

F. No. 2/8/2019-PPP
Ministry of Finance
Department of Economic Affairs
(PPP Cell)

Record Note of Discussions of 93rd Meeting of the PPPAC

The 93rd meeting of PPPAC chaired by Secretary, Economic Affairs, was held on 17th March 2020 to consider the changes proposed by the Ministry of Railway post in-principle approval by the PPPAC in its 91st and 92nd Meeting of PPPAC. The list of participants is *annexed*.

Director (PPP), DEA informed that the PPPAC in its 91st Meeting held on 17.12.2019 accorded the in-principle approval to the development of Gwalior, Nagpur, Amritsar and Sabarmati Railway Stations. Further in the 92nd Meeting held on 19.12.2019, the PPPAC, accorded the in-principle approval to the proposal of Passenger Train project. On the basis of Stakeholders consultation and decisions of Empowered Group of Secretaries (EGoS), some changes are proposed by the Ministry of Railway post in-principle approval of the PPPAC.

2. ED (Transformation) made a presentation on the changes proposed by the Ministry of Railways in case of Passenger Train Proposal. He stated that while conveying the above in-principle approval, PPPAC had directed to

- form the identified 100 Origin Destination pairs into indicative clusters;
- enable PE and Financial Investor Participation and
- undertake detailed stakeholder consultation.

3. He further stated that as per the directions of the PPPAC, the MoR has formed OD pairs into 12 clusters. Alternate Investment Funds and Foreign Investment Funds have also been enabled in line with the RFP issued for recent six airports (Ahmedabad, Jaipur, Lucknow, Guwahati, Thiruvanthpuram and Manguluru) and the PPPAC approved framework for four stations. Two stakeholder consultations were held and Bid Documents including draft RFQ, draft Project Information Memorandum and Draft Concession Agreement have been placed on the website seeking comments of the stakeholders. He further stated that based on the stakeholder consultations and decisions of the Group of Secretaries constituted for the Project, the MoR has proposed following changes in the RFQ:

- i. Each Cluster being a separate Project, a separate RFQ will be issued for each Cluster and, accordingly, 12 RFQs will be issued. This would enable bidders to participate with different consortia members in different RFQs and will enhance competition.
- ii. Considering that at present technical eligibility criteria is based on infrastructure projects and the requirement contained therein is not comparable to trains operations as required in the current project; and there aren't any applicants/ bidders in the country with technical experience of train operations, accordingly, and also for increased competition, it is proposed that only Financial Capacity with increased threshold at 50% of Project Cost be

the eligibility criteria (i.e., Rs. 900 crore for RFQ with project cost of Rs. 1800 crore for one cluster). However, the provision of O&M experience in the RFQ is proposed to be modified to make a specific reference for engaging experienced staff or the agencies having railway rolling stock experience.

- iii. In the present formulation, the Haulage charges includes energy component also. However, to incentivize energy efficient trains, it was proposed that the Haulage Charges be exclusive of energy charges and the energy charges will be levied and collected separately as actuals.

4. Director (PPP) made a point that for the purpose of technical capacity, the experience of sectors of harmonised list of infrastructure may be considered in line with the decision of PPPAC in its 85th Meeting in case of six airports. Further, the exclusion of energy charges from Haulage charges may lead to disputes between the Authority and the Concessionaire at later stage. **After deliberations, PPPAC decided to remove the requirement towards Technical Capacity in the RFQ with Financial Capacity to be increased at 50% of Project Cost and Energy Charges to be excluded from computation of Haulage Charges.**

5. MD&CEO, Indian Railway Station Development Corporation (IRSDC) made a presentation submitted that while there are no changes proposed in the RFQ conditions w.r.t. in-principle approval granted by the PPPAC, however in the term sheet submitted along-with PPPAC memo, certain conditions which will become part of the RFP and Draft Concession Agreement are proposed to be revised for which the Ministry of Railways would have in any case come back to the PPPAC for final approval before floating the RfP. He further stated that following changes are proposed for consideration of the PPPAC:

- i. **User Fee on Platform Tickets:** In reference to User Fee on Platform Ticket, Rs 20 as User Fee was approved earlier which is being now proposed to be reduced to Rs 10. Higher user fee on Platform ticket was proposed in order to dissuade people from coming on to the already crowded platforms. However with the reduction of User Fee to Rs. 10/- the viability of the proposal would not be greatly impacted.

The PPPAC decided that in respect of the user fee on Platform tickets, the MoR may evaluate the options and decide accordingly.

- ii. **Termination Payment on account of Government/Authority Default:** As per the extant procedure followed in the Road and other sectors and as included in the PPPAC Memo, upon termination on account of Government Default, the Government shall pay to the Concessionaire, by way of Termination Payment, an amount equal to-
 - a. Debt Due;
 - b. 150% of the Adjusted Equity; and
 - c. 115% of the amount representing Additional Termination Payment

To discourage the Concessionaire to create conditions which may lead to Government Default, and to have some deterrent on Govt part also it is proposed to limit it to 140% instead of 150% of Adjusted Equity.

