

F. No. 2A/6/2014-PPP
Government of India
Ministry of Finance
Department of Economic Affairs
(PPP Cell)

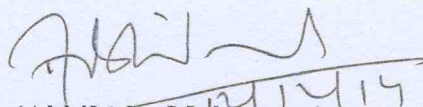
New Delhi the, December 12, 2014

OFFICE MEMORANDUM

Subject: Record of Discussions of the 67th Meeting of the Public Private Partnership Appraisal Committee (PPPAC) held on 27.11.2014, North Block.

Please find enclosed the Record of Discussions of the 67th Meeting of the Public Private Partnership Appraisal Committee (PPPAC), held on November 27, 2014.

Encl.: As above


(Abhilasha Mahapatra)
Director (PPP)
Phone No. 2309 4045

1. Secretary, Department of Expenditure, Ministry of Finance, North Block, New Delhi.
2. Secretary, Planning Commission, Yojana Bhawan, New Delhi.
3. Secretary, Ministry of Road Transport & Highways, Transport Bhawan, New Delhi.
4. Secretary, Department of Legal Affairs, Shastri Bhavan, New Delhi.
5. Secretary, Ministry of Environment and Forests, Paryavaran Bhavan, CGO Complex, New Delhi.

Copy to:

1. Shri R.K.Singh, Joint Secretary, Ministry of Road Transport & Highways, Transport Bhawan, New Delhi.

Copy also to:

1. PSO to Finance Secretary (EA)
2. Sr. PPS to AS (EA)
3. Sr. PS to JS (Infra)

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Public Private Partnership Appraisal Committee

67th Meeting held on November 27, 2014

Record Note of Discussion

The 67th meeting of the Public-Private-Partnership-Appraisal-Committee (PPPAC), chaired by Finance Secretary & Secretary, Economic Affairs, was held on November 27, 2014. The list of participants is **annexed**.

2. It was noted that the PPPAC would consider two proposals in the road sector from Ministry of Road Transport & Highways (MoRTH) for grant of final approval. On a request of the Secretary MoRTH, an additional table agenda on Development of Eastern Peripheral Expressway of NH- NE-II in the states of Haryana and Uttar Pradesh on BOT (Toll) was also discussed.

Agenda Item I: Proposal from Ministry of Road Transport & Highways for grant of final approval: Six laning of Chandikhole - Baleshwar section of NH 5 from km.62.00 and km 199.141 in the State of Orissa under NHDP – V on Design Build, Finance, Operate and Transfer (DBFOT) basis

Total length: 137.141 km; Total Project Cost: Rs. 2176.71 crore; Cost of pre-construction activities to be financed by NHAI: Rs. 120.11 crore; Concession Period: 30 years including 2.5 years of construction period.

Land status: Total land required: 931 ha; Land available: 923 ha; land to be acquired- 8 ha.

Major development works/ structures: Major Bridge: 20 (3.810 km)); Fly-overs: 1; Minor bridge: 32; ROBs: 2; Bypasses: Nil; Service: 165.610 km; Road junctions: 56; Toll plazas: 2 at km 103 & km 182.150; Vehicular underpass: 14; Pedestrian/ Cattle underpass : 18; culverts: 117; busbays: 44, truck lay byes /Rest Area: 2;; Relignments: 0.880 km at one location;

3. General Manager, NHAI presented the proposal. The PPPAC was informed that six laning is proposed for the existing 4 lane stretch as a part of the Golden Quadrilateral (GQ) (Chennai-Kolkata corridor) for 137.141 km length with Total Project Cost (TPC) of Rs. 2176.71 crore. 99.14% of the total land required for the project is available and acquisition of balance land of about 8 ha is under process.

The project cost has been approved by the Standing Cost Committee in its meeting held on 10th September, 2014. The total project cost is marginally higher as compared to the cost approved by the B.K.Chaturvedi Committee Report in 2009 as project now consists of 20 Major Bridges of 3810m length, 0.50 extra carriageway as per 2013 manual, 32 underpasses, and extra protective work i.e. crash barrier, RCC cover drain, RE Wall, Stone pitching, etc.

4. On a query from JS, DoE, Member, NHAI stated that Environment, Forest and Wild life clearances are not required for the proposed project, GADs for 2 RoBs have been submitted in September, 2014 for clearance from Railways. The project is expected to receive premium of Rs. 55.80 crore to achieve 15% Return on Equity. Eleven bidders have been short-listed during RfQ stage.

