

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 10<sup>th</sup> August, 2015

**Circular**

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

The cost norms as considered by B.K. Chatruvedi Committee in its report of 2009 were updated by the Ministry of Road Transport & Highways vide O.M. No. RW/NH-24036/27/2010-PPP dated 8<sup>th</sup> January, 2015. This Circular seeks to update the cost norms up to the current financial year i.e. 2015-16 along with necessary clarifications.

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

[Rs. In Crores]

Types of Highway	TPC per km as per BKC (2009-10)	TPC per km					
		(2010-11)	(2011-12)	(2012-13)	(2013-14)	(2014-15)	(2015-16)
		Escalation @9.56%	Escalation @8.94%	Escalation @7.36%	Escalation @5.98%	Escalation @2%	Escalation @2% (Provisional)*
2 lane + paved shoulder on BOT	3.5	3.83	4.18	4.48	4.75	4.845	4.94
4 lane on BOT	9.5	10.41	11.34	12.17	12.9	13.158	13.42
6 Lane on BOT	10	10.96	11.94	12.82	13.59	13.862	14.14

*Ans*  
10/08/15

\*WPI for the year 2015-16 is not available as of now. Therefore, the escalation of previous year of 2% has been considered for 2015-16. The escalation is based on Whole Sale 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:

S.no	Items	Amount (Rs. In crores)
i.	Civil Cost	100.00
ii.	Contingencies @ 1% of Civil Cost	1.00
iii.	Total EPC Cost	101.00
iv.	Centages:	
iv.	(a) IC/Pre-operative expenses @ 1% of EPC	1.01
	(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)	22.62
	Total Project Cost (III +IV)	123.62
	As per MCA this could be rounded off to 25% of the civil 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:

S.no	Items	Amount (Rs in crore)
i.	Civil 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	

*Ans*  
10/06/15

5. It may be seen from the above that the centages over the civil construction cost in BOT project are almost 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 -4 of the circular, can be determined as under:

Configuration of Projects on EPC Mode	(Civil Cost + Centages) per km (2013-14)*	(Civil Cost + Centages) per km (2014-15)		Civil Cost + Centages) per km (2015-16)	
	Amount (Rs. in crore)	WPI based Escalation	Amount (Rs. in crore)	WPI based Escalation	Amount (Rs. in crore)
2 lane + paved shoulders on EPC	4.75	2%	4.845	2% (Provisional)	4.94
			13.158		13.42
4 lane on EPC	12.9				
6 lane on EPC	13.59		13.862		14.14

\*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 up directly to PPPAC/EFC for appraisal.

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

(Rohit Kumar Singh)

Joint Secretary to the Government of India  
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To,

1. Finance Secretary, Department of Economic Affairs, Ministry of Finance, New Delhi.
2. Secretary, Department of Expenditure, Ministry of Finance, New Delhi.
3. CEO, Niti Ayog, Yojana Bhawan, New Delhi.
4. Advisor (PAMD), Niti Ayog, Yojana Bhawan, New Delhi.
5. Chairman, NHAI, New Delhi.
6. SS&FA, MORTH.
7. DG (RD) &SS, MORTH.
8. ADG-I.ADG-II, MORTH.
9. JS (Highways), MORTH.
10. Co-ordinator-I, Co-ordinator-II, Co-ordinator-III, MORTH.

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