

F. No. 2/4/2018-PPP
Government of India
Ministry of Finance
Department of Economic Affairs
PPP Cell

North Block, New Delhi
Dated 09th September, 2019

Office Memorandum

Subject: Record of Discussion of 89th Meeting of Public Private Partnership Appraisal Committee (PPPAC) held on 27th August, 2019 to consider Ministry of Home Affairs proposals for Development of Eco-Tourism Resort in Lalaji Bay, Long Island, Andaman & Nicobar Islands and Minicoy Island, Lakshadweep Islands through PPP mode.

The undersigned is directed to forward the Record of Discussion of the 89th PPPAC Meeting held on 27.08.2019 under the chairmanship of Secretary, EA to discuss above mentioned proposals through PPP mode.

Encl. as above


(Mukesh Kumar Gupta)
Director (PPP)

To,

1. Home Secretary, North Block, New Delhi
2. CEO, NITI Aayog, Sansad Marg, New Delhi
3. Secretary, Department of Expenditure, North Block, New Delhi
4. Secretary, Department of Legal Affairs, Shastri Bhawan, New Delhi

Copy to:

1. PPS to Secretary (EA)
2. PPS to JS (IPF)

Sub: Record of Discussion of the 89th Meeting of Public Private Partnership Appraisal Committee held on 27th August, 2019 to consider Ministry of Home Affairs proposals for Development of Eco-Tourism Resort in Lalaji Bay, Long Island, Andaman & Nicobar Islands and Minicoy Island, Lakshadweep Islands through PPP mode

The 89th Meeting of Public Private Partnership Appraisal Committee (PPPAC), chaired by Secretary (EA) (henceforth, the Chair) was held on 27.08.2019. The list of participants is *annexed*. This meeting considered two proposals from Ministry of Home Affairs (MHA) for grant of 'in-principle' approval.

Agenda Item 1: Development of Eco-Tourism Resort in Lalaji Bay, Long Island, Andaman & Nicobar Islands through PPP mode

Project Scope: Designing, Financing, Procurement & Construction of 220 keys (Development of 110 rooms (keys) within a period of 4 years and it is upto the concessionaire to build additional rooms subject to a maximum of 220 rooms over 15 years) along with all necessary & incidental infrastructure of island resort & management, operation and maintenance of the resort on total land of around 42 hectare.

Total Estimated Project Cost: Rs. 391 crore (for 220 rooms) includes construction cost, infrastructure cost, RO Plant, Sewage treatment plant, Solar Power and Beach Facilities.

Construction Period: 4 years period for completion for 110 rooms (keys) & it is up to the concessionaire to build additional rooms subject to a maximum of 220 rooms over 15 years from appointed date.

Concession Period: 75 years (inclusive of 4 years Construction Period).

Joint Secretary (IPF) informed the PPPAC that the proposal from Ministry of Home Affairs for Development of Eco-Tourism Resort in Lalaji Bay, Long Island, Andaman & Nicobar Islands (A&NI) through PPP mode has been received for 'in-principle' approval. The proposal has been appraised by the PPPAC members and MHA has provided clarifications on the issues raised by PPPAC members.

2. Chief Secretary (Andaman & Nicobar Islands) made a brief presentation on the proposal and informed that PPPAC in its 84th Meeting held on 07.12.2018 had considered the said proposal and granted 'in-principle' approval. However, the project could not be bid out due to some concerns from the prospective bidders. Therefore, the proposal was revised to attract bidders. He further informed that all necessary clearances such as Coastal Regulation Zone (CRZ) and Environment Clearance would be given up-front and Project Authority, i.e., ANIIDCO (Andaman & Nicobar Islands Integrated Development Corporation Ltd) will act as a facilitator for post-construction clearances. Regarding support infrastructure from state, it was informed that civil passenger terminal at Diglipur is ready for operation.

3. Thereafter, the following issues were brought to the notice of the Committee:

i) The Concession Period for the project has been increased to 75 years from 60 years (original proposal) to attract bidders. Considering that the project is highly financially viable even for 60

years concession period, it is prudent to keep the Concession Period at 60 years without having any extension clause. A&NI Administration explained that the project site is located in an undeveloped area and to attract investors, longer concession period of 75 years has been envisaged. After deliberations, it was decided to keep the concession period at 75 years.

ii) The technical capacity criteria for the bidder is to own or operate the 3/4/5 star & above hotel with minimum 50 residential rooms (such that sum of residential rooms should be more than 440). For financial capacity, RfQ issued by D/o Expenditure, Ministry of Finance has been followed but Technical capacity criteria was modified. It was also informed that technical capacity criterion (in terms of number of rooms) was arrived after detailed discussions with various stakeholders. After deliberations, the proposed technical capacity criteria was agreed to. On financial capacity (et worth) criterion, it was suggested to increase it to Rs. 100 crore from Rs 98 crore.

