

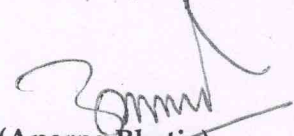
F.No.2A/2/2012-PPP
Government of India
Ministry of Finance
Department of Economic Affairs
(PPP Cell)

New Delhi, the January 9, 2013

OFFICE MEMORANDUM

Subject: 55th Meeting of the Public Private Partnership Appraisal Committee (PPPAC).

The undersigned is directed to enclose the Record of Discussion of the 55th meeting of the Public Private Partnership Appraisal Committee (PPPAC) held on November 21, 2012.


(Aparna Bhatia)
Director (PPP)
Ph No. 23094443

To

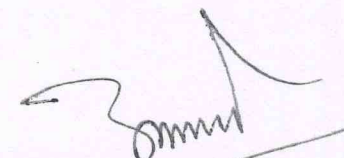
1. Finance Secretary & Secretary, Department of Expenditure, North Block, New Delhi
2. Secretary, Planning Commission, Yojna Bhawan, New Delhi
3. Secretary, Ministry of Shipping, Transport Bhawan, New Delhi
4. Secretary, Department of Legal Affairs, Shastri Bhawan, New Delhi
5. Secretary, Ministry of Environment and Forest, Paryavaran Bhawan, CGO Complex, New Delhi

Copy to:

1. Joint Secretary [Shri Rajive Kumar], Cabinet Secretariat, New Delhi
2. Joint Secretary [Smt Vini Mahajan], PMO, South Block, New Delhi

Copy also to:

- a. PSO to Secretary, Economic Affairs
- b. PPS to Additional Secretary, Economic Affairs
- c. PS to Joint Secretary (Infrastructure), DEA


(Aparna Bhatia)
Director (PPP)

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

Public Private Partnership Appraisal Committee

55th Meeting on November 21, 2012

Record Note of Discussion

The 55th meeting of the Public Private Partnership Appraisal Committee (PPPAC), chaired by Secretary, Economic Affairs, was held on November 21, 2012. The list of participants is annexed.

2. The Chairman welcomed the participants and noted that the PPPAC would consider two proposals in respect of Haldia Dock Complex from Ministry of Shipping (MoS) for grant of final approval.

Agenda Item I: Proposal from Ministry of Shipping (MoS) for grant of final approval: Development of a Multipurpose Berth and a Mechanised Berth at Haldia Dock-II (North), Haldia Dock Complex (HDC), Kolkata Port Trust.

Berth length: two berths of 275m each; Width: 40m; Total Project Cost: Rs. 821.4 crore; Cost of pre-construction activities to be financed by KPT: Rs 325 crore; Concession Period: 30 years including 3 years of construction period.

Major development works/ structures: Construction of 2 berths, construction of 2 approach trawls and a road having length as 840m length with 10m width and concrete conveyor trestle, hardening of stack yards, development of paverblock sidings and railway tracks, wagon loading platforms, reclaimer track, 2 sub-stations, control rooms, workshops, port administrative buildings, shunting locomotives, tugs, mooring launches, back up area and land development including development of internal roads, paving, boundary walls, gates etc, equipments for mechanical and electrical works, other allied facilities includes water supply system, power supply and fire fighting etc.

Agenda Item II: Proposal from Ministry of Shipping (MoS) for grant of final approval: Development of a multipurpose berth and a mechanised berth at Haldia Dock-II (South), Haldia Dock Complex (HDC)

Berth length: two birth of 275m each; Width: 40m; Total Project Cost: Rs. 886.1 crore; Concession Period: 30 years including 3 years of construction period.

Major development works/ structures: Construction of 2 berths, construction of 2 approach trastles and a road having length as 840m length with 10m width and concrete conveyer trestle, hardening of stack yards, development of paverblock sidings and railway tracks, wagon loading platforms, reclaimer track, 2 sub-stations, control rooms, workshops, port administrative buildings, shunting locomotives, tugs, mooring launches, back up area and land development including development of internal roads, paving, boundary walls, gates etc, equipments for mechanical and electrical works, other allied facilities includes water supply system, power supply and fire fighting etc.

