

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

Public Private Partnership Appraisal Committee

45th meeting on August 10, 2011

Record Note of Discussion

The 45th meeting of the Public Private Partnership Appraisal Committee (PPPAC), chaired by Secretary, Economic Affairs, was held on August 10, 2011. The list of participants is annexed.

2. The Chairman welcomed the participants and noted that the PPPAC would consider one proposal (10 projects) from Ministry of Home Affairs for grant of final approval, one proposal from Ministry of Railways for grant of in-principle approval and eleven proposals from Ministry of Road Transport & Highways for grant of final approval.

Agenda Item I: Proposal from Ministry of Home Affairs (MHA) for grant of final approval: Development of housing for Central Para Military Forces (CPMF) through BOT (Annuity) mode for 10 clusters having Total Project Cost (TPC) of ₹ 3818.0 crore.

2. Special Secretary, MHA presented the proposal. It was informed that the projects have been granted in-principle approval by PPPAC in its 38th meeting held on August 17, 2010. Request for Qualification (RfQ) was, thereafter, invited for the projects on September 15, 2010. Of the responses received, 46 were non responsive and 159 were responsive. A total of 146 applications have qualified the short-listing

process. The RfP document and the project DCAs have been prepared, based on the document approved by the PPPAC for the first lot of projects, consisting of 5 clusters. The bid process for the first lot had been completed. The CAG had been requested to undertake stage audit of the process.

3. The Chair sought clarification whether a Value for Money (VfM) analysis has been undertaken for the projects which have been posed on BoT (annuity) basis. Confirmation was sought whether the MHA has approved the Draft Concession Agreement (DCA) and whether budgetary provisions are available for payment of annuities. Special Secretary, MHA responded that the VfM analysis has been undertaken. The VfM analysis for the first lot had been shared with the members of the PPPAC. The VfM analysis of the second lot would also be circulated to the members for examination. It was, however, requested that since the superiority of the BoT model over the EPC mode had been established while examining the first lot, the second lot may also be granted final approval. Further, it was indicated that the DCA has been approved by the Home Minister and the DCA is based on the MCA adopted by Ministry of Road Transport and Highways for BoT (Annuity) projects. *Apropos* the budgetary provisions, the B.K. Chaturvedi Committee had prescribed ceilings for earmarking resources for the annuity commitments. Based on the recommendations, MHA had adequate provisions for the five projects in the first cluster and two projects of Delhi Police. The Home Minister had written to the Deputy Chairman, Planning Commission to make adequate provisions for meeting the annuity commitments of the projects. The Ministry had been given the understanding by the Planning Commission that budgetary provisions would be made available for annuity commitments for the projects which had been granted approval by the PPPAC. MHA were in discussion with Planning Commission in order to make adequate provisions arrangements for the same.

4. Director, DEA, in response to a query from the Chair, informed that in case the DCA is not based on an approved MCA, the project requires the in-principle approval of the PPPAC before issue of the RfQ and undertaking the short listing process. Projects based on duly approved MCA do not require in-principle approval; such projects seek final approval of the PPPAC before issue of the RfP. The approval of Cabinet is required for taking investment decisions. The Member Secretary, Planning Commission enquired about the level at which the DCA had been granted approval. Special Secretary, MHA confirmed that the project DCAs had been approved by the Home Minister. The Chair urged MHA to confirm their comfort with adopting the provisions of the MCA for Annuity projects of the National Highways. It was suggested that MHA, may indicate their reservations, if any, and appropriately address them by making modifications in the project DCAs before seeking final approval of the PPPAC.

5. Member Secretary, Planning Commission informed that the appraisal notes for the project are under clearance and same shall be circulated shortly. The issue of the budgetary provisions shall be addressed in the appraisal notes.

6. PPPAC deferred the proposal pending the receipt of the comments from Planning Commission, including the confirmation of budgetary resources to meet the committed liabilities for the projects. MHA was requested to share the VfM analysis in respect of the projects and provide a written confirmation with regard to aforementioned issues raised by the Chair.

(Action: MHA & Planning Commission)

Agenda Item II: Proposal from Ministry of Railways (MoR) for grant of in principle approval: Rolling out of broadband services on PPP basis to be

implemented by RailTel Corporation of India Ltd. (RailTel, a PSU under MoR), TPC as ₹ 3,858.0 crore.

