

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

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

8th Meeting on October 14, 2009

Record Note of Discussions

The eighth meeting of the Empowered Committee (EC), chaired by Finance Secretary was held on October 14, 2009. The list of participants is annexed.

2. The Empowered Committee noted that there were three proposals from three States for grant of final/ in-principle approval for Viability Gap Funding (VGF) support. These were:

I. Proposals from Government of Andhra Pradesh (GoAP)

i. Construction of Bridge across river Godavari

II. Proposal from Government of Gujarat (GoG)

ii. Four laning of Bagodara-Dhandhuka-Vallabhipur-Bhavnagar Road

III. Proposal from Government of Maharashtra (GoM)

iii. Four laning of Akola Washim Hingoli Waranga Phata section of SH-204

3. The EC noted that the Scheme for Support to PPPs in Infrastructure prescribes that VGF up to Rs. 100 crore for each project may be sanctioned by the Empowered Institution (EI); proposals for VGF up to Rs. 200 crore may be sanctioned by the EC, and amounts exceeding Rs. 200 crore may be sanctioned by the EC with the approval of Finance Minister. In accordance with the Scheme, the project proposals had been examined by the members of the EI; the EI considered the proposals in its 18th and 19th meeting, held on July 2, 2009 and August 12, 2009 respectively, and recommended the proposals to the Empowered Committee for grant of approval.

Agenda Item I: Final approval of proposal from Government of Andhra Pradesh (GoAP) for Construction of Bridge across river Godavari

4. Principal Secretary, GoAP informed that the State Government had proposed construction of a 4.15 km bridge over River Godavari, which would

result in savings through reduction in travel distance by 40 k.m., vis-à-vis the existing road. The bidding process for selection of the Concessionaire to develop the project had been completed and the Concession Agreement executed. The Financial Closure was achieved on May 26, 2009. While appraising the executed Concession Agreement, Planning Commission had identified certain errors and discrepancies in the document, specifically, the inadvertent change in the definition of the Total Project Cost. It was informed that the deficiencies noted by Planning Commission had been addressed through executing the 1st Amendatory Agreement with the Concessionaire on August 21, 2009.

5. It was informed that the State Government had notified the tolls for the project. The toll of around Rs. 300 per vehicle was expected to be acceptable to the users in view of the savings on account of shorter travel distance. However, the State Government had concerns whether the public at large would continue to remain amenable for tolling of users on the numerous BoT (Toll) roads throughout the period of concession, especially the later period. During the later years of the Concession period, the general public perception could be that the Concessionaire has received adequate returns on the equity expended on the project, hence, the toll rates could be reduced or the project stretches made toll-free. Joint Secretary, DEA explained that since the concession agreement allowed the Concessionaire to toll the project during the period of the concession, any decision to the contrary would have to be by the Concessionaire. Further, the financial analysis of the project indicated the requirement of continued tolling till the end of the concession to enable the Concessionaire to recover the debt and equity expended on the project and get adequate returns on the investment. Representative of GoAP agreed that the toll rate notified for the project was necessary to make the project commercially viable. Chairman, EC noted that, as a policy response to the scaled up BoT (Toll) operations, and possible adverse public perception to tolling on roads till perpetuity, there was need for exploring alternative modes of levying tolls on BoT (Toll) projects, especially those stretches where traffic was robust and the Government was receiving a premium from the Concessionaires.

6. The Empowered Committee granted final approval for grant of Viability Gap Funding of Rs. 118.60 crore for construction of Bridge across river Godavari.

(Action: GoAP)

Agenda Item 2: Proposal from Government of Gujarat (GoG) for grant of 'in principle' approval: Four laning of Bagodara-Dhandhuka-Vallabhipur-Bhavnagar Road (SH-1 and SH-36) on BoT (Toll) basis.

7. Joint Secretary, DEA informed that the Gujarat State Road Development Corporation (GSRDC) had earlier posed another project stretch, viz., four laning of Sarkej-Vatanam-Bhavnagar for grant of viability grant funding, which was granted in-principle approval by EI. The alignment of instant project proposal was parallel to Sarkej-Vatanam-Bhavnagar road. Accordingly, the EI, while considering the instant project, in its 18th meeting, had deliberated on whether both the stretches should be supported. The EI had recommended the project for grant of final approval in view of the clarification from the State Government that on the project stretch of 127.70 k.m., the traffic for the two project stretches was common only on 20 k.m. road length. Further, the instant project stretch was strategically important for the State and was commercially viable.

8. Representative of GSRDC indicated that the traffic on the project stretch was robust and was likely to increase on account of the economic activity in the region such as development of Delhi Mumbai Industrial Corridor, Special Economic Zone and dense industrial and port based activity. Chairman, EC queried about the need for seeking VGF for the project since the traffic on the project was robust. Representative of GSRDC explained that the State Government had received premium on three project stretches bid out earlier; the financials of Bagodara-Dhandhuka-Vallabhipur-Bhavnagar Road also indicated a commercially viable project. The State Government was seeking in-principle approval for viability gap funding in case, on bidding the project, the bid response required VGF, due to the tepid developer interest and heightened risk perceptions on account of the prevalent market conditions.

9. The EC recommended the project proposal for 'in principle' approval to the Finance Minister for Viability Gap Funding upto Rs.204.68 crore.

(Action: GoB; DEA)

Agenda Item 3 : Proposal from Government of Maharashtra (GoM) for grant of 'in principle' approval: Four laning of Akola Washim Hingoli Waranga Phata section of SH-204 on BOT (Toll) basis.

10. Joint Secretary, DEA indicated that the State Government had sought viability gap funding for two-laning of Shirur-Tajband–Mukhed–Narsi section and two-laning with paved shoulders of Narsi – Biloli to State Border section in the State of Maharashtra on BOT (Toll) basis. The project was

considered by the EI its 19th meeting held on August 12, 2009 and recommended for in-principle approval to the EC for a concession period of 30 years for four laning of project highway for Viability Gap Funding up to Rs. 137.36 crore, subject to the State Government revising the project documents, as decided by EI. Accordingly, the State Government had revised the project documents and sent the documents for circulation to the members of EI.

11. The EC granted in-principle approval to the project proposal for viability gap funding upto Rs 137.60 crore.

(Action: GoM)

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