

F.No.2/25/2015-PPP
Government of India
Ministry of Finance
Department of Economic Affairs
(PPP Cell)

North Block, New Delhi
November 12, 2015

OFFICE MEMORANDUM

Subject: Record of Discussion of the 74th Meeting of the Public Private Partnership Appraisal Committee (PPPAC).

The undersigned is directed to enclose the Record of Discussion of the 74th Meeting of **Public Private Partnership Appraisal Committee (PPPAC)** held on 15th October, 2015 in North Block, New Delhi.

V. Srikanth
12/11/2015

(V. Srikanth)
Deputy Director (PPP)
Phone No. 2309 3404

1. Secretary, Department of Expenditure, Ministry of Finance, North Block, New Delhi.
2. Chief Executive Officer, NITI AAYOG, Parliament Street, 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, Priyavaran Bhavan, Jor Bagh, New Delhi.

Copy to:

1. PSO to Secretary, Economic Affairs,
2. PS to AS (Investment),
3. PPS to JS (Infra),
4. PA to Dir (PPP).

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Government of India
Ministry of Finance
Department of Economic Affairs

Public Private Partnership Appraisal Committee

74th Meeting held on October 15, 2015

Record Note of Discussion

1. The 74th meeting of the Public-Private-Partnership-Appraisal-Committee (PPPAC), chaired by Secretary, Economic Affairs, was held on October 15, 2015. The list of participants is annexed.

2. At the outset, Director, DEA indicated that para wise comments to the revised Appraisal Note are not being received on time. The Chair indicated that responses should be received at least two days before the meeting. DEA may also explore the option of an online system whereby comments and responses of the concerned Ministries/ Departments could be uploaded online to avoid delay. This was agreed to.

(Action: MoRTH/ NHAI)

3. 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. The two proposals comprise a contiguous stretch over two states and both packages are expected to fetch a premium. The discussions for both proposals taken up together are recorded as follows.

Agenda Item I: Proposal from Ministry of Road Transport & Highways for grant of final approval: Six laning of Aurangabad (Bihar) to Bihar/ Jharkhand Border section of NH-2 from Km 180.000 to Km 249.320 in the state of Bihar under NHDP Phase V on Design, Build, Finance, Operate, Transfer (DBFOT) Toll basis (Package-I).



Total length: 69.58 km; Total Project Cost: Rs. 1005.52 crore; Cost of pre-construction activities to be financed by NHAI: Rs. 345.89 crore; Concession Period: 27 years including 2.5 years of construction period.

Land status: Total land required: 454.89 ha; RoW available: 312 ha (68.59%); land to be acquired- 142.89 (31.41%); Forest land – 7.294 ha, Govt. Land: 79.12 ha; Notified under 3D: 52.51 ha (1.54%); Notified under 3G: 48.65 ha; Compensation completed to the land owner – 41.55 ha; land available: 432.67 ha (95%);

Status of Clearances: Environment Clearance: obtained on 23.06.2014; Forest Clearances Stage-1: Obtained on 13.05.2015; GAD: Not required as there is no RoB; Wild life Clearance: Not required as no land is involved.

Major development works/ structures: Major Bridge: 11; Flyovers/ Interchange: 1; ROBs; Nil; Bypass: 1 of 2.894 km at Madanpur; Major road junctions: 2; Service/ slip roads: 73.93 km ; Toll plazas: 1 at km 200.08; Minor bridges : 32; Minor road junctions: 169; Vehicular underpass: 8; Pedestrian/Cattle underpasses: 3; Culverts: 174; Truck laybys: 7; Rest Area: 1; Bus bays and shelters: 26; Entry/Exit Ramps: 60; FOB: 12.

Agenda Item II: Proposal from Ministry of Road Transport & Highways for grant of final approval: Six laning of Bihar – Jharkhand Border (Chordaha) to BarwaAdda Section of NH-2 from Km. 249.320 to Km 400.132 in the State of Jharkhand under NHDP Phase V on Design, Build, Finance, Operate, Transfer (DBFOT) Toll basis (Package-II).

Total length: 152.015 km (Flexible pavement - 80 km & rigid pavement – 72 km); Total Project Cost: Rs. 2768.68 crore; Cost of pre-construction activities to be financed by NHAI: Rs. 798.39 crore; Concession Period: 27 years including 2.5 years of construction period.

Land status: Total land required: 840.38 ha; RoW available: 529.30 ha (62.98%); land to be acquired- 311.08 (37.02%); Forest land – 51.73 ha (19.49 ha – permission received), Govt. Land: 62.91 ha; Notified under 3D: 189.98 ha (22.61%); Notified under 3G: 71.94 ha; land available: 682.84 ha (81.25%);

Status of Clearances: Environment Clearance: obtained on 23.06.2014; Forest Clearances Stage-1: Obtained on 13.05.2015; GAD: under process; Wild life Clearance: Under consideration of state Wild life Board.