7. Executive Director, MoR, presented the proposal to provide broadband services to end customers in partnership with private players who would install and commission last mile access networks and utilize the nation-wide RailTel backbone network to backhaul the customer traffic to international gateways and national facilities for provisioning broadband applications. MoR would be the Authority that would allow usage of its existing land and towers for the project. RailTel provides long-distance transmission services in the telecom sector. Utilising the extensive rail track network running through the hinterland and interconnecting almost all bigger and smaller cities and towns, this proposal would set up a national level optical fibre based backbone transmission network. It would provide last mile broadband access network. The Concessionaire/Private Sector entity will carry out all activities towards design, engineering, financing, procurement, construction, completion, management, operation and maintenance of the Broadband Network, envisaged at an investment value of ₹ 10,000 crore and ₹ 2000 crore towards Licence fee, making Rs 12,000 crore as the basic cost of the Project.

8. Executive Director, MoR informed that RailTel is actively involved in National Optical Fibre Network (NOFN) project of Government of India (GoI) for providing broad band connectivity to the 2.5 lakh Panchayats in the country. RailTel had also provided Global Information System (GIS) mapping of its Optical Fibre Cable (OFC) assets. Approximately 1.5 lakh Panchyats can be reached from RailTel point of presence (POP) within a radius of 20 km of a railway track. However, it was clarified that RailTel is likely to be awarded the work of provision of connectivity to a sizeable number of Panchayats.

9. The representative of RailTel explained that it shall allow the private sector partners to build, operate, own and commercially utilize customer access networks interconnecting to the RailTel nation-wide Optical Fibre Cable (OFC) based transmission system (backbone) at points of interconnect (POI) on railway stations and other city-based Railway or RailTel establishments where RailTel have established or may establish in future OFC connectivity, and the private partners shall realise revenues from the commercial provision of broadband services to all categories of customers including individuals, offices, homes, institutions, corporations etc. Besides rolling out the customer access networks, the private partners shall also upgrade the RailTel access network for creating an efficient IP access backbone that shall provide seamless, bandwidth-efficient interconnection between the customer access networks. RailTel shall build up adequate core IP backbone capacity which shall serve to create a national high capacity information highway for broadband data traffic and cost-effective aggregation and purchase of international bandwidth.

10. Executive Director, MoR further informed that the project will generate a revenue of ₹ 95,000 crore during the concession period of 20 years. Out of this revenue RailTel is expected to receive minimum reserve premium of ₹ 19,000 crore. It was indicated that operational profit is expected to commence by the 4th and 5th year of the project.

11. The Chair noted that there were a number of issues raised by DEA on the Concession Agreement submitted by MoR. Further, it was observed that the project may suffer due to the competition faced from the projects in the telecom sector. A clarification was sought that this project was not in conflict with the Department of Telecom (DOT)/ Common Services Centre Scheme (CSC project) or NOFN projects. Further, confirmation was sought that this project shall, in no manner, be a

duplication of public assets. The business model of the project needed greater illustration and assessment of current gaps was required to be presented to the members of the PPPAC.

12. Member Secretary, Planning Commission noted that out of the total ₹ 95,000 crore, the realisable revenue seemed excessive and suggested that it may be confirmed that this figure/estimate is realistic.

13. In response to the observations of the Chair and the Member Secretary, Planning Commission, the Executive Director, MoR clarified that this project is not in conflict with the existing operators in the telecom sector and is expected to be complimentary in nature. It was indicated that telecom operators were not opting for provision of broad band services. CSC project did not appear a financially viable model and NOFN project provides connectivity from the Block to Panchayat level. The instant proposal is expected to provide broad band services from Panchayat level to individual households along with provision of other retail services. Hence, no duplication of public assets was envisaged and revenue assessments appear realistic. It was further added that revenue estimates have been undertaken by an independent consultant.

14. Director, DEA, indicated that DEA had expressed a number of concerns on the proposed process of procurement of the private sector entities and the draft concession agreement. However, no response has been received from MoR on the appraisal note of DEA and appraisal note from Planning Commission is awaited.

