

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

Public Private Partnership Appraisal Committee

30th meeting on January 6, 2010

Record Note of Discussion

The 30th meeting of the Public Private Partnership Appraisal Committee, chaired by Finance Secretary was held on January 6, 2010. The list of participants is annexed.

2. The Chairman welcomed the participants and noted that four proposals from Ministry of Shipping, Department of Shipping (DoS) would be considered during the meeting for grant of final approval.

- I. Development of Container Terminal at New Mangalore Port on BOT Basis.**
- II. Development of Multipurpose Berth to handle clean cargo including containers on BOT basis at Paradip Port**
- III. Development of North Cargo Berth II for handling dry bulk cargo at Tuticorin on DBFOT basis**
- IV. Development of ultra mega container terminal at Chennai Port.**

3. Joint Secretary, DEA and Advisor to Deputy Chairman, Planning Commission presented the generic issues in respect of the projects;

3.1 Advisor Planning Commission raised the following generic issues:

3.1.1. It was noted that the comments of the Administrative Ministry for the aforementioned projects on the appraisals were not received as per the normal procedure under PPPAC. Joint Secretary, DEA explained that as per the last PPPAC meeting held on November 11, 2009 held specifically for the Port projects, it was decided that the PPPAC would consider the projects only upon receipt of TAMP notification as it is integral to the viability of projects. However, as per a meeting held in the Planning Commission, urgency to speed up bidding of pending port projects was necessitated. It was, therefore, decided that for instant four Port projects, a PPPAC meeting should be convened urgently. Accordingly, the appraisal notes were sent to Administrative Ministry for its comments, with a very short notice to respond prior to the meeting.

3.1.1. Project cost as defined in the Model Concession Agreement (MCA) is open-ended and is a capital cost, which allows for increase of the project cost by the amount/(s) approved by the Concessioneing Authority which is likely to impact the termination payments etc. In view of the same, review of the definition of project cost has been sought by Planning Commission. Secretary, Shipping

stated that the issue could be discussed through a meeting of the IMG on MCA for port sector.

3.1.2. It was stated that a lot of deviations from the duly approved MCA have been observed in the project DCAs. Secretary, Planning Commission noted that such deviations may be disallowed in normal course and generic issues may be taken up by the Department of Shipping for consideration separately. Secretary, Shipping, stated that specific DCA issues which were a deviation to the MCA may be discussed in the present instant and be addressed in this meeting. It was decided that the project DCAs would not have any deviations from the MCA, apart from the new ones allowed during the meeting, in respect of each port project.

3.2. Joint Secretary, DEA stated that there were three key generic issues:

3.2.1. It was informed that the demand justification with respect to three Port projects viz New Mangalore, Paradip and Chennai was not explicitly reflected and clarified in the documents provided to the members of the PPPAC, which may impact the revenue earnings at the Port and eventually the Port operations. Secretary, Shipping, explained that for these projects a number of market players have indicated interest in bidding, reflecting interest of the private sector. While demand assessments may not be immediately available as justification, the market appetite appears and these projects emerge from Business plan of the respective Ports for expansion. In view of the same these may be considered for approval.

3.2.2. It was mentioned that various Ports were following different parameters with respect to capital dredging and maintenance dredging and optimal standardisation of the same was advisable. For example, at New Mangalore Port, the capital dredging of the access channel is Concessioning Authority's (CA) obligation while at the Berth the same shall be undertaken by the Concessionaire and maintenance dredging shall be undertaken by the CA. At Paradip and Tuticorin, the capital dredging is the responsibility of the CA and maintenance dredging at Paradip shall be undertaken by the CA while at Tuticorin no maintenance dredging appears to have been envisaged. At Chennai Port, the capital and maintenance dredging is allocated to the CA as per the DCA and maintenance dredging has also been provided for to be suitably undertaken by the Concessionaire under the Appendix 4. It was agreed that in general capital and maintenance dredging shall be undertaken as per the Model MCA, and project specific deviations may be taken up on case to case basis.

3.2.3. It was pointed out that Minimum Guaranteed Cargo reflected in the Appendix 14 has been provided as percentage of the capacity whilst the MCA envisages this as annual cargo figure to be guaranteed by the Concessionaire. It was agreed and decided that the formulation provided for under the MCA shall be followed by Port Authorities.

Agenda item 1: Development of Container Terminal at New Mangalore Port on BOT Basis.

4. Chairman, New Mangalore Port Trust (NMPT) made a presentation on the Project. The Chairman, NMPT stated that many stakeholders have shown interest in the project. There is no dedicated container berth at NMPT; NMPT has handled 6 main line vessels in 2008-09 originating from East and West Africa; over the years, steady growth in container traffic has been observed and projected exports of various commodities such as Gherkins, reefer plug cargo etc. provides for a continuous demand for containerised traffic movement; and main container traffic originates from regions of Hassan and Chikmugular, which due to inadequate facility at the Port, may get diverted to other Ports. Therefore, the Port Authority had concerns that there may be loss of revenue if immediate up-gradation is not undertaken. PPPAC noted that the TAMP notification has been received by the Port and it was being duly circulated by the Administrative Ministry and shall be attached to the DCA prior to release of the RFP by the Port Authority. It was indicated that the TAMP had revised the estimated project cost from Rs. 275.82 crore to Rs. 269.73 crore and project capacity from 3.53 lakh TEUs to 3.74 lakh TEU. It was stated that capital dredging cost for the Berth by the Concessionaire is likely to cost Rs. 12.0 crore. This aspect does appear as a deviation from the MCA, however, in view of the low cost and for efficient handling of the construction of the Berth by the Concessionaire it was requested to be considered for approval by the PPPAC. This was agreed to.

