

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

**Public Private Partnership Appraisal Committee**

**32<sup>nd</sup> meeting on February 22, 2010**

**Record Note of Discussion**

The 32<sup>nd</sup> meeting of the Public Private Partnership Appraisal Committee, chaired by Finance Secretary, was held on February 22, 2010. The list of participants is annexed.

2. The Chairman welcomed the participants and noted that nine proposals from Ministry of Road Transport and Highways (MoRTH) would be considered during the meeting which could be classified into three categories, viz., two BoT (Toll) proposals under NHDP Phase-V, five BoT (Toll) proposals under NHDP Phase-III and two proposals in BoT (Annuity) framework.

3. It was noted that MoRTH had sent response on the appraisal notes of Planning Commission and Department of Economic Affairs on the project proposals. Most of the issues had been addressed through the response, the outstanding concerns would be considered on project to project basis.

4. The Chairman queried about the basis of selection/phasing of projects for onset of the bid process. He noted that the projects posed for clearance by PPPAC appeared to be randomly selected and did not observe a corridor approach for sequential development of inter-connected highways. It was decided that, henceforth, NHAI would indicate the status of adjacent stretches of the projects posed for clearance by PPPAC; and during meeting of the PPPAC, NHAI would present a macro picture of the NH stretches through the aid of a map, i.e., stretches completed, under construction, under award, bidding or being posed for clearance by PPPAC and approval of the competent authority.

***(Action: NHAI)***

**Agenda Item I: Six laning from Hosur to Krishnagiri in the state of Tamil Nadu under NHDP Phase-V.**

5. The representative of MoRTH presented the proposal. It was noted that it was proposed to develop the approximately 60 km four-laned stretch into a six-lane highway. The members of PPPAC had pointed out that the traffic figures indicated in the PPPAC Memo, viz., 33,945 PCUs, did not justify the proposed augmentation of project stretch. In response, MoRTH had clarified that the current estimation of total traffic on the stretch had either reached 60,000 PCUs or was likely to reach the level during the construction period. Accordingly, the six laning of the stretch was justified. The representatives of DEA and DoE pointed out that the details of total traffic should be made available to the members of PPPAC as part of the feasibility report so that the same can be examined at the appraisal stage. Generally, such information is received subsequent to the concerns being expressed by members of PPPAC regarding the disconnect between the traffic on the stretch and the level of proposed augmentation. This was agreed to.

*(Action: NHAI/MoRTH)*

6. The representative of NHAI informed that the observations of Planning Commission in respect of the schedules were being incorporated. In response to the observations of DEA in their appraisal note, the concession period had been revised to 24 years and the performance security had been modified to Rs.52.60 crore. It was agreed that the revised documents would be sent to the members of PPPAC for record.

7. The proposal was granted final approval subject to the condition that MoRTH/NHAI would certify that all changes as per the duly approved MCA and recommendations of B.K. Chaturvedi committee had been incorporated in the project documents.

*(Action: MoRTH, NHAI)*

**Agenda Item II: Grant of final approval for six laning of Dhankuni Baleshwar section of NH-6 and NH-60 in the states of Orissa and West Bengal under NHDP Phase-V.**

8. The representative of MoRTH presented the proposal. It was noted that the traffic on the stretch on NH-6 was dense while the traffic on the section on NH-60 was considerably lesser. Accordingly, it was proposed to develop the section on NH-6 from Dhankuni to Kharagpur as a six lane highway and the stretch on NH-60 from Kharagpur to Baleshwar as a four lane highway. Chairman, NHAI explained that the provision of service lanes of 107 km had been included in the scope of work

after careful review and requirements of the high density of local traffic. The scope of work for NH-60 includes major flood control measures. Due to unprecedented floods and cyclones in 2007 and 2008, there was submergence of vast land on north of NH-60 in Orissa and West Bengal. Hence, it is proposed to undertake major flood improvement works and develop bridges and structures on NH-60.

