

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

Public Private Partnership Appraisal Committee

54th Meeting on September 28, 2012

Record Note of Discussion

The 54th meeting of the Public Private Partnership Appraisal Committee (PPPAC), chaired by Secretary, Economic Affairs, was held on September 28, 2012. The list of participants is annexed.

2. The Chairman welcomed the participants and noted that the PPPAC would consider three proposals from Ministry of Road Transport & Highways (MoRTH) for grant of final approval and review the status of the projects already granted approval.

Agenda Item I: Proposal from Ministry of Road Transport & Highways (MoRTH) for grant of final approval:

- i). **Two-lane with PSS section, between Bijapur – Gulbarga – Homnabad section of NH 218 from Km 195.000 to Km 418.000 in the State of Karnataka on BOT (Toll) basis**

Total length: 220.47 km (4-lane; 12.42 km and 2-lane with PSS: 208.05 km); Total Project Cost: Rs. 680.73 crore; Cost of pre-construction activities to be financed by NHAI: Rs. 60.65 crore; Concession Period: 22 years including 2 years of construction period.

Total land required: 685.455 ha, land available: 560.454 ha, land to be acquired: 125.001 ha. (18 percent)

Major development works/ structures: Major Bridge: 2; Minor bridges: 13; Grade seperated flyover: Nil; ROBs: Nil; Major road junctions: 16; Bypasses: 1 of 4.95 km at Jevargi; Service roads: 25.248 km; Minor road junctions: 264; Toll plazas: 3 (km 239.86, km 321.775 & km 398.735); Vehicular underpasses: Nil; Pedestrian/cattle underpasses: Nil; Culverts: 369; Truck laybys: 8; Bus-bays/shelter: 94; Re-alignment: at 30 locations for 8.25 km; Rest area: 2; Footpath cum lined drains: 34.21 km

3. Director, DEA indicated that there are two main issues with regard to the project:

3.1. The project cost is Rs. 3.09 crore per km for two-laning with paved side shoulders (PSS), whereas the National Highway Fee (Amendment) Rules, 2010 prescribe tolling if the cost per km is greater than Rs. 2.50 crore at 2008 prices. On escalation for inflation, based on Wholesale Price Index (WPI), for the project being implemented in the year 2012-13, the threshold cost per km for tolling as per NH Fee Rules is Rs. 3.31 crore per km. Hence, the project is not amenable for implementation on BOT (Toll) basis.

3.2. Out of total length of 220.47 km, 96.6 km is already two-lane with PSS, and 14.20 km is four-lane. Hence, no improvement is proposed for about 50 percent of the project's length. The project structuring may, therefore, be reviewed.

4. Member (Technical), NHAI responded that as per the NH Fee Rules, the project cost is determined based on the average investment. The Fee Rules provide that "*The rate of Fee for use of section of National highway, having two lanes and on which **the average investment for up-gradation has exceeded rupees two and a half crore per km at the first April 2008 prices, shall be sixty percent of the rate of fee specified under sub rule (2) of the rule 4***". Since, the investment for upgradation includes the cost of land acquisition, R&R and shifting of utilities, in this project, where pre- construction activities cost amount to Rs. 60.65 crore, the average cost per km based on total investment is Rs. 3.36 crore per km, which is more than the threshold limit of Rs. 3.31 crore per km. Furthermore, the traffic on the stretch does not justify capacity augmentation of the existing two-lane with PSS stretch of 96.6 km. However, the project entails substantial improvements of the said stretch such as geometric design improvement including junctions, road overlay, safety measures as per Manual of Standards and Specifications (MSS), way side amenities, street furniture and operation and maintenance in the scope of work. Hence, it was requested that the project may be approved. Advisor, Planning Commission endorsed this view and supported the project.

5. Advisor, Planning Commission sought confirmation on whether Homnabad-Gulbarga road section developed by Karnataka State Highway improvement project of Government of Karnataka has been transferred to Sponsoring Authority for further

development. Member (Technical), NHAI confirmed that the stretch has been transferred by the State Government.

