

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

**Public Private Partnership Appraisal Committee**

**41<sup>th</sup> meeting on January 25, 2011**

**Record Note of Discussion**

The 41<sup>th</sup> meeting of the Public Private Partnership Appraisal Committee (PPPAC), chaired by Finance Secretary, was held on January 25, 2011 to consider proposals from Ministry of Shipping (MoS) and Ministry of Road Transport & Highways (MoRTH). The list of participants is annexed.

**Agenda Item I: Development of a 7.2 MMTPA Iron Ore Export Terminal at the Waterfront West of the Breakwater on Design, Build, Finance, Operate and Transfer (DBFOT) basis (Mormugao Port Trust, Goa).**

2. Chairman, Mormugao Port Trust (MPT) presented the proposal. The PPPAC noted that the Port has handled iron ore export of 40.57 MT during the year 2009-10, viz., approximately 12.0 MT at Berth No. 9, 6.50 MT at Mooring Dolphins and 22.0 MT at Offshore Anchorages. It was indicated that handling operations at offshore anchorages cannot be carried out during bad weather conditions.

3. The Chairman, MPT informed that the Port was handling over one-third of the total iron ore exports from India. The iron ore export has been on the rise which has necessitated the present proposal. It was emphasised that the proposed terminal would be required to partially absorb the residual requirement of 22MT. The project involved development of breakwater (630m length), mole (230m length), iron ore export berth (300m), barge berths, land reclamation of 35 acres, capital dredging, installation of mechanised equipments and structures for the system to handle atleast 7.2 MMTA of ship loading facility and operation and maintenance of the facility for 30 years. The total project cost including financing costs, preliminary expenses, etc. was ₹ 1102 crore, while the base construction cost was ₹ 721 crore. Tariff rates have been notified by TAMP on May 4, 2010. The Request for Qualification (RfQ) was invited in November 2009 and 11 bidders have been shortlisted. The process of obtaining Environmental clearances is underway.

4. Chairman, MPT informed that the estimated project cost indicated in the Project documents was in conformity with the TAMP order. It was explained that normally

breakwater and mole development are the responsibility of the Sponsoring Authority. However, since reclamation is proposed to be undertaken by the Concessionaire, these responsibilities are being assigned to the Concessionaire, and the costs in respect of these components have been accepted by the TAMP. Capital dredging is proposed to be included in the scope of work of the Concessionaire, since the dredged material would be used for the purposes of reclamation works. It was indicated that the Project is financially viable and requiring no other grant support.

5. Member Secretary, Planning Commission observed that the project may be viewed in the larger policy context of whether the nation proposes to encourage export of its minerals in the raw form or whether indigenous capacity for their processing needs to be established. It was pointed out that, currently, there is a complete ban on export of iron ore reserves from India. The export of iron ore has also been banned by many countries. The export of the country's iron ore reserves is likely to adversely impact the growth of the domestic steel industry. It was suggested that it would be useful to first understand the export policy of iron ore before further expanding the capacity for its export. Chairman, MPT informed that the recent view is that the ban on iron ore export cannot continue for long. It was emphasised that there is sufficient need for the project and the present berth can cater only upto 7.2 MMTA. Hence, the project may be granted clearance.

6. Joint Secretary, Department of Expenditure (DoE) opined that there is a policy risk as states like Karnataka have banned iron ore exports and MPT is a beneficiary of this policy. Further, the Port has separately posed a proposal to DoE for modernisation of the equipment of the existing berths to enhance their capacity for handling export of iron ore. The cost of replacement of such equipments was indicated as ₹ 414 crore, taking the total capacity as 200MT while the instant project is likely to create 7.2 MTPA of additional capacity. It was observed that in case the tariffs have been based on ₹ 360 crore of project cost, then the tariff is under-pitched. It was indicated that the traffic estimates appear understated by the MPT. Thus, the Sponsoring Authority was requested clarify these issues. Chairman, MPT clarified that replacement equipment were being planned for the entire Port as a part identified under the Business development plan of the Port and the costs allocated under this head and tariff has been notified by the TAMP. The augmented capacity on account of Port modernisation and the proposed terminal would be required to meet the export requirements.