5. Other deviation pointed out was relating to the success fee of Rs 50.0 lakh, added in the license fee clause, as recovery of the cost for preparation of the documents procurement of private sector partner. Secretary, Shipping observed that in case success fee is allowed to be recovered, it will be automatically adjusted in the bid by bidders. Secretary, Planning Commission, pointed out that while the amount of success fee was not a matter of debate, procedural departure was a cause of concern. It was decided that inclusion of success fee clause henceforth would be disallowed across Port projects. NMPT had sought for changes in the Shareholding pattern (clause 11.2 of the DCA). It was decided that the clause would be retained as provided in the MCA. DoS was requested that the documents may be accordingly revised and sent to the members of the PPPAC for record.

(Action: New Mangalore Port Trust & DoS)

Agenda item 2: Development of Multipurpose Berth to handle clean cargo including containers on BOT basis at Paradip Port

6. Chairman, Paradip Port Trust (PPT) made a presentation on the Project. It was informed that the Traffic handled at the Port (~ 56 MTPA) would reach 80% of the existing capacity (71 MTPA) by the current financial year justifying creation of additional capacity. The present proposal would enable capacity addition of 5MTPA and together with the

approved Iron Ore and Coal, the BOT projects would enable capacity addition of 25MTPA. PPPAC noted that the TAMP notification had not been issued and PPT would ensure that it is attached to the DCA prior to release of the RFP by the Port Authority. It was stated that the project is viable for BOT operator as per the Port's assessment. It was agreed that Paradip Port Trust would ensure that there were no deviations from MCA in the project DCA and accordingly resubmit the final documents to the members of PPPAC for record.

(Action: Paradip Port Trust)

Agenda item 3: Development of North Cargo Berth II for handling dry bulk cargo at Tuticorin on DBFOT basis

7. Chairman, Tuticorin Port Trust presented the proposal. It was noted that the project is justified, appears financially viable and the project documents did not have deviations from the MCA. All the observations, as a part of the appraisal process, for aligning the DCA to the MCA had been accepted by the Port Authority and the revised documents shall be resubmitted to the members of the PPPAC for record. It was further pointed out that RFQ date of submission was 8th January 2010 and 24 bidders had purchased/downloaded the RFQ document. In response to the query on appraisal note regarding no maintenance dredging for the entire concession period, Tuticorin Port Trust confirmed that it does not require undertaking any maintenance dredging at the port as there is likely to be no siltation till the end of the concession period. It was agreed that the TAMP notification shall be attached to the DCA prior to release of the RFP by the Port Authority.

(Action: Tuticorin Port Trust)

Agenda item 4: Development of ultra mega container terminal at Chennai Port.

8. Chairman, Chennai Port Trust presented the proposal. It was noted that the likely traffic upon commissioning for the project in the year 2014 would be 0.10 million TEUs and the capacity in the same year may be 0.80 million TEUs. Based on the projections, this is likely to increase and the past trend shows a 20.28% compounded annual growth rate (CAGR). As per the GOI's vision, Chennai Port is likely to take the lead as the international hub in the East Coast. Further, in line with the international trend, the need for development of deep draft has been suggested. In view of the above, the Port Authority appears confident that the traffic is justified for a financially viable project for the BOT operator. Additionally, there have been nine (9) applicants to the RFQ received in March 2009, which showcases the interest of the private players. PPPAC noted that the TAMP notification in respect of the project was awaited. The same would be attached to the DCA prior to release of the RFP by the Port Authority. The Port Authority confirmed that there were no deviations in the project DCAs from the MCA and the final documents and a certificate for the legal consultant shall be submitted to the members of the PPPAC for record.

(Action: Chennai Port Trust)

9. The PPPAC granted final approval to the four proposals subject to:
 - 9.1. No deviations being made in the project DLAs except for as mentioned in Para 4.
 - 9.2. Submission of the revised project documents to the members of the PPPAC for record.

(Action: DoS)

10. 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)
30th Meeting on January 6, 2010**

List of Participants

- I. Department of Economic Affairs**
- i. Shri Ashok Chawla, Finance Secretary (In Chair)
 - ii. Shri Govind Mohan, Joint Secretary
 - iii. Shri Abhijit Phukon, Deputy Director
- II. Department of Expenditure**
- iv. Ms. Villasini Ramachandran, Additional Secretary
- III. Planning Commission**
- v. Ms. Sudha Pillai, Secretary
 - vi. Shri G. Haldea, Adviser to Dy. Chairman
 - vii. Shri Ravi Mital, Adviser
- IV. Ministry of Law**
- viii. Shri D.R. Meena, Secretary
- V. Ministry of Shipping**
- ix. Shri K. Mohandas, Secretary
 - x. Shri Rakesh Srivastava, Joint Secretary
 - xi. Ms. Geetu Joshi, Deputy Secretary
- VI. New Mangalore Port Trust**
- xii. Shri P. Tamilvanan, Chairman
 - xiii. Shri S.V. Madhabhavi, Dy. Chief Engineer
 - xiv. Shri Ravindra C.P. EE (Civil)
- VII. Chennai Port Trust**
- xv. Capt. Subhash Kumar, Chairman
 - xvi. Shri R. Srinivasa Kannan, Chief Engineer (Civil)
 - xvii. Shri D.V. Ananth, FA&CAO
- VIII. Paradip Port Trust**
- xix. Shri K. Raghuramaiah, Chairman
 - xx. Shri R. Mohapatra, EE
 - xxi. Shri Behera, AE
- VII. Tuticorin Port Trust**
- xxii. Shri G.J. Rao, Chairman
 - xxiii. Shri A Subbaiah, Dy. Chairman
 - xxiv. Shri Pathiran, SE(Civil)