

**Government of India  
Ministry of Finance  
Department of Economic Affairs**

**Public Private Partnership Appraisal Committee**

**44<sup>th</sup> meeting on June 20, 2011**

**Record Note of Discussion**

The 44<sup>th</sup> meeting of the Public Private Partnership Appraisal Committee (PPPAC), chaired by Secretary, Economic Affairs was held on June 20, 2011. The list of participants is annexed.

2. The Chairman welcomed the participants and noted that the PPPAC would consider six proposals from Ministry of Road Transport & Highways for grant of final approval.

**Agenda Item I: Proposal from Ministry of Road and Transport (MoRTH) for Grant of final approval to the proposal for Six laning of Kishangarh Udaipur Ahmedabad section of NH 79A, NH 79, NH 76 and NH 8 on BOT (Toll) in Rajasthan and Gujarat under NHDP Phase V.**

3. Joint Secretary, Mo RTH presented the proposal. It was indicated that the stretch is an important arterial national highway, which is a component of the Golden Quadrilateral. The PPPAC had earlier granted approval to the development of the stretch as two sub-components, viz., Kishangarh to Udaipur of NH-79 from Km 0.83 to Km 269.000 (with a total project cost of ₹ 3384.00 crore) and Udaipur-Ahmedabad section of NH-8 from Km 269.000 to Km 509 (with a total project cost of ₹ 1750.00 crore). The bid process was initiated for the two sub-projects, bidders shortlisted and financial bids invited. Approval of the CCEA was also obtained in 2009. Thereafter, with the approval of Minister, RTH, it was decided that the two projects may be combined into one Mega project with the aim to attract international competition. It is envisaged that the larger project would generate a better response on account of economies of scale. Further, the toll plazas are also more rationally located in the larger project. Accordingly, the bid process for the two sub-projects was discharged and RfQ invited for the mega project. The RfQ received 13 responses, of which 11 bidders have qualified the short-listing process. These include bidders of national and international repute. The RfP for the project has been issued and the bid due date is July 29, 2011. It was indicated that while the financial analysis indicated that one of the two sub-projects (Kishangarh-Udaipur) would require viability gap funding support, the mega project is expected to yield a premium/negative grant as a bid response. The estimated premium is around ₹ 300 crore, in the first year with a subsequent 5% increase every year over the last year's premium amount. After clearance of the PPPAC, the Ministry would seek the approval of the CCI.

4. Special Secretary, Department of Expenditure (DoE) observed that the cancellation of bid process at an advanced stage and delay in execution of the projects has resulted in increase in the project cost by ₹ 253 crore. She queried about the validity of the responses to the RfQ/bids received.

5. Secretary, RTH informed that the cost of the combined project stretch was lesser than the costs of the two sub-projects. However, a new component had been included to the Mega project, viz. the Udaipur by-pass. The cost of the component was ₹ 417 crore. The savings in the two sub components were off-set by the new component, providing the impression that the TPC of the Mega project was higher. Member, Finance, NHAI further informed that the cost per km is less than the norms assumed by the B.K. Chaturvedi Committee.

6. Joint Secretary, Department of Economic Affairs (DEA), observed that the Cabinet Secretariat has desired that the option of E-auctioning may be explored for projects costing more than ₹ 1,000 crore. The mega project, therefore, could consider testing the approach. The view was supported by Special Secretary, DOE.

7. Secretary, RTH informed that the Ministry had taken a policy decision that all project shall be bid out on e-tendering basis with effect from August 1, 2011. Though the RfP for the instant project had been issued, the Ministry was agreeable to adopt e-tendering for receipt of financial bids for the project. However, e-auctioning was a completely different approach and its feasibility for roads sector projects is yet to be examined in detail. Hence, it would not be practicable to adopt the approach for the instant project.

