

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

**Public Private Partnership Appraisal Committee**

**40<sup>th</sup> meeting on January 6, 2011**

**Record Note of Discussion**

The 40<sup>th</sup> meeting of the Public Private Partnership Appraisal Committee (PPPAC), chaired by Finance Secretary, was held on January 6, 2011 to consider proposals from Ministry of Road Transport & Highways. The list of participants is annexed.

**Agenda Item I: Development of Eastern Peripheral Expressway of NH- NE-II under Other Projects on BOT (Toll) km 0 to km 135, starting from km 36.083 on NH-1 and ending at km 64.330 on NH2 under Other Projects on BOT (Toll) basis**

2. Secretary, RTH informed that the proposal had been first considered by the PPPAC in November 2007 and granted final approval. The Total Project Cost, after updation to the current price levels, is ₹ 2700 crore. Since the Eastern Peripheral Expressway (EPE), being developed by NHAI, and the Western Peripheral Expressway (WPE), developed by Government of Haryana, would connect NH-1 and NH-2 from western and eastern side of Delhi and the start and the end points of both WPE and EPE are proposed to be at the same locations, thereby forming a Ring-Road completely outside NCT Delhi, therefore the earlier view of the MoRTH was to cap the Toll Rates on the EPE at the same levels as those at WPE at the two end points. It was envisaged that similar toll rates at the common points at WPE and EPE would enhance the traffic and viability of the EPE. However, in view of the departure to the approved Toll Rules through the adoption of such an approach, it has been decided that the Toll Rates at the project stretch would be kept as per the extant toll rules.

3. Joint Secretary, Department of Economic Affairs (DEA) observed that the EPE was a high cost project, with cost per kilometre being double of the thresholds established for six lane highways. The design capacity of the project has been kept at 1,08,000 PCUs, which is the lower than design capacity of 1,20,000 PCUs indicated for other six-laned National Highways. Therefore, the project scope and structure may be reviewed and aligned to the other six lane projects of NHAI, which would rationalise the cost of the project. Further, the project is not a component of the NHDP, hence, it is not admissible for viability gap funding (VGF) from the resources available for VGF

with NHAI. VGF requirement, if any, may be supported through budgetary allocation by MoRTH or the VGF Scheme of DEA.

4. Joint Secretary, Department of Expenditure (DoE) concurred with the views of DEA. The status of clearances and land acquisition for the project was sought.

5. Secretary, RTH indicated that MoRTH proposed to develop the project as an Expressway, hence, the design capacity had been established at Levels of Service-A (LoS-A) for greater speed and safety. The project was not a part of the NHDP and was being consciously being developed as a stand-alone project. Further, the scope of work had been developed in anticipation of a scale up of traffic on the EPE. MoRTH was of the view that the project was viable without VGF and may get a premium. It was requested that the project may be granted approval subject to no VGF being expended on the project.

6. Secretary, RTH informed that clearances for the project were being obtained from the various authorities and the process of land acquisition was also being pursued with the State Governments of Haryana, Uttar Pradesh and NCT of Delhi.

7. Member-Secretary, Planning Commission indicated acceptability with supporting the proposal of MoRTH without VGF support. Secretary, RTH agreed with this suggestion.

8. Chairman, PPPAC observed that in light of the consistent view of MoRTH and NHAI that the project is warranted with the proposed structures and the confirmation by Secretary, RTH regarding the revenue potential of the project that does not warrant a VGF, the project could be considered provided that there is no outgo from the VGF and the project is implemented only in case a bid for premium is received. Chairman, PPPAC further reiterated that as per the confirmation given by Secretary, MoRTH the tolling would be as per the extant rules.

9. The PPPAC granted final approval to the proposal subject to the condition that bidding would be based on premium quoted and provisions for VGF would be deleted from the project DCA and its bidding documents. MoRTH was requested to send the revised project documents to the members of the PPPAC.