7. Joint Secretary, Department of Economic Affairs (DEA), observed that though Project documents provide for the costs of capital dredging; cost of maintenance dredging was not indicated. The segregated cost on these items was sought. Further, the question of Environment clearances was also raised. Chairman, MPT clarified that as per the TAMP order, cost of construction of berth is ₹ 91.64 crore, the cost of dredging alongside berth is ₹ 17.31 crore and the operating cost is ₹ 79.21 crore. It was informed

that the public hearing process under the Environment Impact Assessment (EIA) is underway for obtaining necessary environment clearance.

8. The Chairman queried about other port projects for creation of capacity for iron ore export that were earlier cleared by PPPAC. Joint Secretary, Ministry of Shipping, informed that a project relating to the development of iron ore berth had been earlier cleared for the Paradip Port Trust (PPT) and one for New Mangalore Port Trust. It was indicated that that environment clearance for this project has been granted by the Ministry of Environment and Forest (MoEF) and the project has achieved financial closure.

9. Director, DEA queried whether the instant proposal is one of the projects in the 54 projects identified for the creation of capacity in the Major Ports and which are being regularly reviewed by the Cabinet Secretariat. Joint Secretary, MoS confirmed that the project is among the original 54 projects.

10. Secretary, Shipping stated that need for development of the project existed. He requested that the project may be granted approval since there is no policy direction to curtail export of iron ore. The project is being regularly reviewed by the Cabinet Secretariat. It was reiterated that interest for the project remains high as is evidenced by the 11 bidders who have been shortlisted for the Project.

11. The PPPAC granted final approval to the proposal, subject to the following conditions:

- i. Planning Commission would convey policy guidelines, if any, to curtail development of capacity for export of iron ore after consultation with Ministry of Steel.
- ii. Environmental clearance for the project would be obtained by MoS .

*(Action: Planning Commission and MoS)*

12. Secretary, Shipping drew attention to the proposal for development of Dry Bulk Terminal at Tekra near Tuna on BOT basis of the Kandla Port Trust (KPT), earlier granted approval by the PPPAC in its 34<sup>th</sup> meeting held on March 15, 2010. The minutes of the meeting indicate that Bidders of the Berths 13 to 16 would be debarred from bidding for the aforementioned project. It was clarified that the monopoly policy of MoS provides that the successful bidder of the Berth that is last bid out on the Port is ineligible for bidding for the next project of the same Port. Accordingly, the successful Bidder/Concessionaire of the 16<sup>th</sup> Berth of KPT may be declared as ineligible for bidding for the Dry Bulk Terminal at Tekra and the selected

bidders/Concessionaires for Berths 13 to 15 may be allowed to bid for the project. Accordingly, he requested that the PPPAC minutes may be amended to reflect the same.

13. Director, DEA informed that minutes of the said meeting were reflective of the response in respect of a particular query raised by JS, DEA during the earlier meeting of the PPPAC. However, the issue of debarring Concessionaire(s) was not the mandate of PPPAC. MoS may take a view on the matter based on the extant policy of the Ministry.

14. The PPPAC noted the views of the MoS that the successful Bidder of the 16th Berth would be rendered ineligible for bidding purposes for the Berth at Tekra near Tuna in accordance with the monopoly policy of the Department and requested confirmation of the same in writing to enable amendment to the record of discussions of the earlier meeting.

*(Action: MoS/MPT and DEA)*

**Agenda Item II: Four laning of Walayar to Vaddakkancherry on NH 47 from km 182 to km 240 in the State of Kerala (package No. NS2/BOT/KL-2) under NHDP Phase II on BOT basis.**

15. Secretary, RTH informed that this project was 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 had increased the TPC by 20 % (on the basis of inflation of 5% per year on the DPR at 2004-05 prices) 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. The project was considered by IMG in its 2<sup>nd</sup> IMG meeting held on 30.12.2009 for change in mode of delivery from BOT (Toll) to BOT (Annuity). However, IMG decided that the Project maybe re-bid on DBFOT (Toll) basis as land appeared to have been acquired, which could have been the main concern for non-receipt of bids earlier. Accordingly, RFQ was issued (with the last date for receipt of applications as February 15, 2010) after restructuring the project by reducing the structures and the width of the shoulders. 22 responses were received and RFP was invited, with a due date of 30.06.2010 with a TPC of ₹ 682 crore. Two bidders submitted financial bids, which were opened by NHAI. 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. No other major deviations have been made to the Project structure.