15. Member Secretary, Planning Commission, informed that the appraisal note for the project is under preparation and shall be circulated shortly.

16. PPPAC deferred the project due to non receipt of appraisal note of the Planning Commission and written response from MoR with regard to the issues raised by the DEA in their appraisal note. For greater clarity on the proposal, the DEA would convene a meeting, with participation from representatives of the members of the PPPAC and request MoR and RailTel to make a presentation on the project proposal.

(Action: DEA, MoR & Planning Commission)

Agenda Item III: Proposal from Ministry of Road Transport and Highways (MoRTH) for grant of final approval: Four-laning with Paved Side Shoulders (PSS) of Vijayawada-Machlipatnam, NH-9 in Andhra Pradesh under NHDP-III; TPC of ₹ 606 crore, length 64.611 km.

17. Secretary, RTH presented the proposal and informed that TPC of the project is ₹ 606.0 crore for a length of 64.611 km, having cost per km as ₹ 9.38 crore and having concession period of 20 years. The project is estimated as viable with Viability Gap Funding (VGF) of 28.4 percent of TPC.

18. The Chair sought clarification on whether the traffic has been taken as per the actual survey or taken from other sources and the basis of fixing the concession period as 20 years. The status of land acquisition and other clearances was also sought. In response, Secretary RTH informed that NHAI had conducted a traffic survey in the year 2005, no new traffic survey had been conducted and the estimates were based on the assumptions of the Port Authority. It was informed that traffic growth has been taken as average 6.8 percent instead of 5 percent as per the provisions of the MCA. Further, it was stated that this also appeared to be on the

lower side in view of the likely growth of traffic due to the Machlipatnam Port. The concession period of 20 years has been proposed based on the traffic projections provided by the Port Authority. The concession period may decrease further in case of an increased activity at the Port. It was indicated that environment clearances has already been obtained in the year 2007 and all other clearances were in order. The process of land acquisition was underway; and notifications had been issued under the relevant sections of the NHAI Land Acquisition Act.

19. Director, DEA indicated that the project was earlier bid out with a concession period of 25 years and only a single bid was received. Hence, concession period of 25 years may be advisable for the project to obtain a better bid response and enhance the viability of the project. Assuming growth of traffic at 5 percent would also suggest that the concession period should be taken as 25 years. Member Secretary, Planning Commission also indicated that a concession period of 25 years has been advised in their appraisal note. Member (Projects), NHAI informed that the project was earlier bid out when the Port activities had not commenced. The Port project has already been awarded and construction activities have commenced. Accordingly, the traffic volume is expected to be in line with the traffic assumptions of the Port authorities based on expected port operation and its activities. Hence, the concession period of 20 years has been proposed. In the earlier project wherein the bidding failed, the estimates of Port traffic were not taken into account. Therefore, the project was unviable and adequate response was not received during bidding. The PPPAC decided to allow testing the market response for the project with a concession period of 20 years.

20. Director, DEA indicated that RfP in respect of the project has been invited before the PPPAC clearance. This contravenes the provision of the Guidelines for

formulation, appraisal and approval of PPP projects which prescribe that *“Financial bids may be invited after approval of the competent Authority has been obtained. However, pending approval of the Competent Authority, financial bids could be invited after clearance of PPPAC has been conveyed”*.

21. Member Secretary, Planning Commission agreed with the observation and stated that it has been observed that for certain projects in spite of approval of the PPPAC, bids have not been invited.

22. Secretary, RTH informed that in order to meet the target of 7300 km for the current year, the RfPs have been issued with the objective to undertake parallel activities. However, the financial bids are received only after the approval of PPPAC. In case any amendments are required, in line the approvals by PPPAC, these are notified to all the bidders in the form of Addendums before inviting financial bids. Further, the projects, which have been cleared by the PPPAC but where bids have not been invited, shall be examined and status thereof shall be provided to the members of the PPPAC. It was informed that the process of obtaining financial bids prior to approval of the competent authority (i.e. the CCI) and not opening them has been brought to his notice and steps were being taken to ensure that such occurrences are not repeated in the future.