iii) Regarding investment phasing, it was informed that project is to be implemented in single phase and project shall be deemed completed with completion of minimum 110 keys in 4 years and it is upto the concessionaire to build additional rooms subject to a maximum of 220 keys over 15 years from appointed date. In this context, it was suggested that the investment phasing should be pre-defined in case of any expansion of capacity beyond 110 keys so as to limit the financial liability of the Authority. In this regard, it was mentioned that the estimated project cost for 110 rooms is Rs. 154 crore. This implied that the later half of the project is estimated to cost Rs. 237 crore. It was pointed out that the later half of the project should normally cost less than the first half. After discussion, the Chair decided that the existing investment phasing costs should be retained. It was also decided that MHA may accordingly make necessary changes in the draft concession agreement so as to limit termination payment liability of the Authority.

iv) On carrying capacity, it was stated by A&NI Administration that as per current infrastructure and land availability, the proposed eco-tourism resort falls within the carrying capacity limit. Further, it was also informed that carrying capacity is not static and depends on change in technology and infrastructure. After discussion, the Chair decided that A&NI Administration will finalize the carrying capacity before bidding, so that the risk on this account is mitigated.

v) It was suggested that escrow mechanism is critical to safeguard the interest of stakeholders, specifically lenders and the Project Authority. Therefore, the provisions of escrow account should be retained in the draft concession agreement (DCA). After discussion, the Chair decided that provisions for opening of Project Account (in place of Escrow Account) may be retained in the DCA, wherein annual revenue from the project to the extent of 120% of the Annual Concession Fee (bid parameter) be routed, to protect the interest of Project Authority.

vi) The land requirement for this project is around 42 hectare (for 220 keys resort) vis a vis 8.53 ha required for 150 keys resort project in Lakshadweep (that was also considered in this PPPAC meeting). Therefore, it was suggested that the land allocated for the project should be revisited. A&NI Administration explained that both the projects are unique and cannot be compared. After deliberations, it was decided that all project assets (including land) should come back to the Project Authority for free after the concession period and necessary provisions should be included in the DCA.



vii) Necessary environmental clearance such as CRZ and other licenses should be included in Condition Precedent (CPs) of the project authority. Advisor (NITI Aayog) added that it may be clearly mentioned in the bid documents that all clearances required to be provided by UT Administration (as mentioned in CPs for authority) will be provided upfront i.e. before finalizing the bids, and for subsequent required clearances to start operations, UT Administration would act as a pro-active facilitator. The same was agreed to by the PPPAC.

viii) The penalty clause and the Cure Period on account of concessionaire's default due to non-payment of the Annual Concession Fee (bid parameter), needs to be clearly mentioned in the Concession Agreement. This was agreed to by PPPAC.

5. JS (IPF) informed that PPPAC in its 84th Meeting held on 07.12.2018 had deliberated on the connectivity issue and it was decided that assurance about connectivity of the resort to Port Blair should be stated in the bid documents. A&NI Administration informed that connectivity support under UDAN Scheme is not a Condition Precedent as per Draft Concession Agreement. After deliberations, it was decided that MHA may resolve this issue with Project Authority to provide clarity about connectivity in bid document itself.

6. Representative of Department of Expenditure pointed out that basis of cost estimation for roof top solar panels and cost assumption need to be revisited. Secretary(EA) pointed out that, typically in PPP projects, Concessionaire is responsible for carrying out its investment and cost estimated by the Authority would not have significance. However, it was pointed out that the Total Project Cost estimated by Authority is critical for arriving at Termination Payment liability of the Authority.

7. Representative of Department of Legal Affairs suggested that Environment and CRZ clearance (as mentioned in para-3(vii)) should be proper to avoid any litigation in future. The same was agreed to by PPPAC.

Agenda Item 2: Development of Eco-Tourism Resort in Minicoy Island, Lakshadweep Islands through PPP mode

Project Scope of Work: Designing, financing, procurement & construction of the Project-150 keys (110 keys for Beach Villas & 40 keys for Water Villas within a period of 3 years) along with all necessary and incidental infrastructure, for a state of the art island resort and the management, operation and maintenance of the island resort. Authority will provide total land area of around 8.53 hectare of which total developable area is 4.0 ha for Beach Villa and Total Lagoon area of around 6 hectare for water villa on concession to selected private developer for development of the proposed project.

Total Estimated Project Cost: Rs. 302 crore (for 150 keys) includes construction cost, Trunk/supporting infrastructure cost, RO Plant, Power Facility and Beach Facilities.

Concession Period: 66 years (inclusive of 3 years Construction Period)



Joint Secretary (IPF) informed the PPPAC that the proposal from Ministry of Home Affairs for Development of Eco-Tourism Resort at Minicoy Island, Lakshadweep Islands through PPP mode has been received for 'in-principle' approval. The proposal was appraised by the PPPAC members and MHA had provided clarifications on the comments.

8. Director (Lakshadweep Admin) made a brief presentation on the proposal and informed that the Island is best destination for Scuba Diving and has pristine & beautiful beaches. Most clearances required for the project would be provided by SPORTS (Society for Promotion of Nature Tourism and Sports) upfront i.e. before finalizing the bids and for clearances required to start operations, SPORTS would act as a proactive facilitator. It was decided that the clearances to be provided by the Authority and those in which the Authority will be a facilitator needs to be clearly mentioned in the DCA.