Major development works/ structures: Major Bridge: 9; Flyovers/ Interchange: 4; ROBs; 2; Bypass: 2 of 7.957 km at Bagodar & Rajganj; Major road junctions: 6; Service/ slip roads: 81.19 km ; Toll plazas: 2 at km 278.925 & 350.400 (design); Minor bridges : 91; Minor road junctions: 250; Vehicular underpas: 19; Pedestrian/Cattle underpasses: 8; Culverts: 265; Truck laybys: 9; Truck terminal: 1; Rest Area: 3; Bus bays/ shelters: 49; Entry/Exit

4. Joint Secretary, DEA informed the PPPAC that there were two proposals for consideration from the Ministry of Road Transport and Highways for development

of two road stretches on Design, Build, Finance, Operate, Transfer (DBFOT) Toll basis under NHDP Phase V viz; six-laning of Aurangabad (Bihar) to Bihar/Jharkhand Border section of NH-2 from Km 180.000 to Km 249.320 in the state of Bihar (Package-I) and six laning of Bihar – Jharkhand Border (Chordaha) to Barwa Adda Section of NH-2 from Km. 249.320 to Km 400.132 in the State of Jharkhand (Package-II). As regards, the project stretch falling in the state of Bihar, the PPPAC Secretariat has written to the Election Commission for permission to consider the proposals and the decision of the PPAC would be communicated only after receipt of clearance from the Election Commission.

5. Member, NHAI informed the PPPAC that the two project stretches to be considered in the PPPAC are part of an earlier approved entire stretch of 221.346 km from Aurangabad (Bihar) to Barwa-Adda section of NH-2 (51st PPPAC Meeting held on March 09, 2012) with Total Project Cost (TPC) of Rs. 2340 crore with a 30 year Concession Period. The project was awarded on 31.03.2012 to M/s KMC Constructions Ltd with a premium of Rs. 135 crore and the Concession Agreements were signed on 18.05.2012. However, the concession was terminated due to non-fulfilment of Conditions Precedent by both the parties. The two proposals to be considered by the PPPAC at this meeting are a part of this earlier approved project stretch.

6. Member, NHAI explained that the Concessionaire could not achieve Financial Closure and NHAI also could not provide land, Environment clearance and Forest clearance and accordingly the project was foreclosed on mutual consent after signing supplementary agreement on 21.11.2013. The project has now been bifurcated in two parts based on geographical boundaries of Bihar and Jharkhand.

7. Joint Secretary, DEA indicated that MoRTH has furnished clarifications on most of the issues raised in the appraisal of the projects though the estimate of the Premium expected by NHAI of Rs. 66.08 crore appears to be high for Package I as compared to the estimates of Rs. 36.40 crores as per the financial viability analysis of the PPP Cell . The CGM, NHAI responded that viability has been rechecked and the MoRTH/NHAI estimate is still a premium of Rs. 64 crore (6.36% of TPC) for Package I in order to achieve 15% Return on Equity. As regards Package II , CGM, NHAI stated that the project is expected to be viable with premium of Rs. 120.80 crore (4.36% of TPC). Joint Secretary, DEA stated that MoRTH had set the norms for calculating the viability five years ago, in 2010. These norms and parameters like traffic growth, major maintenance, interest rate, increase in WPI, need to be reviewed periodically and updated to assess the viability correctly in keeping with the changing market scenario. Joint Secretary, MoRTH agreed to review the same.

(Action: MoRTH/ NHAI)



8. To a query from the Chair on the status of clearances and land acquisition, Member, NHAI further stated that Environment clearance and Forest clearance (Stage-I) were obtained in June, 2014 and May, 2015 respectively. About 95 percent land is available for Package I and 81.25 percent land is available for Package II. Wild life clearance is under consideration of the state Wild life Board.

9. Joint Secretary, DoE stated that in Package I, there is a reduction in traffic from 35145 PCUs in November, 2013 to 30833 PCUs in April, 2015 i.e. by more than 20%, similarly in Package II there is a reduction in traffic from 33153 PCUs in November, 2013 to 30616 PCUs in April, 2015 i.e. by more than 7.6%; MoRTH may justify and indicate reasons for such reduction. Advisor, NITI Aayog also indicated that when reduction in traffic is observed, the future projection in traffic with 5% growth may also be optimistic. Joint Secretary, MoRTH responded that traffic has been taken as per the recent traffic survey carried out in March, 2015 which shows reduction in traffic while the future traffic projection is considered @ 5% per annum as per the norms set by the MoRTH.