(Action: MoRTH/NHAI)

23. The Chair reiterated the need to respect and comply with the guidelines prescribed for approval of projects and emphasised that for internal deadlines of Sponsoring Authorities/Implementing Agencies, the process prescribed by the Cabinet should not be circumvented. The appraisals by the PPPAC were being conducted in accordance with the strict time lines advised by the Cabinet Secretariat

and the meetings of the PPPAC were being held regularly. MoRTH/NHAI may also like to strengthen the time lines for earlier submission of projects to the PPPAC for clearance, *prior to issue of RfP*, and undertake expeditious action towards obtaining necessary clearances for fast tracking the award of projects and commencement of work on the ground.

24. Joint Secretary, DEA, stated that with the explicit purpose of shortening the process of approval, the National Highways projects and Major Ports projects do not have to obtain in-principle approval of the PPPAC; hence, time saving measures are already in-built in the prescribed approval process for such projects.

25. Member Secretary, Planning Commission concurred with the views of the Chair. It was emphasised that the tendency to side step the prescribed process of clearance needs to be avoided to ensure that the due diligence, which is the objective and mandate of obtaining the clearance of the PPPAC, is not vitiated.

26. The PPPAC granted final approval to the project with concession period of 20 years subject to fulfilment of the following conditions:

- i. The observations of Planning Commission and DEA with respect to corrections in the Schedules of the project DCA would be incorporated by NHAI.
- ii. MoRTH would circulate the revised documents to the members of the PPPAC.

(Action: MoRTH/NHAI)

Agenda Item IV: Proposal from Ministry of Road Transport and Highways (MoRTH) for grant of final approval : Four-laning of Haryana/ Punjab Border-Jind section of NH 71 from km 239.0 to 307.0 on DBFOT (Toll) in the State of Haryana under NHDP Phase IV, TPC ₹ 425.0 crore

27. Secretary, RTH presented the proposal and informed that TPC of the project is ₹ 425.0 crore for a length of 69.35 km, having cost per km of ₹ 6.13 crore and concession period of 30 years. The project has been estimated to be viable with Viability Gap Funding (VGF) of 39.76 percent of TPC.

28. Director, DEA indicated that the above project is not included in the list of stretches approved for four laning under NHPD- IV, provided to PPPAC during the 42nd meeting, in pursuance of the relaxation for 2000 km provided by the Empowered Group of Minister (EGoM) for Implementation of National Highways. Further, the relaxation by the EGoM is for four laning NHPD-IV stretches on traffic considerations. The average total traffic on the instant project stretch is 10,380 PCUs which does not justify the four laning of the Highway. Hence, the dispensation by the EGoM is not applicable for the stretch.

29. Director, DEA indicated that the DCA has not been made project specific, and thus, needs to be substantially revised. Further, the project documents circulated to the members of the PPPAC were substantially at variance than the RfP and DCA of the project uploaded on the website of NHAI.

30. The Chair observed that that circulation of project documents for appraisal, which are not intended for uploading on the website to request for a financial bid, is

a waste of the time of the members of the PPPAC by NHAI/MoRTH. Such occurrences should be avoided in future.

(Action: MoRTH/NHAI)

31. Secretary, RTH indicated that the project is not included in the approved list of 2000 km; however, MoRTH is in the process of forwarding a Cabinet Note for seeking approval of 5,000 km out of 20,000 km for four-laning under NHDP-IV. Member, NHAI informed that this stretch is already two-laned with paved side shoulders (PSS) and four laning would be justified in the year 2018. Further, the project has been assessed as financially viable. Hence, it may be approved for four-laning in the current instance. He further indicated that the discrepancies noted in the DCA would be looked into and rectified.

32. PPPAC **did not approve** the project in view of the following:

- i. Project has not been approved to be included under the list of four-laning under NHDP-IV.
- ii. The traffic does not justify four laning the project stretch. The project may be put up once the traffic is justified for four-laning.