8. Member Secretary, Planning Commission noted that currently e-tendering is adopted for the projects under PMGSY Scheme and e-auctioning was adopted for allocation of the 3G spectrum. E-tendering imparts greater discipline and is an improvement over the traditional method of bidding. She suggested that e-auction may not be insisted upon for the instant project, since, on date, the approach appeared to be impressionistic and needs to be further developed. However, e-auctioning must be aimed at for future projects and undertaken after establishing the methodology and the parameters. The Chairman concurred with the view and requested that that MoRTH may initiate the required processes for undertaking e-auction including fixing of parameters for future projects in line with the Cabinet Secretariat recommendations.

**(Action: MoRTH)**

9. The Chairman observed that most of the clearances required for the project were yet to be obtained, especially the forest clearance. Joint Secretary, MoRTH clarified that 46 hectare land in 20 km of the project stretch in the State of Rajasthan was protected forest requires approval the Forest Department. He indicated that application for obtaining the clearance has been submitted. In the State of Gujarat, the road traversed reserved forest land and the process for the same has commenced. Secretary, RTH confirmed that no resources

would be spent on development of the project till the requisite clearances from the Ministry of Forest and Environment (MoEF) clearances are obtained

**(Action: MoRTH)**

10. Joint Secretary, DEA informed that the PPPAC Secretariat had invited Secretary, MoEF to attend the meeting of the PPPAC, in pursuance of the instructions of the CCI that Ministry of Environment and Forest may be invited to all the meetings of the PPPAC relating to the projects of MoRTH. It was decided that the Chairman would write to Secretary, MoEF to bring the matter to his personal attention.

**(Action: DEA)**

11. Member Secretary, Planning Commission noted that the proposed concession period of 30 years was not justified in view of the traffic projections of the project. Secretary, RTH indicated that in case the concession period is shortened, the project viability would be effected and the premium amount is likely to be reduced. To avoid traffic congestion, a provision of service lanes has already been proposed in the urban areas. Accordingly, he requested that concession period may be kept as 30 years. Director, DEA, stated that in accordance with the provisions of concession agreement and to avoid overall congestion it is recommended that the Concession Period may be reduced to 26 years based on the estimated total traffic. While this may appear to impact the premium, however, premium can be compromised upon in the larger interest of the users/ public. The members of PPPAC concurred with the view.

12. The PPPAC granted final approval to the project subject to fulfilment of the following conditions:

- i. Land acquisition in respect of the projects would be completed in accordance with the provisions of the Model Concession Agreement (MCA) for National Highways.
- ii. MoRTH would obtain environment and forest clearance before commencing work on the project sites.
- iii. Concession period for the project shall be reduced to 26 years from 30 years.
- iv. The observations of Planning Commission and DEA with respect to corrections in the Schedules of the project DCA would be incorporated by NHAI.
- v. MoRTH would circulate the revised documents to the members of the PPPAC.

**(Action: MoRTH/NHAI)**

**Agenda Item II: Grant of final approval to the proposals under NHDP Phase IV: Four laning of Lucknow Sultanpur section of NH 56 from km 11.500 to 135.000 on BOT (Toll) in the state of Uttar Pradesh under NHDP Phase IVA**

13. Joint Secretary, MoRTH presented the proposal. The project stretch is an important national highway, which further bifurcates; the two roads thereafter connect Allahabad and Benaras. The Total Project Cost (TPC) of the project is ₹ 1013 crore (₹ 8.21 crore as cost per km) and the length of the road corridor was 123.4 km for Concession Period of 23 years. The feasibility analysis of the project indicates requirement of VGF of around 25.4% of TPC.

14. Joint Secretary, MoRTH informed that the concession period, originally proposed by MoRTH is 23 years, however, it is proposed to increase it to 27 years based on the observation of Planning Commission in their appraisal note.

15. Director DEA, stated that based on the total traffic on the stretch concession period may be taken as 23 years only. The recommendation of the Planning Commission is based on tollable traffic projects. However, since the project stretch does not have continuous service lanes, the capacity of the stretch should take into account the use of the highway by non-tollable users and other slow moving traffic. Secretary, RTH supported the view.