16. Joint Secretary, Expenditure 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. It would have been appropriate to seek the approval of the PPPAC prior to the release of the RfP.

17. Secretary, Planning Commission indicated that restructuring of the project was still required since the cost per km is high. Further, as against 22 shortlisted bidders, only 2 financial bids are received. Confirmation was sought on whether the bids are still valid and that the schedules for scope of work are as per the Manual of Standards and Specifications (MSS).

18. Secretary, RTH confirmed that the cost is within what was earlier approved by the PPPAC and that the bids are valid upto April 2011 and that the scope of work is as per the MSS.

19. Joint Secretary, DEA indicated that approval of L1 bid before award of the Project is not the mandate of the PPPAC. Further, the DCA has been revised based on the new MCA as against the earlier DCA on which PPPAC granted approval. Secretary, RTH informed that the project DCA is based on the revised MCA. Further, since cost of the project is less than the earlier approved by the PPPAC, project may not require approval of PPPAC except as regards the revised concession period from 15 years to 20 years.

20. The PPPAC noted the changes made in the concession period and DCA subsequent to approval granted by the PPPAC. The PPPAC would, however, not comment on the bid process observed or the quotes received by NHAI. MoRTH was advised to obtain fresh CCI approval on the revised concession period and DCA before award of the project.

*(Action: MoRTH)*

**Agenda Item III: Final Approval of NHDP-IV proposals from MoRTH:**

- a. **Four laning of Jabalpur-Lakhanadone section of NH 7 from km 465.600 to km 546.425 (Design Chainage) in the State of Madhya Pradesh under NHDP Phase IVB on BOT (Toll) basis.**
- b. **Four laning of Shahganj Budhani Betul section of NH 69 from km 27.500 to km 137 in the State of Madhya Pradesh under NHDP Phase IV on BOT (Toll) basis.**
- c. **Four laning of Gwalior-Shivpuri section of NH 3 from km 15.600 to NH 75 to km 236.000 in the State of Madhya Pradesh under NHDP Phase IV on BOT(Toll) basis.**
- d. **Four laning of Shivpuri-Dewas section of NH 3 from km 15.623 to km 566.45 in the State of Madhya Pradesh under NHDP Phase IV on BOT(Toll) basis**

21. Joint Secretary, DEA indicated that MoRTH has proposed 4 projects for final approval by the PPPAC in Madhya Pradesh for 4-laning under NHDP Phase-IV. It has been mentioned in the proposal that "The project has been approved under NHDP Phase IV for widening of existing 2-lane road to 4-lane divided carriageway for uninterrupted flow of traffic". NHDP Phase IV programme has been approved by the Government for up gradation of 20,000 km of highways into two lane highways. Further, under NHDP Phase IV-A, 5000 km of NH stretches under the NHDP-IV programme be developed as two laned with paved shoulders only.

22. Secretary, RTH informed that in the 4<sup>th</sup> meeting of Empowered Group of Ministers (EGoM) for implementation of National Highway, held on 17<sup>th</sup> March, 2010, it was decided that out of total 20,000 kms under NHDP Phase-IV, keeping in view of traffic projections, about 2,000 kms may be undertaken as 4-laned stretches. In its 5<sup>th</sup> meeting held on 19<sup>th</sup> May, 2010, EGoM approved provision of ₹ 4,000 crore during 11<sup>th</sup> plan period for viability gap funding for such stretches.

23. Secretary, RTH further indicated that Jabalpur-Lakhanadone section of NH 7 project has been approved under NHDP Phase-IVA whereas other three projects come under NHDP Phase IV-B which is yet to be approved by the competent authority. However, Secretary, RTH requested that PPPAC may approve the projects subject to approval of project stretches by the competent authority.

24. Joint Secretary, DoE observed as under:

- a. The cost of the projects is high and may be reviewed.
- b. Projects may be considered for clearance only after approval of the competent authority for incorporation of said stretches for 4-laning under the dispensation provided by EGoM.
- c. All the projects for 4-laning pertain to only one state. Since, only 2000 km are approved for 4-laning under NHDP-IV, projects in other States may also require to be considered.
- d. The RfQ being used by the MORTH has included certain restrictive clauses which are departure from the Model RfQ on which DEA has communicated their concerns to MORTH vide letter dated 24.05.2010.

