Record Note of Discussion

The 59th meeting of the Public-Private-Partnership-Appraisal-Committee (PPPAC), chaired by Secretary, Economic Affairs, was held on August 05, 2013. The list of participants is annexed.

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

   I. 4-laning with paved side shoulders (PSS) of Sangrur to Punjab/Haryana border Section of NH – 71 From Km 181.805 (Sangrur) to Km 238.695 (Punjab/Haryana border) in the State of Punjab, on Built-Operate-Transfer (BOT)-Toll basis under National Highway Development Program (NHDP)-IV.

   II. Construction of two-lane Zojila Tunnel of 14.083 km length on NH-1D in the State of Jammu & Kashmir on BOT annuity basis

In addition, the PPPAC would also review the land availability status of Ministry of Road Transport & Highways’ project for Four-Laning with PSS of Aurangabad to Yedshi Section of NH – 211 from km 290.200 to km 100.000 in the State of Maharashtra, on DBFOT pattern under NHDP Phase IV.

Agenda Item I: Proposal from Ministry of Road Transport & Highways for grant of final approval: 4-laning with PSS of Sangrur to Punjab/Haryana border Section of NH – 71 From Km 181.805 (Sangrur) to Km 238.695 (Punjab/Haryana border) in the State of Punjab, on BOT (Toll) basis under NHDP-IV.
3. Deputy Secretary, Department of Economic Affairs (DEA) informed the PPPAC that Project was considered and deferred in the 58th meeting of PPPAC with the direction that MoRTH submit revised and legally vetted documents based on the correct TPC to the members of PPPAC for fresh consideration. Revised project documents were received and circulated to all members of PPPAC.

4. Deputy Secretary, DEA stated that as per the response received from the MoRTH, 68 percent of the total land is available for the project. However, issues related to environment clearance, wild life clearances, removal of encroachment on account of ribbon development within the existing right of way require clarification. It was also stated that the concession period based on the breached capacity of the highway may be 28 years instead of 30 years.

5. Chief Engineer, MoRTH responded that environment clearance has already been obtained, the wild life board has already approved the project of NH-64, Patiala to Bhatinda that passes within the radius of 10 km in Sangrur and hence, no wild life clearance is required. Only ‘No Objection Certificate’ is required from the Wild life board for which application has already been submitted. As regards encroachment, the same shall be removed as per the Rehabilitation and Relocation Policy of the NH Act 1956. On the issue of concession period, Chief Engineer, MoRTH stated that as per the traffic survey, traffic capacity is breached between the 29th and 30th year i.e. in the year 2042-43 hence concession period of 30 years is justified. This was agreed to.

6. Advisor, Planning Commission stated that the project is estimated to be viable with VGF upto 35 percent of TPC. Hence, to make the project viable, the proposal of construction of service roads, bypass of 5.6 km, five flyovers and six underpasses may be reconsidered as the traffic on the project highway is only 15,000 PCUs.
construction of these items may be taken up in the second phase after 7 to 8 years when traffic justifies.

7. Chief Engineer, MoRTH made a detailed presentation and indicated that the service roads has been proposed only in the built up and densely populated areas. Flyovers, bypass and underpasses have been proposed as per the site requirement for free flow of the traffic conforming the Manual for Specification and Standards.

8. Secretary MoRTH indicated that project may be bid out on the basis of the proposed structuring and in case bids fails, the project may be restructured. The Chair supported the view of the MoRTH and stated that since, the project is estimated to be viable, VGF within 40 percent of TPC, the project may be considered for approval.

9. All the members of PPPAC were in agreement to grant approval to the project.

10. The PPPAC decided to recommend for approval to the competent authority the project for four-laning with PSS for a section between Sangrur to Punjab/Haryana border Section of NH – 71 From Km 181.805 (Sangrur) to Km 238.695 (Punjab/Haryana border) in the State of Punjab under NHDP – IV on BOT (Toll) basis, for TPC of Rs. 520.72 crore with maximum VGF of Rs. 208.288 crore (40 percent of TPC), subject to fulfilment of the following conditions:

   10.1. MoRTH shall issue Request for Proposal (RFP) only after;
   10.1.1. Completing the land acquisition as per the decision of PPPAC in its 56th meeting held on December 21, 2012 that “atleast 60% of the total land should be available or notification under Section 3(A) should have been issued for at least 90 percent of the land required and notification under Section 3(D) should have been issued for atleast 60 percent of the land required for the project”
   10.1.2. Obtaining the environment clearances for the project

   10.2. MoRTH shall incorporate the observations of Planning Commission and DEA with respect to the project DCAs as agreed to by MoRTH in their responses.

   10.3. MoRTH shall obtain prior approval of the PPPAC on any change in scope of work or project configuration as noted above.

