

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

Public Private Partnership Appraisal Committee

34th meeting on March 15, 2010

Record Note of Discussion

The 34th meeting of the Public Private Partnership Appraisal Committee, chaired by Finance Secretary, was held on March 15, 2010. The list of participants is annexed.

2. The Chairman welcomed the participants and noted that seven proposals, one from Ministry of Shipping and six from Ministry of Road Transport and Highways (MoRTH) would be considered during the meeting.

Agenda Item I: Proposal from Ministry of Shipping: Development of Dry Bulk Terminal at Tekra near Tuna on BoT basis.

3. Chairman, Kandla Port Trust (KPT) made a presentation on the proposal. It was noted that it was proposed to develop a T-shaped off shore berthing structure at Tekra Tuna as the seventeenth berth of KPT. Currently, at Tekra Tuna, 1 Barge Jetty existed. The cargo handling capacity of KPT was around 77 MMTPA. Even with the ongoing expansions at KPT, there would be unmet demand and the shortfall projected for the year 2011-12 was around 9 MMTPA. It was envisaged that the proposed terminal with a capacity of 14 MMTPA would be able to meet this requirement.

4. Chairman, KPT informed that TAMP was yet to issue orders in respect of the tariffs for the proposed terminal. KPT had submitted the Tariff proposal to TAMP for approval, on which TAMP had raised certain observations. In compliance of the observations, the proposed capacity of the terminal has been augmented from 12 MMPTA to 14 MMTPA and the estimated Project Cost has increased from Rs.882 crore to Rs.900 crore, though, total cost remained the same as Rs. 1140 crore. Accordingly, the change had been affected in the project parameters indicated in the bid documents i.e., estimated cost, capacity of the terminal, bid security, performance guarantee, minimum guarantee cargo and maintenance dredging. The

TAMP Notification in respect of the terminal is expected by April, 2010. The RfP is expected to be issued in May 2010 and the selection of the successful bidder would be completed by July 2010.

5. Chairman, KPT clarified that the delay in completion of the bid process for the project for which the RfQ had been invited in October, 2008 was on account of review of technical parameters of the project. IIT, Chennai who had developed the technical parameters of the project, were asked to examine whether the draught could be increased to 17 metres. After examination, it was decided to keep it at 14.5 metres. It was further clarified that the Port Authority would undertake the capital dredging for the project; the maintenance dredging which was exclusively for the project, would be undertaken by the Concessionaire.

6. Adviser, Planning Commission pointed out that the response of the Port Authorities on the observations of the members of the PPPAC in respect of the project proposal had not been received. Since, the TAMP notification in respect of the project was expected by April 2010, there were no compelling grounds for granting clearance to the project. It was suggested that the project may be deferred for the next meeting of the PPPAC to enable the Port Trust to respond in writing to the observations of the members of PPPAC in respect of the project, in accordance with para 9 of the Guidelines for Formulation, Appraisal and Approval of PPP projects.

7. Joint Secretary, Department of Expenditure (DoE) observed that the project parameters have undergone a review based on the observations of TAMP and the final order in respect of the tariff for the project was awaited. Hence, there was a case for deferring the project and reconsidering it after receipt of the TAMP Notification.

8. The representative of Department of Legal Affairs indicated that there were no specific aspects requiring consideration by the Law Ministry and they had no comments to offer on the project proposal.

9. Joint Secretary, Department of Economic Affairs (DEA) indicated that the Department had made the following observations in respect of the proposal which required clarification from KPT:

- i. The RfQ for the project was invited in August 2008. KPT may confirm whether the shortlist was still valid in 2010 after a lapse of one and a

half year and whether the project parameters were likely to undergo further change.

- ii. KPT may confirm that the private sector entities selected for berths 13-16 of KPT were ineligible to bid for the instant project in accordance with the anti monopoly policy of MoS.
- iii. Certain departures from the Model Concession Agreement (MCA) had been made in the Draft Concession Agreement (DCA), which required review. The Conditions Precedent in respect of provision of supporting project infrastructure to be provided by the Sponsoring Authority had been deleted, which may be restored. The DCA indicated that maintenance and capital dredging were the responsibilities of the Concessionaire; since it was now proposed that capital dredging would be undertaken by the Sponsoring Authority, the Article 7 of the DCA may be suitably amended to reflect the modified scope of work. The definition of the debt due required correction and the relevant extracts on tariff rates from the TAMP Notification was yet to be appended to the project DCA. The Clause on ownership of assets had been substantially modified to allow for establishment of roads and rail connectivity by the Concessionaire, without any right to charge any revenue for use of these facilities by the Concessioneing Authority or any person authorised by the Concessioneing Authority.
- iv. Confirmation was sought that the datum, referred for the purposes of the project under Clause 21.1, had been fixed with reference to past several years data and was not likely to be effected by the global warming phenomena.

