

Government of India
Ministry of Finance
Department of Economic Affairs
PPP Cell

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**Empowered Institution for the Scheme to Support Public Private
Partnerships in Infrastructure**

17th Meeting on May 8, 2009

Record Note of Discussions

The seventeenth meeting of the Empowered Institution (EI), chaired by Additional Secretary, Department of Economic Affairs was held on May 8, 2009 to consider the proposal from Government of Karnataka (GoK) for permission to proceed with short listing of bidders for High Speed Rail Link (HSRL) Project connecting the city centre to the new Bangalore International Airport (BIA). The list of participants is annexed.

2. At the outset, the representative of GoK made a presentation on the project proposal. It was indicated that the HSRL to BIA, with a length of 34.6 km from the City Airport Terminal (CAT), MG Road to the new international airport at Devanahalli had been proposed with a design speed potential of 160 kmph (*i.e with operating speed of 145 kmph and commercial speed of 85 kmph*) so as to achieve travel duration of 25 minutes for the commuters, which currently takes an hour by road. The State Government was of the view that the development of the HSRL had advantages over the extension of existing systems, such as Vayu Vajare Bus Service and the metro rail, to the BIA. The traffic survey undertaken by DMRC, the technical consultants of the project, projected that during the first year of operation of the HSRL (*i.e. in 2012*) the average daily passengers on the HSRL would be around 40,000, which would be 40% of the commuters accessing the airport.

3. The representative of Ministry of Urban Development (MoUD) indicated that the alignment of the HSR corridor was pending finalisation. The representative of GoK confirmed that the alignment, following the National Highway 7, had been finalised in consultation with NHAI. Further, in consultation with the Indian Air Force, GoK had decided the alignment of the HSR at the Yelahanka Air force base, and the final approval of IAF was expected.

4. The representative of Planning Commission indicated that the Planning Commission had certain reservations regarding the project design and the deviations in the project RfQ from the model document, which could impact the success of the project. These were:

4.1 It was proposed to build the HSR with a maximum potential speed of 160 kmph. No system in the country currently operated on a speed of 160 kmph. The Delhi HSR to the airport was being developed for a potential speed of 135 kmph. While there were rail systems, internationally, which were operating even with a speed of 300 kmph, adopting a system with a high speed potential was likely to enhance the cost of the project. Furthermore, the Bangalore HSR corridor, in the span of 36 km, envisaged three stops; hence, it was likely that the HSR would reach the speed of 160 kmph for a very short time before it would have to slow down again for the next station. Accordingly, the State Government may re-examine the utility of developing the HSR with maximum potential speed of 160 kmph (as against 135 kmph adopted by Delhi HSRL) commensurate with the incremental costs of the project on account of the superior technology. In the event that the cost differential between the alternate technologies was substantial, HSR system with 135 kmph may be adopted.

4.2 Certain deviations from the model RfQ were being proposed in the project RfQ. Since the deviations were fraught with risk, the same may be reconsidered. First, the eligibility condition for the bidders (Clause 2.1.1) sought to include rolling stock, signalling or telecommunications equipment operators, as a consortium members with at least 10 percent equity participation. Such a provision would compel the prospective bidders to include equipment suppliers in the consortia and imply that the selected consortium would have to procure the rolling stock, etc from a particular supplier, which may not be the cheapest or the best technology available for the project. This could also lead to a higher bid. Secondly, the requirement for inclusion of members with experience of running 160 kmph system would be restrictive and eliminate much of the competition. Thirdly, estimation of eligibility/experience required at least 26 percent equity in the consortium. Diluting this requirement to 10 percent may be reconsidered. Finally, in defining the Category 3 of eligible projects in Railway sector (Clause 3.2.1), designing, manufacturing, testing and commissioning of rolling stock, signalling and telecommunication equipment, overhead equipments and rail track system had been included, which may be reviewed. The inclusion would entail evaluation of revenues obtained from supply of equipment, which is generally not reckoned while evaluating experience in infrastructure.

