

**GOVERNMENT OF INDIA
ROAD TRANSPORT AND HIGHWAYS
LOK SABHA**

UNSTARRED QUESTION NO:98

ANSWERED ON:23.02.2010

PUBLIC- PRIVATE PARTNERSHIP IN NATIONAL HIGHWAY PROJECTS

Singh Baba Shri K.C.

Will the Minister of ROAD TRANSPORT AND HIGHWAYS be pleased to state:

- (a) whether the Government has relaxed the norms concerning Public-Private Partnership (PPP) for facilitating expeditious execution of National Highway Projects;
- (b) if so, the details thereof;
- (c) whether the recommendations of the B.K.Chaturvedi Committee thereon have been accepted in toto;
- (d) if so, the details thereof; and
- (e) the extent to which relaxation of PPP norms are likely to speed up the pace of National Highway Development in the country?

Answer

MINISTER OF STATE IN THE MINISTRY OF ROAD TRANSPORT & HIGHWAYS (SHRI R.P.N. SINGH)

(a) & (b) Government had constituted Chaturvedi Committee to work out "Revised strategy for implementation of the National Highways Development Project (NHDP) – Frame work and financing", to resolve the procedural impediments in the implementation of the NHDP as well as to take a holistic look at the financing need and arrive at a financing plan that balances the needs of the road sector and other priority areas of Government. Certain modifications have been introduced in the Model Concession Agreement (MCA), RFQ/RFP documents for road sector for the expeditious implementation of the NHDP, broadly involving the following issues:

- i) Changes in termination provisions in road concession agreement
- ii) Exit policy for (Developer) Concessionaire in MCA
- iii) Issue of Security to lenders in MCA
- iv) Forfeiture of bid security of bidders on account of non-responsiveness
- v) Eligibility of applicants/conflict of interest provisions as per RFQ
- vi) Changes in "Threshold Technical Capability Eligible projects" in RFQ
- vii) Increase in Equity Grant (VGF) to 40% by merging 20% equity and 20 % O&M Grant.
- viii) RFQ process-project wise pre-qualification to be substituted with annual/periodic pre-qualification.

(c) & (d) Sir. The Government has accepted the recommendations of Shri B K Chaturvedi Committee Report with the proviso that the financing plan for 2010-11 onward would be considered by the Empowered Group of Ministers for further action, including such changes to the work plan as may be necessary. The summarized details of the recommendations accepted by the Government are enclosed as Annexure-I.

(e) The changes brought in the policy framework following the acceptance of Shri B K Chaturvedi Committee report, would enable expeditious implementation of NHDP.

Annexure-I

THE ANNEXURE REFERRED IN THE REPLY TO THE PART (C) & (D) OF THE LOK SABHA UNSTARRED QUESTION NO. 98, FOR ANSWER ON 23RD FEBRUARY, 2010 ASKED BY SHRI K.C. SINGH 'BABA' REGARDING PUBLIC-PRIVATE PARTNERSHIP IN NATIONAL HIGHWAY PROJECTS

Subject: Statement indicating summarized details of the main recommendations of the Committee headed by Shri B K Chaturvedi given in his report on – "Revised strategy for implementation of the National Highways Development Project (NHDP) - Framework and Financing" as approved by the Government.

- (1)
 - (i) Modifications to the existing MCA, RFQ, and RFP documents for the road sector, as per details given below:-
 - a. Termination Provisions in Road Concession Agreements (Para 5.1.1).
 - b. Exit Policy for (Developer) Concessionaire in MCA. (Para 5.1.2).
 - c. Issue of Security to Lenders in MCA (Para 5.1.3).
 - d. RFP Provisions – Forfeiture of bid security of bidders on account of non-responsiveness (Para 5.1.4).
 - e. Eligibility of applicants/conflict of interest as per RFQ provisions-common shareholding levels (Para 5.1.5).
 - f. Eligibility of applicants /conflict of interest as per RFQ provisions – Continuation of conflict of interest (Para 5.1.6).

- g. Associate – definition in RFQ thereof (Para 5.1.7).
- h. "Threshold technical capability" "Eligible projects" (TTC) in latest RFQ (Para 5.1.8).
- i. Increase in Equity Grant (VGF) to 40% by merging 20% equity and 20% O&M Grant into Equity Grant (Para 5.1.9).
- j. RFQ process – project wise pre-qualification be substituted with annual/periodic pre- qualification (Para 5.1.10).
- k. Premium provisions under RFP /MCA (Para 5.1.11).