(Action: MoRTH/NHAI)

Agenda Item V: Proposal from Ministry of Road Transport and Highways (MoRTH) for grant of final approval:

- i. **Two-laning of Bikaner-Suratgarh section of NH 11 from km 553.869 to km 173.0 on DBFOT (Toll) in the State of Rajasthan under VGF Scheme, TPC ₹ 501.08 crore, VGF of ₹ 100.22 crore (20 percent of TPC)**

- ii. Two/Four-laning of Chitorgarh-Neemach section of NH 79 km 183.0 to km 221.4 and Nimbahera-Pratapgarh section of NH-113 from km 5.40.to km 80.0 on DBFOT (Toll) in the State of Rajasthan under VGF Scheme, TPC ₹ 511.21 crore, VGF of ₹ 102.25 crore (20 percent of TPC)
- iii. Four-laning of Sidhi –Singrauli section of NH 75E from km 83.4 to km 195.8 on DBFOT (Toll) in the State of Madhya Pradesh under VGF Scheme, TPC ₹ 871.15 crore, VGF of ₹ 174.23 crore (20 percent of TPC)
- iv. Two-laning of Ajmer-Nagaur section of NH 89 from km 0.0 to km 161.0 on DBFOT (Toll) in the State of Rajasthan under VGF Scheme, TPC ₹ 377.15 crore, VGF of ₹ 75.43 crore (20 percent of TPC)
- v. Two-laning of Suratgarh- Sriganganagar section of NH 15 from km 173.0 to km 249.20 on DBFOT (Toll) in the State of Rajasthan under VGF Scheme, TPC ₹ 224.03 crore, VGF of ₹ 44.81 crore (20 percent of TPC)
- vi. Four-laning of Mangwan to MP/UP border on NH-27 from km 98.2 to km 46.6 section of NH 27 on DBFOT (Toll) in the State of Madhya Pradesh under VGF Scheme, TPC ₹ 381.86 crore, VGF of ₹ 76.37 crore(20 percent of TPC)
- vii. Four-laning of Mangwan to Satna to Bela section on NH-75 from km 155.0 to km 203.04 on DBFOT (Toll) in the State of Madhya Pradesh under VGF Scheme, TPC ₹ 320.48 crore, VGF of ₹ 64.10 crore (20 percent of TPC)
- viii. Four-laning of Zirakpur to Patiala section on NH-64 from km 0.0 to km 50.70 on DBFOT (Toll) in the State of Punjab under VGF Scheme, TPC ₹ 421.78 crore, VGF of ₹ 84.36 crore (20 percent of TPC)

33. Director, DEA informed that the above eight projects have been considered by the Empowered Institution in its 34th meeting. The approvals were granted subject to

the confirmation from the Sponsoring Authority regarding the budgetary provisions under National Highways- Others (NH-O) Scheme for meeting the balance 20 percent requirement for VGF grant component as well as the amount required to finance the land acquisition and other pre-construction activities to be undertaken by the Implementing Agencies. It has been proposed that the projects shall be implemented by Madhya Pradesh Road Development Corporation (MPRDC) and PWD, Government of Rajasthan.

34. Secretary, RTH clarified that budgetary provisions have been made in respect of the projects. MoRTH was requested to send a written confirmation on the matter.

(Action: MoRTH)

35. Director, DEA informed that three of the projects had been recommended by the EI for grant of in-principle approval to the Empowered Committee (EC) of the Scheme for Financial Support to PPPs, since the VGF required for the three projects is more than ₹ 100 crore. Since the PPPAC and the EC have the same constitution, she requested the EC to consider grant of in-principle approval for VGF support for the three projects. The EC granted in-principle approval for viability gap funding for the projects at serial numbers (i) to (iii) above subject to compliance with the observations of the EI.

(Action: MoRTH)

36. The PPPAC granted final approval to the eight projects subject to the written confirmation from the Sponsoring Authority with regard to budgetary provision for the VGF and other pre-construction activities.

(Action: MoRTH)

Agenda Item V: Proposal from Ministry of Road Transport and Highways (MoRTH) for grant of final approval : Four laning of Obedellgunj –Betul section of NH 69 from km 2.8 to km 8.3 and km 20.7 to km 137.0 on DBFOT (Toll) in the State of Madhya Pradesh under NHDP Phase IV, TPC, ₹ 1152.0 crore.