5. To a query from Joint Secretary, DoE on whether there is existing toll operator for tolling of the existing 4 lane project. CGM, NHAI responded that toll operator is yet to be appointed. Chair asked whether the project is justified for 6-laning as the present traffic is only 27833 PCUs against a requirement of at least 40,000 PCUs for six-laning. Representative of Planning Commission also stated that existing 4-lane stretch is sufficient for 60,000 PCUs.

6. Member, NHAI responded that the construction work for the proposed work is expected to be completed in the year 2018 and based on present traffic, the level of 40,000 PCUs would reach in the year 2021. Member NHAI further stated that six-laning for the adjoining stretch from Chandikhole to Bhubaneswar is nearing completion and the proposed stretch is a part of GQ (Chennai-Kolkata corridor) and approved under NHDP Phase V where traffic is more than 25,000 PCUs. Accordingly the project may be considered for six-laning by the PPPAC.

7. The PPPAC members unanimously agreed to recommend the proposal for grant of final approval.

8. The PPPAC recommended the proposal for Six-laning of Chandikhole - Baleswar section of NH 5 from km.62.00 and km 199.141 in the State of Orissa under NHDP - V on Design Build, Finance, Operate and Transfer (DBFOT) basis, for TPC of Rs. 2176.71 crore with VGF as per the Scheme Guidelines, for grant of final approval by the competent authority, subject to fulfilment of the following conditions:

8.1. MoRTH shall issue Request for Proposal (RFP) only after ;

8.1.1. Completing the land acquisition as per the decision of PPPAC in its 56th meeting held on December 21, 2012 that "atleast 60%

of the total land should be available or notification under Section 3(A) should have been issued for at least 90 percent of the land required and notification under Section 3(D) should have been issued for atleast 60 percent of the land required for the project"

- 8.1.2. Obtaining the environment clearances for the project
- 8.2. MoRTH shall incorporate the observations of Planning Commission and DEA with respect to the project DCAs as agreed to by MoRTH in their responses.
- 8.3. MoRTH shall obtain prior approval of the PPPAC on any change in scope of work or project configuration as noted above.
- 8.4. MoRTH shall circulate the revised documents to the members of the PPPAC for record.

(Action: MoRTH/ NHAI)

Agenda Item II: Proposal from Ministry of Road Transport & Highways for grant of final approval: Six laning of Handia Varanasi section of NH-2 from km 713.146 to km 785.544 in the State of Uttar Pradesh under NHDP Phase-V under NHDP – V on Design Build, Finance, Operate and Transfer (DBFOT) basis

Total length: 72.398 km; Total Project Cost: Rs. 2356.16 crore; Cost of pre-construction activities to be financed by NHAI: Rs. 22.43 crore; Concession Period: 27 years including 2.5 years of construction period.

Land status: Total land required: 1103.059 ha, Land available: 1103.059 ha (100%), Land to be acquired: Nil.

Major development works/ structures: Major Bridge: Nil; Fly-overs: 3; Elevated Structures: 5 (13.685 km with approaches); Minor bridge: 3; ROBs: Nil; Bypasses: Nil; Service/Slip roads: 78.534 km/ 165.440 km; Major road junctions: 4; Minor road junctions: 167; Toll plazas: 1 (km 746.760); Vehicular/pedestrian underpass: 11/12; culverts: 207; busbays: 25, truck lay byes: 4; Rest Area: Nil; Relignments: Nil ; FOB: 2; Entry/Exit locations: 10; RCC Retaining Wall incl crash barrier: 45.666 km; Metal Beam crash barrier: 69.714 km.

9. Member, NHAI presented the proposal and informed the PPPAC that the project was earlier approved at its 53rd meeting held on July 16, 2012 for a project cost of Rs. 909.57 crore with concession period of 28 years, single bid was received in November, 2012 which was returned unopened. Six-laning is now proposed for the existing 4-lane stretch as a part of GQ (Delhi-Kolkata corridor) for 72.398 km length and the Total Project Cost (TPC) is Rs. 2361.66 crore. The proposed project under consideration consists of 5 elevated structures with 13.685 km length where at grade 6-laning was not feasible due to restricted Right of Way. 100% of the total land required for the project is available, environment clearances are not required and forest clearance is under process.