9. Thereafter, JS (IPF) brought to the notice of the Committee following issues pertaining to the project:

i) Considering that the project is highly financially viable even for 60 years concession period, it was suggested to have the concession period at 60 years without any extension clause. UT Administration informed that, to attract investors, longer concession period of 66 years has been offered. After deliberations, it was decided to keep the concession period at 75 years in line with the A&N Island proposal.

ii) The technical capacity criteria for the bidder is to own or operate the 3/4/5 star & above hotel with minimum 50 residential rooms (such that sum of residential rooms should be more than 375). For financial capacity, RfQ issued by D/o Expenditure, Ministry of Finance has been followed but Technical capacity criteria was modified. It was also informed that technical capacity criterion (in terms of number of rooms) was arrived after detailed discussions with various stakeholders. After deliberations, the proposed technical capacity criteria were agreed to.

iii) On carrying capacity, UT administration was suggested to finalize the carrying capacity before bidding. During deliberations, it was informed that land based beach villas are within the approved carrying capacity and additional number of water villas will be finalized and approved by the UT Administration before the bidding. After discussion, it was decided that MHA may ensure that carrying capacity of villas is finalized before the bidding and same should be mentioned in bid documents as a measure for risk mitigation.

iv) There may be a need for correction in the land required for the project as it is mentioned that Authority will provide total land area of around 8.53 hectare of which total developable area is 4.0 ha for Beach Villa and Total Lagoon area of around 6 hectare for water villa on concession to selected private developer for development of the proposed project (6 ha + 4 ha = 10 ha which is more than 8.53 ha to be provided by the Authority).

v) PPPAC also decided that all the project assets (including land) should come back to the Project Authority for free after concession period and necessary provisions to this effect should be included in the concession agreement.



10. After deliberations, PPPAC granted 'in-principle' approval to these two proposals from Ministry of Home Affairs (MHA) subject to the following conditions:

- i. After shortlisting of the bidders, Draft RFP and Draft Concession Agreement (DCA) will be placed before the PPPAC for 'final' approval.
- ii. Provisions in the concession agreement to be made that after efflux of the concession period, all the project assets, including land, should come back to the Project Authority for free.
- iii. Ministry of Home Affairs to ensure that the penalty clause and the Cure Period on account of concessionaire's default due to non-payment of the Annual Concession Fee (bid parameter), be clearly specified in the Concession Agreement.
- iv. Ministry of Home Affairs to ensure that proper Environment and CRZ approvals are taken for the project area before bidding of the projects.
- v. In case of Long Island project, provisions for Project Account to be retained (in place of Escrow Account) in the concession agreement wherein annual revenue from the project to the extent of 120% of the Annual Concession Fee (bid parameter) be routed, to protect the interest of Project Authority.
- vi. It may be clearly mentioned in the bid documents that all clearances required to be provided by UT Administration (as mentioned in CPs for authority) will be provided upfront i.e. before finalizing the bids and for clearances required to start business, UT Administration would act as a pro-active facilitator.
- vii. In case of Long Island project, it is suggested that the total project cost for the purpose of termination payment should be Rs 154 crore upto completion of 110 keys and should be Rs 391 crore only in case additional keys subject to maximum of 220 are completed within the specified time (or such lower amount as mentioned in the concession agreement). MHA to ensure the necessary changes in the DCA.
- viii. MHA to take internal approval for concession period upto 75 years in both the projects.



89th Meeting of Public Private Partnership Appraisal Committee held on 27th August, 2019

List of Participants:

S.No.	Name	Designation & Department
1.	Shri Atanu Chakraborty	Secretary (Economic Affairs) – in Chair
2.	Shri Yaduvendra Mathur	Special Secretary, NITI Aayog
3.	Shri Chetan B. Sanghi	Chief Secretary, Andaman & Nicobar Islands
4.	Shri Govind Mohan	Additional Secretary, Ministry of Home Affairs
5.	Dr. Kumar V. Pratap	Joint Secretary (IPF), DEA
6.	Shri S. K. Saha	Adviser (PPP), NITI Aayog
7.	Shri N.K. Sinha	Economic Advisor (UT), MHA
8.	Shri Jitendra Kumar	Adviser (NRE), NITI Aayog
9.	Shri Mukesh Kumar Gupta	Director (PPP), DEA
10.	Dr R.J.R. Kasibhatla	Deputy Legal Adviser, D/o Legal Affairs
11.	Mrs Anu Kukreja	Joint Director (PF-C1), D/o Expenditure
12.	Shri Manoj Kumar Madholia	Deputy Director (PPP), DEA
13.	Shri Rangin Murmu	Assistant Director (PF-C), D/o Expenditure
14.	Shri Arun Dewan	OSD (PPP), DEA
15.	Shri S Asker Ali	Director, Lakshadweep Administration