9. Members of PPPAC suggested that NHAI could consider six-laning of the entire stretch since the project financials indicate that the project is viable due to the dense traffic on NH-6. Chairman, NHAI indicated that the cost of six-laning the project stretch on NH-60 with major flood improvement works was likely to increase the project cost, which would make the entire stretch unviable. Accordingly, six-laning of NH-6 (111 km) and improvement of existing four lane of NH-60 (119 km) was being proposed. It was suggested that NHAI could consider de-linking the two project stretches and develop NH 6 as a six-lane highway. NH 6, which was already a four lane highway, could be considered as a separate project with an OMT concession. Chairman, NHAI indicated that the development of project stretch on NH-6 as an independent project would require further examination taking into account the water flow levels and technical parameters.

10. The PPPAC granted final approval to the project for six laning of NH 6 from km 17.600 to km 129.000 in the State of West Bengal under NHDP Phase-V. It was decided that NHAI would re-examine the existing four lane of NH 60 from km 0.000 to km 119.300 in the State of Orissa and develop it with an appropriate mode after considering the technical parameters. NHAI/MoRTH were requested to modify the project documents based on the revised scope of work and the appraisal notes of DEA and Planning Commission and provide the revised project documents to the members of the PPPAC.

*(Action: MoRTH, NHAI)*

**Agenda Item III: Grant of final approval for four laning of Bhubaneswar-Puri section of NH-203 in the State or Orissa under NHDP Phase-III on BoT (Toll) basis.**

11. Joint Secretary, DEA informed that the PPPAC had earlier granted final approved the proposal in its meeting held on April 30, 2008 with a project cost of Rs.458.54 crore. The Sponsoring Authority had come back after a lapse of over one and a half years with a revised project cost of Rs. 500 crore. During the interim period, the land acquisition for the project had also not been completed. It was indicated that it was a matter of concern that projects granted approval had not been bid out after a lapse of 22 months, which did not lend comfort about the ability of NHAI to achieve its target of completing 20 km of road per day.

12. Joint Secretary, DEA pointed out that the project financials indicated that the project may be unviable even with VGF support up to 40 percent of TPC. The traffic estimates did not justify the proposed four laning. Further, the schedules in respect of the project required to be modified in accordance with the observations of Planning Commission and DEA. The representative of NHAI clarified that the total traffic on the project was higher, justifying the proposed four laning of the project stretch. The bidding process in respect of the project had been initiated and financial bids were expected by mid-March, 2010.

13. The PPPAC granted final approval to the project subject to the following conditions:

- i. NHAI/MoRTH would provide details of total and tollable traffic on the project stretch to the members of PPPAC.
- ii. NHAI/MoRTH would undertake revision of the schedules of the DCA as indicated by Planning Commission and DEA in their appraisal notes in respect of the project.
- iii. MoRTH/NHAI would provide the revised project documents to the members of the PPPAC.
- iv. MoRTH/NHAI would certify that all changes as per the duly approved MCA and recommendations of B.K. Chaturvedi committee had been incorporated in the project documents.

*(Action: MoRTH, NHAI)*

**Agenda Item IV: Grant of final approval for four laning of Karnataka/Kerala border-Kannur section in the state of Kerala under NHDP Phase-III on BoT (Toll) basis.**

14. Joint Secretary, DEA indicated that the RfQ for the project had been called for an indicative total project cost (TPC) of Rs.910 crore. However, the cost has been subsequently increased to Rs. 1157 crore in the project documents. The representative of NHAI clarified that the TPC of Rs.910 crore was based on civil cost of Rs.727.82 crore. The TPC was subsequently increased to Rs.1157 crore due to increase in the cost of construction to Rs.924.57 crore.

15. Secretary, Planning Commission indicated that the project stretch traversed an area with a lot of potential of economic activity relating to handlooms and cashew nut production and consequently, dense traffic. The road condition was poor, requiring major reconstruction, which could be the reason for the higher project cost.

16. The PPPAC granted final approval to the project at the proposed TPC of Rs.1157 crore subject to the following conditions:

- i. NHAI/MoRTH would undertake revision of the schedules of the DCA as indicated by Planning Commission and DEA in their appraisal notes in respect of the project.
- ii. MoRTH/NHAI would provide the revised project documents to the members of the PPPAC.
- iii. MoRTH/NHAI would certify that all changes as per the duly approved MCA and recommendations of B.K. Chaturvedi committee had been incorporated in the project documents.