   10.4. MoRTH shall circulate the revised documents to the members of the PPPAC for record.

   (Action: MoRTH)
Agenda Item II: Proposal from Ministry of Road Transport & Highways (MoRTH) for grant of final approval: Construction of two-lane Zojila Tunnel of 14.083 km length from km 94.50 to km 119 of

NH-1D in the State of Jammu & Kashmir on BOT annuity basis

Total length: 14.083 km (Tunnel) and approach road: 10.82 km; Total Project Cost: Rs. 9090 crore; Concession period: 22 years including 7 years construction period.
Land to be acquired: 223 ha. (100 percent)
Major development works/structures: Main Tunnel of 10.80 m wide: 14.083 km, Escape Tunnel of 6 m wide: 14.054 km; approach roads: 10.820 km

11. Deputy Secretary, DEA informed that the primary issue for this project pertains to budgetary approval required for annuity requirement, high capital cost, Value for Money (VfM) analysis, requirement of clearances, mode of implementation, etc.

12. Advisor, Planning Commission informed that Deputy Chairman, Planning Commission in reference to the request of the MoRTH for allocation of the extra budgetary requirement for annuity payment for the said project has informed the Minister, RTH that presently, there are no extra funds available for the project. Further, TPC of Rs. 9090 crore for the project is abnormally high which has been calculated by adding 67 percent of the civil cost of Rs. 5432.38 crore as against 25 percent as per the MCA. Hence, project may not be support worthy until budgetary allocations for annuity payments are confirmed.

13. Secretary, RTH indicated that PPPAC has earlier approved the “Z Mor project “ and the proposed project of Zojila Tunnel is equally essential on the same highway from Srinagar –Kargil- Leh. The Z Mor tunnel with project cost of Rs. 2670 crore has already been awarded and Concession Agreement signed in May, 2013 with a semi-annual annuity payment of Rs. 234.70 crore, much lower than the estimates by MoRTH. The Return on Equity of the lowest bids is 13 percent. The construction of Zojila tunnel is necessary in order to establish all-weather connectivity to Kargil and Leh. The annuity payments would only start only after 7 years i.e. on completion of construction.

14. The Chair stated that the proposed project has strategic and socio-economic importance which may not be commercially sustainable. Hence, PPPAC should decide whether the project is to be implemented on EPC or annuity basis. In the present circumstances, when there is a scarcity of the fund within the Government, EPC mode may not be preferable. The Annuity may be a suitable option as fund requirement for payment of annuity may be deferred by 7 years.
15. Director General (DG), BRO presented the proposal. It was informed that the proposed project is to be implemented by Border Roads Organisation (BRO). The project is critically required to provide all-weather connectivity to the Leh-Ladakh region leading to its overall socio-economic development. Due to such a high altitude and being an avalanche prone area, construction can be underway only during 5-6 months in a year. The region is prone to submergence under extensive snow and has rocks with fissures causing water leakages. The western portal elevation is 2900 m and eastern portal elevation is 3310 m. Hence, the project cost is higher since it requires different construction techniques and the equipment remains idle for six to seven months every year. Provisions have been made for restricted work during winter months. Further, specifics have been made for risk coverage on account of unpredictable geological conditions. All these conditions add up to the cost of construction. Further, where the construction period is two and half to three years, the cost of IDC, escalation & financing as stipulated by the MCA is 25 percent of the civil cost. In the instant project, the construction period is seven years, thus, 67 percent of the civil cost have been arrived at based on the financial analysis. It was stated that in the “Z Mor” project, PPPAC had allowed calculation of project cost upto 40 percent of the civil cost for a construction period of five years. Therefore the present estimates of project cost were appropriate and the project was technically sound, all technical and costs assessments were developed with the help of independent technical consultants. Further, the cost of the project has been approved by the Cost Committee in its meeting held on May 23, 2013.

16. DG, BRO informed that 4 firms had responded to the RFQ applications received in July, 2013. Reputed firms have shown interest in developing the project and are having requisite technical expertise, thus, the risk of construction and development will be better borne by them. Hence, irrespective of costs of O&M, BOT (Annuity) remains a preferred choice of implementation of the project which conclusively covers the design, construction, O&M risks by one Concessionaire.

17. DG, BRO also informed that for a concession period of 22 years with 7 years construction period, the semi-annual annuity was estimated as Rs. 996 crore with annual budgetary requirement would be Rs. 1992 crore.

18. With regard to VfM analysis, DG, BRO informed that VfM at 15 percent equity IRR is Rs. 658 crore in favour of BOT (Annuity) mode. At 18 percent equity IRR, implementation of the project on BOT (Annuity) is supported only with time overrun of one year and 10 percent cost escalation. At 21 percent equity IRR, VfM analysis does not support implementation of the project on BOT (Annuity).

19. Secretary, RTH stated that the project is being considered based on its strategic national importance and commitment for budgetary allocation shall be obtained
from CCEA while taking approval for the investment decision in respect of the project. Hence, it was requested to approve the project.

