

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

Public Private Partnership Appraisal Committee

51ST Meeting on March 09, 2012

Record Note of Discussion

The 51st meeting of the Public Private Partnership Appraisal Committee (PPPAC), chaired by Secretary, Economic Affairs, was held on March 09, 2012. The list of participants is annexed.

2. The Chair welcomed the participants and noted that the PPPAC would consider eight proposals from Ministry of Road Transport & Highways (MoRTH) for grant of final approval.

Agenda Item I: Proposal from MoRTH for grant of final approval: Six-laning of Aurangabad-Barwa Adda Section of NH-2 from Km 180.000 to 398.750 in the State of Bihar and Jharkhand under NHDP Phase-V on BOT (Toll) basis.

Total length: 221.346 km; Total Project Cost: Rs. 2340 crore; Cost of pre-construction activities to be financed by NHAI: Rs. 409 crore; Concession Period: 30 years including 2.5 years of construction period.

Major development works/ structures: Major Bridges: 15; Minor bridges: 123; Flyovers: 3; ROBs: 2; Major road junctions: 9; Minor Junctions: 441; Service roads: 206.396 km; Bypasses: 3 of 10.604 km; Toll plazas: 3 (Km. 200.08, km 278.925 & km 345.35); FOB: 38; Vehicular underpasses: 22; Pedestrian/cattle underpasses: 4; Culverts: 384; Truck laybys: 17; Truck Terminals: 1; Bus-bays: 65

3. Director, Department of Economic Affairs (DEA) informed that the project has been considered by the Standing Cost Committee in its meeting held on February 21, 2012 and granted approval for Total Project Cost (TPC) of Rs. 2340 crore. The PPPAC noted that the appraisal note of Planning Commission in respect of the project has not been received. Adviser, Planning Commission, indicated that the appraisal of the project has been completed and the appraisal note will be sent shortly. The PPPAC decided that the proposal may be considered by the PPPAC in view of the instructions of the Cabinet Secretariat and PMO on the timelines for clearance of PPP projects and the urgency to support MoRTH in achieving their target for Work Programme 2011-12.

4. Director, DEA indicated that the traffic projections suggest that the project stretch does not require six laning till the year 2024, i.e., for the first twelve years of the concession period. Further, the stretch has been widened from two lanes to four lanes under the World Bank funded Grant Trunk Improvement Project (GTRIP) and the work has been completed recently in the year 2010. Commencing construction again for six laning of the stretch would not be cost effective and would result in further inconvenience to the users of the highway. Hence, the proposal may be modified and resubmitted to the PPPAC, structured as an OMT concession with a shorter concession period.

5. Member, NHAI informed that the works for six laning of both the stretches, adjacent to the project stretch have been awarded. Construction has commenced on the stretch from Aurangabad to Varansi. On the other adjacent stretch, viz., from Barwa Adda to Panagarh, the Concession Agreement has been executed and Financial Closure is being achieved. The instant project stretch is the only National Highway stretch between Varansi to Kolkatta that is pending award as a six laned project. It was clarified that the construction work of most of the sections of the project stretch had been completed in 2005 under GTRIP and only one section, involving bridges, has been completed in 2010. There are sections on the road which require reconstruction on account of the heavy truck traffic plying on the route. Hence, the project may be granted approval for six laning under NHDP-V.

6. Adviser, Planning Commission indicated that Planning Commission is of the view that the project proposal is support worthy. While the traffic at the stretches is around 22,000 PCUs, there is a variation in the traffic of around 4,000 PCUs within the sections. One section of the road leading to Dhanbad witnesses high traffic density, including trucks heavily loaded with coal, and the condition of the highway is poor. Hence, six laning of the stretch is justified.

7. Joint Secretary, Department of Expenditure (DoE) observed that the traffic survey and the feasibility report of projects should be prepared in a manner to reflect such local variations and requirements. NHAI was requested to clarify whether the traffic survey had been recently conducted and was accurate.

8. Member, NHAI clarified that the traffic survey has been conducted in 2010 and was correct. Further, the construction under GTRIP consisted of 60 per cent of the sections as rigid pavement and damage due to heavy traffic on such sections are less. The condition of sections with flexible pavement is poor. It was further clarified that the scope of work of the instant project would augment the capacity by providing rigid and flexible pavement, based on the existing construction only.

9. Secretary, RTH emphasized that the project stretch is part of the Golden Quadrilateral and has been approved for six laning under NHDP V. The traffic on the stretch is expected to reach 25,000 PCUs by the Scheduled Date of six laning. Further, the financials of the project indicate the likelihood of award of the project on premium basis. Hence, the project may be granted approval for six laning under NHDP-V.

10. Director, DEA indicated that since the view of MoRTH is that the condition of the road requires upgradation and six laning of the stretch would complete the six-laned corridor from Varansi to Kolkutta, the PPPAC may consider the proposal for six laning. Joint Secretary, DoE and Adviser Planning Commission concurred with the view.

11. Director, DEA indicated that the concession period may be increased to 30 years based on the designed capacity of 1,20,000 PCUs for six- laned highway. Secretary, RTH stated that shorter concession period of twenty years had been fixed based on the year when the project becomes viable on premium. The members of the PPPAC did not support this point of view. It was indicated that the concession period of the project is determined by the designed capacity of the project based on the projected traffic. Secretary, RTH agreed that the concession period may be modified to 30 years and observed that this may enhance the expected premium on the project.

12. The Chair queried whether the project can be considered for approval with the condition that the project shall be awarded on premium. Adviser, Planning Commission informed that the project traverses naxalite area. Hence, there is likelihood that the project may require VGF due to higher perceived risks. Accordingly, the formulation of the DCA, allowing Capital Grant up to 10 per cent of TPC, may be retained. This was agreed to.

13. Director, DEA indicated that DEA, in their appraisal note, have suggested corrections in the Target Traffic and advised that the legal vetting of the documents may be undertaken to ensure that there are no discrepancies in the contract documents. Member, NHAI confirmed compliance with these observations.