16. Secretary, RTH informed that another bypass is proposed to be added to the project, expected to cost around ₹ 20-25 crore. The PPPAC allowed the Secretary to approve the inclusion of the Bypass, subject to the TPC not breaching the threshold prescribed by BKC Committee. However, the relaxation may not be treated as precedence for future projects. The revised documents may be circulated to members of PPPAC.

**(Action: MoRTH)**

17. Director, DEA stated that bidding process has been commenced by MoRTH/NHAI, where PPPAC have approved the projects under NHDP Phase IV subject to the condition such proofs may be shared with PPPAC and bidding process may be commenced subsequent to the CCI approval for four-laning. Secretary, RTH informed that CCI has approved 5000km under NHDP Phase IV-A and Empowered Group of Minister's (EGoM) has approved 2000 km out of 20,000 km under NHDP Phase IV. The bidding process has commenced for only those projects which appear under 5000 km approved under NHDP Phase IV-A. He further requested that approval for the instant project may be granted subject to the condition that CCI approval may be received prior to commencement of the RfP process.

18. The Chairman sought clarification with regard to the land acquisition and other clearances. Secretary, RTH informed that though the major portion of the land is yet to be acquired, and is a priority project, however, this shall be a conditional approval in accordance with the provision of the Concession Agreement including other clearances.

19. The PPPAC granted final approval to the project subject to fulfilment of the following conditions:

- i. MoRTH would obtain the approval of the competent authority in respect of inclusion of the stretch under NHDP IV-A before commencing with the bid process.
- ii. Land acquisition in respect of the projects would be completed in accordance with the provisions of the Model Concession Agreement (MCA) for National Highways.
- iii. MoRTH would obtain environment and forest clearance before commencing work on the project sites.
- iv. The observations of Planning Commission and DEA with respect to corrections in the Schedules of the project DCA would be incorporated by NHAI.
- v. MoRTH would circulate the revised documents to the members of the PPPAC.
- vi. Concession period shall be 23 years, however, the suggested bypass may be included in the revised projects and accordingly the TPC may be increased by ₹ 20-25 crore only.

**(Action: MoRTH/NHAI)**

**Agenda Item III: Grant of final approval to the proposals under NHDP Phase IV: Four laning of Angul-Sambalpur section of NH 42 from km 112.000 to 265.000 on DBFOT (Toll) in the state of Orissa under NHDP Phase IV**

20. Joint Secretary, MoRTH presented the project details. It was informed that the instant proposal had Total Project Cost (TPC) of ₹ 1220.32 crore (₹ 7.97 crore as cost per km) and the length of the road corridor was 153 km for concession period of 30 years. He informed that project is expected to bid out on grant basis, estimated around 39% of TPC. However, this road is an important and undeveloped stretch of the otherwise 4-lane corridor and shall be providing upgraded connectivity to main cities of Cuttack and Raipur. Although the base traffic is less, it is estimated that by 2014 the traffic shall cross the benchmark figure of 15,000 PCUs, thus, making it eligible for four-laning.

21. Secretary, RTH indicated that the proposal is marginally viable with a 39% grant of 4-laning. While the traffic figures indicate an early requirement for four laning. As the toll rates for 2-laning are 60% of that of the 4-laned toll rates in the respective traffic modes, therefore, the project shall become unviable for development as a 2-lane with paved side shoulders. In case capacity augmentation is considered, the needs for the same appears in 2020, thus, it is suggested that the same may be approved for four-laning.

22. Director, DEA indicated two projects, namely Angul –Sambhalpur and Birmiritrapur-Barkote are not included in the list provided to PPPAC during the 42<sup>nd</sup> PPPAC meeting, which were approved for four-laning under NHDP Phase –IV. Secretary, RTH informed that the list has been modified based on the approval of the Minister concerned. However, as

these projects are not a part of the NHDP Phase IV-A, bidding process for these two projects shall be commenced only subsequent to approval from the CCI. Joint Secretary, DEA stated that a fresh list of projects under 2,000 km proposed for four-laning as approved by the Minister may be provided to PPPAC for record. This was agreed to.<sup>1</sup>

**(Action: MoRTH)**

23. Special Secretary, DoE, indicated that there is a discrepancy with regard to traffic figures as presented in the PPPAC Memo versus the traffic figures as presented in the Detailed Project Report (DPR). Thus, she desired to know the correct traffic figures for the project. Further, Joint Secretary, DEA, enquired whether there was any change in the traffic figures for the project.

