

Minutes of the Meeting of the Empowered Institution held on 17-3-2006 under the chairmanship of Additional Secretary (EA).

Meeting of the Empowered Institution was held on 17-3-2006 under the chairmanship of Additional Secretary (EA) to consider the proposal of PPP projects. The following officers participated in the meeting.

1. Shri G. Haldea, Advisor to Deputy Chairman, Planning Commission
 2. Shri Arvind Mayaram, J.S. (Infra), DEA
 3. Shri D.G. Marathe, Secretary (Works) PWD,
 4. Shri Deodatta Marathe, Secretary, PWD
 5. Shri S.L. Jadhav, Chief Engineer, PWD, Aurangabad
 6. Shri U.P. Debadwar, Superintending Engineer, Nashik
 7. Shri Vijay Lakhanpal, Director (PF-II), Deptt. of Expenditure
 8. Ms Anna Roy, Joint Director (PPP), DEA
 9. Shri K.R. Reddy, Dy. Advisor, Planning Commission
 10. Shri Bhanu Mehrotra, D.S. Planning Commission
 11. Shri M.N. Dakate, Under Secretary
2. Secretary, PWD, Government of Maharashtra (GOM) made a presentation apprising the Committee on the salient features of the following projects which have been posed for Viability Gap Funding (VGF):
- (i) Four Laning of Nasik-Vaijapur-Aurangabad Road;
 - (ii) Four Laning of Osmanabad (Yedshi)- Latur- Nanded Road
3. The following issues were discussed:
- (a) **Tariff:** It was noted that the tariff notified by GOM for state highways were considerably lower than the tolls notified by GOI for national highways. It was explained to GOM that the tolls have been fixed at a lower level keeping in view the fact that the highways covered by the toll notification were of varying nature and a high level of tolls in the initial phase of PPPs may not be conducive for a sustainable programme. It was noted that the tolling policy is a State subject and GOI will not insist on adoption of the toll rates applicable for national highways. Since there was a policy in place for the entire State, that should suffice for the GOI requirement under the VGF scheme.
 - (b) **Land acquisition:** GOM confirmed that the land acquisition will be done by the Government. It was noted that only a very small quantity of additional land needs to be acquired which would be completed forthwith.
 - (c) **Encroachment:** GOM confirmed that the Government will be responsible for removal of encroachments.
 - (d) **Performance Security:** Planning Commission advised GOM that it was not an international best practice to ask the concessionaire for a performance security that blocks considerable amount of funds. This would result in adding to the

project cost without achieving any conceivable benefit for the Government. It was stressed that under a PPP, there are other means of ensuring performance by the concessionaire without loading additional cost on the project. GOM was urged to re-consider this issue.

- (e) **Concession period:** GOM confirmed that the concession period was based on the cash flow of the project.
- (f) **Scope of work:** Planning Commission objected to the provisions in the concession agreement relating to the scope of work. It was agreed that detailed comments on this issue would be communicated to GOM for consideration.
- (g) **Independent engineer:** Planning Commission stressed the need for appointing an independent engineer. GOM agreed to appoint an independent engineer for the project.
- (h) **Bill of expenditure:** Planning Commission stated that a PPP should be structured with an output orientation and provision relating to vetting of inputs may be deleted. It was agreed that detailed comments on this issue would be communicated to GOM for consideration.

4. Department of Expenditure stated that given the long stretches of the highways proposed, whether it would be more judicious to split each project into two bidders. Planning Commission responded that it is better to have longer stretches, however, such projects need to be structured very carefully.

5. It was agreed that Planning Commission will send detailed comments on the concession agreement to the GOM within 10 days. In its comments, Planning Commission will indicate the provisions that would be mandatory and other comments which will be in the nature of recommendations and it would be the discretion of GOM to take the final view.

6. The above projects were given in principle approval subject to the comments of the Planning Commission that would be addressed by the GOM subsequently.