*(Action: NHAI/MoRTH)*

**Agenda Item II: Four-laning with Paved Side Shoulders (PSS) of Jabalpur-Bhopal section of NH-12 from km 10.400 to km 299.714 under NHDP Phase III on BOT (Annuity) basis.**

10. Joint Secretary, DEA indicated that MoRTH proposes to four-lane (with paved shoulders) section of NH-12 from Jabalpur-Bhopal under NHDP Phase III on BOT (Annuity) basis. MoRTH had posed the proposal to the EGoM on revised strategy for implementation of National Highways. The EGoM, in its 4th meeting held on March 17, 2010, approved the project for 4 laning on BoT (Annuity) basis. Accordingly, the PPPAC considered the project in its 36th meeting held on 28th May, 2010. The PPPAC returned the project to MoRTH with the recommendation that increase in cost of about ₹ 1000 crore may be brought to the notice of EGoM and the proposal resubmitted to PPPAC after obtaining the views of EGoM on the scope of work and the project cost. Thereafter, NHAI has revised the project proposal; the project cost has been brought down to ₹ 2231 crore, which is still higher than the cost of ₹ 1833 crore considered earlier by the EGoM. Moreover, the EGoM had approved four laning of the project stretch; four-laning with paved shoulders, as proposed, has neither been approved by the IMG or the EGoM nor justified by the projected traffic. Further to the cost issue, there was an associated process issue. The increase in cost and scope of work had not been brought to the consideration of the EGoM, which was not in accordance with the earlier decision of the PPPAC in respect of the project.

11. Member-Secretary, Planning Commission made the following observations in respect of the project:

- 11.1 Since there is no duly approved MCA for BoT (Annuity) projects, the project may be considered for grant of 'in-principle' approval in accordance with the Guidelines for Formulation, Appraisal and Approval of PPP projects.
- 11.2 The traffic projections do not justify a four-lane highway; the project may be developed as a two lane highway.
- 11.3 The BoT (Annuity) mode for implementation of the project may be approved only after VfM analysis establishes that it is beneficial to the Government and availability of resources to undertake more annuity projects. Secretary, MoRTH had fixed the annuity limit at 35% of cess revenues. The said limit was already being exhausted and there was no scope for awarding more annuity projects.
- 11.4 The provision relating to change in ownership should be suitably modified to indicate that transfer of equity below 26% would be permitted only in accordance with the guidelines to be notified by NHAI.
- 11.5 A charge on escrow account has been added as permitted assignment and charges. It may be clarified that the payments from the Escrow Account would be in accordance with the MCA.

11.6 The project DCA may be modified to remove discrepancies in the Schedules of the project DCA.

12. Joint Secretary, DoE expressed concerns about the expected outflow of Annuity of over ₹ 400 crore per annum on the project and emphasised the need to take stock of the committed liabilities of NHAI and the overall financing requirements of NHDP.

13. Secretary, RTH responded to the observations of the members of the PPPAC:

13.1 The proposal for four laning the project stretch on BoT (Annuity) basis had been granted approval by the EGoM. NHAI was executing all four-laning projects as four-laned with paved shoulders. Hence, the instant project was also proposed to be developed with paved shoulders. The cost of the project, earlier considered by the PPPAC has been revised downwards. It is now in the range earlier approved by EGoM, with updation by MoRTH to the current price level. The proposed project cost was lower than the cost threshold of ₹ 9.5 crore established by the B.K.Chaturvedi (BKC) Committee. Therefore, the project may be granted approval.

13.2 The MCA for BoT (Annuity) had been finalised in the IMG for MCAs for the National Highways and thereafter approved by the Minister (RTH).

13.3 The Annuity limit approved subsequent to the approval of recommendations of the BKC Committee are: 60% projects on Bot (Toll) basis, 25% on BoT (Annuity) basis and 15% on EPC mode. The actual number of projects on BoT (Annuity) basis is much lower. Hence, the limit on Annuity projects has not been breached.

13.4 The decision on a sustainable financing plan for NHAI was pending finalisation in Planning Commission for a considerable period. The decision on establishing financial ceilings, if any, may be considered only after the finalisation of the Financing Plan. Till then, the proposals may be granted approval based on the approved work plans of NHAI.

13.5 The transfer of equity below 26% is not being permitted for NH projects.

13.6 The provisions of the Escrow Account are in accordance with the MCA.

13.7 The corrections would be carried out in the Schedules of the project DCA, as advised by the appraising entities.

14. Chairman, PPPAC noted that in view of justification given by Secretary, RTH the project could be considered for final approval subject to the MCA is duly approved.

15. The PPPAC granted final approval to the project proposal. MoRTH was requested to send the revised project documents to the members of the PPPAC.