3. Chairman, Kolkata Port Trust (KoPT) presented the two proposals for development on the North and South sides at Haldia, which is the first Riverine Port in the country. It was informed that Kolkata Port has a huge catchment area comprising of entire Northern and North-Eastern India. The trend in cargo movement is towards the usage of larger size vessels that enables in achieving economies of scale. However, the draft available in Haldia Channel is not sufficient to cater larger size of vessels. As a result, the requirement of the hinterland is not being fulfilled by the present Haldia Dock Complex (HDC), even though with proximity of steel industries, power utilities and high grade coal / iron ore mines and availability of local industries, HDC has huge potential for dry bulk cargo. As per the studies carried out by KPT , there is need to create minimum 51.35 MTPA of projected handling capacity for dry bulk cargo to handle 39.5 million metric tonnes of demand of dry bulk cargo of by 2019-20. Though there is a huge demand for dry bulk cargo, the existing HDC would not be able to handle the vessels carrying the same on account of the following challenges being faced:

3.1. The existing draft is very low (around 7.5 m). The large size vessels in full loaded condition cannot be accommodated at HDC.

- 3.2. The vessels using HDC are compelled to lighten its load at other ports before visiting HDC with parcel load at Haldia Draft. Situation also compels the trade to bring cargo from other ports at higher cost.
 - 3.3. Lock gate reaching the optimum capacity.
 - 3.4. Emphasis on reduction of dredging cost and simultaneously meeting the gap between demand and capacity created.
4. Secretary, Shipping elaborated that in view of the constraints in expansion of HDC, a new location has been identified 15 kms north east from the existing HDC for development of Haldia Dock II. The new site will be capable of handling vessels at draft of 9 meters throughout the year. It would be possible to achieve increased cargo throughput at the new site at a reduced overall logistic cost on account of availability of better draft than existing Haldia Dock as it will use Rangafalla channel and lower turn round time of the vessels by way of avoiding existing Lock system
5. Secretary, Shipping informed that the present dredging cost is about Rs. 350 crore per annum at Haldia Channel. There is a universal concern of Ministry of Finance, Planning Commission and Ministry of Shipping that this expenditure is not sustainable in the long run and needs to be reduced. Any additional capital dredging expenditure in the channel for Haldia Dock II is not envisaged, since the proposed berths by-pass the existing Haldia Dock. Hence, over time, the need for dredging will be obviated and these projects will considerably bring down the dredging expenditure of KPT as a whole. Further, most of the land required for development of Haldia Dock II is already available with KoPT. 163 acres of land has been obtained from State Government and 22 acres of land for Railway connectivity is expected to be received on long term lease from HDA shortly. Acquisition of remaining 17.729 acres of land for Railway connectivity is under consideration with State government.
6. Chairman, KoPT indicated that based on the traffic assessment, four berths are proposed to be developed under two instant projects with a combined capacity of 23.4 MTPA. Eight bidders have been shortlisted out of the 15 applications received in June 2012. TAMP has approved the tariff for the proposed projects on June 18, 2012.

Security clearance from IB, RAW and Ministry of Defence has been received; however, final approval from MHA is awaited.

7. Advisor, Planning Commission indicated that in addition to the modifications to the Draft Concession Agreement (DCA) sought, as deviations from the Model Concession Agreement (MCA), in line with the B.K. Chaturvedi Committee Report, other issues that needed resolution are:

7.1. Maintenance dredging of approach channel is proposed to be the responsibility of the Concessionaire, instead of the Authority, in deviation from the MCA.

7.2. The amount of License Fee needs to be indicated in Article 9.1(a) of the DCA.

8. Secretary, Shipping informed that the project DCAs are based on the MCA approved by the Cabinet. All observations of Planning Commission have been considered by MoS and the BK Chaturvedi Committee and the draft Note for the Cabinet for amendment to the MCA has been prepared and circulated. The changes recommended by Planning Commission will be effected in the project DCAs after the proposed changes are approved by the Cabinet.

