

Ministry of Finance
Department of Economic Affairs

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Public Private Partnership Appraisal Committee (PPPAC)
17th Meeting on October 6, 2008

Record Note of Discussion

The 17th meeting of the Public Private Partnership Appraisal Committee (PPPAC), chaired by Secretary (Economic Affairs) was held on October 6, 2008. The list of participants is annexed.

2. It was noted that the proposal for redevelopment and modernization of New Delhi Railway Station (NDRS) consisted of three components including redevelopment of the existing station, redevelopment of the surrounding railway land measuring approximately 86 hectares and relocation of the operational structures, existing offices, residential, rest house facilities, etc. The proposed concession period for the project is 35 years with construction period of 5 years. It was noted that the RFQ for the project had been invited prior to obtaining the 'in principle' approval of the PPPAC, which did not conform to the guidelines for formulation, appraisal and approval of PPP projects. Accordingly, the PPPAC would require to consider the proposal for ex-post facto 'in principle' approval.

3. It was noted that Department of Expenditure (DoE) has clarified that in the context of Clause 2.2.1 (c) (i) of the Model RFQ document and the applications invited by the Ministry of Railways (MoR) for redevelopment of New Delhi Railway Station, the applicants/bidders should not be disqualified on the ground that a private financial institution has a *de minimis* stake in the bidder. The exemption under the said clause, available to a bank, insurance company, pension fund or a Public Financial Institutions would be available to a private financial institution. The representative of Planning Commission informed that they had sought a clarification from DoE regarding private financial institutions. JS, DEA suggested that the institutions defined by RBI as financial institutions (which includes FI's with private ownership characteristics) could be eligible to be considered as private financial institution in the context of the clarification by DoE. Representative of DoE stated that the Department would also issue a clarification in the matter.

(Action: DoE)

4. It was noted that DoE had advised MoR that the Department prefers the option of discharging the present set of bids and inviting fresh bids. Chairman,

Railway Board indicated that MoR was in favour of adopting the option advised by DoE. The PPPAC noted that since MoR was considering re-inviting the RFQ, the instant proposal would not require exemption from the prescribed procedure for formulation, appraisal and approval of PPP projects and could be considered for 'in principle' approval of the PPPAC.

5. It was noted that the mandatory capital cost of the project was Rs. 6,000 crore. Planning Commission had expressed reservations about the indicated cost and estimated that the indicative capital cost should be around Rs.9,000 crore. Representative of MoR explained that the mandatory capital cost had been estimated with reference to the operational requirements at the NDRS and corresponded to the mandatory capital cost work required to be undertaken by the private developer for the project. It was clarified that MoR had reviewed the estimates prepared by technical consultants for the project. On scrutiny an estimate of Rs. 2200 crore towards planning and enabling costs was found to be on the higher side and hence the mandatory capital cost was revised to Rs. 6,000 crore and indicated likewise in the RFQ document. Joint Secretary, DEA emphasised that the project cost should be re-estimated by MoR by taking into account all valid costs on the project such as interest during construction, financing cost and other possible contingencies. Further, the project should be viewed comprehensively by taking into account the operational requirements at NDRS as well as the cost related to development of railway land as part of the project. The cost of the project, thus arrived at, should be indicated in the RFQ document. It was also suggested that for appropriate structuring of the project, the likely revenue streams of the project should be estimated. The concession period for the project should be arrived at on the basis of consolidated costs and revenues of the project. This was agreed to.

(Action: MoR)

6. Joint Secretary, DEA suggested that the property development component of the project also required further examination. While allowing flexibility to the selected bidder for commercial development, certain construction activities required to be undertaken by the concessionaire for holistic development of the NDRS, such as hotels, as well as exclusion of unacceptable construction activities should be specified in the concession agreement. This would ensure that the property development undertaken by the selected concessionaire remains intrinsic to the project and does not become a stand alone real estate development activity.

(Action: MoR)

7. Representative of Department of Legal Affairs noted that a closer examination was required on whether the Railway Act, 1989 allows commercial development of Railway land through a concessionaire, as envisaged in the instant project proposal.

Representative of MoR agreed to examine the matter in consultation with Department of Legal Affairs.

(Action: MoR; Department of Legal Affairs)

8. It was noted that the proposal for 'in principle' approval by the PPPAC was required to be accompanied with the feasibility report of the project, which had not been circulated by MoR. Representative of MoR stated that the feasibility report of the project would be made available along with the revised RFQ of the project.

(Action: MoR)

9. Chairman, PPPAC noted that MoR should ensure that the DCA of the project clearly stipulates that the mandatory components of the project at the Railway Station are undertaken by the selected concessionaire, before or *pari passu* with and not after the commercial development of the Railway land. This was agreed to.

(Action: MoR)

10. Subject to the above conditions, the PPPAC granted 'in principle' approval to the project.

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

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List of Participants

- I. Department of Economic Affairs**
- i. Shri Ashok Chawla, Secretary (Economic Affairs) (In Chair)
 - ii. Dr. Arvind Mayaram, Joint Secretary
 - iii. Smt. Aparna Bhatia, Joint Director
 - iv. Ms. Pratibha A, Deputy Director
- II. Planning Commission**
- v. Shri Ravi Mittal, Adviser
 - vi. Ms Namita Malhotra, Director
- III. Department of Expenditure**
- vii. Shri M.A. Siddique, Deputy Secretary (PF-II)
- IV. Ministry of Law**
- viii. Shri P.K. Malhotra, Joint Secretary
- V. Ministry of Railways**
- ix. Shri K.C. Jena, Chairman, Railway Board
 - x. Shri S.K. Mishra, Executive Director, Railway Board
 - xi. Shri S.K. Vij, Mechanical Engineer, Railway Board
 - xii. Shri V.K. Gupta, Adviser (L &A)