37. Director DEA, indicated that the project was earlier considered by the PPPAC in its 42nd meeting held on April 19, 2011. The Chair had, inter alia, noted that the traffic figures as presented during the deliberations of the meeting were at variance with the figures shared while posing the proposal to PPPAC. It was decided that the revised figures may first be examined by the PPPAC Secretariat to establish whether four laning is justified. Pursuant to the decision of the PPPAC, the PPP Cell, DEA had re-examined the traffic in consultation with the NHAI. After the review of the details provided for updated traffic by NHAI, the project was still not found justified for four-laning. The traffic survey was undertaken on the existing road which is not proposed to be upgraded, since a long bypass was proposed. The estimation of traffic should be on the basis of traffic diversions on the proposed highway.

38. Member (NHAI) indicated that four-laning is justified based on the average total traffic, which is 13,555 PCUs in the year 2010. However, it may be decided whether the bypass from Obedellgunj- Itarsi (34 km) is to be constructed for four-laning or two laning with PSS. Joint Advisor, Planning Commission recommended that the bypass may be two-laned with PSS and other sections may be four-laned. Other members supported this view.

39. PPPAC **approved** the project for four laning with PSS with the bypass of two-lane with PSS configuration subject to the following:

- i. Revision in TPC after modification of project configuration.
- ii. MoRTH would obtain the approval of the competent authority in respect of inclusion of the stretches under NHDP IV before commencing with the bid process.
- iii. Land acquisition in respect of the projects would be completed in accordance with the provisions of the Model Concession Agreement (MCA) for National Highways.
- iv. MoRTH would obtain environment and forest clearance before commencing work on the project sites.
- v. The observations of Planning Commission and DEA with respect to corrections in the Schedules of the project DCA would be incorporated by NHAI. MoRTH would circulate the revised documents to the members of the PPPAC.

(Action: MoRTH/NHAI)

Agenda Item VI (Additional Agenda): Status of Projects approved by the PPPAC

40. The Chair noted that PPPAC had granted clearance to over 150 projects. Further 71 projects were awarded by MoRTH/NHAI before the constitution of the PPPAC. During the 44th meeting of the PPPAC, it had been agreed that MoRTH would apprise members of the PPPAC about the status of these projects. The Chair suggested that the status may be prepared at the earliest. He further suggested that the MoRTH may apprise the PPPAC of the status of the projects cleared in the previous meeting of the PPPAC. Secretary, RTH agreed with the suggestion.

(Action: NHAI/MoRTH)

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

**Ministry of Finance
Department of Economic Affairs**

Meeting of the Public Private Partnership Appraisal Committee (PPPAC)

45th Meeting on August 10, 2011

List of Participants

- I. Department of Economic Affairs**
- i. Shri R. Gopalan, Secretary (Economic Affairs) (In Chair)
 - ii. Shri Rajesh Khullar, Joint Secretary
 - iii. Smt. Aparna Bhatia, Director
 - iv. Shri Abhijit Phukon, Deputy Director
- II. Department of Expenditure**
- v. Shri Neehar Ranjan Pandey, Deputy Secretary (PF II)
- III. Ministry of Road Transport & Highways**
- vi. Shri A. K. Upadhyay, Secretary
 - vii. Shri Sanjay Bandopadhyay, Joint Secretary
- IV. Planning Commission**
- viii. Smt. Sudha Pillai, Member Secretary
 - ix. Shri Amitabha Ray, Deputy Advisor
 - x. Shri K. R. Reddy, Joint Advisor
- V. Ministry of Home Affairs**
- xi. Shri U. K. Bansal, Secretary (IS)
 - xii. Shri V. Trivedi, Joint Secretary & Financial Advisor
 - xiii. Shri N. S. Kalri, Joint Secretary (Police-II)
 - xiv. Smt. Sreyas Chaudhuri, Deputy Secretary (PF)
 - xv. Shri Madhukar Pandey, Section Officer (PF-I)
- VI. Ministry of Railways**
- xvi. Shri S.K. Mishra, Executive Director
 - xvii. Shri Anshul Gupta, Executive Director
 - xviii. Shri S. K. Kishor, Executive Director
 - xix. Shri R. K. Bahuguna, Director

xx. Shri R. C. Adwal

VII. Department of Legal Affairs

xxi. Shri Y. K. Singh

VIII. Ministry of Environment and Forest

xxii. Shri N. C. Saravanan, AIGF

xxiii. Shri E. Thirunavukkarsu, Deputy Director