9. Chairman, KoPT further responded that the maintenance dredging of the channel is envisaged to be undertaken by KoPT and the Concessionaire would be responsible of maintenance dredging alongside the berth. Further, dredging of the access channel shall be the responsibility of the KoPT. It was indicated that Planning Commission in their Appraisal Note had pointed out that the amount of License Fee needs to be indicated in Article 9.1(a) of the DCA. The current license fee payable by the Concessionaire is Rs 1229.00 per 100 sq mt per month escalated by 2 per cent on 14th February every year, as per the rate approved by TAMP for Haldia Dock-II. Accordingly, the actual amount will be incorporated at Article-9.1(a) of DCA at the time of signing the Concession Agreement based on the prevailing rate as per TAMP's notification. Further, maintenance dredging to the extent of 5 million cubic meters is done at present by KoPT. The vessels would move through Kolkata

channel to HD II which does not require capital dredging. This shall be indicated in the project DCA, as advised by Planning Commission.

10. Director, DEA indicated that (i) estimated project cost approved by the TAMP and indicated in the DCA are different and may be rectified; (ii) the justification for the difference in the estimated project cost of HD- II (North) and HD- II (South) may be provided; and (iii) the reasons for adopting the percentage for Minimum Guaranteed Cargo in Appendix 14 of the project DCA may be clarified.

11. Chairman, KoPT responded that estimated cost of Haldia Dock-II (North) as Rs 821.40 Crores and for Haldia Dock- II (South) cost as Rs. 886.10 crore has been indicated in DCA. However, TAMP has considered Rs 853.10 as average project cost for Haldia Dock- II (North and South) for determination of Tariff which has been corrected by TAMP vide order issued in June 2012. The cost of pre construction activities was estimated as Rs. 325 crore i.e. for Railway Infrastructure (Rs. 120 crore), Marine (Rs. 200 Crore) and Land Acquisition (Rs. 5 Crore). The difference in cost of the two projects is mainly due to the cost of civil structure of the approach trestle length of Multipurpose Berth of Haldia Dock-II North and South which is 990 meters and 1590 meters respectively. In case of mechanized berth also the difference in cost is due to the cost of the trestle length which is 1175 m and 1275 m for Haldia Dock-II North and South respectively. The Minimum Guaranteed Cargo would be incorporated in absolute tonnage instead of percentage in the project DCA.

12. Secretary, Shipping further clarified that for providing infrastructure for Railways and Marine, TAMP has provided Rs 45 per ton as a separate item in the tariff approved. Since, providing this infrastructure is a revenue generating items, hence, has been kept with the KoPT. A separate contract shall be given for these items on revenue sharing basis.

13. Director, DEA stated that DEA, DoE and Planning Commission, in their Appraisal Notes, have emphasised the need to formulate an integrated plan for improvement of Haldia Dock Complex.

14. Chairman KoPT explained that Kolkata Port Trust envisages development of Outer Terminal-1(which is already linked to transloading facilities at mid sea), Haldia Dock-II (North and South) and new major port (Sagar deep drafted port) for catering to the need of projected demand of the industry. The Outer Terminal-1, already approved by the PPPAC, will be developed on DBFOT basis in the year 2014-15 will handle 5.11 MTPA. Haldia Dock-II (North and South) will be developed on DBFOT basis in the year 2016-17 for in additional capacity of 23.40 MTPA. The Sagar Port will be developed on DBFOT basis in the year 2019-20 to handle 29 MTPA for dry bulk cargo. It is also planned that by 2019-20, HDC would mainly cater to the need of liquid bulk, container cargo, clear cargo and project cargo in its hinterland while the need of dry bulk cargo will be met up by Outer Terminal-I, Haldia Dock - II and Sagar Port, which will not only be able to meet its future demand but also brings down the requirement of dredging subsidy as Haldia Dock-II and Sagar Port are not dependent at Haldia Channel. The demand envisaged for the projected traffic will 51.35 MTPA in the year 2019-20 against which the capacity creation will be around 57 MTPA from the overall Business Plan of KoPT.