14. All the members of the PPPAC supported grant of approval to the project.

15. The PPPAC granted final approval to the project under NHDP-V for TPC of Rs. 2340 crore with maximum VGF as Rs.234 crore (10 percent of TPC), subject to fulfilment of the following conditions:

- a. NHAI shall revise the concession period to 30 years.
- b. NHAI shall modify the Target Traffic to 33,040 PCUs (as on October 1, 2022) in the DCA.
- c. NHAI shall undertake corrections in the project DCA in compliance with the observations of DEA which have been agreed to by NHAI in their response to the appraisal note.
- d. NHAI shall ensure that the legal vetting of the documents is undertaken to ensure that there are no discrepancies in the contract documents and the final DCA shall be shared expeditiously with the short listed bidders.
- e. NHAI shall ensure land acquisition in respect of the project to provide Right of Way (ROW) in accordance with the provisions of the Model Concession Agreement (MCA) for National Highways.
- f. MoRTH shall obtain clearances such as environment and forest clearance, before commencing work on the project site.
- g. MoRTH shall obtain prior approval of the PPPAC on any change in TPC, scope of work or project configuration as noted above.
- h. MoRTH shall circulate the final documents to the members of the PPPAC for record.

(Action: MoRTH/NHAI)

Agenda Item II : Proposal from MoRTH for grant of final approval: Six laning of Anandapuram-Visakhapatnam-Anakapalli section of NH-5 from Km 682.98 to Km 741.200 in the State of Andhra Pradesh under NHDP Phase-V on BOT (Toll) basis.

Total length: 58.222 km; Total Project Cost: Rs. 839 crore; Cost of pre-construction activities to be financed by NHAI: Rs. 201.70 crore; Concession Period: 23 years including 2.5 years of construction period.

Major development works/ structures: Major Bridge: Nil; Minor bridges: 3 (new) on main carriageway and 10 on service roads; Flyover: 8; Bypass: Nil, ROB: Nil; Major road junctions: Nil; Minor road junctions: 267; Service roads: 81.816 km; FOBs: 2; Toll plazas: 2 (Km 684.700 & km 736); Vehicular underpasses: 11; Pedestrian/Cattle underpasses: 1; Culverts: 143; Truck laybys: 4; Bus-bays: 25 on both side; Bus shelters: 34,

16. The PPPAC noted that the appraisal note of Planning Commission in respect of the project has not been received. Adviser, Planning Commission, indicated that the appraisal of the project has been completed and the appraisal note will be sent shortly. The PPPAC decided to consider the project in view of the instructions of the Cabinet Secretariat and PMO on the timelines for clearance of PPP projects and the urgency to support MoRTH in achieving their target for Work Programme 2011-12.

17. Member, NHAI presented the proposal. It was informed that there is an existing two-lane State Highway running parallel to the project which is around ten kilometres shorter than the instant project. However, the instant project is expected to be viable due to the commercial traffic destined for Vishakhapatnam Port. Two toll plazas have been proposed at a spacing of 51.3 km since a major diversion of traffic takes place at Dock yard junction at km 718.300 and at km 723.300 leading to Vishakhapatnam Port and the total tollable length has been split into two equal lengths of 29.1 km.

18. The Chair queried whether the proximity to the Eastern Ghat has an impact on the nature of the construction of the road and the TPC. Member, NHAI informed that since NH-5 is bound by the Eastern Ghat on one side and the Bay of Bengal on the other, the proposed alignment is the only possible alignment of the project stretch. The cost of the project is higher than the threshold level on account of hard rock area and the elevated structures, including eight flyovers on the stretch. It was emphasized that the least possible structures, absolutely essential for the project have been proposed on the stretch and may be considered for approval. This was agreed to.

19. Director, DEA informed that the project has been considered by the Standing Cost Committee in its meeting held on December 23, 2011 and granted approval for TPC of Rs. 839 crore. The same may be considered by the PPPAC. This was agreed to.

20. Director, DEA indicated that DEA in their appraisal note has suggested reduction in the concession period to 23 years based on the designed capacity of 1,20,000 PCUs for six-laned highway, corrections in the Target Traffic and Performance Security (based on first year toll collection). Member, NHAI confirmed that the observations have been accepted by NHAI in their response and addendum to the DCA is being issued in compliance with these observations.

21. All the members of the PPPAC supported grant of approval to the project.

22. The PPPAC granted final approval to the project under NHDP-V for TPC of Rs. 839 crore with maximum VGF as Rs.83.90 crore (10 percent of TPC), subject to fulfilment of the following conditions:

- a. NHAI shall revise the concession period to 23 years.
- b. NHAI shall modify the Target Traffic to 53,681 PCUs as on April 1, 2022 in the DCA.
- c. NHAI shall modify the Performance Security to Rs. 50.10 crore based on first year's toll collection in the DCA.

- d. NHAI shall undertake corrections in the project DCA in compliance with the observations of DEA which have been agreed to by NHAI in their response to the appraisal note.
- e. NHAI shall ensure land acquisition in respect of the project to provide ROW in accordance with the provisions of the Model Concession Agreement (MCA) for National Highways.
- f. MoRTH shall obtain clearances such as environment and forest clearance, before commencing work on the project site.
- g. MoRTH shall obtain prior approval of the PPPAC on any change in TPC, scope of work or project configuration as noted above.
- h. MoRTH shall circulate the final documents to the members of the PPPAC for record.

(Action: MoRTH/NHAI)

Agenda Item III : Proposal from MoRTH for grant of final approval: Six laning (including Construction of additional 4 lane Bridge across River Narmada) of Vadodara-Surat Section of NH-8 from 192.000 to Km 198.000 in the State of Gujarat under NHDP Phase-V on BOT (Toll) basis.

Total length: 6.745 km; Total Project Cost: Rs. 473.24 crore; Cost of pre-construction activities to be financed by NHAI: Rs. 36.05 crore; Concession Period: 12 years including 2.5 years of construction period.