PPPAC endorsed the view of the Ministry of Railway in this regard.

- iii. **Provisions, if any, for mitigating the risk of lower revenue collection:** In the present provisions submitted as part of the PPPAC memo it is proposed that “In the event that the Actual Average Traffic shall have fallen short of the Target Traffic by more than 2.5% thereof or exceeded the Target Traffic by more than 2.5% thereof, then for every 1% shortfall as compared to the Target Traffic, the Concession Period shall be increased by 1.5% thereof; provided that such increase in Concession Period shall not in any case exceed 20% of the Concession Period. In the event Actual Average Traffic shall have exceeded the Target Traffic, then for every 1% (one per cent) excess as compared to the Target Traffic, the Concession Period shall be reduced by 1% (one per cent) thereof; provided that such reduction in Concession Period shall not in any case exceed 10% (ten per cent) thereof.” It was proposed that the threshold of 2.5% of variation be raised to 10% for effecting any change in Concession Period, as +/- 2.5% may be a very narrow band for actual traffic forecast.

It was decided by the PPPAC that for the first 20 years the threshold for traffic variation should be kept at 5% and for every subsequent 10 years the variation limit may be kept at 2.5% of the targeted traffic count.

- iv. **Changes in provision related to land:** In the 91st PPPAC meeting held on 17.12.2019 chaired by the Secretary, Economic Affairs, it was decided that Railway may provide the real estate component up to the level of financial viability only and no excessive land should be provided for real estate development. It was further stated that integrated development of the entire railway land parcel available at the station is required to have a holistic development and also to generate some surplus revenue for Railways which may be utilized for not so viable stations etc.

The PPPAC decided that the Railways may utilize the quantum of land parcels at stations for holistic planning rather than limiting it to only financial viability keeping in view the location & other economic factors for that station and the same should be submitted to the PPPAC at the stage of final approval.

- v. **Signing of Concession Agreement:** It was pointed out by the VC, RLDA and MD&CEO, IRSDC that RLDA/IRSDC are empowered to enter into the Concession Agreement directly with Concessionaire. It was mentioned that the RLDA has the powers under the Railway Act. Whereas the IRSDC being a 50:50 JV of RLDA and IRCON is also empowered under Section 11 of the Railway Act and Section 24 of the RLDA constitution Rules, 2007, also has powers to sign the Concession Agreement.

The PPPAC directed to the representative of Department of Legal Affairs to examine the issue and convey accordingly to the Ministry of Railways under intimation to the PPPAC members. It was also mentioned that the comfort level of the lenders and other stakeholders also needs to be seen in this regard.

6. The PPPAC re-validated the in-principle approval to the proposal considered in the 91st and 92nd Meeting of PPPAC with the modifications as suggested above and also directed that the RLDA may also take reference from the decisions. It was further decided that modifications proposed in the RfP and Concession Agreement may also be reviewed at the stage of final approval, if required.
7. The meeting ended with vote of thanks to the chair.

Annexure

93rd Meeting of PPPAC held on 17.03.2020List of Participants

Sl.No	Name	Designation
1	Shri Atanu Chakraborty	Secretary(EA)- In Chair
2	Shri R P Gupta	Special Secretary, NITI Aayog
3	Shri Vishwesh Chaube	Member (Engineering)
4	Shri P.S. Mishra	Member (Traffic), Railway Board
5	Shri Sudheer Kumar	AM (RE & Transformation)
6	Shri Sonvir Singh	AM (L&A), Ministry of Railway
7	Shri Sanjeev Kumar Lohia	MD & CEO, IRSDC
8	Shri Ved Prakash Dudeja	VC, RLDA
9	Shri S K Saha	Adviser/PPP, NITI Aayog
10	Shri Ch. Partha Sarathi Reddy	Executive Director (Transformation), Railway Board
11	Shri A K Jain	Ministry of Railway
12	Shri Anjani Kumar	Member (Project), RLDA
13	Shri Anish Kumar	Ministry of Railway
14	Shri Vivek Saxena	ED, RLDA
15	Sanjeev Kumar	EDF, PPP
16	Shri Mukesh Kumar Gupta	Director (PPP), DEA
17	Shri R K Singh	Director (Project), IRSDC
18	Dr. R.J.R. Kashibhatla	Deputy Legal Advisor, Department of Legal Affairs
19	Shri L.K. Trivedi	Deputy Secretary, Department of Expenditure
20	Shri Shubham Goyal	Assistant Director, DEA
21	Nidhi Arora	Consultant, NITI Aayog
22	Arpana Bhatt	Consultant, NITI Aayog