15. Joint Secretary, DEA enquired whether there would be any capital dredging requirement and the other infrastructure for rail and roads at the proposed Sagar Port. Secretary, Shipping responded that there would a requirement of capital dredging but the project is proposed to be developed in a Joint Venture format, wherein Government of West Bengal shall take up 26 per cent of equity stake, and capital dredging activity would be allocated to the private sector. Sagar Port is proposed to have a separate allocation or development of rail and roads amounting to about Rs. 3000 crore. Currently all the panama size vessels are being diverted to Paradip Port and with the development of Sagar Port, the Kolkota port may revive, with the increased draft from the current level of 10.5 m to 13.5 m to fulfill the requirement of the panama size vessels.

16. Additional Secretary, DEA queried whether the proposed development of Sagar Port was realistic based on the techno-feasibility reports. Secretary, Shipping

indicated that Rites, the technical consultants have already recommended that the project as feasible. The total capacity requirement has been indicated as 54 MT. However, feasibility of the Sagar Port would be determined on receipt of the final report from the consultants.

17. Advisor, Department of Expenditure (DoE) stated that their primary concern with the proposals related to humongous dredging requirements at the Kolkata Port. Additionally, robustness of the cargo forecast was questioned as development of the proposed capacity at KoPT is heavily dependent on the materialization of Sagar Port. Further, in view of the high cost of transaction at KoPT due to considerable expenditure on labour and other inefficiencies, whether the said projects are viable and insulated for ensuring timely implementation.

18. Secretary, Shipping reiterated that the proposed projects would not require extensive expenditure on dredging. The projects are justified since the current the capacity required is 17.8 MT and KoPT is only able to provide 8.3 MT. KoPT has envisaged integrated development of all the berths under its jurisdiction, including the proposed Sagar Port. While the JV would undertake the overall development at the Sagar Port, the development of individual berths / terminals shall be on PPP basis. Finally, since the projects are proposed on PPP basis, the cost of labour and other associated factors related to KoPT would not affect these projects or their viability.

19. Additional Secretary, DEA enquired about the impact of dedicated freight corridor (DFC) for this project. Secretary, Shipping indicated that this project is independent of the DFC. However, development of the DFC will help in increasing the cargo at KoPT.

20. All members of the PPPAC were in agreement for grant final approval to the project.

21. The PPPAC granted final approval to the proposed two projects, for award on highest royalty basis, subject to fulfilment of the following conditions:

- a. MoS shall obtain clearances such as environment and forest clearance, before commencing work on the project site.
- b. MoS shall obtain prior approval of the PPPAC on any change in TPC, scope of work or project configuration as indicated above.
- c. MoS/KoPT shall incorporate the observations of Planning Commission and DEA with respect to corrections in the project documents relating to specifying in the DCAs (i) the amount of License Fee in Article 9.1(a); (ii) estimated project cost by approved by the TAMP; and (iii) Minimum Guaranteed Cargo in Appendix 14 of DCA.
- d. MoS shall circulate the revised documents to the members of the PPPAC for record.

(Action: MoS/KPT)

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

Ministry of Finance
Department of Economic Affairs

Public Private Partnership Appraisal Committee (PPPAC)

55th Meeting on November 21, 2012

List of Participants

- I. Department of Economic Affairs,, Ministry of Finance
- i. Dr Arvind Mayaram, Secretary (Economic Affairs) (In Chair)
 - ii. Ms. Sharmila Chavley, Joint Secretary
 - iii. Ms. Aparna Bhatia, Director
 - iv. Shri Abhijit Phukon, Deputy Director
- II. Department of Expenditure, Ministry of Finance
- v. Ms. Meena Agarwal, OSD -PPP
- III. Planning Commission
- vi. Ravi Mittal, Advisor
 - vii. Shri K. R. Reddy, Consultant
- IV. Ministry of Shipping (MoS)
- viii. Shri Pradeep K. Sinha, Secretary
 - ix. Dr. (Ms.) T. Kumar, AS and FA
 - x. Shri N. Muruganandam, Joint Secretary
- V. Kolkata Port Trust (KoPT)
- xi. Shri Manish Jain, Chairman
 - xii. Capt. A.K.Bagchi
 - xiii. Shri R.S.Rajhans
 - xiv. Shri A.K.Bose
 - xv. Shri Dhaval Shah