Major development works/ structures: Major Bridges: 1 of 1.344 km at Narmada River; Flyovers: 2 of eight laned; Service roads: 4.225 km; Toll plazas: 1 (Km 195.800); Culverts: 2;

23. Member, NHAI presented the proposal. It was informed that the proposed 6.75 km stretch included construction of a new four laned extra dosed bridge across River Narmada. The TPC of Rs. 473.24 crore has been considered by the Standing Cost Committee in its meeting held on January 25, 2012 and granted approval. There are two existing two-laned bridges on the stretch. One of the two bridges was constructed in 1977 and is fit to be used only by light and slow moving traffic such as two wheelers and carts. The second two laned bridge was constructed in 2000 and meets the requirements of the entire traffic on this corridor (which connects Delhi with Mumbai) resulting in traffic congestion. Being a two laned bridge, the traffic of over 75,000 PCUs causes traffic jam extending to several kilometres. Hence, the proposed bridge is a critical requirement to de-bottleneck the Delhi-Mumbai corridor.

24. The PPPAC noted that the Planning Commission in their appraisal note has observed that as the existing two-laned bridge is being tolled, NHAI has proposed to reduce the toll rates by forty per cent after December, 2012. The entire bridge structure would attract normal toll rate applicable to structures costing more than Rs. 50 crore after it is commissioned. Since considerable investment is being made on

two laned bridges, the provision regarding reduction in toll rate should not be made applicable.

25. Member (Finance), NHAI informed that from the Commercial Operations Date (COD), i.e., on Appointed Date after achieving financial closure, the Concessionaire shall collect forty percent of the fee as applicable on the date of expiry of the concession period of the ongoing concessions on the existing Narmada Bridges. The user fee in respect of these existing bridges shall be revised annually in accordance with the Rule 5 of the National Highways Fee Rules till the issuance of the completion certificate as per Article 14 of the Concession Agreement. After issuance of the completion certificate, the Concessionaire shall collect toll on the new bridge as well as its approaches as per the New Toll Policy. Differential toll rate has been proposed, with lower toll rates for the two existing bridges and higher toll rates for the new four laned bridges.

26. The Chair queried whether differential toll rates in respect of traffic flowing in different directions on a particular stretch of National Highway are admissible as per the toll policy. Joint Secretary, DoE observed that while having lower rates for older/ existing bridges and higher rates for the new bridge might lower the resistance by the users, the decision on the matter has to be from the perspective of applicability of the toll policy. Adviser, Planning Commission stated that toll rates for maintenance of bridges may not be applicable since rehabilitation of the existing bridges is also proposed in the current proposal.

27. The PPPAC requested Secretary, RTH to examine whether the maintenance toll rates are applicable in respect of the existing bridges for the instant project since these have been constructed on BOT (Toll) basis while the NH Fee Rules provide for maintenance rates for bridges constructed through the public funding or on BoT (Annuity) basis.

28. Secretary, RTH observed that the project should be treated as a single package since it entails capacity augmentation and rehabilitation of existing structures. Hence, charging a single rate as per the toll policy may be a preferred option. It was indicated that user resistance to a higher toll might not be there since the augmentation of capacity would de-bottleneck the entire corridor. Joint Secretary, MoRTH indicated that differential toll rates for old and new bridges may not be appropriate and could become a precedent for other projects.

29. Member (Finance), NHAI indicated that applicability of a uniform rate in accordance with the toll policy would result in enhanced viability of the project. Members of PPPAC requested NHAI to give adequate time, i.e., atleast three weeks

after issue of addendum, to the shortlisted bidders since a change in Schedule R of the DCA would constitute a material change in the bid conditions. It was agreed that the bid due date for the project shall be extended at least up to April 15, 2012.

30. Director, DEA indicated that DEA in their appraisal note has sought clarification whether eight laning is permissible under NHDP-V. Secretary, RTH clarified that the CCEA's approval under NHDP-V does not restrict eight laning of stretches though it has not been explicitly provided for. Further, the traffic on the stretch justifies the proposed capacity augmentation. The PPPAC decided that since the proposed capacity augmentation is a requirement of the project, specific approval of CCI for eight-laning of the stretch under NHDP-V may be obtained while seeking CCI's approval for the investment decision with respect to the project. This was agreed to.

31. Director, DEA stated that the concession period for the project may be increased to twelve years, considering the design capacity of eight laned project highway as 1,40,000 PCUs. This was agreed to.

32. The PPPAC granted final approval to the project under NHDP -V for TPC of Rs. 473.24 crore with nil VGF, subject to fulfilment of the following conditions:

- a. MoRTH shall obtain specific approval of the CCI for provisioning of eight lanes on the project stretch under NHDP-V.
- b. MoRTH shall examine whether maintenance toll rates are applicable in respect of the existing bridges and differential toll rates on a single project are applicable as per NH Fee Rules for the instant project. Corrections shall be effected in the project DCA accordingly to indicate precisely the current rates on the existing bridges as well as the rates applicable after the commencement of the concession period (i.e., the fee rates on Appointed Date and on the Scheduled Completion Date).
- c. Bid Due Date shall be extended at least up to April 15, 2012.
- d. NHAI shall modify the design capacity for the project in the DCA as 1,40,000 PCUs.
- e. NHAI shall revise the concession period to 12 years.
- f. NHAI shall modify the Performance Security based on first year's toll collection in the DCA.
- g. NHAI shall undertake corrections in the project DCA in compliance with the observations of Planning Commission and DEA which have been agreed to by NHAI in their response to the appraisal notes.
- h. NHAI shall ensure land acquisition in respect of the project to provide ROW in accordance with the provisions of the Model Concession Agreement (MCA) for National Highways.

- i. MoRTH shall obtain clearances such as environment and forest clearance, before commencing work on the project site.
- j. MoRTH shall obtain prior approval of the PPPAC on any change in TPC, scope of work or project configuration as noted above.
- k. MoRTH shall circulate the final documents to the members of the PPPAC for record.

(Action: MoRTH/NHAI)

Agenda Item IV: Proposal from MoRTH for grant of final approval: Six laning of Allahabad-Varanasi Section from Km 630.000 to 785.859 of NH-2 Km 377/780 in the State of Uttar Pradesh under NHDP Phase-V on BOT (Toll) basis.

Total length: 155.544 km; Total Project Cost: Rs. 923 crore; Concession Period: 28 years including 2.5 years of construction period.