20. The Chair indicated that since, the annual budgetary requirement is Rs. 1992 crore which would arise only after 7 years from the date of start of construction, the project is worth supporting due to its strategic national importance. MoRTH would comply with the observations of the Planning Commission and the DEA. This was agreed to.

21. All the members of PPPAC were in agreement to grant approval to the project.

22. The PPPAC decided to recommend to the competent authority for approval of the project for TPC of Rs. 9090 crore with maximum semi-annual annuity of Rs. 996 crore, subject to fulfilment of the following conditions:
   a. MoRTH shall obtain specific approval from CCEA to include the project for implementation under NH (others).
   b. MoRTH shall ensure specific approval from CCEA regarding budgetary provisions for payment of semi-annuities and pre construction activities.
      a. MoRTH shall issue Request for Proposal (RFP) only after:
         i. Completing the land acquisition as per the decision of PPPAC in its 56th meeting held on December 21, 2012 that “atleast 60% of the total land should be available or notification under Section 3(A) should have been issued for at least 90 percent of the land required and notification under Section 3(D) should have been issued for atleast 60 percent of the land required for the project”
         ii. Obtaining the environment clearances for the project
      b. MoRTH shall incorporate the observations of Planning Commission and DEA with respect to the project DCAs as agreed to by MoRTH in their responses.
      c. MoRTH shall obtain prior approval of the PPPAC on any change in scope of work or project configuration as noted above.
      d. MoRTH shall circulate the revised documents to the members of the PPPAC for record.

   (Action: MoRTH/BRO)

Agenda Item III: Review of Land availability status in Proposal from Ministry of Road Transport & Highways for grant of final approval: Four-Laning with PSS of Aurangabad to Yedshi Section of NH – 211 from km 290.200 to km 100.000 in the State of Maharashtra, on DBFOT pattern under NHDP Phase IV approved in the 58th PPPAC held on 21/5/13. Clarification on status of land availability:
23. Deputy Secretary, DEA informed that the Project was granted approval in 58th meeting of PPPAC based on the land acquisition status claimed by MoRTH indicating that 60% of land was available. However, consequent to the PPPAC meeting, land acquisition details submitted by MoRTH vide OM dated June 4, 2013 indicate that the land availability was only 35.25%. Thus the project was not ripe for consideration of PPPAC in terms of criteria laid down in the 56th PPPAC. MoRTH may clarify the position.

24. Chief General Manager, NHAI responded that out of the 1273.57 Ha land required for the project, 449 Ha land (35.25%) is in possession. Notification under section 3A has been completed for the entire land of 824.565 Ha (100%) to be acquired; Notification under 3D has also been published for 445 Ha (54%). Thus total land available as on date is 70 percent. Further, notification under section 3D is being issued for another 22% land. Thus, decision of the 56th PPPAC with respect to availability of land has been complied now. It was also informed that RfP for the project has not been issued.

25. Secretary, RTH indicated that MoRTH is ensuring that no proposal would be forwarded to the PPPAC before complying with the conditions for land acquisition status as decided by the PPPAC.

26. PPPAC noted the land acquisition status of the project and that the conditions laid down with respect to land availability for final approval in the 58th Meeting of the PPPAC have been complied with.

(Action: MoRTH/NHAI)

27. The meeting ended with a vote of thanks to the Chair.
Government of India
Ministry of Finance
Department of Economic Affairs
PPP cell

Public Private Partnership Appraisal Committee

59th Meeting on August 05, 2013

List of Participants

I. Department of Economic Affairs, Ministry of Finance
   i. Dr. Arvind Mayaram, Secretary (In Chair)
   ii. Shri Shaktikanta Das, Additional Secretary
   iii. Ms. Sharmila Chavaly, Joint Secretary
   iv. Smt. Abhilasha Mahapatra, Deputy Secretary

II. Department of Expenditure, Ministry of Finance
   v. Smt. Saheli Ghosh Roy, Director

III. Planning Commission
   i. Shri Ravi Mittal, Advisor
   ii. Shri Amitabha Ray, Joint Advisor
   iii. Shri K. R. Reddy, Consultant

IV. Ministry of Road Transport & Highways (MoRTH)
   iv. Shri Vijay Chibber, Secretary
   v. Shri V.L.Patankar, Addl. Director General
   vi. Shri A.K.Nagpal, Chief Engineer
   vii. Shri A.K.Shrivastava, Chief Engineer
   viii. Shri A.K.Singla, Chief Engineer
   ix. Shri Atul Kumar, SE
   x. Shri O.P.Shrivastava, SE
   xi. Shri Pawan Kumar, SE

V. Border Roads Organisation (BRO)
   xii. Lt. Gen A.T.Parnaik, DGBR
xiii. Col. Rakesh Kureel, Director, HQ, DGBR

VI. National Highway Authority of India
xiv. Shri R.K. Bansal, CGM
xv. Shri A.K. Sharma, GM(T)

VII. Government of Punjab
xvi. Shri N.P. Singh, XEN, PWD(B&R)

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