



**PRESENTATION ON  
PPPs IN NATIONAL HIGHWAYS**

**CONFERENCE OF CHIEF SECRETARIES  
ON  
PPP IN INFRASTRUCTURE**

**21<sup>ST</sup> JULY, 2007**

**VIGYAN BHAVAN, NEW DELHI**

by

**Sh. Vijay Singh**

**Secretary**

**Deptt. of Road Transport & Highways**

**(Ministry of Shipping, Road Transport & Highways)**

**Government of India**

# COMMON FORM OF PPP IN THE ROAD SECTOR

- Build-Operate-Transfer (Toll)
- Design-Build-Finance-Operate (DBFO)
- Build-Operate-Transfer (Annuity)

# **BUILD-OPERATE-TRANSFER (TOLL)**

- The Private Sector meets the upfront cost of construction and expenditure on annual maintenance
- The Private Sector recovers the entire cost along with the interest from the user fee collections during the concession period
- Highway Authority gives the project requirements based on DPR
- Capital grant up to a maximum of 40% provided by the Highway Authority
- Risk sharing concept in Model Concession Agreement (MCA)

# DESIGN-BUILD-FINANCE-OPERATE (DBFO)

- The Private Sector meets the up front cost of design, construction and recurring cost on operation and maintenance
- The Private Sector recovers the entire cost along with the interest from collection of user fee during the concession period
- Highway Authority gives the core requirements for the project, based on Feasibility Study
- Capital grant up to a maximum of 40% of the project cost provided by the client
- Risk sharing concept in Model Concession Agreement (MCA)

# **BUILD-OPERATE-TRANSFER (ANNUITY)**

- The concessionaire meets the entire upfront cost (no grant is paid by the client) and the expenditure on annual maintenance
- The concessionaire recovers the entire investment through pre-determined annuity payments by the Highway Authority

# LEGAL FRAMEWORK

- National Highways Act 1956 amended in 1995 to permit Prival Sector Participation
- Central Govt. may enter into an agreement with 'any person'
  - for development and maintenance of NHs
  - for collection and retention of the user fee (Toll)
  - to regulate & control the traffic as per Motor Vehicle Act, 1988
- Rules notified for collection of user fee by any person

# GOVT'S INITIATIVES EARLIER

- High Powered Committee constituted by Govt. in 1997
- Model Concession Agreement finalized in 2000 for two categories of projects
  - Major projects costing more than Rs.100 crore
  - Project costing upto Rs.100 crore

# INCENTIVES FOR PPP

- Simplified policies with transparent procurement procedures
- Foreign Direct Investment (FDI) up to 100% in the road sector
- Viability Gap Funding up to 40% of project cost based on competitive bidding for each project
- NHAI Bond exempted from Capital Gains Tax

# INCENTIVES FOR PPP (CONTD.)

- Tax concessions- complete tax holiday for any 10 consecutive years out of 20 years of the concession period
- Retention of toll by concessionaire for BOT (Toll) Projects
- Longer concession periods-up to 30 years. Presently, concession period of 12 to 20 years
- Duty free import of high capacity and modern road construction equipments
- Highway Authority takes the responsibility of providing land, utility shifting and environmental clearances

# POLICY THRUST NOW

- COI constituted under the Chairmanship of Hon'ble PM
- MCA and procurement process revised
- No departure from the ceiling of 40% on Viability Gap Funding for BOT (Toll) based projects
- Adopt BOT (Annuity) model with Govt. approval where response to BOT (Toll) is inadequate
- Adopt EPC (Engineer, procure and construct) approach with Govt. approval where inadequate response to BOT (Annuity) projects
- PPP Appraisal Committee (PPPAC) constituted in MOF

# PROCEDURE FOR CLEARANCE OF PPP PROJECTS (APPRAISAL OF HIGHWAY PROJECTS ON PPP)

- Cost of projects less than Rs. 500 crore

By a committee consisting of the following:

- a) Secretary, Deptt. of Economic Affairs (DEA)
- b) Secretary, Deptt. of Road Transport & Highways (DORT&H)

- Cost of highway projects more than Rs. 500 crore

By a Public Private Partnership Appraisal Committee (PPPAC) consisting of the following:

- a) Secretary, DEA – Chairman
- b) Secretary, Planning Commission
- c) Secretary, Deptt. of Expenditure
- d) Secretary, Deptt. of Legal Affairs
- e) Secretary, DORT&H

- PPPAC examines the following documents

- a) PPPAC memo in specified formats
- b) Deviations from the Model Concession Agreement (MCA)
- c) Feasibility Study / DPR
- d) Bid documents

# STATUS OF PPP PROJECTS ON NHs

- 1<sup>st</sup> BOT project initiated in 1995
  - Thane – Bhiwandi Bypass in Maharashtra
  - Operationlised in 1997
- Non – NHDP
  - 25 BOT (Toll) based projects
- On NHDP
  - 54 BOT (Toll) based projects
  - 24 BOT (Annuity) based projects
  - 14 SPV routes projects

# BOT (TOLL) BASED PROJECTS

Category	Awarded		Total Project Cost (Rs. crore)	Awarded cost (Rs. crore) (%)	Completed	
	No of Contracts	Length (km)			No of Contracts	Length in km
NHDP Phase I	9	454	3598	719 (19.98%)	8	426
NHDP Phase II	15	753	5080	-216 (-4.25%)	-	-
NHDP Phase III	28	1848	11013	1860 (16.89%)	-	-
NHDP Phase V	2	148	1152	-975 (-84.64%)		
<b>Total</b>	<b>54</b>	<b>3203</b>	<b>20843</b>	<b>1388 (6.66%)</b>	<b>8</b>	<b>426</b>