Major development works/ structures: Minor bridges: 3, Flyovers: 3; Bypass: Nil, ROB: Nil; Major road junctions: 4; Service roads: 69.576 km; Slip road: 44.550 km; Minor Junctions: 104, Toll plazas: 6 (km 632, 656, 667, 687, 710 &747); Vehicular underpasses: 11; Pedestrian/Cattle underpasses: 17; Culverts: 123; Truck laybys: 4; Bus-bays/shelters: 32, FOB: 2, Utility Ducts; 118.

33. Director, DEA informed that MoRTH has proposed the instant project under NHDP-V, however, 57 per cent of the total project length (88.73 km) is being retained as a four laned road. Effectively, the project stretch can be viewed as two sections i.e. Allahabad Bypass of 83.15 km and Handia –Varansi section of 72.4 km. The project proposal entails maintenance of the Allahabad Bypass and six laning of the Handia-Varansi section. MoRTH was requested to clarify whether O&M of four laned stretches (without widening to six lane) is an approved activity under NHDP -V and whether it would be technically feasible to award the Allahabad bypass as a four laned highway for the next thirty years since the designed capacity of the bypass is expected to be breached earlier. It was suggested that it would be appropriate to restructure the project and obtain approval of the PPPAC for two separate projects, viz., six laning of Handia-Varansi section under NHDP-V and O&M of four laned Allahabad Bypass section on OMT basis.

34. Member, NHAI informed that four laned Allahabad bypass has been recently constructed and opened to the traffic in August, 2010. Six laning of the bypass would involve dismantling of some elements of the recently constructed four laned facility. Hence, six laning of Allahabad Bypass has not been proposed.

35. Joint Secretary, MoRTH informed that the two sections may not be financially viable as standalone projects.

36. Joint Secretary, DoE and Director, DEA observed that traffic details (total and tollable traffic) based on the traffic survey at each of the six toll plaza locations has not been provided. MoRTH was requested to share the same as well as the actual traffic and toll revenues on the project stretch with the members of the PPPAC. It was also requested to provide detailed financial analysis, including sensitivity analysis for implementing the project as two sub projects.

37. Director, DEA indicated that six toll plazas have been proposed on the project stretch of 156 km with five toll plazas on the Allahabad bypass and one on Handia-Varansi section. Member, NHAI informed that Allahabad Bypass has closed tolling and there are only two toll plazas on the main carriageway and three toll plazas are on the exit-ways to the three important cross roads. The user is expected to pay fee at the point of exiting the Allahabad bypass. Thus, the project stretch of 156 km has effectively three toll plazas, which is in accordance with the toll policy.

38. The PPPAC deferred the grant of approval of the project and requested MoRTH to provide the following information:

- a. Traffic details (total and tollable traffic) based on the traffic survey at the six toll plaza locations.
- b. Actual traffic and toll revenues on the project stretch being collected at the six toll plaza locations.
- c. Detailed financial analysis including sensitivity analysis for implementing the project as two sub projects i.e . O&M of four laned Allahabad Bypass section on OMT basis and six laning of Handia-Varansi section under NHDP V.
- d. Clarification whether O&M of four laned stretches (without widening to six lane) is an approved activity under NHDP-V and whether it would be technically feasible to award the Allahabad bypass as a four laned highway for the next twenty eight years since the designed capacity is expected to be breached earlier.
- e. The stretch, with chainage, where six laning is justified based on the current traffic.

(Action: MoRTH/NHAI)

Agenda Item V: Proposal from MoRTH for grant of final approval: Four-laning of Amravati to Jalgaon Section of NH-6 from Km 166.725 to Km 441.950 in the State of Maharashtra under NHDP Phase-IV on BOT (Toll) basis.

Total length: 275.225 km; Total Project Cost: Rs. 2537.81 crore; Cost of pre-construction activities to be financed by NHAI: Rs. 485.26 crore; Concession Period: 19 years including 2.5 years of construction period.

Major development works/ structures: Major Bridges: 18 (new), 11(repair), 1 (widening); Minor bridges: 111 (new on main carriageway), 13 (service roads), 37(repair), 16 (widening); ROBs: 9 (new), 3 (repair); Major road junctions: 24; Minor Junctions: 166; Service roads/slip ramps: 115.492 km; (width 5.5 m for 108.03 km & 7 m for 7.462 km) ; Bypasses: 5 of 45.87 km; Toll plazas: 4 (km 219, km 281, km 355.85 & km 417.00); Vehicular underpasses: 22 (new), 9 (widen and repair); Pedestrian/cattle underpasses: 18 (new), 4 (widen and repair); Culverts: 218 (pipe) & 111 (slab); Truck laybys: 6; Rest area: 1; Bus-bays: 40, Realignment: 2.165 km.

39. Director, DEA indicated that the project highway has five bypasses. Further, it is proposed that three bypasses on which toll revenues are being collected through separate concessions will be included in the project on the completion of the ongoing concessions in October, 2015 for Khamgaon, September 2019 at Nasirabad ROB and September 2021 at Fekri ROB. The Schedule 'R' of the DCA of the instant project does not provide information on the existing rate at these three locations or the toll rate that will be applicable at these locations after the expiry of the existing concession periods and inclusion of the stretches (and levying of fee by the Concessionaire of the instant project). The same may be precisely specified in the Schedule 'R' of the DCA. This was agreed to.

40. Director, DEA stated that the approval of the Standing Cost Committee has not been obtained for the project scope of work and TPC. NHAI has, in the response to the appraisal note to DEA, indicated that since the TPC is lower than the accepted threshold of Rs. 9.50 crore per km, the approval of Standing Cost Committee had not been sought. However, Planning Commission in their appraisal note in respect of the project have indicated that the project proposal involves an unjustified expenditure of Rs. 408 crore in violation of Manual of Specification and Standards. Hence, it may be appropriate to place the proposal before the Standing Cost Committee.