10. Chairman, KTP clarified that the delay in completion of the bid process after issue of RfQ in 2008 was on account of the decision to carry out the study to examine whether the draught should be increased from 14.5 metres to 17 metres. It was confirmed that changes in the project parameters on account of lapse in time were not large; based on the observations of TAMP, the parameters had been revised and the proposal resubmitted to TAMP. The order from TAMP was expected shortly. It was confirmed that the selected bidders of Berths 13 to 16 had been debarred from bidding for the instant project. The observations in respect of the project DCA would be incorporated and the compliance sent to DEA. It was clarified that the responsibility of providing rail and road connectivity was proposed to be assigned to the Concessionaire since the proposed jetty was 25 nautical miles away from the KPT (19 km distance by land). Accordingly, the rail and road facility being developed would be used primarily by the Concessionaire; however, since it would

be the only facility connecting the jetty with KPT, it was proposed to retain it as a common user facility to facilitate its use by the Port Authorities. It was confirmed that the datum indicated in the DCA would not be significantly effected by global warming and that the TAMP Notification would be appended to the project documents.

(Action: KPT)

11. Secretary, Shipping noted that the Gujarat coast line provided a very competitive environment and there was need to augment the capacity of KPT in an expeditious manner to meet the current requirements as well as the future projections of sea port traffic. The project had been delayed by over an year due to various technical reasons. It was suggested that the project may be granted clearance to facilitate development of the facilities.

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

- i. MoS would send a written response to the observations of the PPPAC in accordance with the Guidelines for Formulation, Appraisal and Approval of PPP projects.
- ii. The tariff rates notified by TAMP in respect of the projects would be sent to the members of PPPAC and the extracts appended to the project DCA before issue of RfP.
- iii. The revised project documents would be sent to members of PPPAC.

(Action: MoS and KPT)

Agenda Item II: Proposal for final approval from MoRTH: Construction of Eastern Peripheral Expressway (National Highway No. NE II) passing through Faridabad, NOIDA, Ghaziabad and Kundli in the State of Haryana and Uttar Pradesh on BoT (Toll) basis.

13. The representative of NHAH presented the proposal. It was noted that it was proposed to build Western Peripheral Expressway and Eastern Peripheral Expressway (EPE) connecting NH-1 and NH-2 from western and eastern side of Delhi. It has been envisaged with the objective to reduce non-destined traffic inside Delhi, which is presently compelled to travel through Delhi in the absence of any such facility. The start and end points of both WPE and EPE are proposed to be at the same locations thereby forming a Ring-Road completely outside NCT Delhi. The length of each expressway is 135 km. The WPE is being implemented by

Government of Haryana and EPE is being implemented by NHAI. The project is being monitored by the Supreme Court. A Monitoring Committee, chaired by Secretary, RTH and with Chief Secretaries of State Governments of UP, Haryana and NCT of Delhi, Chairman, NHAI and Chairman, EPCA as members, regularly reviews the progress of work.

14. It is proposed to develop the EPE as a fully access controlled facility to be implemented on BOT (Toll) basis with a grant up to 40 per cent of the total project cost. The cost of land acquisition would be shared by Delhi, Haryana and UP on 50 per cent, 25 per cent and 25 per cent basis respectively.

15. The PPPAC had approved the proposal in its 13th meeting held on November 5, 2007 with a Total Project Cost (TPC) of Rs.2333 crore. The project cost had since been revised to Rs.3299 crore on account of addition of underpasses and development of Greater NOIDA interchange. It was also proposed to increase the concession period from the earlier approved 20 years to 25 years. The Monitoring Committee, in its 17th meeting held on 18.08.2009, advised that the toll rates of EPE and WPE (Western Peripheral Expressway) be kept at par. Chairman, NHAI had, therefore, sought clarification from MoRTH whether the toll rates were to be adopted as per new toll rules of December 2008 or as per toll rates of WPE. The Monitoring Committee in its 18th meeting held on 18.01.2010 suggested that as the matter of toll rates for EPE may be examined by the PPPAC, while considering the proposal for clearance.