4.3 The concession period of the proposed project was 30 years. It may be kept as 60 years, as had been suggested by Planning Commission in their MCA.

5. The representative of DEA suggested that since the decision on the duration of the concession period issue was not of immediate importance for granting approval for short listing bidders for the project, it may be considered by the EI after holistic examination of the DCA of the project, while granting 'in-principle' approval for VGF support. It was noted that the project cost was based on 2007 estimates. The State Government was requested to indicate the present value of the project for the purposes of estimation of VGF.

6. The representative of GoK clarified the following:

6.1 **Project cost of alternate technologies:** There would be no change in the cost of civil structures on account of change in technology for design speed of 160 kmph vis-à-vis 135 kmph. Similarly, no substantial change in cost was envisaged on account of tracks, signalling and OHE for speed of 160 kmph as compared to 135 kmph. Rolling stock for design speed of 160 kmph would have changes as compared to 135 kmph design speed in the form of car body and bogie structure design and power requirements of propulsion equipments for high speed. However, cost implication for the same would be nominal (about 5%) in the cost of rolling stock.

6.2 **Determination of eligibility conditions:** It was emphasised that the project was not merely a civil construction project. The technical aspects of the project and its operations were complex and the success of the project depended upon the private operator being adequately equipped in terms of the experience for meeting these requirements. Accordingly, it was envisaged that each of the bidders should have the relevant experience for developing a similar project or have a consortium member with the relevant technical experience. However, as per international experience, operators with experience in signalling equipments, communications and rolling stock did not participate with 26 percent equity in such projects. Hence, 10 percent equity participation was being sought for the project. Accordingly, the relevant experience score of the bidders was also being assessed along above lines.

7. The representative of Planning Commission emphasised that higher score for railway projects was provided by the RfQ document. This would ensure that operators with relevant experience for operating the project would bid for the project. However, the decision regarding inclusion of equipment suppliers as consortium members should be left to the bidders and not made an eligibility condition for the project. It was reiterated that consortium members with at least 26 percent equity may be assessed for evaluating the experience of the consortium.

8. The representative of DEA pointed out that infrastructure, as defined by Planning Commission, included rolling stock for railway projects. Hence, the relevant experience in rolling stock for the project may be included for the purposes of assessing the eligibility score of the bidders. However, the experience for telecommunications and signalling equipments may not be included.

9. The Chairperson of EI noted that the provision that one of consortium members should have experience in rolling stock or signalling and telecommunications equipment systems should not be prescribed as an eligibility condition.

10. After deliberations, it was decided that:

10.1 The details of incremental cost on account of favouring/ adopting a HSR system with maximum speed potential of 160 kmph as against 135 kmph may be provided by the Sponsoring Authority.

10.2 The alignment of the project and its project cost may be finalised by the Sponsoring Authority and conveyed for the purposes of determining the VGF requirement of the project.

10.3 For the purposes of proceeding with short listing of the bidders for the project, the RfQ may be amended as indicated below:

- (i) Clause 2.2.1 (e) may be deleted.
- (ii) Clause 3.2.1 may be amended to provide that the Eligible Projects under Category 3 to only include experience of design, manufacture, testing and commissioning of railway stock. Construction experience of design, manufacture, testing and commissioning of Signalling and Telecommunications systems, overhead track equipments and rail track system may be excluded.
- (iii) Clause 3.5.1 may be suitably amended to indicate that in a Consortium, the Aggregate Experience Score of each of its Members, who have an equity share of *atleast 26 percent* in such Consortium (or Members with experience of design, manufacture,

testing and commissioning of railway stock who have an equity share of *atleast 10 percent* in such Consortium) shall be summed up for arriving at the combined Aggregate Experience Score of the Consortium.

(Action: Government of Karnataka)

11. The meeting ended with a vote of thanks to the chair.
