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No. RW/NH-24036/27/2010-PPP
Government of India
Ministry of Road Transport & Highways
(PPP Zone)

Transport Bhawan,
1, Parliament Street, New Delhi-110001
Dated the 07th January, 2015

DS-F
AFA

7.1.15 CIRCULAR

Subject: Updating of the cost norms in respect of National Highways Projects.

In continuation to the cost norms updated by this Ministry's earlier O.M. of even number dated 27th February, 2013 on the recommendations of the B.K. Chaturvedi Committee, the present cost norms are further updated up to the current financial year i.e. 2014-15 along with necessary clarifications.

2. The cost captured in the BK Chaturvedi Committee report is the Total Project Cost (TPC) for Build, Operate and Transfer (BOT) Projects. The TPC for BOT project includes the financing cost, contingencies, risk premium etc. over the civil construction cost. The TPC for BOT Projects considered in the BK Chaturvedi Report now stands updated based, on the increase in the Wholesale Price Index (WPI), as under:

[Rs. in Crore]

Configuration of project on BOT mode	TPC per km as per BKC (2009-10)	TPC per km (Year-wise)									
		2010-11		2011-12		2012-13		2013-14		2014-15	
		Escalation	Amount	Escalation	Amount	Escalation	Amount	Escalation	Amount	Escalation	Amount
2 lane + paved shoulders	3.5	9.56%	3.83	8.94%	4.18	7.36%	4.48	5.98%	4.75	5.98% (prov)	5.03
4-lane	9.5		10.41		11.34		12.17		12.9		13.67
6-lane	10		10.96		11.94		12.82		13.59		14.4

*WPI for the year 2014-15 is not available as of now. Therefore, the escalation of previous year (5.98%) has been considered for 2014-15. The escalation is based on Wholesale Price Index (WPI) available on the website of Senior Economic Adviser, Ministry of Commerce and Industry.

3. The Total Project Cost for BOT Projects includes Financing charges, escalation during construction, interest during construction etc. For example, a Project with a civil cost of Rs 100 crore will have the following components in the TPC.

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	Items	Amount (Rs in crore)
I.	Civil Cost	100.00
II.	Contingencies @ 1% of Civil Cost	1.00
III.	Total EPC Cost	101.00
IV	Centages :	
	a) IC/Pre-operative expenses @ 1% of EPC	
	b) Financing Charges @2% of debt amount upto EPC Cost of Rs 500 crore, @1.5% for EPC more than Rs 500 crore and less than Rs 1000 crore, @1% for EPC cost more than Rs 1000 crore	1.41
	c) Interest During Construction @ 12.5% per annum	11.61
	d) Escalation during Construction @ 5% per annum	8.59
	Centages over EPC cost (a+b+c+d)	22.62
V.	Total Project Cost (III + IV)	123.62
	As per MCA this could be rounded off to 25% of the civil construction cost	

4. For the projects implemented on the Engineering Procurement Construction (EPC) mode, the centages over civil construction cost include supervision charges, quality control charges, escalation etc. as advised by Department of Expenditure (Plan Finance II) vide D.O. No. 24(25)/PF-II/2012 dated 31.10.2012. For example, a project with a civil construction cost of Rs. 100 crore will have the following components:

	Items	Amount (Rs in crore)
I.	Civil Construction Cost	100.00
II.	Contingencies @ 2.8%	2.80
III.	Supervision consultancy charges @ 2%	2.00
IV.	Administrative charges @ 1%	1.00
V.	Quality control charges @ 1%	1.00
VI.	Road safety audit charges	0.05
VII.	Escalation @ 5% for 2 years	10.00
VIII.	Maintenance charges @ 7.5% for 4 years	7.50
IX.	Total cost including centages	124.35
	This could be rounded off to 25% of the civil cost	

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It may be seen from the above that the centages over the civil construction cost in BOT project are the same as the centages considered for the EPC project over and above its civil construction cost. Therefore, the normative cost in respect of Total Project Cost for BOT project and the civil construction cost plus centages for EPC project, for estimate purposes, can be treated as the same. Accordingly, the normative cost (civil cost + centages) for EPC Projects, in accordance with the TPC in Para-2 of this circular, can be determined as under:

	(Civil Cost + Centages) per km (2013-14)*	WPI based	(Civil Cost + Centages) per km (2014-15)
	Amount (Rs. in crores)	Escalation	Amount (Rs. in crores)
2 lane + paved shoulders on EPC	4.75	5.98% (provisional)	5.03
4 lane on EPC	12.9		13.67
6 lane on EPC	13.59		14.4

*EPC (lump sum) started from 2013-14.

6. The project with average per km cost below the above cost norms shall be exempted from the purview of Standing Cost Committee and shall be put directly to PPPAC/EFC for appraisal.

7. This issues with the concurrence of SS&FA of this Ministry and the approval of Secretary (RT&H).


(Rohit Kumar Singh)

Joint Secretary to the Government of India
Tel. No. 23753991

To,

- i. Finance Secretary, Department of Economic Affairs, Ministry of Finance, New Delhi.
- i. Secretary, Department of Expenditure, Ministry of Finance, New Delhi.
- Secretary, Planning Commission, Yojana Bhawan, New Delhi.
- Adviser (PAMD), Planning Commission, Yojana Bhawan, New Delhi.
- Chairman, NHAI, New Delhi.
- SS&FA, MoRTH.
- DG(RD)&SS, MoRTH.
- ADG-I, MoRTH.
- DG-II, MoRTH.
- (Highways), MoRTH.

Information to : PS to Hon'ble Minister(RT&H,S)/PS to Hon'ble MoS (RT&H,S)/ Sr. PPS to Secretary(RT&H)