10. Director, DEA stated that MoRTH may ensure legal vetting of the documents as NITI Aayog in their Appraisal Note have indicated that DEA should get the legal vetting of the Concession Agreement by Department of Legal Affairs. Joint Secretary MoRTH stated that legal vetting of the documents is invariably done by NHAI and a copy of the same has already been furnished to the PPPAC members, hence the need for separate legal vetting may not be required and would only delay the process of appraisal. This was agreed to.

11. Director, DEA indicated that MoRTH should revise Schedule 'R' to indicate the transition plan along with the present toll rates to avoid any confusion among the bidders. Member, NHAI agreed to revise Schedule 'R' accordingly.

(Action: MoRTH/ NHAI)

12. Advisor, NITI Aayog stated that TPC of package II has been estimated at Rs. 18.21 crore per km which is 28.8% higher than the norm of Rs. 14.14 crore fixed by MoRTH. Further, the cost is higher by 49.1% from that estimated in 2012 though the unit costs of construction for different components have increased from 31.6% to 295.4% from the 2012 estimates. These increases are on the higher side and need to be justified. Member, NHAI explained that the main reason for increase in the cost is provision of two greenfield bypasses of 7.957 km, provision of four flyovers of 5.78 km, two RoBs in addition to the design considered in 2012. The additional cost for two bypasses is Rs. 67.50 crore, additional 4 flyovers is Rs. 496.44 crore and

additional two RoBs is Rs. 13.04 crore, thus total increase in civil cost is to the tune of Rs. 576.98 crore which comes to Rs. 721.22 crore in terms of TPC. Joint Secretary , MoRTH explained that the item wise cost has already been examined in detail by the Standing Cost Committee (SCC) chaired by Special Secretary & Financial Advisor (RT&H) in its meeting held on 22nd July, 2015, the project documents included the deliberations of the SCC. The Chair asked for a copy of the Minutes of the SCC meeting to NITI Aayog. This was agreed to.

(Action: MoRTH/ NHAI)

13. All the members of PPPAC were in agreement to recommend the two projects for grant of final approval by the competent authority.
14. The PPPAC recommended the following proposals for grant of final approval by the competent authority:
 - (i) Six laning of Aurangabad (Bihar) to Bihar/ Jharkhand Border section of NH-2 from Km 180.000 to Km 249.320 in the state of Bihar under NHDP Phase V on Design, Build, Finance, Operate, Transfer (DBFOT) Toll basis, for TPC of Rs. 1005.52 crore (Package-I)
 - (ii) Six laning of Bihar – Jharkhand Border (Chordaha) to BarwaAdda Section of NH-2 from Km. 249.320 to Km 400.132 in the State of Jharkhand under NHDP Phase V on Design, Build, Finance, Operate, Transfer (DBFOT) Toll basis for TPC of Rs. 2768.68 crore (Package-II)

subject to fulfilment of the following conditions, for the above two projects:

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

- 14.1. 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"
- 14.2. Obtaining the environment and forest clearances (stage-I) for the project.



- 14.3. MoRTH shall revise Schedule 'R' to indicate the transition plan along with the present toll rates to avoid any confusion among the bidders.
- 14.4. MoRTH shall incorporate the observations of NITI Aayog and DEA with respect to the project DCAs as agreed to by MoRTH in their response.
- 14.5. MoRTH shall obtain prior approval of the PPPAC on any change in scope of work or project configuration as noted above.
- 14.6. MoRTH shall circulate the revised documents to the members of the PPPAC for record.

(Action: MoRTH/ NHAI)

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



Annex
Ministry of Finance
Department of Economic Affairs

Public Private Partnership Appraisal Committee

74th Meeting on October 15, 2015

List of Participants

I. Department of Economic Affairs, Ministry of Finance

- i. Shri Shaktikanta Das, Secretary, Economic Affairs (In Chair)
- ii. Ms. Sharmila Chavaly, Joint Secretary
- iii. Ms. Abhilasha Mahapatra, Director (PPP)

II. Department of Expenditure, Ministry of Finance

- iv. Shri Arunish Chawla, Joint Secretary
- v. Shri Chittaranjan Dash, Director (PF-II)

III. NITI AAYOG

- vi. Shri Praveen Mahto, Advisor
- vii. Shri CPS Reddy, Director

IV. Ministry of Road Transport & Highways (MoRTH)

- i. Shri Rohit K. Singh, Joint Secretary
- ii. Shri Rakesh Kumar, SE (PPP)
- iii. Shri Rajneesh Kapoor, SE (PPP)

V. National Highway Authority of India

- iv. Shri M.P.Sharma, Member (T)
- v. Shri J.K.Goyal, CGM (T)
- vi. Shri Anil Kumar, GM (T)
- vii. Shri Prashant Kumar, Manager (T)