6. All the members of PPPAC were in support of grant of approval to the project.

7. The PPPAC granted final approval to the project under **NHDP -IV for TPC of Rs. 680.7 crore with maximum VGF as Rs. 272.29 crore (40 percent of TPC)**, subject to fulfilment of the following conditions:
 - a. MoRTH / NHAI shall ensure land acquisition in respect of the project to provide ROW in accordance with the provisions of the Model Concession Agreement (MCA) for National Highways.
 - b. MoRTH / NHAI shall obtain clearances such as environment and forest clearance, before commencing work on the project site.
 - c. MoRTH / NHAI shall incorporate the observations of Planning Commission and DEA with respect to corrections in the Schedules of the project DCAs as agreed in their responses to the appraisal notes.
 - d. MoRTH / NHAI shall obtain prior approval of the PPPAC on any change in TPC, scope of work or project configuration as noted above.
 - e. MoRTH / NHAI shall circulate the final documents to the members of the PPPAC for record.

(Action: MoRTH/NHAI)

Agenda Item I: Proposal from Ministry of Road Transport & Highways (MoRTH) for grant of final approval:

- ii). **Four-laning with PSS of Jabalpur-Bhopal section of NH-12 from km 10.400 to km 301.800 under NHDP Phase III on BOT (Toll) basis**

Total length: 294.21 km; Total Project Cost: Rs. 2485.96 crore; Cost of pre-construction activities to be financed by MoRTH: Rs. 200.95 crore; Concession Period: 30 years including 2 years of construction period.

Total land required: 1640.217 ha, land available: 1159.82 ha, land to be acquired: 480.397 ha. (30 percent)

Major development works/ structures: Major Bridge: 11; Minor bridges: 82; Grade separated flyover: 2; ROBs: 1; Major road junctions: 4; Bypasses: 5 of 26.66 km; Service roads: 23.835 km; Minor road junctions: 156; Toll plazas: 4 (km 25, km 150, km 210.5 & km 286.5); Vehicular underpasses: 28; Pedestrian/cattle underpasses: 54; Culverts: 381; Truck laybys: 8; Bus-bays/shelter: 59; Re-alignment: at 7 locations for 11.5 km

8. Director, DEA informed the PPPAC that the project was earlier approved by EGoM for Implementation of National Highways in its meeting held on March 17, 2012, for implementation on BOT (Annuity) basis. Accordingly, PPPAC, in its 40th meeting held on January 6, 2011, had approved the project with TPC of Rs. 2231 crore. NHAI had invited bids on March 28, 2011 from 21 shortlisted bidders, with Bid Due Date as June 29, 2011. Sixteen financial bids were received by NHAI. However, the bid process was cancelled and the project stretch was transferred by MoRTH to MPRDC for implementation on BOT (Toll) basis.

9. Director, DEA indicated that the traffic on the second homogenous section of about 90 km of the project length (from km 103 to km 193.45), as per the traffic survey in 2012, is only 4,423 PCUs and does not justify four-laning. Further, in the fourth homogenous section of around 26 km from km 278.475 to km 301.800, Bhopal to Mandideep, where the reported traffic is more than 30,000 PUCs, six-laning may be required from the fourteenth year of Concession Period. Hence, capacity augmentation is advisable in this section.

10. Chief Engineer, MPRDC responded that the second homogenous section from Rajmarg to Bareli is in bad condition due to complete failure of crust and heavy ruts formed in the entire section. Due to poor condition of the road, the traffic gets diverted from Bareli to Piparia and rejoins NH-12 at Rajmarg crossing. After the proposed improvements, with overall consistency in the quality of the highway, the traffic in this section is likely to be the same as on the contiguous section from Bareli to Obedullaganj, which is around 11,000 PCUs. Hence, four laning is justified. Superintendent Engineer, MoRTH stated that as the

fourth homogenous section from Bhopal to Mandideep from km 282.5 to km 290.7 (8.2 km) is already six-laned, capacity augmentation is not required. The explanation by MPRDC was accepted.

11. All the members of PPPAC were in support of grant of approval to the project.

12. The PPPAC granted final approval to the project under NHDP -III for TPC of Rs. 2485.96 crore with maximum VGF as Rs. 994.38 crore (40 percent of TPC), subject to fulfilment of the following conditions:
 - a. MoRTH /MPRDC shall ensure land acquisition in respect of the project to provide ROW in accordance with the provisions of the Model Concession Agreement (MCA) for National Highways.
 - b. MoRTH /MPRDC shall obtain clearances such as environment and forest clearance, before commencing work on the project site.
 - c. MoRTH /MPRDC would incorporate the observations of Planning Commission and DEA with respect to corrections in the Schedules of the project DCAs as agreed in their responses to the appraisal notes.
 - d. MoRTH shall obtain prior approval of the PPPAC on any change in TPC, scope of work or project configuration as noted above.
 - e. MoRTH shall circulate the final documents to the members of the PPPAC for record.