24. Secretary, RTH clarified that the traffic figures indicated in the PPPAC memo was correct and was to be taken for the project purposes. He further informed that this discrepancy occurred due to revision of the toll policy wherein for 3-axle truck have been classified as a separate category, having passenger car unit (PCU) factor as 3 and having separate toll rates in the new Toll Policy document. Whereas earlier, 3-axle was combined under the Multi-Axle vehicle category having PCU factor as 4.5. Thus, accordingly, 3-axle trucks were separated and while the overall traffic figures have not been changed.

25. Member Secretary, Planning Commission, stated that since the project is viable with grant of 39% of TPC, the provision of bypass and services roads may be reviewed in order to improve to the viability of the project. Secretary, RTH supported by Member (Projects), NHAI, indicated that service road of 24 km is not continuous and is applicable only to urban section(s) and is a mandatory requirement. Only one bypass at Samphalpur town of 3.9 km has been proposed, which is necessary for the project. Thus, the project may be permitted to be procured under this project configuration and allowing for the market to determine the suitable grant requirement on competitive basis. Additionally, it was stated that presently the grant component estimated by the Sponsoring Authority was under the assumption of traffic growth rate 5% and equity IRR of 15%, with an inbuilt assumption of interest rate of 11.75%. The bidder estimation may be different with a lower expectation of equity IRR and higher traffic growth. However, as the interest rates have increased, this is likely to impact the calculations of grant requirement as estimated by the bidders.

26. Special Secretary, DoE stated that the RfQ may be released only upon receipt of approval from CCI for incorporation of this project within 2000km under NHDP Phase-IV.

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<sup>1</sup> Subsequent to the meeting, MoRTH, vide letter dated June 30, 2011 has conveyed that the projects, namely Angul-Sambhalpur and Birmitrapur-Barkote are currently not included under NHDP IVA and the 2000 Kms approved under NHDP IV for Four-laning. However, these roads will be taken up only after approval of the competent authority is formally received for their inclusion in the approved NHDP IVA/IV list and the list of approved roads to be 4-laned under NHDP IV.

Secretary, RTH clarified that RfQ have already been invited, however, the RFP shall be released on conditional basis and subsequent to the approval of CCI.

27. The Chairman sought clarification with regard to the land acquisition and other clearances. Secretary, RTH informed that though the major portion of the land is yet to be acquired, and is a priority project, however, this shall be a conditional approval in accordance with the provision of the Concession Agreement including other clearances.

28. The PPPAC granted final approval to the project subject to fulfilment of the following conditions:

- a. MoRTH would obtain the approval of the competent authority in respect of inclusion of the stretch under NHDP IV and stretches approved for four laning under NHDP IV before commencing with the bid process.
- b. Land acquisition in respect of the projects would be completed in accordance with the provisions of the Model Concession Agreement (MCA) for National Highways.
- c. MoRTH would obtain environment and forest clearance before commencing work on the project sites.
- d. The observations of Planning Commission and DEA with respect to corrections in the Schedules of the project DCA would be incorporated by NHAI.
- e. MoRTH would circulate the revised documents to the members of the PPPAC.

**(Action: NHAI/MoRTH)**

**Agenda Item IV: Grant of final approval to the proposals under NHDP Phase IV: Two/Four laning of Birmitrapur to Barkote section from km 211.200 to km 336.857 of NH 23 in the state of Orissa, under NHDP Phase IV B on DBFOT (Toll) basis.**

29. Joint Secretary, MoRTH presented the proposal. It was informed that the project has TPC of ₹ 778.15 crore (₹ 6.19 crore as cost per km) , with a length of 125.615 km and concession period of 23 years. He informed that project is expected to bid out on grant basis, estimated around 28.25% of TPC. The project has been proposed as four-lane dual configuration with paved shoulder from Birmitrapur to Rajamunda for 75 km and the portion from Rajamunda to Barkote for 50 km to be widened to two-lane with paved shoulder.