10. JS, DEA stated that the increase in total project cost of 260% in just 2 years does not appear to be justified even with the cost of additional structures. JS, MoRTH stated the project cost has been approved by the Standing Cost Committee in its meeting held on 16th October, 2014. The project cost is higher as compared to the cost approved by the B.K.Chaturvedi Committee Report in 2009 due to 5 Elevated Structures of 13.685 km length. The project is expected to be viable with VGF of Rs. 47.83 crore i.e. 2.03% of the TPC to achieve 15% Return on Equity. Eight applications have been received during RfQ stage which is under evaluation. Chair stated that the project may not be justified for 6-laning as present traffic is only 28598 PCUs and inquired on the status of 6-laning of the adjoining stretches and the possibility of construction of by-passes instead of elevated structures. Member, NHAI responded that the proposed stretch is a part of GQ (Delhi-Kolkata corridor) and approved under NHDP Phase V where traffic is more than 25,000 PCUs. The project was also earlier approved by the PPPAC on 16th July, 2012 on six laning.

11. JS,DEA stated that MoRTH's toll projections show a jump of 300% in toll collections which appears over-optimistic given current patronage and toll rates vis-à-vis the projections in the report . Chair stated that the per km cost of Rs. 32.62 crore is very high and sought clarification from NHAI whether it is worth constructing as the toll rate for the stretch would increase from Rs. 65 in 2014-15 to Rs 160 in 2018-18 (for cars). Since the higher toll rates would mainly be due to the elevated structures, users may not be willing to pay higher toll rates and this would impact the viability of the project. Member, NHAI responded that toll rates are as per the notified toll policy.

12. JS, DEA stated that the project appears to be more complicated with all these elevated structure making it more expensive and wheatear the bids would be received for such an expensive project. Joint Secretary, DoE stated that 6-laning of the GQ stretches are supported.

13. The Chair inquired the impact on the TPC by constructing 4-lane elevated structures rather than the 6-lane structures. Member, NHAI responded that in case 4-lane structures are considered, the total civil cost would be Rs. 1742.03 crore as against Rs. 1939.05 crore for 6-lane structures, thus there would be a saving of Rs. 197.02 crore i.e. 20.7% of the civil cost.

14. GM, NHAI made a presentation on the comparison between 4-lne and 6-lane elevated structures upon which the Chair inquired whether the proposed 6 lane structures are as per the Manual for Standard & Specifications for 6 lane stretches which provide for footpath and paved shoulders. GM, NHAI responded that the width of the proposed 6 lane structures have been considered based on the

maximum ROW available and does not have provision of footpath and paved shoulders. The Chair stated that the proposed structures do not appear to take into consideration the conditions for road safety and instructed MoRTH/NHAI to submit certification indicating that the proposed structures are the correct technical solution and are safe for the users. MoRTH should also give examples where such structures have been constructed, domestic and international, and found safe.

15. Chair also noted that any recommendations on engineering design by MoRTH / NHAI are expected to be compliant with standard norms. In future, in case of deviations, these may be explicitly brought out by MoRTH / NHAI, along with the reasons for recommending such deviations.

16. The PPPAC was in agreement to recommend the project (Six laning of Handia Varanasi section of NH-2 from km 713.146 to km 785.544 in the State of Uttar Pradesh under NHDP Phase-V under NHDP – V on Design Build, Finance, Operate and Transfer (DBFOT) basis) for final approval subject to MoRTH / NHAI clarifying and undertaking that the proposed structures are the correct technical solution and are safe for the users even without a hard shoulder and pedestrian pathway. MoRTH should also give examples where six lane structures have been constructed (both domestic and international) without these.

(Action: MoRTH)

Additional Agenda:

Development of Eastern Peripheral Expressway of NH- NE-II from km 0 to km 135, starting from km 36.083 on NH-1 and ending at km 64.330 on NH2 in the states of Haryana and Uttar Pradesh under Other Projects on BOT (Toll) basis

Total length: 134.946; Total Project Cost: Rs. 4489 crore (now proposed as Rs. 5712.58 crore); Cost of pre-construction activities: Rs. 1795 crore to be financed by States of Delhi (50%), Haryana (25%) & Uttar Pradesh (25%); Concession Period: 26 years (now proposed 25 years) including 3.5 years of construction period;