(Action: MoRTH/MPRDC)

Agenda Item I: Proposal from Ministry of Road Transport & Highways (MoRTH) for grant of final approval:

- iii). **Four/Two-laning of Baharagora to Sambalpur Section from km 200.00 to 566.000 Section of NH-6 in the State of Orissa under NHDP – IV on BOT (Toll) basis**

Total length: 368.20 km (2-lane: 23.21 km & 4-lane : 344.99 km); Total Project Cost: Rs. 2948.64 crore; Cost of pre-construction activities to be financed by MoRTH: Rs. 687.79 crore; Concession Period: 30 years including 3 years of construction period.

Total land required: 2051 ha, land available: 1169.85 ha, land to be acquired: 881.15 ha. (43 percent)

Major development works/ structures: Major Bridge: 19; Minor bridges: 95; Grade seperated flyover: 3; ROBs: 3; Major road junctions: 23; Bypasses: 4 of 24.18 km; Service roads: 28 km; Minor road junctions: 164; Toll plazas: 5 (km 229, km 306.05, km 366.9, km 439.7 & km 551.9); Vehicular underpasses: 1; Elephant underpasses: 3; Culverts: 843; Truck laybys: 24; Bus-bays/shelter: 184; Re-alignment: at 2 locations for 2.37 km

13. Director, DEA informed PPPAC that seventy percent of land is yet to be acquired for the project. Member (Technical), NHAI responded that IRC guidelines recommend that preferably ROW of 60 m may be acquired for four-lane projects. The outstanding requirement for land acquisition of seventy percent relates to obtaining ROW of 60 m. However, ROW of 45 m may suffice for the proposed project. With this specification, 75 percent of the total land required is already available. Hence, the project may be granted approval. Director, DEA indicated that the project documents may be suitably amended to provide ROW of 45 m and land requirement thereon. This was agreed to.

(Action: MoRTH/NHAI)

14. OSD, PPD, Department of Expenditure (DoE), indicated that the CCI has approved 4000 km for four-laning under NHDP-IV and queried whether the limit has been breached. Director, DEA stated that till date, 3556 km have been approved by the PPPAC and SFC for four-laning under NHDP-IV. Hence, the consideration of this project is possible within the existing dispensation.

15. Advisor, Planning Commission indicated that adequate ROW of 24 m – 45 m at Jashipur Village and 30 m - 45 m at Keonjhar Town is available for four laning of the highway. Hence, proposed bypasses at these villages are not justified. Member (Technical), NHAI responded that ROW at Jashipur Village is about 24 m and in Keonjhar Town is 20 m from km 350 – km 351 and 30 m from km 351- km 353 and in the balance length 45 m ROW is already available. Keonjhar town is a district headquarters having densely populated

areas. In order to avoid heavy demolition in the built-up areas, the proposed bypasses are justified and maybe approved.

16. The Chair observed that the bypasses proposed in the project stretch may be approved based on the clarification provided by NHAI. However, there is a need for a comprehensive review of the framework adopted by NHAI and MoRTH to develop bypasses on national highways. The existing approach results in haphazard corridor development along the bypasses that are constructed. Since the bypasses are not access controlled, the corridor development translates into increased local traffic on the bypasses, diluting the objective of providing a bypass on the NH, viz., faster access and safety on the highways. MoRTH were requested to formulate and present their policy for development of bypasses to the members of PPPAC before posing further projects with multiple bypasses to the PPPAC. This was agreed to.

(Action: MoRTH/NHAI)

17. All the members of PPPAC were in support of grant of approval to the project.

18. The PPPAC granted final approval to the project under NHDP -IV for TPC of Rs. **2948.64 crore with maximum VGF as Rs. 1179.46 crore (40 percent of TPC)**, subject to fulfilment of the following conditions:

- a. MoRTH /NHAI shall rectify the DCA in order to reflect the change in ROW from 60 m to 45 m.
- b. MoRTH /NHAI shall ensure land acquisition in respect of the project to provide ROW in accordance with the provisions of the Model Concession Agreement (MCA) for National Highways.
- c. MoRTH /NHAI shall obtain clearances such as environment and forest clearance, before commencing work on the project site.
- d. MoRTH /NHAI shall incorporate the observations of Planning Commission and DEA with respect to corrections in the Schedules of the project DCAs as agreed in their responses to the appraisal notes.
- e. MoRTH /NHAI shall obtain prior approval of the PPPAC on any change in TPC, scope of work or project configuration as noted above.

