

Subject: Minutes of 6th meeting of the Empowered Institution held on 10.10.2006.

The 6th meeting of the Empowered Institution (EI) to consider proposals received for Viability Gap Funding (VGF) was held on 10.10.2006 at 3.00 PM in Kalpavriksha. The list of participants is annexed.

2. The Empowered Institution considered the following proposals:

(A) Proposals received from Govt. of Rajasthan on State Highways:

- (1) Upgradation of Narnaul to Kotputli- Chala- Sikar-Khud- Losal-Kuchaman State Highway
- (2) Development of two lane carriageway to Dabadeh to Bhawan Mandi
- (3) Two Lane Carriageway for Jobner to Thanagaji

(B) Mumbai Metro (Versova - Andheri - Ghatkopar corridor)

(A) Highway projects from Rajasthan:

3. The Empowered Institution while considering the proposals received from Rajasthan noted the following:

- (i) The Concession Agreement (CA) is yet to be finalised by the State Government. It was noted that the State has confirmed that it will adopt the Model Concession Agreement (MCA) on State Highways being published. The Empowered Institution decided that in view of the confirmation received from State Government to adopt the MCA on State Highways of GOI, the above proposals can be considered for "in-principle" approval. The Project Authority would submit any substantive changes that will be made in the CA for consideration of the Empowered Institution.
- (ii) The Empowered Institution took note of the fact that all estimates in the proposals submitted were based on the price level of 1st April, 2006.
- (iii) The Project Authorities informed that the Detailed Project Report (DPR) is being prepared. Planning Commission stated that for BOT projects, a DPR is not required and a Feasibility Report would suffice. The Project Authorities took note of this suggestion.
- (iv) Department of Road Transport and Highways (DORTH) stated that the traffic levels did not warrant a two-lane project and it also questioned the basis of traffic growth being projected. The Project Authorities stated that due to lack of capacity on the road, the commercial traffic is avoiding this stretch and taking a longer route. Thus the State Government is of the view that after a two-laning, this commercial traffic could be induced to travel on this route. Given the traffic level, two-lane without paved shoulders should be developed. The Project Authorities confirmed that the proposals involved

construction of 2-lane without paved shoulders. The Empowered Institution took note of this.

- (v) DORTH noted that the proposal was found wanting on account of the (i) toll being charged - which was higher than tolls on national highways, (ii) design specifications - which were higher than what was warranted by the traffic level and (iii) traffic - which was not warranting a two-laning. The Empowered Institution noted that this was not the forum to seek revision of toll policy of the State Government. For a State Highway project, Central Government cannot impose its own guidelines beyond a certain point and the State Governments should have the discretion to finalise such issues. However, on any technical specifications if the project is found wanting, the same should be duly addressed as per IRC standards. On the issue of traffic etc it was noted that since the concessionaire will be selected through a competitive bidding process, the prospective bidder will make his own estimates.
- (vi) Government of Rajasthan was advised to bear the cost of land acquisition and exclude it from the project cost.

4. The Empowered Institution decided to grant "in principle" approval to the above proposals subject to the following comments:

- (a) The Project Authority will adopt the Model Concession Agreement for State Highways published by the Planning Commission. In case any substantive changes are made in the MCA, the same will be placed before the Empowered Institution.
- (b) The project will be for two-laning without paved shoulders.
- (c) The land acquisition costs will be excluded from the total project cost.

(B) Mumbai Metro Project

5. The Empowered Institution considered the Mumbai Metro project next. The first issue examined was the applicability of the proposal under the Viability Gap Funding (VGF) Scheme. Planning Commission reiterated its viewpoint that if the bids are invited prior to the notification of the scheme, then such projects will not be covered by the VGF Scheme. However, if bids have been invited, but the bids have not been received and the Project Authorities are agreeable to revising the bidding documents, then the projects could be posed for the VGF Scheme. It was noted that it would be necessary to seek directions of CCEA in case any relaxation to the above is proposed.

6. The second issue discussed in this regard was the requirement of waiver of "in principle" approval. It was noted that if a proposal is based on the MCA issued by GOI and it follows all the guidelines of the VGF Scheme, there may not be any need for seeking "in principle" approval. As a counter to this argument, it was

noted that since the “in principle” approval preceded the bidding stage and the final approval was post bidding, the Project Authorities may have a greater sense of certainty if they have gone through the “in principle” approval stage. While this holds good for the future projects, but for the past projects where bids have already been sought the above waiver may be considered wherever the guidelines of the VGF scheme and the provisions of MCA are being met.

7. MMRDA, the Project Authority entrusted with the task of implementing the Mumbai Metro Project made a presentation on the Project.

8. The Empowered Institution noted the following issues relating to the Project:

- (a) Since the bidder has already been selected and there are outstanding issues raised by Ministry of Finance and Planning Commission on the Project proposal it may not be feasible to press the required changes in the concession agreement at this stage.
- (b) Project Authorities had been interacting with the Ministry of Urban Development (MoUD) from the stage of inception of the project. Initially the proposal of the State Government was to seek 15% equity contribution from the GOI. Various approvals in this regard were also granted by MoUD and the Planning Commission to the State Government.
- (c) MoUD which was earlier planning to assist the project under its own schemes decided to refer to Project to DEA after the guidelines for submitting proposals under the VGF Scheme were notified by DEA in January, 2006.
- (d) The proposal was received in DEA in July, 2006, by which time the bidder was selected and negotiations concluded by the Project Authorities to firm up the financial offer. Thus, the scope for any amendments in the project were ruled out. The project has been examined and several deficiencies have been noted in the bidding process as well as in the CA.
- (e) Since MoUD has been involved in the Project from the very beginning the funding sought from GOI by the Project Authorities may be considered by MoUD under JNNURM.
- (f) The present proposal is the first corridor being developed by Govt. of Maharashtra (GoM) and it proposes to build 8 more corridors under the MRTS project for Mumbai. These could be posed under the VGF Scheme administered by DEA. MoUD may be requested to advise the GoM to submit proposals to the Empowered Institution prior to inviting bids.

9. The Empowered Institution decided to recommend the above course of action to the Empowered Committee.