Total Land required: 1631.42 ha.: Land in possession: 1567.53 ha(96.08%); Land to be acquired: 63.89 ha. 3 (A) : 1631.42 Hac. (100%), 3 (D): 1631.42 Hac. (100%), 3 (G): 1607.44 Hac. (98.53%)

Major development works/ structures: Major river bridges: 4 (two at Yamuna river, one at Hindon river & one at Agra Canal); Fly-Over: 5; ROBs: 6; Minor Bridges- 44; Interchanges: 9 at crossings with NH-58, NH-24, NH-91, NH-2, Taj Expressway, SH-57 , Greater Noida, Kasna & Atali road; Vehicular Underpass: 55; Pedestrian Underpass: 144; Culverts: 113; Toll Plazas: 2 on main highway at km 5.1 & km 132.500 and 7 on every entry/exit interchanges; Wayside Amenities: 2 at km 40 & km 96

17. Joint Secretary, DEA informed the PPPAC that Secretary, MoRTH vide letter dated 26th November, 2014 has requested for this item to be tabled and placed before the PPPAC meeting scheduled to be held on 27th November, 2014 for the above mentioned project in view of the urgency as detailed at para 18 below. MoRTH has requested PPPAC to consider approving increase in TPC from Rs. 4489 crore (as approved earlier by the PPPAC in its meeting held on 17th January, 2014) to Rs. 5712.58 crore based on Schedule of Rates (SOR) of 2014 and major increase in rates of cement, steel, bitumen, aggregate, sand, etc. JS, DEA stated that as the letter had been received just prior to the meeting, there has been no time to check previous papers and approvals as yet.

18. Member, NHAI presented the proposal and informed the PPPAC that the Supreme Court had constituted a Monitoring Committee for the Western Peripheral Expressway (WPE) and Eastern Peripheral Expressway (EPE) on 25.08.2005 and that the Hon'ble Supreme Court, during the hearing on 10.03.2014 had observed that the completion rescheduling of EPE beyond July, 2018 "would not be tolerated". NHAI is therefore, under pressure to complete the EPE as per the schedule. Member, NHAI presented a brief background on the project as follows:

18.1 Eastern Peripheral Expressway (EPE), being developed by NHAI, and the Western Peripheral Expressway (WPE), being developed by Government of Haryana, would connect NH-1 and NH-2 from Western and Eastern side of Delhi. The start and the end points of both WPE and EPE are proposed to be at the same locations, thereby forming a Ring-Road completely outside NCT Delhi.

18.2 The proposal had been first considered by the PPPAC in November 2007 and approved with TPC of Rs. 2,333 crore with Concession Period of 20 years; a single bid was received in Dec, 2008 which was rejected by NHAI. The project was again approved by the PPPAC in its 40th meeting held on 06.01.2011 with TPC of Rs. 2699 crore and Concession Period of 23.5 years. NHAI had invited bids on July 07, 2012 with last date of submission of bids in October, 2012 but no bids were received. The project was again approved by the PPPAC in its 62nd meeting held on 17.01.2014 for TPC of Rs. 4489 crore (Rs.33.25 crore per km) with Concession Period of 26 years and maximum VGF upto 40% of TPC after updating the TPC to the current price levels i.e. adoption of rates as per SOR 2012 escalated to 2013-14. NHAI had invited bid with last date of submission of bids in April 04, 2014 but no bid was received.

18.3 The Inter-Ministerial Group (IMG) constituted under the recommendations of the B.K Chaturvedi Committee at its meeting held on 30.05.2014 decided to take up this project on EPC basis. Since, the time lapse from the approval of PPPAC and issue of combined RFQ & RFP was less than one year, as per the MoRTH's guidelines dated 16.06.2014, the cost was not updated while inviting the bids on

BOT (Toll) mode. The Civil cost has now been revised based on the latest SOR of 2014 and the revised Civil Cost with flexible pavement is Rs. 4570.06 Crore (2014-15) against Civil Cost of Rs. 3602.28 Crore approved by PPPAC. The PPPAC was requested to consider the proposal for up gradation of the civil cost of the project resulting in revised TPC of Rs. 5712.58 crore.