25. Secretary, RTH informed that Jabalpur-Lakhanadone section of NH 7 and Shahganj Budhani Betul section projects, which have a project cost higher than more than the threshold limit of ₹ 9.50 crore per km assumed by the BKC Committee, were considered by the Cost Committee and the costs approved. The cost of the other two projects is less than the threshold limit of ₹ 9.50 crore per km. Further, projects are being considered as per the approval from the minister in-charge who is the competent

authority for selection of stretches. It was indicated that the approval of Minister, RTH for inclusion of the said stretches for 4-laning under NHDP-IV was yet to be obtained. The same would, however, be obtained prior to issue of RfPs for the stretches.

26. Secretary, RTH further informed that he has examined the provisions of revised RfQ/ RfP and observed that there is no restrictive clause in the revised RfQ/RfP. Hence, there may not be any need to revise the RfQ/RfP documents. It was requested that RTH may send the formal comments on the DEA letter dated 24.05.2010. This was agreed to by the Secretary, RTH.

27. Director, DEA indicated that four laning of Shahganj Budhani Betul section of NH 69 may be considered as a combined project from km 0.00 to km 134 of NH-69 in accordance with the decision during the meeting of the SFC, chaired by Secretary, RTH held on January 14, 2011. Director, RTH informed that they have revised the proposal, as was decided during the meeting of the SFC. The revised proposal was, however, sent a day prior to the meeting of the PPPAC. The PPPAC noted that the revised proposal is yet to be examined by the members of PPPAC and decided to defer the proposal.

28. Member-Secretary, Planning Commission indicated that there are no comments on the referred projects. The observations of Planning Commission in their appraisal notes had been responded to by MoRTH. The response was being examined.

29. Joint Secretary, DEA noted that the responses from the Administrative Ministry / NHAI had been received on the preceding day, leaving DEA with inadequate time to examine the responses. In view of this, it was requested that for future proposals, the response to the Appraisal Notes may be sent at least three days prior to the meeting. The endeavour should, however, be to send the response a week in advance. This was agreed to.

*(Action: NHAI/MoRTH)*

30. The PPPAC granted final approval to the under-mentioned projects subject to the approval of project stretches under the component under NHDP- IV approved for four laning by the competent authority and incorporation of the corrections in the schedules of the project DCAs as indicated by Planning Commission and DEA in their appraisal notes:

(i) Four laning of Jabalpur-Lakhanadone section of NH 7 from km 465.600 to km 546.425 (Design Chainage) in the State of Madhya Pradesh under NHDP Phase IVB on BOT (Toll) basis.

(ii) Four laning of Gwalior-Shivpuri section of NH 3 from km 15.600 to NH 75 to km 236.000 in the State of Madhya Pradesh under NHDP Phase IV on BOT(Toll) basis.

(iii) Four laning of Shivpuri-Dewas section of NH 3 from km 15.623 to km 566.45 in the State of Madhya Pradesh under NHDP Phase IV on BOT(Toll) basis

*(Action: NHAI/MoRTH)*

31. 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)  
41<sup>st</sup> Meeting on January 25, 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. Dr. Thomas Mathew, Joint Secretary
  - iv. Smt. Aparna Bhatia, Director
  - v. Shri Abhijit Phukon, Deputy Director
- II. Department of Expenditure**
- vi. Smt.. Meena Agarwal, Joint Secretary
- III. Planning Commission**
- vii. Smt. Sudha Pillai, Secretary
  - viii. Shri K.R. Reddy, Joint Adviser
- IV. Department of Legal Affairs**
- ix. Shri Y.K. Singh, ALA
- V. Ministry of Shipping**
- x. Shri K. Mohandas, Secretary
  - xi. Shri Rakesh Srivastava, Joint Secretary
- VI. Ministry of Road Transport and Highways**
- xii. Shri R.S. Gujral, Secretary
  - xiii. Shri B.K. Sinha, SE
  - xiv. Shri Puneet Kumar, Director (H)
- VII. National Highways Authority of India**
- xv. Dr. J.N. Singh, Member (Finance)
  - xvi. Shri B.N. Singh, Member (Projects)
- VIII. Mormugao Port Trust**
- xvii. Shri P. Mara Pandian, Chairman
  - xviii. Shri A. J. Lokhande