41. Secretary, RTH emphasized that Planning Commission has termed provisioning of Vehicular and Pedestrian Underpasses (VUPs & PUPs) as wasteful expenditure, which is not a correct analysis since the VUPs & PUPs are being provided in accordance with the project requirement for use by the residents of the region. This position of Planning Commission is also unsubstantiated. Further, this matter was discussed in detail in the 50th meeting of the PPPAC held on February 17, 2012. During the 50th meeting, it had been, *inter alia*, agreed that the expenditure should not be viewed in isolation as the alternative entails cost of land acquisition (LA) and of provisioning of ramps for grade separated facility. Further, the consent of the State Authorities would be required for each of the underpass proposed to be developed below/above grade levels which could delay the execution of the projects.

If the cost of additional land acquisition on the State roads, as well as the costs associated with such structures is taken into account, there is likelihood that the alternative being suggested by Planning Commission may emerge as a costlier proposition. Further, developing the cross roads at the location of VUPs/ PUPs at grade is also required for slow moving vehicles and animal driven vehicles. Furthermore, constructing the project highway above grade improves the safety at the cross roads since the setting up of shops/ way side stalls and other amenities remain at grade on the State roads leaving the fast moving vehicles on the National Highways secure from slow/cross traffic at these locations. The Chair had observed in the 50th meeting that the justification indicated by MoRTH merits consideration in view of the local conditions, safety considerations and their estimation that the incremental cost is not of the magnitude indicated by Planning Commission. Hence, the proposal of MoRTH with respect to the alignment of the National Highways with regards to VUPs and PUPs could be accepted. Adviser, Planning Commission had indicated acceptability with these suggestions. Other members of the PPPAC had also agreed with this view.

42. Secretary, RTH indicated that during the 50th meeting of the PPPAC, it was accepted that MoRTH/NHAI would provide VUPs & PUPs at grade where ever required in view of the local conditions. Hence, the review of the VUPs and PUPs may not be undertaken by the Standing Cost Committee since the project cost of the instant project is within the approved threshold levels. It was reiterated that Planning Commission may be asked to substantiate claims of the unjustified expenditure through item wise details. The Chair requested Adviser, Planning Commission to provide item wise details of all components/ cost that are termed as unjustified expenditure by Planning Commission.

(Action: Planning Commission)

43. Joint Secretary, DEA requested MoRTH /NHAI to respond to the observation of Planning Commission regarding unjustified expenditure, so that the process of due diligence and the integrity of the process of appraisal and approval by the PPPAC is not compromised. This was agreed to.

44. All the members of the PPPAC supported grant of approval to the project.

45. The PPPAC granted final approval to the project under NHDP-IV for TPC of Rs. 2537.81 crore with maximum VGF as Rs. 507.56 crore (20 percent of TPC), subject to fulfilment of the following conditions:

- a. NHAI shall ensure revision of Schedule 'R' to indicate precisely the current rates on the three bypasses (Khamgaont, Nasirabad ROB and Fekri ROB) as well as the rates applicable after the inclusion of the three

- bypasses in the instant project after the expiry of their ongoing concession periods.
- b. NHAI/MoRTH shall respond to the observations of Planning Commission with respect to requirement of the structures on the project.
 - c. NHAI shall undertake corrections in the project DCA in compliance with the observations of Planning Commission and DEA which have been agreed to by NHAI in their response to the appraisal notes.
 - d. NHAI shall ensure land acquisition in respect of the project to provide ROW in accordance with the provisions of the Model Concession Agreement (MCA) for National Highways.
 - e. MoRTH shall obtain clearances such as environment and forest clearance, before commencing work on the project site.
 - f. MoRTH shall obtain prior approval of the PPPAC on any change in TPC, scope of work or project configuration as noted above.
 - g. MoRTH shall circulate the final documents to the members of the PPPAC for record.

(Action: MoRTH/NHAI)

Agenda Item VI: Proposal from MoRTH for grant of final approval: Four laning of Jalgaon to Gujarat Maharashtra Border Section of NH-6 from Km 441.950 to Km 650.794 in the State of Maharashtra under NHDP Phase-IV on BOT (Toll) basis.

Total length: 208.844 km; Total Project Cost: Rs. 1968.37 crore; Cost of pre-construction activities to be financed by NHAI: Rs.366.74 crore; Concession Period: 20 years including 2.5 years of construction period.

Major development works/ structures: Major Bridge: 13 (new), 2(repair), 2 (widening); Minor bridges: 116 (new on main carriageway), 15 (new on service roads), 29(repair), 5 (widening); ROBs: 3 (new); Partial clover leaf interchange; 2 at km 524.15, Dhule and Dhulia & Fagne bypass; Major road junctions: 30; Minor Junctions: 110; Service roads/slip ramps: 61.516 km; (width 5.5 m for 58.381 km & 7 m for 3.135 km); Bypasses: 8 of 44.30 km; 6 lane stretch from km (601.25 to 604) for a length of 2.715 km at Kondaibari ; Toll plazas: 3 (km 488.66, km 564.36, and km 620.56); Vehicular underpasses: 18; Pedestrian/cattle underpasses: 11; Culverts: 261; Truck laybys: 6; Rest area: 1; Bus-bays: 25 (both sides).

46. Director, DEA indicated that the instant project highway includes an existing bypass at Dhule on which toll revenues are being collected through a separate concession. The Dhule bypass is proposed to be included in the project on the completion of the ongoing concession on November 21, 2013. The Schedule 'R' of the DCA of the instant project does not provide information on the existing toll rate at the Dhule bypass or the toll rate that will be applicable for the bypass after the expiry of the existing concession period and on its inclusion in the current project

(and levying of fee by the Concessionaire of the instant project). The same may be precisely specified in the Schedule 'R' of the DCA. This was agreed to.

47. The PPPAC noted that Planning Commission has indicated unjustified expenditure in respect of the instant project in violation of the MSS. Joint Secretary, DEA requested MoRTH /NHAI to respond to the observation of Planning Commission. This was agreed to.

48. Adviser, Planning Commission queried about the status of the land acquisition in respect of the project. Member, NHAI informed that the 50 per cent of the land required for the project is available, for the balance, notification under section 3A has been issued and notification under section 3D is under process.