*(Action: NHAI/MoRTH)*

**Agenda Item III: Six-laning of Ahmedabad Vadodara (AV) section of NH-8 from km 6.400 to km 108.700 (length 102.300 km) under NHDP Phase V and improvement of the existing 4 lane Ahmedabad Vadadora Expressway from km 0.0 to km 93.302 on DBFOT (Toll).**

16. Joint Secretary, DEA indicated that the proposal was earlier considered by the PPPAC in its 35<sup>th</sup> meeting. The members of the PPPAC had expressed concern about the cost of the project, its scope of work, including the linking of the NH8 project with the AV Expressway. The project was returned to MoRTH to examine the project structure in view of the observations of the appraising agencies. Thereafter, MoRTH has forwarded the revised proposal. The project cost has been reduced to ₹ 20.77 crore per k.m. as against ₹ 22.98 per km crore earlier. Service lanes of 126.155 km have been deleted from the Expressway. However, the proposal for development of the AV section of NH-8 and improvement of the existing AV Expressway had not been developed as separate projects. The project cost was very high and twice the threshold established for six lane projects by the BKC Committee. An alternate could be to consider two-stage augmentation which would reduce the project cost and out-flow of VGF.

17. Member-Secretary, Planning Commission observed that the project cost was high and that the projected traffic on the stretch did not justify the proposed augmentation. Further, Tolling on the stretch may be from the Appointed Date, as in case with other six laning projects of NHDP-V. This would reduce the quantum of VGF.

18. Secretary, RTH informed that the financial analysis indicated that the development of AV stretch as a project, as a stand alone project was not likely to be viable. By bringing together the two parallel stretches with a single Concessionaire, the likelihood of loss of toll revenues on account of diversion of traffic on the alternative facility was minimised. The traffic on the sections of the stretches justified immediate six laning. Since the proposed augmentation was from two laning to six laning of NH-8, the project cost was higher. Further, since the project was not currently a four-laned facility, it was not eligible for immediate tolling. The tolling would, therefore be from the Date of Six laning of the Project stretch. It was emphasised that the project cost would not lead to a higher requirement of VGF since the project financials of the two stretches together indicated a viable project, with a possibility of a premium.

19. Chairman, PPPAC observed that in light of the consistent view of MoRTH and NHAI that the project is warranted with the proposed structures and the confirmation by Secretary, RTH regarding the revenue potential of the project that does not warrant a VGF, the project could be considered provided that there is no outgo from the VGF and the project is implemented only in case a bid for premium is received.

20. The PPPAC granted final approval to the proposal subject to the condition that bidding would be based on premium quoted and provisions for VGF would be deleted from the project DCA and its bidding (RfQ and RfP) documents. MoRTH was requested to send the revised project documents to the members of the PPPAC.

*(Action: NHAI/MoRTH)*

**Agenda Item IV: Two/four-laning, from km 256.55 at Kota to km 289.56 as 4-lane road, and, km 289.56 of NH-12 to km 60.102 of SH-1 (Bagher) and Km 60.102 to km 67.683 of SH-1 (Mandawar) and km 0.263 to km 346.539 of NH-12 as a 2-laned road with PSS at Teendhar (Jhalawar) section of NH-12 under NHDP Phase III on BOT (Toll) basis.**

21. The PPPAC noted that MoRTH proposes to 2/4-lane Kota-Teendhar section of NH-12, from km 256.55 at Kota to km 289.56 as 4-lane road, and, km 289.56 of NH-12 to km 60.102 of SH-1 (Bagher) and Km 60.102 to km 67.683 of SH-1 (Mandawar) and km 0.263 to km 346.539 of NH-12 as a 2-laned road with paved at Teendhar (Jhalawar) section of NH-12 under NHDP Phase III on BOT (Toll) basis.

22. Member Secretary, Planning Commission indicated that Planning Commission in their appraisal note have recommended corrections in the discrepancies in the project DCA and its Schedules, which may be examined by MoRTH.

23. Secretary, RTH informed that discrepancies in the project DCA and the Schedules, highlighted by Planning Commission in their appraisal note were being addressed. It was indicated that the process of land acquisition was underway and expected to be completed shortly.

24. The PPPAC granted final approval to the project subject to the condition that the concerns of Planning Commission are addressed. MoRTH was requested to send the revised project documents to the members of the PPPAC.