# BOT (ANNUITY) BASED PROJECTS

Category	Awarded		Total Project Cost (Rs. crore)	Annuity (Rs. crore) (%)	Completed	
	No of Contracts	Length (Km)			No. of Contracts	Length (Km)
NHDP Phase I	8	476	2354	2888 (12.23%)	8	476
NHDP Phase II	16	864	6852	602 (8.79%)	-	-
<b>Total</b>	<b>24</b>	<b>1340</b>	<b>9206</b>	<b>890 (9.67%)</b>	<b>8</b>	<b>476</b>

# AVERAGE VIABILITY GAP FUNDING (VGF) FOR BOT (TOLL) PROJECTS

Category	Average (VGF) Grant
NHDP - I	19.98%
NHDP - II	(-) 4.25%
NHDP - III	16.89%
NHDP - V	(-) 84.64%

# NEGATIVE GRANT (AMOUNT RECEIVED /TO BE RECEIVED BY NHAI)

<b>NHDP Phase</b>	<b>Amount (Rs Crore)</b>
NHDP - I	61.00
NHDP - II	648.48
NHDP - III	235.57
NHDP - V	975.00
<b>Total</b>	<b>1,920.05</b>

# DETAILS OF NEGATIVE GRANTS

Name of projects	Length (Km)	Estimated cost (Rs crore)	Negative grant (Rs crore)
<b>NHDP- I</b>			
1. Delhi- Gurgaon (NH-8)	27.70	710	61.00
<b>NHDP- II</b>			
2. Rajkot Bypass & Gondal- Jetpupr (NH-8B)	36.00	388	59.17
3. Farukhanagar to Kottakata (NH-7)	46.16	255	70.37
4. Panipat Elevated Highways (NH-1)	10	270	96.40

# DETAILS OF NEGATIVE GRANTS (CONTD.)

<b>Name of projects</b>	<b>Length (Km)</b>	<b>Estimated cost (Rs crore)</b>	<b>Negative grant (Rs crore)</b>
5. Salem to Karur (NH-7)	41.55	253.50	46.00
6. Krishnagiri to Thopurghat (NH-7)	62.50	372.50	140.04
7. Thrissur to Angamali (NH-47)	40	312.50	84.40
8. Tindivanam- Ulundrupet (NH- 45)	71.25	480	152.10

# DETAILS OF NEGATIVE GRANTS (CONTD.)

Name of projects	Length (Km)	Estimated cost (Rs crore)	Negative grant (Rs crore)
<b>NHDP –III</b>			
9. Guna Bypass (NH-3)	14	46	19.03
10. Jalandhar- Amritsar (NH-1)	49	263	6.88
11. Ambala – Zirakpur (NH-21,22)	36	298	105.85
12. Indore – Khalghat (NH-3)	80	472	5.80
13. End of Durg Bypass- Chattishgarh/ Border (NH-6) Maharashtra	82.69	464	0.29

# DETAILS OF NEGATIVE GRANTS (CONTD.)

<b>Name of projects</b>	<b>Length (Km)</b>	<b>Estimated cost (Rs crore)</b>	<b>Negative grant (Rs crore)</b>
14. Bangalore – Neelmangala (NH-4)	19.50	445	20
15. Agra – Bharatpur (NH-11)	45	195	2.87
16. Elevated Highway from Silk road junction to Electronic City junction (NH-7)	9.98	450	16
17. Dhule – Pimpalgaon (NH-3)	118	556	58.85

# DETAILS OF NEGATIVE GRANTS (CONTD.)

Name of projects	Length (Km)	Estimated cost (Rs crore)	Negative grant(Rs crore)
<b>NHDP - V</b>			
18.Vadodara to Bharuch (NH- 8)	83.30	660	471
19. Bharuch to Surat (NH- 8)	65	492	504
<b>Total</b>	<b>3121.60</b>	<b>20401.69</b>	<b>1920.05</b>

# STATUS OF AWARD OF NHDP III & V

NHDP Phase	Total Length (km)	Awarded by June 07 (km)	Target for 2007-08	
			Length (km)	Estimated Cost (Rs. crore)
III	12109	1766	3278	21373
V	6500	148	2995	18988

# NHDP PHASE V

- Six laning of 6,500 km of NHs on DBFO pattern
- More emphasis on safety and user's facilities
- Average size of package
  - Length ~ 175 km
  - Investment ~ Rs. 1,200 crore

# NHDP – IV

## (TWO LANE WITH PAVED SHOULDERS)

- **New Toll Policy permits levying of user fee on Two lane with paved shoulders**
  - if investment is > 1.0 crore/km
  - fee rate at 60 % of those for 4-lane

### Total Length – 20, 000 Km

- BOT (Toll) - 5,000 km
- BOT (Annuity) - 15,000 km

### Implementation in 4 Phases

- ✓ NHDP Phase IVA - 5,000 km
- ✓ NHDP Phase IVB - 5,000 km
- ✓ NHDP Phase IVC - 5,000 km
- ✓ NHDP Phase IVD - 5,000 km



# **NHDP – IVA (TWO LANE WITH PAVED SHOULDERS) (CONTD.)**

**Total Length – 5000 Km**

- BOT (Toll) - 800 km
- BOT (Annuity) - 4,200 km

# STATE GOVT'S ROLE IN PPP FOR NHs

- Expediting pre-construction activities
  - Land Acquisition
  - Utility shifting
  - Clearances from State Forest Deptt.
  - Clearances from State Pollution Control Board
- Issuing permits required for project Implementation
- Signing of State Support Agreement
  - No additional Toll way (generally before 8 years) as per Concession Agreement
  - No additional barriers
  - Assistance in highway patrolling
  - Assistance in Project Implementation



# Handshake