- f. MoRTH /NHAI shall circulate the final documents to the members of the PPPAC for record.

(Action: MoRTH/NHAI)

Agenda Item II: Status review of PPP Projects approved by the PPPAC/SFC

19. Director, DEA indicated that since its constitution in 2006, the PPPAC has considered and granted approval to 198 National Highway projects. The status of these projects was earlier reviewed by the PPPAC in its 50th meeting held on February 17, 2012. The PPPAC had noted the preliminary trends and decided that Member, Technical NHAI would present a comprehensive status of projects and reasons for the trends in the subsequent meeting of the PPPAC. NHAI has shared the updated status of all PPP projects granted approval by the PPPAC/SFC till March, 2012. The status indicates that only ten projects of NHAI have achieved COD till date. There are delays in execution of concession agreements with the selected bidders, reaching Financial Closure and Appointed Date, commencement of construction and achieving CODs in respect of majority of the projects.

20. Director, DEA observed that the targeted length for award as per Work Plan for 2012-13 is 9,500 km of National Highways. However, projects totalling 1500 km have been posed to the PPPAC in the first six months of the financial year. It was requested that MoRTH may share the month wise work plan and the status thereof for achieving the target length. This was agreed to.

(Action: MoRTH/NHAI)

21. The Chair observed that the consideration of the agenda item may be deferred since Secretary, RTH and Chairman NHAI were not present in the meeting. He requested NHAI to make a detailed presentation on the projects in the next meeting, including:

- 21.1. Details of projects where Appointed Date of the projects has been delayed, and the penalty paid by NHAI on account of land acquisition delays as well as penalties paid by the Concessionaires on account of delays in achieving Financial Closure and COD.

- 21.2. Details of projects that are facing arbitration and litigation on account of delays in provisioning of land and other issues.
- 21.3. Details of projects that have been terminated or are facing termination and reasons thereof.

(Action: MoRTH/NHAI)

Agenda Item III: Other outstanding issues

22. Member (Finance), NHAI drew attention of the projects deferred for consideration in the 53rd meeting of the PPPAC on account of inadequate land acquisition, viz., Chutmalpur-Ganeshpur-Roorkee-Chutmalpur-Saharanpur-Yamunanagar (71 percent of the total land yet to be acquired), Yadgiri-Warangal (74 percent of the total land to be acquired), Khed-Sinnar (67 percent of the total land to be acquired) and Bhavnagar-Veraval (62.24 percent of the total land to be acquired). Member, NHAI informed that the process for land acquisition had progressed in respect of Khed Sinnar section, where 33 percent of the land is available and Bhavanagar –Veraval section where 47 percent of the land is now available. It was informed that corrections have been made in the project scope of work and project documents as advised by the PPPAC. It was requested that the projects may be granted approval to commence with the invitation of RfP.

23. The Chair noted that the extent of land acquired for the projects was inadequate to invite financial bids for the projects. The other members of the PPPAC endorsed the observation.

24. The PPPAC requested MoRTH to bring the projects for consideration by the PPPAC once the land acquisition had reached an advanced stage.

(Action: MoRTH/NHAI)

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

Ministry of Finance
Department of Economic Affairs

Meeting of the Public Private Partnership Appraisal Committee (PPPAC)

54th Meeting on September 28, 2012

List of Participants

- I. Department of Economic Affairs,
- i. Dr. Arvind Mayaram, Secretary (Economic Affairs) (In Chair)
 - ii. Shri Shaktikanta Das, Addl. Secretary
 - iii. Ms. Sharmila Chavaly, Joint Secretary
 - iv. Ms. Aparna Bhatia, Director
 - v. Shri Abhijit Phukon, Deputy Director
- II. Department of Expenditure, Ministry of Finance
- vi. Ms. Meena Agarwal, OSD, PPD
- III. Planning Commission
- vii. Shri K. R. Reddy, Consultant
- IV. Ministry of Road Transport & Highways (MoRTH)
- viii. Shri C. Kandasamy, DG (RD)
- V. National Highway Authority of India
- ix. Shri J.N. Singh, Member-Finance
 - x. Shri B.N. Singh, Member-Technical
 - xi. Shri S.C. Jindal, CGM
 - xii. Shri M.P. Sharma, CGM
- VI. Ministry of Law and Justice
- xiii. Deputy Legal Advisor
- VII. Ministry of Environment and Forest (MoEF)
- xiv. Dr. S.K. Agarwal, Director
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