

The Case of Aurangabad Bus Transportation

I. Genesis

STC was running into loss and number of buses came down to only 12 to 15. The STC issued final ultimatum of taking over bus transportation by Municipal Corporation. Akola Pravasee and Mal Vahatuk Sahakari Sanstha - already doing similar services in Akola, sent a letter of intent. It was decided to take up the project on PPP basis. 18 routes were identified and Municipal Commissioner issued tender with the condition of ticket rates as approved by the RTA.

II. Bid Process

In 2004, through a competitive bid process with Work Experience, Technical Knowledge and royalty charges to Corporation being the parameters, a contract was awarded to M/S Akola Pravasee and Mal Vahatuk Sahakari Sansthan for providing the bus services in the city.

III. Partnership Parties

Aurangabad Municipal Corporation (AMC) contracted with M/S Akola Pravasee and Mal Vahatuk Sahakari Sansthan

IV. Key Contractual Features

The project started on 26.01.2006 for a period of 10 years on PPP basis with Akola Pravasee and Mal Vahatuk Sahakari Sansthan under the following terms:

- It is on PPP basis
- Private agency has purchased vehicles
- All staff – drivers, conductors etc hired by private partner
- Private agency runs the buses on routes and as per frequency decided by AMC - though it is in consultation with private partner as they know the need and hence market of routes - at rates - decided by RTA.
- For every km run, AMC gets 0.80 rupees as royalty charges.

V. Financial Structure

- Private agency has put about 20% for each buses and has taken 80% loan from the bank as buses are on AMC's name, who has given NOC and guarantee.
- Buses are on AMC's name, as only we have authority to ply city buses.
- Every year, buses are valued by bank, and agreement says that if at any point of time, value of a bus goes below the outstanding loan, difference is given by the private agency as bank gurantee. This is in addition to initial guarantee of 50 lakhs.
- Daily collection goes into an Escrow account which is in a joint name, monthly first payment for taxes go out, then payment to the bank is done, then royalty payment and then private agency may withdraw the remaining. however at any moment of time, balance of three emi has to be kept.

- AMC is supposed to give a parking place to the agency which they will develop on their own for maintenance and other requirements.
- Private agency is also to make bus stops needed. They make money out of advertisements on two sides of bus stop and two sides of buses, while AMC has one side of the bus stand and one side of buses for itself.

VI. Performance to Date

The private partner has already purchased about 70 buses and the project is running successfully though there are minor troubles which are being tackled at Municipal Commissioner's level itself.

VII. Interesting Points

The success of the project can be vouched from the fact that the Private partner started with 55 buses has increased the tally to 70 buses and planning to reach to the level of 110, despite some minor hurdles.

Strong commitment on the part of Government is evident from the fact that it was able to shut services of a modified version of 3 seater Auto converted into 10 seater - aka Appe Auto - plying illegally on the road and which was a major challenge to the private operator. Interestingly there is no protection for the loss of revenue incurred to the private operator because of force-majeure such as riots, closure of some routes at the time of Session/ Cabinet meeting, illegal operation by Appe Auto etc. But a committed leadership from the Government side took the extra step to help the service provider by even talking to bank for the deferment of payment besides helping operationally. The operator is hopeful to get the about 50% increase in revenue.

With proper allocation of Risks and also a carefully drawn dispute resolution mechanism within the agreement would make the project even more replicable.