annuity projects was high and considering the budgetary constraints of the Government, there is a need to review the Scope of the projects to curtail the outflow on account of annuity payments. Further, the documents may be based on the MCA. Secretary, RTH confirmed that the MCA for BOT (Annuity) projects has been approved by CCEA. Joint Secretary, DEA noted that a meeting would be convened by Member, Planning Commission on July 29, 2009 to discuss the overall budgetary allocations towards Annuity Projects. Since the Chairman, PPPAC had to leave on account of some urgent works; it was decided to defer these four projects for the next meeting of the PPPAC.

19. The meeting ended with vote of thank to the Chair.

**Ministry of Finance
Department of Economic Affairs**

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**Public Private Partnership Appraisal Committee (PPPAC)
26th Meeting on July 27, 2009**

List of Participants

I. Department of Economic Affairs

- i. Shri Ashok Chawla, Finance Secretary (In Chair)
- ii. Ms. L.M. Vas, Additional Secretary (EA)
- iii. Shri Govind Mohan, Joint Secretary
- iv. Shri Abhijit Phukon, Deputy Director

II. Department of Expenditure

- v. Ms. Parama Sen, Director (PF II)

III. Planning Commission

- vi. Shri G. Haldea, Adviser to Dy. Chairman
- vii. Shri Ravi Mittal, Adviser
- viii. K.R. Reddy, Joint Adviser
- ix. Shri Amitabha Ray, Deputy Adviser

IV. Ministry of Law

- x. Ms. Poonam Suri

V. Department of Road Transport & Highways

- xi. Shri Brahm Dutt, Secretary
- xii. Shri Nirmal Jit Singh, Addl. Director General
- xiii. Shri B.K. Sinha, Supdt. Engineer

VI. National Highways Authority of India

- xiv. Shri Brijeshwar Singh, Chairman
- xv. Shri S.K. Puri, Member (Projects)
- xvi. Shri R.K. Singh, CGM
- xvii. Shri M.P. Sharma, CGM