30. Member Secretary, Planning Commission, sought clarification with regard to the provision of a viaduct over the railway line and the requisite approval from railways for its development. Representative of NHAI informed that this viaduct has been proposed to bypass a railway link, owned by a private operator of Rourkela at km 202 of the road section. The viaduct was an important provision as the road moves from a hillock to the plain and thus grade separation was necessary. It was informed that as this viaduct shall be

developed over the private operators' land, clearance from the Railways may not be required. However, if the needs arise, the same shall be obtained in due course.

31. Special Secretary, DoE enquired whether the TPC had been vetted by the Cost Committee. This concern was supported by the Chairman. The Chairman sought the views of Secretary, RTH whether it would be useful to have the costs of all projects examined by the Cost Committee or only those projects which were in breach of the cost thresholds assumed by the BKC Committee. Secretary, RTH stated that he supported only those projects which breached the cost thresholds should be examined by the Cost Committee to reduce another layer of examination and decision making. He stated that the costs are being examined by NHAI, and their examination may be accepted for projects where the cost is below the limits assumed by the BK Chaturvedi Committee. Further, the limits were two years old, thus, inflation of around 25% over the limits has already been observed. Therefore, it was suggested that wherein costs are within the prescribed limit, Cost Committee approvals may not be insisted. The Chairman agreed with the suggestion.

32. The PPPAC granted final approval to the project subject to fulfilment of the following conditions:

- a. MoRTH would obtain the approval of the competent authority in respect of inclusion of the stretch under NHDP IV and stretches approved for four laning under NHDP IV before commencing with the bid process.
- b. Land acquisition in respect of the projects would be completed in accordance with the provisions of the Model Concession Agreement (MCA) for National Highways.
- c. MoRTH would obtain environment and forest clearance before commencing work on the project sites.
- d. The observations of Planning Commission and DEA with respect to corrections in the Schedules of the project DCA would be incorporated by NHAI.
- e. MoRTH would circulate the revised documents to the members of the PPPAC.

**(Action: NHAI/MoRTH)**

**Agenda Item V: Grant of final approval to the proposals under NHDP (O) granted in-principle approval for VGF under the Scheme for Support to PPPs in Infrastructure:**

- i. **Four laning with paved shoulder of Bhopal to Biaora section (km 316/10 to km 423.40) of NH 12**
- ii. **Four laning of Rewa to MP/UP Border of NH 7 on PPP basis following DBFOT (Toll) basis in the State of MP (Km 229/10 to km 140/6)**

33. Director, DEA informed that the above two projects have been considered by the Empowered Institution in its 30<sup>th</sup> meeting. The approvals was granted subject to the confirmation from the Sponsoring Authority regarding the budgetary provisions under National Highways (NH)- Others Scheme for meeting the balance 20% requirement for VGF grant component and amount required to fund the land acquisition and other pre

construction activities to be undertaken by the Implementing Agency. It has been proposed that the project shall be implemented by Madhya Pradesh Road Development Corporation, (MPRDC). Secretary, RTH has clarified that budgetary provisions have already been provided. MoRTH was requested to send a written confirmation on the matter.

**(Action: MoRTH)**

34. Director, DEA informed that the projects had been recommended by the Empowered Institution (EI) for grant of in-principle approval to the Empowered Committee(EC) of the Scheme for Financial Support to PPPs in Infrastructure, since the VGF required for the two projects was more than ₹ 100 crore. Since the PPPAC and the EC have the same constitution, she requested the EC to consider grant of in-principle approval for VGF support for the two projects.