*(Action: MoRTH/NHAI)*

**Agenda Item V: Four-laning from km 0 at Beawar to km 244.12 at Pindwara section of NH-14 under NHDP Phase III on BOT (Toll).**

25. Joint Secretary, DEA indicated that the proposal had earlier been considered by the PPPAC as two project stretches, viz., Four Laning of Beawar - Pali of NH-14 from Km 0.000 to Km 115.000 and Four Laning of Pali - Pindwara section of NH-14 from Km

115.000 to Km 244.120 and granted final approval by PPPAC in February, 2010. Thereafter, the bid process was cancelled after the completion of short listing of bidders, issue of RfP (on 8.2.2010) and holding of pre-bid meeting for RfP (on 8.3.2010). Both the projects were over 100 km in length and a reasonable length as per extant guidelines. The cancellation has resulted in a delay in the implementation of the projects and increase in the project cost.

26. Secretary, RTH informed that it was estimated that by combining the two stretches, the overall viability of the project is expected to be better. Further, a decision had been taken in MoRTH that Mega projects should be developed. Accordingly, the project stretches had been merged to get the interest of bigger players in the sector, including international developers and a better bid response.

27. Joint Secretary, DoE expressed concern with the mid-way aborting of the bid process which had resulted in waste of time in the development of the project. Lack of transparency and bias against smaller players could be imputed towards the approach which was adopted.

28. The Chairman observed that the process of cancellation and seeking approval for the revised proposal could have been faster and would have resulted in lesser cost escalation. MoRTH was advised to ensure that such a process is avoided in future, and, if imperative, undertaken in a transparent manner. Member-Secretary, Planning Commission concurred with the observations.

29. The proposal was granted final approval subject to incorporation of the corrections in the schedules of the project DCA as indicated by Planning Commission and DEA in their appraisal notes. MoRTH was requested to send the revised project documents to the members of the PPPAC.

*(Action: MoRTH/NHAI)*

**Agenda Item VI: Four-laning between Nagpur-Wainganga Bridge Section of NH-6 from Km. 498/000 to Km. 544/200 under NHDP Phase III in the State of Maharashtra on BOT (Toll) basis.**

30. Joint Secretary, DEA indicated that it was proposed to four-lane a section between Nagpur and Wainganga Bridge of NH-6 in Maharashtra on BOT (Toll) basis. The proposal was considered by the PPPAC in its 36<sup>th</sup> meeting, held on May 28, 2010, and returned to MoRTH with the request that the project scope of work and the total project cost may be reviewed. Thereafter, the proposal has been resubmitted with a revised TPC of ₹ 484.19 crore as against earlier proposed cost of ₹ 613.15 crore.

31. Joint Secretary, DEA observed that the Department was of the view that the structure of the project could include the maintenance of Wainganga Bridge and adjoining 13 km road, after August 15, 2017, when the ongoing concession in respect of the small stretch reaches end of concession period and its consequent termination.

32. Joint Adviser, Planning Commission indicated that the project cost at ₹ 10.7 crore per km was still high and could be rationalised further by reviewing the structures in the project.

33. Secretary, RTH informed that 26 km of the project stretch required extensive reconstruction and raising of embankments, 27 km of service roads and three major bridges on the project which were necessary for the project. It was indicated that the Ministry is separately proposing a policy for small, left out stretches of National Highways. The operations and maintenance of Wainganga Bridge and the adjacent 13 km road could be considered under the policy, thus approved by the Government, after completion of the ongoing concession period of that stretch in 2017.

34. The PPPAC granted final approval to the project subject to incorporation of the corrections in the schedules of the project DCA as indicated by Planning Commission and DEA in their appraisal notes. MoRTH was requested to send the revised project documents to the members of the PPPAC.

*(Action: MoRTH/NHAI)*

**Agenda Item VII (With the permission of the Chair) : Four laning of Walayar-Vadakacherry section of NH-47 in Kerala under NHDP-II on BoT (Toll) basis.**

35. Secretary, RTH informed that this project has been approved in the 10<sup>th</sup> meeting of the PPPAC on May 11, 2007 with a TPC of ₹ 596.96 crore (at 2004-05 prices) for a concession period of 15 years. NHAI inflation adjusted the TPC by 20 % (at 5% per year) to ₹ 717 crore and invited bids. However, no bids were received. The project was discussed by the NHAI Board on May 8, 2009. The Board resolved to move the project for annuity. Proposal for change of mode of implementation of the project to BoT (Annuity) was considered by the IMG, chaired by Secretary, RTH on January 1, 2010. The IMG suggested that the project may be tested again on BoT (Toll) basis. The NHAI restructured the project by reducing the structures and the width of the shoulders. The restructured TPC was ₹ 682 crore. The concession period was increased to 20 years, based on traffic estimates and to enhance the viability of the project. The bids were again invited. Two bids were received. The VGF quoted by the lowest bidder is 38.9% of TPC. Since the indexed cost is less than the PPPAC approved TPC, NHAI proposed to award

the project. However, MoRTH decided that since the concession period had increased from 15 years to 20 years, the project may be taken to the PPPAC for their approval.