49. All the members of the PPPAC supported grant of approval to the project.

50. The PPPAC granted final approval to the project under NHDP-IV for TPC of Rs. 1968.37 crore with maximum VGF as Rs. 393.674 crore (20 percent of TPC), subject to fulfilment of the following conditions:

- a. NHAI shall ensure revision of Schedule 'R' to indicate precisely the current rates on the Dhule bypass as well as the rates applicable after the inclusion of the bypass in the instant project after the expiry of the ongoing concession period.
- b. NHAI/MoRTH shall respond to the observations of Planning Commission with respect to requirement of the structures on the project.
- c. NHAI shall undertake corrections in the project DCA in compliance with the observations of Planning Commission and DEA which have been agreed to by NHAI in their response to the appraisal notes.
- d. NHAI shall ensure land acquisition in respect of the project to provide ROW in accordance with the provisions of the Model Concession Agreement (MCA) for National Highways.
- e. MoRTH shall obtain clearances such as environment and forest clearance, before commencing work on the project site.
- f. MoRTH shall obtain prior approval of the PPPAC on any change in TPC, scope of work or project configuration as noted above.
- g. MoRTH shall circulate the final documents to the members of the PPPAC for record.

Agenda Item VII: Proposal from MoRTH for grant of final approval: Four laning of Coimbatore-Mettupalayam Section of NH-67 from Km 323/850 to Km 377/780 in the State of Tamil Nadu under NHDP Phase-III on BOT (Toll) basis.

Total length: 53.93 km; Total Project Cost: Rs. 592 crore; Cost of pre-construction activities to be financed by NHAI: Rs. 232.30 crore; Concession Period: 20 years including 2.5 years of construction period.

Major development works/ structures: Major Bridge: 3; Minor bridges: 11; Flyover: Nil; Bypass: 4 of 48.082 km, ROB: 3; Major road junctions: 13; Minor Junctions: 39; Service roads: Nil; Toll plazas: 1 (Km. 362.75); Slip road: 1.5x2; Vehicular underpasses: 1; Pedestrian & Cattle underpasses: Nil; Culverts: 84; Truck laybys: 1 at km 361.45; Bus-bays/Bus-shelters: 68

51. The Chair observed that the project had been bid out earlier in 2010 after the approval of the PPPAC and the CCEA in 2008. The bid process had resulted in receipt of financial bids with a quote of premium amounts. He queried about the reasons for rejection of the bid and observed that the delay in the project had resulted in substantial increase in the cost of land acquisition for the project.

52. Secretary, RTH informed that after the approval of the project by the CCEA, the total project cost indicated in the bid documents was increased by Rs. 4 crore on account of change in location of the toll plaza. The change in the location had been undertaken for enhancing the viability of the project. However, this change was not brought before the PPPAC or CCEA for approval before the conclusion of the bid process. Further, the State Government expressed reservations about the alignment of the project and suggested that another alignment may be considered. After consideration, MoRTH took a view that since the TPC was different from the investment approved by the CCEA and the local issues required resolution, it may be appropriate to discharge the bids received and re-bid the project. The land acquisition in respect of the project was also stopped pending consensus with the State Government on the project's alignment.

53. Joint Secretary, DoE queried about the need of the project in view of the investments of around Rs. 50 crore being planned for Coimbatore - Mettupalayam Road by NHAI and the State Government. Member, NHAI clarified that the proposed investment by the State Government would not result in duplication of works with the instant project.

54. Director, DEA indicated that the project was considered by the Standing Cost Committee in its meeting held on February 9, 2012 and deferred to examine an alternative alignment for the project. The proposal may be considered by the PPPAC only after the approval of the project scope, project cost and the cost of land acquisition (which has increased by 400 per cent) by the Standing Cost Committee.

55. The Chair queried about the need for placing the project before the PPPAC and commencing with the bid process when the finality had not been achieved about the alignment of the project.

56. Member, NHAI clarified that the project scope and cost has been considered by the Standing Cost Committee in its meeting held on February 9, 2012. However, the decision was deferred with the suggestion that an alternative alignment may also be considered for the project stretch, in consultation with the State Government and Chairman, NHAI. The alternative alignment suggested by Standing Cost Committee has been internally discussed by NHAI and a view taken that it would not be technically feasible to change the alignment. Further, since the alignment after discussion has been agreed to by the District Collector, the likelihood of their acceptance of the change is also remote.

57. Secretary, RTH emphasised that the approval of the project should not be linked to concerns about the alignment of the Standing Cost Committee. The Ministry endorses the view of the NHAI that the alternative alignment suggested by the Standing Cost Committee is not technically or financially feasible. Further, the instant proposal is based on the alignment and scope of work which was earlier approved by the PPPAC. The TPC has been modified to the extent of updation of the Schedule of Rates to the current levels and change in toll plaza location for enhancing the project viability. The land acquisition was earlier stopped due to local conditions; the process has now commenced after resolution of the issues. The Ministry is of the view that further review of the cost of land acquisition is not warranted since the expenditure on land acquisition is on actual basis, as determined by the District Collector. Hence, the project may be considered for grant of final approval.

58. The members of PPPAC agreed to consider the project, without the recommendations of the Standing Cost Committee in view of the position explained by Secretary, RTH that no change in the scope of work vis-à-vis the earlier approval by PPPAC is envisaged and alternative alignment of the project may not be feasible. It was noted that the project had earlier received premium bids, therefore the project may be approved subject to the condition that it may be procured without any VGF support.

59. Adviser, Planning Commission stated that the proposed toll plaza location is such that if a road user traverses a distance of 5 km, the user would have to pay toll charges for the entire stretch of 53.93 km. Member, NHAI explained that there is only one toll plaza on the stretch and the location thereof has been determined to maximise the project's viability. Since, the project has open tolling system, the users cannot be charged toll based on the distance travelled by them.

60. Director, DEA stated that DEA in their appraisal note has recommended that the concession period may be reduced to 20 years from 24 years based on design capacity of the project. This was agreed to.

