



F.No. RW/TH-37013/05/2012/FFP
GOVERNMENT OF INDIA
MINISTRY OF ROAD TRANSPORT & HIGHWAYS
Transport Bhawan, 1, Parliament Street, New Delhi-110 001

Date: 24.01.2013

OFFICE MEMORANDUM

Subject: Guidelines for calculating Capital Cost for the Road Projects.

Sub Rule 6(b) of the National Highways Fee (Determination of Rates and Collection) Rules, 2008 published vide G.S.R. 15(E) dated 12.01.2011 stipulates as follows:

"The fee as notified as per Concession Agreement shall be leviable till the end of the concession period and after the Concession Agreement is over, the fee shall be collected by the Central Government executing authority at a reduced rate of 40% of the fee on the date of transfer of such section of National Highways, bridge, tunnel or bypass, as the case may be, to be revised annually in accordance with these rules:

Provided that after the recovery of capital cost through user fee realised, in respect of a public funded project, the fee leviable would be reduced to 40% of the user fee for such section of National Highways, bridge, tunnel or bypass as the case may be, to be revised annually in accordance with these rules".

2. Calculation of Capital Cost and Cost recovery

2.1 For ensuring that the Capital Cost is fully recovered in highway projects and that the users get the benefit of reduced toll rates after that, the following structure may be adopted for calculation of the Capital Cost in highway projects to bring about clarity and uniformity.

I. Public Funded Projects

A. The components to be included in the capital cost:

A-1. Capital cost of project including Interest During Construction (IDC)

A-2. The land acquisition cost comprising of

- i) Cost of land acquired for the project during last 10 years preceding the start of the project.
- ii) Rehabilitation and resettlement cost actually incurred for the project.
- iii) Cost of shifting of utilities and cutting the trees actually incurred for the project.
- iv) Cost of compensatory afforestation, if done as part of the project.
- v) Major maintenance costs which will include the maintenance work carried out to enhance the durability of the highways (routine repair & maintenance will be considered as recurring expenses and will be considered as part of operating cost of the project in a year).

B. Treatment of cash flows:

B-1 Since the various components of the cost of the project occur at different points of time, those will be all brought to the date of completion of the Project by indexing each with W.P.I. for the intervening period. The sum total of these costs would be treated as the capital cost of the project.

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B-2 Net revenue collected from the project after deducting the operation costs will be discounted at 12% to arrive at their present value (PV) as on the date of completion of the Project

Cash flow will be taken at the end of the financial year i.e. 31st March.

C. In the case of public funded projects, the balance sheet of each project will be prepared as per the guidelines mentioned above. The reduction in fee as per schedule 6(b) i.e. 40% of the existing fee will be applicable from the date of recovery of capital cost. However, if the augmentation is done before the full recovery of the capital cost, new capital cost would be calculated with reference to completion of the augmentation by adding the unrecovered part of the original capital cost and the cost of augmentation each brought to the date of augmentation indexing at W.P.I. The amount so arrived at would be treated at the capital cost of a new asset as on the new date of completion i.e. the date of augmentation, and accordingly cost recovery accounted for and balance sheet prepared in accordance with the above guidelines.

II. BOT Projects

The capital cost in the case of BOT projects will be the Total Project Cost (TPC) as mentioned in the Concession Agreements. At the end of the concession period, the user fee will be charged at 40% of the fee as on the date of transfer of such section.

3. Chairman, NHAI and DG(RD) & SS, MoRT&H will arrange to prepare the balance sheet of each project at the end of each financial year, the first balance sheet to be prepared as on 01.04.2013.

This issues with the approval of Hon'ble Minister (RT&H).

(N.K. Sharma)
Director (Toll)

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Copy to:

1. The Chairman, National Highways Authority of India (NHAI), New Delhi
2. All Secretaries of the State and Union Territories dealing with National Highways.
3. The Director General Border Roads, Seema Sadak Bhawan, Delhi Cantt, New Delhi
4. The Secretary General, Indian Roads Congress, New Delhi
5. The Director, Indian Academy of Highway Engineers, Noida.

Copy also forwarded to:

1. PS to Hon'ble Minister (RT&H)
2. PS to Hon'ble MoS (RT&H)
3. PPS to Secretary (RT&H)/PPS to DG(RD)&SS/PPS to ADGs/PPS to JS(E)/PPS to JS(H)/PPS to JS(T)/PPS to JS(LA&C)
4. All Officers in the Ministry of Road Transport & Highways
5. NIC for uploading on the website/e-office of the Ministry of RT&H.

(N.K. Sharma)
Director (Toll)

for information please
SEI (N.K. Sharma)
15/2/13

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