16. Adviser, Planning Commission observed that response of the Sponsoring Authority to the observations of Planning Commission in its Appraisal Note had not been received and suggested that the project proposal may be deferred till the observations are examined by the project sponsors and a written response provided for consideration by the PPPAC in accordance with the Guidelines for Formulation, Appraisal and Approval of PPP projects.

17. Joint Secretary, DEA made the following observations in respect of the project proposal:

- i. The traffic estimates developed for the project were based on the projection of growth of traffic at 13 per cent as against the accepted norm of 5 per cent annual growth. Even with the assumption of growth of traffic at 13 per cent per annum, the proposed scope of work viz., six-lane divided carriageway with paved width of 13.75 meters on either side and further earthen shoulders, 1.5 meters wide was not

justified. The proposed scope of work entailed provision of more than 12 lanes for the project stretch, at a project cost of around Rs. 24 crore per km, which was not justified, as per the traffic estimates, even with a growth rate of 13 per cent. It would be appropriate to develop the project as four-laned highway with augmentation to six laned during the period of concession based on the traffic thresholds. Since the two projects, viz.EPE and WPE were being developed to form a ring road outside NCR, it would be appropriate to have the scope of work of EPE and structures which were similar to those proposed for WPE.

- ii. The RfQ for the project, invited in November 2006, is not based on the model RfQ. The deviations in the project RfQ from the Model document should be presented to the PPPAC to facilitate a view on whether there was need to invite the RfQ afresh in the light of the provisions of the Model document and the revised scope of work with augmented structures and cost.
- iii. The target traffic indicated in the project DCA should be estimated with 5 per cent growth of traffic and the design capacity should be for a 12 lane highway(*as per the proposed scope of work*). On revision of the scope of work (*as a six-lane highway*) the design capacity of the highway may be kept as 1,20,000 PCUs.
- iv. The IDC, financing cost and miscellaneous expenditure admissible is 25 per cent of the civil cost of construction; the same has been kept as 37.35 per cent for the civil cost, which may be corrected.
- v. The project documentation may be corrected in order to make it precise and less open to interpretations and disputes.

18. Joint Secretary, DEA informed that Planning Commission have, in their Appraisal Note suggested that the project should be treated as a by-pass and toll rates admissible for structures and by-passes should be made applicable for the project. It was stated that the project was technically not a by-pass to a particular National Highway; it was a fresh alignment connecting different National Highways. Hence, toll rates admissible for National Highways should be made applicable. Secretary, RTH concurred with the view.

19. Joint Secretary, DoE indicated that the Department was in agreement with the observations of DEA and observed that the high project cost was likely to depress the viability of the project.

20. The representative of NHAI explained that the project cost was high on account of EPE crossing river Yamuna twice. Further, the traffic on the highway was expected to increase exponentially on completion of the project. Hence, the proposed structures and scope of work was justified.

21. Secretary, RTH informed that the Monitoring Committee had not suggested that the old toll rates may be made applicable for the project. The extant toll rates, duly notified by the Government, would be applicable to the project. It had been suggested that the toll rates at the end points, viz., at points of meeting the WPE should be kept equal to the toll rates applicable for the WPE, while adopting the new toll rates for the EPE as a whole.

22. Chairman, PPPAC noted that there were a number of issues which required examination by NHAI. Further, the response of NHAI on the observations of members of PPPAC was also awaited. It was decided to defer the proposal to enable NHAI to examine and address the observations of the members of PPPAC and explore the possibility of restructuring the scope of work to scale down the project cost. It was suggested that a meeting could be organized by Planning Commission, with representation from NHAI, MoRTH and DEA, prior to the re-consideration of the project by PPPAC, for minimizing the number of outstanding issues in respect of the project.

(Action: NHAI, Planning Commission, MoRTH and DEA)

Agenda Item III: Proposal for final approval from MoRTH: Six/eight laning of Walajapet to Poonamallee (km 13.8 to km 106.8) in the State of Tamil Nadu under NHDP Phase-V on BoT (Toll) basis.

23. The representative of NHAI presented the proposal. It was noted that the project stretch was part of the golden quadrilateral which was being developed from a four lane highway to six-lane highway. Two other projects on the stretch in the State, i.e. Chennai Tada and Krishnagiri to Walajapet have received bids, with a premium. Another project, viz., Hosur to Krishanagiri was under bidding; the bid due date is April 15, 2010.