(ii) Issuance of the RFQ and RFP for the road sector projects after incorporating the recommendations made by the Committee in the Model RFQ and RFP documents issued by the Ministry of Finance, as referred to at clause 1 (i) above.

(iii) Further amendments to RFQ and RFP provisions, where necessary, will be carried out by the Ministry of Road Transport and Highways (MoRTH) on the basis of recommendations of the NHAI Board.

(iv) Setting up of an Inter-Ministerial Group (IMG) under the Chairmanship of Secretary, MORTH with representatives of DEA, Department of Expenditure, Planning Commission and Ministry of Law and Justice to consider issues relating to MCA. Where there is unanimity in the decision, the same will be then put up to the Minister, Road Transport & Highways for approval. Where there is no unanimity in the decision, the matter will be placed before the Empowered Group of Ministers (EGoM) comprising the Finance Minister, Minister of Road Transport & Highways and Deputy Chairman, Planning Commission. The EGoM will also consider and take decision on all issues where there is no unanimity in committees at the level of officers and which do not require approval of the Cabinet/CCI.

(v) Continuance of endeavour to award projects within the available overall budgetary ceilings, as per the detailed Work Plan for the current year (2009-10) for 12,652 Km presented by the NHAI to the Committee.

(vi) Recommendations made by the Committee as regards the 'Modes of Delivery' and the 'Financing Plan' approved with the proviso that the financing plan for 2010-11 onward would be considered by the Empowered Group of Ministers for further action, including such changes to the work plan as may become necessary.

(vii) Carrying out implementation of road projects on all the three modes of delivery viz. BOT (Toll), BOT (Annuity) and EPC (Item Rate Contract) concurrently rather than sequentially. Roads below a certain threshold in terms of traffic do not merit testing on BOT (Toll) as the process only leads to delays in implementation and award. Hence, a road not found prima facie suitable for BOT (Toll) can be implemented directly on BOT (Annuity) subject to the overall cap as envisaged in the Work Plan. The decision of shifting a project from BOT (Toll) to BOT (Annuity) would be taken by the IMG chaired by Secretary, MORTH and approved by Minister, Road Transport & Highways.

(viii) Before implementing a project on EPC basis, it will be compulsorily tested for BOT (Annuity) and only if unacceptable bids are received then only the project will be awarded on EPC basis. Normally, an Annuity bid working out to an Equity IRR of up to 18% will be acceptable as per these norms. However, in the event of bids exceeding the Equity IRR of 18 %, the same will be bid out on EPC. In case of difficult areas having law & order problems, security, inhospitable terrain etc, a bid working out to an Equity IRR of up to 21% will be acceptable considering the risk premium of 3 %, on case to case basis. PPPAC will be empowered to give approval for projects to be moved from Annuity to EPC where acceptable bids have not been received.

(ix) In case of projects under NHDP Phase IV, if the traffic is less than 5,000 PCUs, the project will directly be taken up on EPC. For the specific EPC km lengths recommended in the Work Plan, specific EPC packages will be presented before the existing EFC in the MORTH for approval.

(x) Based on the feasibility report, the projects would be tried first on BOT (Toll) and in case of non-viability/poor response, the same would be shifted to BOT (Annuity) failing which on EPC. For the projects where NHAI is not able to get bids, the process of preparation of detailed project report may be initiated immediately to save time in case such projects are required to be taken up on EPC.

(xi) Empowering the Board of NHAI to accept single bids after examining the reasonableness of the same.

(xii) Raising of overall VGF cap of 5% to 10% for the entire six-laning programme, and consideration of individual projects in low traffic GQ stretches with VGF up to 20% within an overall cap of 500 Km out of the 5080 Km of the Phase-V programme yet to be awarded.

(xiii) Funding of the NHDP Projects under SARDP-NE and in Jammu & Kashmir with Additional Budgetary Support (ABS) over and above the cess that the Government provides to NHAI on a yearly basis.

(xiv) 'In Principle' approval of the Government Support to the NHAI for :-

- a. Issuance of Tax exempted bonds
- b. Guarantee cover to the Borrowing Plan of NHAI.
- c. Out of the borrowing approval of Rs.30,000 crores earlier provided to Indian Infrastructure Finance Company Limited (IIFCL), Rs.10,000 crores under the fiscal stimulus package will be transferred to NHAI, as per the its borrowing requirement.
- d. Assistance in negotiating non-sovereign multilateral loans from World Bank, ADB, JBIC etc. by providing back to back support, if necessary.
- e. Providing a Letter of Comfort from Ministry of Finance confirming the availability of Cess at least till 2030-31.