61. The PPPAC granted final approval to the project under NHDP-III for TPC of Rs. 592 crore with nil VGF, subject to fulfilment of the following conditions:

- a. MoRTH shall confirm in writing that the proposed alignment of the project stretch is final prior to the project Bid Due Date.
- b. NHAI shall revise the concession period to 20 years.
- c. NHAI shall undertake corrections in the project DCA in compliance with the observations of Planning Commission and DEA which have been agreed to by NHAI in their response to the appraisal notes.
- d. NHAI shall ensure land acquisition in respect of the project to provide ROW in accordance with the provisions of the Model Concession Agreement (MCA) for National Highways.
- e. MoRTH shall obtain clearances such as environment and forest clearance, before commencing work on the project site.
- f. MoRTH shall obtain prior approval of the PPPAC on any change in TPC, scope of work or project configuration as noted above.
- g. MoRTH shall circulate the final documents to the members of the PPPAC for record.

(Action: MoRTH/NHAI)

Agenda Item VIII: Proposal from MoRTH for grant of final approval: Four laning of Haryana/Punjab Border to Jind Section of NH-71 from Km 239.000 to Km 307.000 in the State of Haryana under NHDP Phase-III on BOT (Toll) basis.

Total length: 69.35 km; Total Project Cost: Rs. 438,75 crore; Cost of pre-construction activities to be financed by NHAI: Rs. 124 crore; Concession Period: 27 years including 2.5 years of construction period;

Major development works/ structures: Major Bridge: Nil; Minor bridges: 5; Flyover: 4; Bypass: 1 (Jind Bypass of 15.65 km), ROB: 2; Major road junctions: 6; Minor Junctions: 47; Service roads: 10.04 km; Toll plazas: 1 at km 287; Vehicular underpasses: Nil; Pedestrian & Cattle underpasses: 1; Culverts: 144; Bus-bays: 14;

62. Member, NHAI presented the proposal. PPPAC noted that the instant project was considered by the PPPAC in its meeting held on August 10, 2011 and the project was returned to MoRTH as the average traffic was around 10,380 PCUs and did not justify four laning of the project highway.

63. Member, NHAI informed that a fresh traffic survey was conducted in December 2011 wherein the average total traffic was estimated as 15,132 PCUs (as against 10,380 PCUs based on traffic survey conducted in June 2010). Further, it was indicated that the survey in June 2010 determined low traffic on account of heavy monsoon in 2010 resulting in water logging and related traffic reduction. The Chair queried whether the depressed traffic in June 2010 could be attributed to heavy rainfall as, normally, onset of monsoons is in the month of July in the region. Member, NHAI clarified that the depressed traffic in 2010 is corroborated with earlier traffic assessments undertaken in the region which indicate higher levels of traffic. Present traffic of 15,132 PCUs is lower than the traffic count of 17,676 PCUs based on traffic survey conducted by MoRTH in March 2009. Hence, the four laning of the stretch may be approved.

64. The Chair indicated that Planning Commission in their appraisal note have supported four laning of the project highway.

65. Director, DEA indicated that the TPC has been revised from Rs. 425 crore to Rs. 467 crore though the civil construction cost has remained the same at Rs. 351 crore. Further, the TPC has been calculated by escalating the civil construction cost by 33 per cent as against the norms of 25 per cent as per MCA. Member, NHAI explained that the civil construction cost of Rs. 351 crore is based on the SoRs for the year 2010-11. This cost has been escalated by the WPI for one and a half year, that is, up to September 30, 2012. However, based on the financial viability of the project and circular of MoRTH regarding estimation of financial viability of project, the TPC has been revised to Rs. 446 crore. Director, DEA indicated that the said instructions were discussed in the committee of AS & FA, MoRTH and it was agreed that modifying the TPC based on estimations of grant does not give the correct estimation of TPC for the purposes of the Concession Agreement. Hence, the TPC of the project may be modified to Rs. 438.75 crore (ie. Civil cost of construction of Rs. 351 crore, escalated with 25 per cent as per MCA). This was agreed to .

66. All the PPPAC members were in the support of grant of approval to the project.

67. The PPPAC granted final approval to the project under NHDP-III for TPC of Rs. 438.75 crore with maximum VGF of Rs. 175.50 crore, subject to fulfilment of the following conditions:

- a. The Total Project Cost may be revised in the bidding documents through issue of an addendum.
- b. NHAI shall ensure land acquisition in respect of the project to provide ROW in accordance with the provisions of the Model Concession Agreement (MCA) for National Highways.

- c. NHAI shall undertake corrections in the project DCA in compliance with the observations of Planning Commission and DEA which have been agreed to by NHAI in their response to the appraisal notes.
- d. MoRTH shall obtain clearances such as environment and forest clearance, before commencing work on the project site.
- e. MoRTH shall obtain prior approval of the PPPAC on any change in TPC, scope of work or project configuration as noted above.
- f. MoRTH shall circulate the final documents to the members of the PPPAC for record.

(Action: MoRTH/NHAI)

Additional Agenda Item I: Request from MoRTH/NHAI for effecting changes in the scope of work of two projects approved in the 50th meeting of the PPPAC

68. Director, DEA indicated that Ministry of Road Transport & Highways has invited attention to the Record of Discussions of the 50th meeting of the PPPAC and requested minor corrections in the scope of work in respect of two projects, viz., four laning of Goa/Karnataka Border to Kundapur and four laning of Hosekote to Dobbaspeth. NHAI has also requested that the TPC of the project stretch from Hosekote to Dobbaspeth may be effected based on financial analysis of the project.

69. Director, DEA informed that the change in the scope of the work in terms of the minor change in the project alignment, location of toll plazas, etc., effected in compliance with the observation of the members of the PPPAC, may be considered for approval. However, the TPC of project stretch from Hosekote to Dobbaspeth is proposed to be changed by NHAI on account of change in the financial model through the change in variable on the project concession period and may not be supported. This was agreed to.