24. Adviser, Planning Commission indicated that the project cost, which is over Rs.11 crore per km was high. Further, the proposal included a stretch which was proposed to be eight-laned. Since the section had traffic of around 35,000 PCUs, the proposed eight laning was not justified. No specifications and standards had been provided specifically for development of the eight-laned section in the project DCA.

25. Joint Secretary, DoE endorsed the views that eight laning of a section was not warranted and that the project may be developed as a six lane highway. Chairman, NHAI informed that the section from km 13.8 to km 43.0, which traversed the proposed industrial hub at Sriperumbudur, was proposed to be eight laned at the specific request of the State Government. It was indicated that the traffic was bound to increase on account of the development of the industrial hub. Further, the project starts from the end of the Elevated Road for Chennai Port taken up under NHDP Phase-VII. Eight laning of km.13.8 to km 43 would also serve Chennai Port bound traffic.

26. The PPPAC noted that NHAI also proposed to provide service lanes at the stretch from km 13.8 to km 43.0, which would accommodate the increase in the traffic. Hence, eight laning the stretch was not warranted.

27. The PPPAC granted final approval to the project for development as a six-lane highway subject to the condition that MoRTH would send the revised documents to the members of the PPPAC.

(Action: MoRTH)

Agenda Item IV: Proposal for final approval from MoRTH: Four laning of Ghoshpukur-Gossainpur-Falakata-Salsalabari section of NH31 in the State of West Bengal under NHDP Phase II on BoT (Annuity) basis.

28. The PPPAC noted that Planning Commission and DEA in their Appraisal Notes had expressed concern about the project cost, which was Rs.14.5 crore per km as against the approved threshold of Rs.9 crore per km recommended by B.K. Chaturvedi Committee. The representative of NHAI informed that the traffic justified the proposed augmentation from a single lane to a four lane highway. The project cost was high on account of the proposed augmentation and the structures proposed for the project stretch. It was informed that Inter Ministerial Group (IMG) for change of implementation of NH projects, chaired by Secretary, RTH, had noted that the higher project cost was on account of large number of river bridges and the greenfield nature of the project stretch.

29. Joint Secretary, DoE observed that the B.K. Chaturvedi Committee had defined the annuity space within the financing plan in kilometres. However, since the thresholds approved for the cost of the project highways were being breached by NHAI, in almost all projects, there was a need to establish a financial cap for award of BoT (Annuity) projects.

30. It was noted that the response of NHAI on the Appraisal Notes of members of PPPAC was awaited. NHAI agreed to expedite the response.

(Action: NHAI)

31. The Chairman, PPPAC noted that the proposal had been considered by the IMG chaired by Secretary, RTH for development as a BoT (Annuity) project after consideration of facts and comments of members of the IMG. However, the cost of the project was much higher than the approved threshold based on the B.K. Chaturvedi Committee recommendations. Hence, NHAI may review the scope of work in order to rationalise the project cost and bring it within Rs. 10 crore per km.

32. The project was granted final approval subject to the scaling down of the project cost to Rs.10 crore per km. and NHAI/MoRTH sending the revised project documents to the members of PPPAC.

(Action: MoRTH/NHAI)

Agenda Item V: Proposal for final approval from MoRTH: Four laning of Krishnagar-Baharampore section of NH 34 from km 115 to km 193 in the State of West Bengal under NHDP III on BoT (Annuity) basis.

33. The PPPAC noted that the Appraisal Note of Planning Commission in respect of the projects had not been received and deferred the agenda item.

(Action: Planning Commission)

Agenda Item VI: Proposal for final approval from MoRTH: Two laning with paved shoulder of Tindivanam-Krishnagiri section of NH 66 from km 38.150 to km 214 on BoT (Annuity) basis in the State of Tamil Nadu under NHDP III

34. The representative of NHAI presented the proposal. It was noted that one of the adjacent stretch (Tindivanam-Pudducherry on NH-66) had already been awarded and construction activities were underway. Two adjacent stretches on NH 45, viz., Tambaram - Tindivanam and Tindivanam-Ulundurpet had been completed.

35. It was noted that NHAI had sent response on the appraisal notes of Planning Commission and Department of Economic Affairs on the project proposal and most of the issues had been addressed through the response. However, the cost of the project, at Rs. 4.7 crore per km was higher than the approved range of Rs.2.5 crore to Rs.3.5 crore for other similar projects. The representative of NHAI clarified that the higher cost was on account of by-passes of around 40 km which were required on

account of the dense traffic of about 7,500 PCUs. Joint Secretary, DoE observed that the cost of pre-construction activities (Rs.260 crore) was also high. It was decided that NHAI would review the scope of work in order to rationalise the project cost and bring it within Rs. 3.5 crore per km.