*(Action: MoRTH, NHAI)*

**Agenda Item V: Final approval for four laning of Barhi to Hazaribagh Section of NH-33 in the State of Jharkhand under NHDP Phase-III on BoT (Toll) basis.**

17. The representative of NHAI presented the proposal. It was noted that the 41 km stretch with a TPC of Rs.414 crore had a robust traffic which justified the proposed four-laning. It was noted that the project cost was high on account of the cost of Hazaribagh bypass of approximately 11 km with a project cost of Rs.86 crore. Since the cost of the bypass is more than Rs.50 crore, the user fee for the stretch had been calculated taking into account the user fee for structures. It was noted that all observations in respect of the project were being addressed by NHAI.

18. The PPPAC granted final approval to the project subject to the following conditions:

- i. NHAI/MoRTH would undertake revision of the schedules of the DCA as indicated by Planning Commission and DEA in their appraisal notes in respect of the project.
- ii. MoRTH/NHAI would provide the revised project documents to the members of the PPPAC.
- iii. MoRTH/NHAI would certify that all changes as per the duly approved MCA and recommendations of B.K. Chaturvedi committee had been incorporated in the project documents.

*(Action: MoRTH, NHAI)*

**Agenda Item VI: Final approval for four laning of Sambalpur Baragarh Orissa/Chhatisgarh border section of NH 6 from km 0 to km 88 in the State of Orissa**

19. The representative of NHAI presented the proposal. It was noted that the project cost at Rs.10.32 crore per km was on the higher side. Chairman, NHAI clarified that since the project stretch traversed the command area for Mahanadi River a number of major and minor bridges were proposed to be developed accounting for the higher project cost, which may be accepted.

20. The PPPAC granted final approval to the project subject to the following conditions:

- i. MoRTH may review the scope of work to explore the possible reduction in the project cost.
- ii. NHAI/MoRTH would undertake revision of the schedules of the DCA as indicated by Planning Commission in their appraisal notes in respect of the project.
- iii. MoRTH/NHAI would provide the revised project documents to the members of the PPPAC.
- iv. MoRTH/NHAI would certify that all changes as per the duly approved MCA and recommendations of B.K. Chaturvedi committee had been incorporated in the project documents.

*(Action: MoRTH, NHAI)*

**Agenda Items VII-IX: Final approval for projects on BoT (Annuity) basis:**

- i. Four laning of Chhapra-Haripur section of NH 19 in the State of Bihar**
- ii. Two lane with paved shoulder of Muzaffarpur Sanbarsa section of NH-77 in the state of Bihar**
- iii. Two lane with paved shoulder of Dingugul-Theni and Theni-Kumilli in the state of Tamil Nadu under NHDP III**

21. Adviser, Planning Commission indicated that Planning Commission had raised certain generic issues on the framework of BoT (Annuity) proposed to be followed by MoRTH. These include:

- a. The annuity is a fixed amount and is not linked to the inflation in any manner. This is likely to result in the concessionaire adopting a worst case scenario for estimating future levels of inflation and quoting higher levels of annuity.
- b. The bonus for early completion was excessive and equal to the full annuity amount for the relevant period. Thus, a concessionaire who

completed the construction of the road one year before the scheduled period would enjoy annuity payments for one additional year. This could result in excessive payment of bonus, especially in view of the fact that the construction period for the stretches ranged between two to two and a half year. The optimal period for construction may be determined by studying the construction period of projects executed in the PPP framework.

- c. The clause 27.3 of the concession agreements provided that the annuity payments may be verified by the Independent Engineer. This could result in delays, disputes and add to the bid price. Payment of Annuity should be without the involvement of the Independent Engineer in the process.
- d. The definition of average annuity period may be reviewed.
- e. Since the toll was proposed to be collected by a separate toll contractor, safeguards may be built in the concession agreement to ensure that there are no disputes between the Concessionaire and the toll collector regarding lane availability.