18.4 The reasons for increase in Civil Cost are due to the fact that the earlier approved Civil Cost was based on UP/ Delhi PWD Schedule of Rates of 2012, escalated by 5% only to 2013 rates. A revision by 5% to bring the cost to 2014 rates (total 10% revision on 2012 rates) would not be sufficient to cater to the increase in market rates of various materials and therefore the proposed revised Civil Cost (Rs. 4570.06 Crore) is based on Schedule of Rates of 2014. Major difference in cost is on account of increase in rates of Cement, Steel, Bitumen, Aggregate and Sand. The revised TPC at 2014-15 cost comes to Rs. 5712.58 crore i.e. Rs. 42.31 crore per km. The project would be viable with VGF upto 28.71 percent of TPC considering tollable traffic of 40,392 to 48508 PCUs in 2018.

18.5 Environment clearances have been received in June, 2009 and wild life clearances are not required. GADs approval for 6 RoBs have been received for Railways. Forest clearances have been received from Baghpat, Ghaziabad, Gautam Budh Nagar & Sonapat Distt and Forest clearances for Palwal & Faridabad Distt. is in advanced stage.

18.6 The project has also been approved by EFC on EPC basis and bids have already been invited. However, single stage bidding has also been invited on BOT basis for which Bid Due Date have been kept prior to the EPC.

19. JS, DEA stated that unless previous papers were checked, automatically approving a revision in cost may not be appropriate. Previous deliberations by PPPAC would, had the fact that the SOR were outdated been brought up then, have inter-alia also examined this aspect. This aspect was yet to be ascertained from earlier records. In case this had not been brought up at that point, MoRTH / NHAI may need to explain why the lapse had occurred.

20. JS, DEA also stated that simultaneous bidding by EPC and BOT appears to be inherently biased against PPP, as reports already state that EPC construction by MoRTH will be followed by BOT for O&M. This view was supported by JS, DoE. Member, NHAI responded that bids on BOT (Toll) were invited as advised by PMO.

21. Chair, observed that in light of the consistent view of MoRTH and NHAI that the project is warranted with the proposed configurations, deadline of award by January

15, 2015 given by the Supreme Court, the proposal may be considered for approval on BOT (toll) basis subject to the condition that the Total Project Cost would be approved by the Standing Cost Committee before receipt of the financial bids by the NHAI. Further, as there had been insufficient time to ascertain whether all aspects of upto date costing of TPC had been presented to PPPAC in January, this is being agreed to as a one-time exception. This was agreed to by all the members of the PPPAC.

22. The PPPAC recommended for grant of final approval, the proposal for Development of Eastern Peripheral Expressway of NH- NE-II from km 0 to km 135, starting from km 36.083 on NH-1 and ending at km 64.330 on NH2 in the states of Haryana and Uttar Pradesh under Other Projects on BOT (Toll) basis, subject to the total project cost being approved by the Standing Cost Committee before receipt of the financial bids by the NHAI.

(Action: NHAI/MoRTH)

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Ministry of Finance
Department of Economic Affairs
Public Private Partnership Appraisal Committee
67th Meeting on November 27, 2014

List of Participants

- I. Department of Economic Affairs, Ministry of Finance
- i. Dr. Rajiv Mehrishi, Finance Secretary & Secretary, Economic Affairs (In Chair)
 - ii. Ms. Sharmila Chavaly, Joint Secretary
 - iii. Ms. Abhilasha Mahapatra, Director (PPP)
 - iv. Shri V. Srikanth, Deputy Director (PPP)
- II. Department of Expenditure, Ministry of Finance
- v. Shri Arunish Chawla, Joint Secretary(PF-II)
- III. Planning Commission
- vi. Shri Amitabha Ray, Joint Advisor
 - vii. Shri K. Ranga Reddy, Consultant
- IV. Ministry of Road Transport & Highways (MoRTH)
- viii. Shri Rohit K. Singh, Joint Secretary
 - ix. Rakesh Kumar, SE (PPP)
- V. Department of Legal Affairs
- x. Shri Mrityunjay Singh, Dy. Legal Advisor
- VI. National Highway Authority of India
- xi. Shri Sudhir Kumar, Member (PPP)
 - xii. Shri M.P.Sharma, Member (Tech)
 - xiii. Shri S.C. Jindal, CGM
 - xiv. Shri B.S. Singla, CGM
 - xv. Shri Rajiv Yadav, GM
 - xvi. Shri V.K.Joshi, DGM
 - xvii. Shri Sanjay Saxena, GM
 - xviii. Shri Asheesh Kumar Jain
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