36. The project was granted final approval subject to the scaling down of the project cost to Rs. 3.5 crore per km and NHAI/MoRTH sending the revised project documents to the members of PPPAC.

(Action: MoRTH/NHAI)

Agenda Item VII: Proposal for final approval from MoRTH: Four laning of Nagpur Saoner Pandhurna Betul section of NH 69 from km 3.000 to km 59.300 in the State of Maharashtra and km 137.000 to km 257.400 in the State of MP on BoT (Annuity) basis.

37. The Chairman, NHAI presented the proposal. It was noted that the Delhi-Jaipur- Kota- Bhopal – Obaidullaganj Section of NH-8 and NH-12 is being developed for 6/4 laning; Bhopal – Sanchi section of NH-86 extension, Narsinghpur-Chhindwara – Saoner section of NH-26 B and Multai – Chhindwara – Seoni section of NH-69A are being developed under NHDP. NH-69 starts from Obaidullaganj and terminates at Nagpur. Bhopal – Obaidullaganj Section of NH-12, which is a continuation of Obaidullaganj –Betul Section on northern side, had been approved for 4 laning by IMG, chaired by Secretary, RTH. Obaidullaganj – Betul Section has been taken up for DPR preparation by NHAI under phase- IV. Ahmedabad- Indore Section of NH-59 has been awarded by NHAI for 4 laning on toll basis in 2009. Indore-Betul Section of NH-59A, which is not under NHDP, is being developed/improved by MoRTH.

38. The members of the PPPAC expressed concern at the project cost which was Rs. 14.5 crore per km as against the accepted level of Rs. 9 crore per km. Chairman, NHAI explained that the high cost was on account of the need for reconstruction of old pavements, major geometric improvements and bypasses of around 38 kms. It was informed that the development of the stretch was expected to reduce the travel time from Betul to Nagpur by one and a half hours. It was clarified that the wayside amenities indicated in the PPPAC memo, viz., two amenity centres with eight petrol pumps, five PHCs, four rural hospitals and two district hospitals, were those existing along the project stretch and were not proposed to be developed as part of the annuity project.

39. Chairman, PPPAC suggested that NHAI may review the scope of work to rationalise the project cost. The representative of NHAI informed that the project structure had been reviewed by NHAI. Based on the re-examination, five vehicular underpasses could be removed; further rationalisation or curtailment of scope of work would be difficult.

40. The project was granted final approval subject to the reduction in the vehicular bypasses and the construction being undertaken as per the Manual of Standards and Specifications. NHAI/MoRTH were requested to provide the revised project documents to the members of PPPAC.

(Action: MoRTH/NHAI)

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

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Ministry of Finance
Department of Economic Affairs**

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**Public Private Partnership Appraisal Committee (PPPAC)
34th Meeting on March 15, 2010**

List of Participants

- I. Department of Economic Affairs**
 - i. Shri Ashok Chawla, Finance Secretary (In Chair)
 - ii. Ms. L.M. Vas, Additional Secretary
 - iii. Shri Govind Mohan, Joint Secretary
 - iv. Ms. Aparna Bhatia, Director
 - v. Shri Abhijit Phukon, Deputy Director
- II. Department of Expenditure**
 - vi. Ms. Meena Agarwal, Joint Secretary
- III. Planning Commission**
 - vii. Ravi Mital, Adviser
 - viii. Shri K.R. Reddy
- IV. Ministry of Law**
 - ix. Ms. Z. Hadke, DLA
- V. Ministry of Shipping**
 - x. Shri K. Mohandas, Secretary
 - xi. Shri Rakesh Srivastava, Joint Secretary
 - xii. Shri Vishal Gagan, Deputy Secretary
- VI. Kandla Port Trust**
 - xiii. Shri P.D. Vaghela, Chairman
- VII. Ministry of Road Transport and Highways**
 - xiv. Shri Brahm Dutt, Secretary
 - xv. Shri P.K. Tripathi, Joint Secretary
 - xvi. Shri S.K. Puri, ADG
- VIII. National Highways Authority of India**
 - xvii. Shri Brijeshwar Singh, Chairman
 - xviii. Shri V.L. Patankar, Member (T)
 - xix. Shri Subhash Patel Member Projects
 - xx. Shri J.N. Singh, Member (F)
 - xxi. Shri B.N. Singh, Member (P)
 - xxii. Sanjeev Kulshrestha