22. Joint Secretary, DEA indicated that the observations of Planning Commission related to the MCA for Annuity projects. MoRTH had circulated the draft MCA for Annuity projects and sought comments thereon. However, Planning Commission had not commented on the draft MCA. It was suggested that Planning Commission could convey their observations on the MCA, which could be considered in the meeting of the IMG for MCA (Annuity), chaired by Secretary, Road Transport & Highways..

*(Action: MoRTH, Planning Commission)*

23. Secretary, Road Transport and Highways noted that the same MCA had been used for developing the project DCAs as had been considered by PPPAC earlier, while granting approval to the BoT(Annuity) projects. Hence, use of the same for the instant projects may be allowed.

24. Representative of NHAI stated that while the observations of Planning Commission were in respect of the MCA, the experience of NHAI on some of the concerns could also be viewed. First, NHAI, while collecting toll on the Bot (Annuity) stretches, had not experienced difficulty or disputes with the Concessionaire regarding lane closure. Further, the clause in respect of bonus on early completion, had been there in the concession agreements executed earlier by NHAI. It was indicated that consolidated information on construction period and

payment of bonus were not readily available; however, the representative had personally handled eight annuity projects. Of these eight projects, bonus had been paid in respect of two projects- for periods of one month and two months respectively. The payment of bonus could be justified in the context that the early completion of the projects also resulted in early onset of tolling and accrual of toll revenues for NHAI. Furthermore, the construction period for the three projects under consideration was realistic and based on technical and on-ground requirements.

25. The PPPAC considered the project specific observations.

26. It was noted that the traffic on **Chhapra-Haripur section** had been inadvertently indicated as 8,482 PCUs. The traffic was 15,200 PCUs and justified the proposed four laning. It was noted that the cost of the project was more than the range approved by the BK Chaturvedi committee. The project was granted final approval subject to the scope of work being re-examined to limit the project cost to upto Rs 9 crore per km. In case, on review, MoRTH was of the view that the reduction of cost would be difficult, the project may be posed afresh for consideration by PPPAC. The revised project documents with the modified scope of work and the corrected schedules may be sent to members of PPPAC for record.

*(Action: MoRTH, NHAI)*

27. It was noted that the stretch proposed for **two laning with paved shoulders from Dingugul-Theni and Theni-Kumilli** had nine bypasses totalling 55 km. It was indicated the scope of work was essential for the project and the project cost confirmed to the average threshold levels recommended by B.K. Chaturvedi Committee. The PPPAC noted that all outstanding issues in respect of the project had been clarified and granted final approval to the project.

*(Action: MoRTH, NHAI)*

28. The PPPAC noted that the project cost in respect of the project stretch from **Muzzapur to Sonbarsa** was very high. The proposal was returned to MoRTH to examine whether the scope of work would be reviewed to bring the project cost within the average threshold levels recommended by BK Chaturvedi Committee.

*(Action: MoRTH, NHAI)*

29. 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)  
32<sup>nd</sup> Meeting on February 22, 2010**

**List of Participants**

- I. Department of Economic Affairs**
- i. Shri Ashok Chawla, Finance Secretary (In Chair)
  - ii. Shri Govind Mohan, Joint Secretary
  - iii. Smt Aparna Bhatia, Director
  - iv. Shri Abhijit Phukon, Deputy Director
- II. Department of Expenditure**
- v. Smt Meena Agarwal, Joint Secretary
- III. Planning Commission**
- vi. Smt. Sudha Pillai, Secretary
  - vii. Shri Ravi Mital, Adviser
  - viii. Shri K.Ranga Reddy, Jt Adviser
- IV. Ministry of Law**
- ix. Dr. R.J.R. Kasibhatia, Asstt. Legal Adviser
- V. Ministry of Road Transport and Highways**
- x. Shri Brahm Dutt, Secretary
  - xi. Shri P.K. Tripathi, Joint Secretary
  - xii. Shri Ashok Kumar
- VI. National Highways Authority of India**
- xiii. Shri Brijeshwar Singh, Chairman
  - xiv. Shri B. N. Singh, Member Project
  - xv. Shri J.N. Singh, Member Finance
  - xvi. Shri S.K. Singh, DGM
  - xvii. Shri S.K. Nirmal, CGM
  - xviii. Shri M P Sharma, CGM