Government of India
Ministry of Finance
Department of Economic Affairs
PPP Cell
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Empowered Institution for the Scheme to Support Public Private Partnerships in Infrastructure

15th Meeting on August 5, 2008

Record Note of Discussions

The fifteenth meeting of the Empowered Institution (EI), chaired by Additional Secretary, Department of Economic Affairs was held on August 5, 2008 in North Block, New Delhi. The list of participants is annexed.

2. The Empowered Institution (EI) considered the proposal from Government of Maharashtra for grant of 'in-principle approval' for Mumbai Metro Rail Project – Corridor II of Phase I (Charkop-Bandra-Mankhurd) posed for Viability Gap Funding under the Scheme to support PPPs in Infrastructure. It was noted that the proposal was earlier considered by the Empowered Institution in its 8th Meeting held on January 22, 2007 which had accorded in-principle approval to MMRDA to proceed with the pre-qualification of bidders for the project subject to the conditions that MMRDA would finalise the capital cost after obtaining options of alternative technologies examined and recommended by the consultant; and would adopt the MCA for Metro Rail Projects and the bidding process recommended by the Empowered Institution. Subsequently, the EI in its 11th meeting held on September 12, 2007 had reviewed the status of the proposal and advised MMRDA, pending finalisation of MCA, to finalise the project documents in consultation with Ministry of Urban Development (MoUD). It was noted that MMRDA has submitted revised proposal along with Draft Concession Agreement for grant of in-principle approval and permission to proceed ahead with the invitation of financial bids.

3. Representative of MMRDA made a presentation on the revised proposal. It was explained that the proposal was part of Phase-I of Metro Master Plan for Mumbai. The project cost of the 31.87 km elevated route had undergone revision to Rs. 8250 crore, mainly due to escalation in costs and prices of construction material. It was noted that the draft concession agreement for the project has been prepared on the basis of the DCA approved by the EI for Hyderabad Metro Rail Project. A key difference between the two projects was the absence of the component on

property development in the Mumbai Metro Project. Representative of Government of Maharashtra (GoM) informed that on the advice of MoUD the Project Authorities were willing to utilize area of about 4,000 sq. mts at one level above each of the 27 stations for commercial development so as to have land use and transport integration and also generate resources. Representative of MMRDA explained that property development beyond an additional level above the stations was not possible since it would require heavier structures than currently proposed and cut into the pedestrian pathways and the main carriageway.

4. Planning Commission urged the representative of GoM to reconsider its decision to not allow real estate development over the car-depots as a project component which would result in further reduction in the requirement of Viability Gap Funding for the project. It was suggested that land, earmarked for the car depots at Mankhurd and Charkop could be used for real estate development above the ground floor by increasing FSI to 4. It was also suggested that allowing real estate development for metro projects as a policy decision would also make the seven other proposed lines of Mumbai Metro viable for PPP framework.

5. Representative of GoM explained that the State Government had reservations about including property development with the project since real estate in Mumbai is a politically sensitive issue and granting development rights to private parties is subject to criticism. Further, the locations of the two Depots would attract CRZ provisions and it may not be possible to get environmental clearance for real estate development under the existing environmental laws.

6. Representative of MMRDA explained that technically it would not be feasible to allow property development above ground floor at the car depots. Across the world, such a structure had been successfully constructed only in Hong Kong, where the decision was driven by the extreme paucity of floor area in the country.

7. Joint Secretary, DEA suggested that the land development component could be considered since the legal ownership to the title of the land would remain with the State Government and the property would return to the State Government alongwith the other assets at the end of the concession period. However, he pointed out that making real estate development as part of the PPP projects is not an approved policy of the Government of India and a project proposal cannot be rejected on this ground.

8. Additional Secretary, Economic Affairs requested MoUD to finalise a policy and a possible financing template for metro projects in the country. It was emphasised that possible models for financing urban transport projects needed to be

explored since many State Governments were keen to undertake such projects and the finances available with the Central Government to support such initiatives were limited. Additional Secretary, Expenditure concurred with this view.

(Action: MoUD)

9. The EI noted that MMRDA had examined the observations of MoUD and DEA on the Draft Concession Agreement for the project and agreed to suitably incorporate the suggested clauses, except that the definition of average PHPDT in the DCA under the Article 48.1. MMRDA explained that average PHPDT estimated by the suggested definition was lower than the current year PHPDT since the total PHPDT was divided by 365 days. 365 days include the number of holidays, and weekends when the traffic normally is expected to be much lower than on the working day. It was agreed to redraft the definition of average PHPDT to indicate a figure arrived at by dividing the total PHPDT of the immediately preceding Accounting Year by number of days excluding Saturdays and Sundays in that preceding Accounting Year.

10. It was noted that total cost of the project included items such as expenditure on R&R and utilities, which are to be borne by the Concessioning Authority and therefore, not be included in the Total Project Cost for the purposes of determining the VGF support. The estimated cost of the project after excluding the ineligible items was Rs 7660 crore with Rs.1532 crore as VGF calculated @ 20% of the project cost.

11. Representative of Planning Commission pointed out that Manual of Specifications and Standards provided by GoM is largely input based and many of the provisions are not legally enforceable. It was suggested that GOM may also examine the Manual of Specifications and Standard prepared by Government of Andhra Pradesh for Hyderabad Metro Rail before finalising the Manual and submitting it to DEA as part of the DCA.

12. Government of Maharashtra was requested to send the revised project documents with the certification that that the draft Concession Agreement of the project incorporated all the directions given by EI in the meeting.

(Action: GoM; MMRDA)

13. Subject to the above conditions, the EI recommended the proposal for grant of in-principle approval to the Empowered Committee.