36. Joint Secretary, DEA indicated that appraisal and approval of the project after completion of the bid process was in breach of the Guidelines for formulation, appraisal and approval of PPP projects.

37. The Chairman suggested that the project may be considered by the PPPAC after the completion of the examination of the proposal by the members of the PPPAC.

*(Action: Members of PPPAC)*

**Agenda Item VIII (With the permission of the Chair): Proposal by MoRTH for Strategy for development of “left- out’ stretches of National highways Network.**

38. Secretary, RTH presented the proposal. It was noted that many small stretches had been left out while upgrading the National Highways on the PPP mode. MoRTH had established a Standing Committee chaired by AS & FA, MoRTH to examine the matter and give recommendations. After discussions with MoRTH, NHAI, consultants and detailed examination of a 14 km left out stretch on Pune-Sholapur Road, it recommended two approaches:

- i. The stretches could be handed over to Concessionaires of adjacent stretches. The Concessionaires could be compensated by extension of the concession period. The extent of increase in the concession period would be determined through a pre-determined formulation, and would be a maximum of five years.
- ii. Alternately, the left out stretches may be awarded through competitive bidding with termination of the existing Concessionaire and granting him the right to bid for the larger project with the right of first refusal. A variant of this approach would be to award the projects with new toll fee, with right of first refusal to the Concessionaire of the existing stretch.

39. Joint Secretary, DoE stated that the proposed approach was not supported. It would be appropriate if the left out stretches are identified and reasons for the stretches being left out are examined before developing a policy approach on the subject. There may be instances where the cost of development of the left out stretches may be very high and the suggest compensation (i.e., increase in the concession period) may not be adequate to cover the required expenditure. Hence, there it is necessary that an examination of all the left-out stretches is undertaken on case by case basis. It was emphasised that award of stretches on nomination basis was contrary to the established procurement guidelines of Ministry of Finance.

40. Joint Secretary, DEA stated that the proposal was regarding establishment of a procurement policy for left out stretches. Therefore, it was appropriate that the matter is discussed at the CoS or the EGoM for implementation of National Highways. The PPPAC was not the appropriate forum for the discussion.

41. Director General, DEA emphasised that before a discussion on the proposal, views of Department of Legal Affairs should also be obtained.

42. The Chairman observed that the final decision on the proposal would not be the mandate of the PPPAC. However, in case the view of the MoRTH is that a preliminary discussion may be held at a meeting of the PPPAC, a comprehensive note, suggesting alternate approaches may be developed, ensuring that the suggested policy provides a transparent process that would endure legal and financial scrutiny.

*(Action: MoRTH)*

43. 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)  
40<sup>th</sup> Meeting on January 6, 2011**

**List of Participants**

**I. Department of Economic Affairs**

- i. Shri Ashok Chawla, Finance Secretary (In Chair)
- ii. Shri Bimal Julka, AS & DG(Currency)
- iii. Shri Govind Mohan, Joint Secretary
- iv. Smt. Aparna Bhatia, Director
- v. Shri Abhijit Phukon, Deputy Director

**II. Department of Expenditure**

- vi. Ms. Meena Agarwal, Joint Secretary

**III. Planning Commission**

- vii. Ms. Sudha Pillai, Secretary
- viii. Shri K.R. Reddy, Joint Adviser

**IV. Ministry of Road Transport and Highways**

- ix. Shri R.S. Gujral, Secretary
- x. Shri Raghav Chandra, Joint Secretary
- xi. Shri B.K. Sinha, SE
- xii. Shri Puneet Kumar, Director (H)

**V. National Highways Authority of India**

- xiii. Dr. J.N. Singh, Member (F)
- xiv. Shri B.N. Singh, Member (Projects)