70. PPPAC approved the following changes in scope of work:

- a. **Four laning of Goa/Karnataka Border to Kundapur:**
 - i. The total length of the project is 187.240 km.
 - ii. Toll plaza location may be at km 117.90, km 179.80 and km 239.64
 - iii. Pedestrian / cattle underpasses may be read as 14/5
- b. **Four laning of Hosekote to Dobbaspeth:**
 - i. Toll plaza location may be at km 73.50, and km 125.550

(Action: MoRTH/NHAI)

Additional Agenda Item II: Provisions in the NH Fee Rules, 2008 read with NH Fee (Amendment) Rules, 2010 with respect to Toll Fee of projects proposed for two laning with paved shoulders.

71. Director, DEA informed that the Empowered Institution(EI) for the Scheme for Support to PPPs in Infrastructure had in its 38th meeting held on March 6, 2012 considered the under-mentioned three proposals for development of National Highway stretches on BoT (Toll) basis in the states of Rajasthan and Bihar:

- a. Two laning with paved shoulders of Nagaur-Jodhpur section of NH 65 under NH (Others) in the State of Rajasthan (costing Rs. 3.27 crore per km) .
- b. Two laning with paved shoulders of Jodhpur-Pali section of NH 65 under NH (Others) in the State of Rajasthan(costing Rs. 4.65 crore per km) .
- c. Two laning with paved shoulders of Bihta-Mahabalipur-Aurangabad section of SH2 and NH 98(costing Rs. 3.31 crore per km) .

72. Director, DEA informed that during the meeting of the EI, the representative of MoRTH stated that National Highways Fee (Determination of Rates and Collection) Rules, 2008 read with National Highways Fee (Determination of Rates and Collection) Amendment Rules, 2010, prescribe under **Rule 4 (3)** that :

“the rate of fee for use of a section of national highway, having two lanes and on which average investment for upgradation has exceeded rupees two and a half crore per km at the 1st April, 2008 prices , shall be sixty per cent of the rate under sub-rule (2) of rule 4.”

Hence, as a corollary, projects that cost less than Rs. 2.5 crore per km at April 1, 2008 prices, **are not eligible for tolling**. Accordingly, the representative of MoRTH stated that the proposal for development of the project in Bihar on BoT(Toll) basis was not eligible for VGF support.

73. Director, DEA further informed that the Empowered Institution noted that the step calculation from 2008 prices to current prices for determining the threshold in accordance with the Toll Rules has not been undertaken by MoRTH. It was decided to defer the grant of in principle approval for VGF support in respect of the three projects till the resolution of the threshold level for admissibility for levying the user fee on NH highways being developed as two laned with paved shoulders. The Empowered Institution also observed that MoRTH has sought and obtained the approval of many other projects proposed to be developed as two lane paved shoulders from the PPPAC as well as the two-member Committee, notified in accordance with the Guidelines for Formulation Appraisal and Approval of central sector PPP projects. It was suggested by the Empowered Institution that MoRTH may undertake an examination of such projects and apprise the PPPAC of applicability of toll rules and the status of these projects.

74. The PPPAC noted that an indicative list of projects proposed to be developed as two laned/two laned with paved shoulders, costing less than Rs. 3.5 crore per km

granted approval by the PPPAC and the two member committee had been circulated along with the agenda note of the meeting. MoRTH was requested to inform whether the projects are eligible for tolling in accordance with the NH Fee Rules. Secretary, MoRTH indicated that the matter is under examination and position of MoRTH shall be informed shortly.

(Action: MoRTH/NHAI)

Additional Agenda Item III: Estimation of the concession period determined with reference to the breach capacity of the project based on 5 per cent CAGR.

75. Director, DEA informed that the provisions of the MCA provide that the projection of traffic for estimating the Target Traffic and determination of the concession period is based on 5 per cent CAGR. However, two of the appraisal notes from Planning Commission suggested modifications in the project concession periods by estimating the traffic to grow at 6 per cent per annum. It was suggested that it would be appropriate to follow uniform procedure for determination of concession period by all members of the PPPAC. In the event that Planning Commission and MoRTH/NHAI are of the view that higher rate of traffic growth is appropriate for determining project indicators, the same may be verified through a quick survey of the information on traffic growth on the project stretches being implemented by NHAI.

76. Adviser, Planning Commission informed that they would continue to use 5 per cent CAGR for traffic projections. 6 per cent growth had been assumed by Planning Commission for the purposes of undertaking sensitivity analysis. The Chair requested Planning Commission to recommend the project parameters on the basis of process prescribed in the MCA and to depict the sensitivity analysis separately in their appraisal notes. This was agreed to.

77. The Chair also requested NHAI to undertake a study on the basis of the projects being implemented to review and determine the rate for estimation of traffic projections.

(Action: MoRTH/NHAI)

78. 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)

51st Meeting on March 09, 2012

List of Participants

I. Department of Economic Affairs, Ministry of Finance

- i. Shri R. Gopalan, Secretary (In Chair)
- ii. Shri Rajesh Khullar, Joint Secretary
- iii. Smt. Aparna Bhatia, Director

II. Department of Expenditure, Ministry of Finance

- iv. Smt. Meena Agarwal, (Joint Secretary (PF II))
- v. Smt. Sigy Thomas Vaidhyan, Deputy Secretary (PF II)

III. Planning Commission

- vi. Shri Shri Ravi Mital, Adviser
- vii. Shri Shri K. R. Reddy, (Adviser, PPP)

IV. Ministry of Law and Justice

No representative present

V. Ministry of Road Transport & Highways (MoRTH)

- viii. Shri A. K. Upadhyay, Secretary
- ix. Shri Raghav Chandra, Joint Secretary
- x. Shri Manoj Kumar, Superintendent Engineer
- xi. Shri Atul Kumar, Superintendent Engineer
- xii. Shri B. K. Sinha, Superintendent Engineer

VI. National Highway Authority of India (NHAI)

- i. Shri J.N. Singh, Member, NHAI
- ii. Shri B.N. Singh, Member, NHAI
- iii. Shri V.L. Patankar, Member, NHAI
- iv. Shri M.P Sharma, Chief General Manager
- v. Shri R.K. Singh, Chief General Manager
- vi. Shri S. C. Jindal, Chief General Manager
- vii. Shri S.S. Gaharwar, General Manager
- viii. Shri V. K. Rajawat, General Manager (T)