35. The PPPAC granted final approval and EC granted in-principle approval for VGF to the above mentioned two projects subject to the written confirmation from the Sponsoring Authority with regard to budgetary provision for the VGF and other pre-construction activities and compliance to the observations of the EI.

**(Action: NHAI/MoRTH)**

**Agenda Item VI: Apprising the PPPAC regarding proposal of MoRTH to CCI for final approval for the development of four laning of Panikoili-Rimuli section of National Highway NH-215 from Km 0.000 to km 163.000 in the State of Orissa under National Highways Development Project (NHDP) phase III on BOT (Toll) mode.**

36. Joint Secretary, DEA informed the members of the PPPAC that MoRTH has sought the approval of the CCI for the investment decision/award of the above project on DBFOT/BOT basis under NHDP Phase III at an estimated cost of ₹ 1648.92 crore (including an estimated cost of land acquisition, rehabilitation and resettlement and pre-construction activities amounting to ₹ 238.92 crore). The TPC excluding the cost of land acquisition, rehabilitation and resettlement and pre-construction activities is ₹ 1410.00 crore.

37. Secretary, RTH vide letter dated June 8, 2011 has indicated that the minutes of the PPPAC do not categorically state that the project was approved. The Secretary, RTH stated their understanding of decision – “the project was approved and that the revised document based on bidding out of the project on toll basis may be submitted to PPPAC Secretariat for record. The TPC of ₹ 1410 crore is reasonable (much below the Chaturvedi Committee’s recommendations). It is on this understanding that the note of CCI has been submitted by the MoRTH. Secretary, RTH has further stated that the minutes may be made specific so that there is no doubt that the project was approved by the PPPAC.”

38. The PPPAC noted that the approval of the CCI had been obtained for the projects. The Chairman requested Secretary, RTH to ensure delivery of all RoDs to DEA to eliminate divergent views due to lack of communication. MoRTH was also requested to communicate views of RoD if any expeditiously for further clarification or discussion by the PPPAC.

**(Action: NHAI/MoRTH)**

**Agenda Item VII (Additional Agenda): Status of Projects approved by the PPPAC**

39. The Chairman noted that PPPAC had granted clearance to 137 projects. Further 71 projects were awarded by MoRTH/NHAI before the constitution of the PPPAC. He suggested that MoRTH may prepare a detailed status of the projects and apprise the members of the PPPAC. Secretary, RTH has agreed with the suggestion.

**(Action: NHAI/MoRTH)**

40. The meeting ended with a vote of thanks to the Chair.

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Ministry of Finance  
Department of Economic Affairs

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Public Private Partnership Appraisal Committee (PPPAC)  
44<sup>th</sup> Meeting on June 20, 2011

**List of Participants**

- I. Department of Economic Affairs**
- i. Shri R. Gopalan, Secretary (Economic Affairs) (In Chair)
  - ii. Shri Rajesh Khullar, Joint Secretary
  - iii. Smt. Aparna Bhatia, Director
  - iv. Shri Abhijit Phukon, Deputy Director
- II. Department of Expenditure**
- v. Smt Vilasini Ramachandran, Special Secretary
- III. Planning Commission**
- vi. Smt. Sudha Pillai, Member-Secretary
  - vii. Shri Nagesh Singh, Adviser
  - viii. Shri K.R. Reddy, Joint Adviser
- IV. Department of Legal Affairs**
- ix. Shri M.A. Khan Yusuf, JS & LA
- V. Ministry of Road Transport and Highways**
- x. Shri R.S. Gujral, Secretary
  - xi. Shri Raghav Chandra, Joint Secretary
  - xii. Shri B.K. Sinha, SE
  - xiii. Shri Atul Kumar, SE
  - xiv. Shri Alok Deepankar, SE
- VI. National Highways Authority of India**
- xv. Shri B. N. Singh
  - xvi. Shri M.P.Sharma
  - xvii. Shri A.K. Mishra
  - xviii. Shri M.P.S. Rana
- VII.** No representative from Ministry of Environment and Forest attended the meeting.