The project investment cost was financed with a debt-to-equity ratio of 0.86:1. The private partner's equity contribution included revenue generated from the sale of a fixed amount of commercial space at an agreed minimum rate. As a credit enhancement, the private partner agreed to a firm tie-up of 50 percent of the funds from the sale of the commercial space required to finance the project before the first loan disbursement.

Lessons Learned

The busopolis project commenced operations by the end of 2016 and was expected to realize around 2,000 bus-trips daily. However, reports from 2017 indicated that the bus terminal was receiving only around 200 buses and 100 people per day, due to users and drivers continuing to use a pre-existing bus stand and thereby avoid the usage fee charged by the new terminal. In addition, several investors that purchased space in the complex's commercial areas have reported that they have not received the offices and shops they purchased in 2010 or a refund of the purchase price after the developer failed to hand over the spaces in 2012 as agreed.[13]

This project illustrates how the municipality's responsibilities do not end when a PPP project begins to be implemented by the private partner. It must remain an active and supportive partner willing to take all actions reasonably within its powers to promote the success of the project, including taking steps to promote or require the use of the new or improved asset. In addition, the municipality should have a team in place with sufficient capacity to monitor the private partner's compliance with its obligations under the PPP agreements, communicate with the private partner, and, where necessary, take actions to ensure the private partner complies with its obligations.

7. Challenging Case: Amritsar Intercity Bus Terminal, Punjab, India

Photo Credit[14]

Background

Traffic at the Amritsar Bus Terminal, which was serving 1,800 to 2,000 bus arrivals per day, far exceeded the capacity of the available facilities and the existing terminal building was in poor condition. To address this problem, the Department of Transportation (DoT) of the Government of Punjab (GoP), facilitated by the Punjab Infrastructure Development Board (PIDB), decided to expand the terminal using a PPP scheme.

Project Structure

After undertaking a two-stage bidding process, the project was awarded to Rohan Rajdeep Infrastructure (RRI, a partnership between Rohan Builders (India) Pvt. Ltd., Rajdeep Buildcon Pvt. Ltd., and Rajdeep Road Developers Pvt. Ltd.) in February 2004, for a concession period of 11 years and five months. RRI undertook responsibility for financing, building, operating, and maintaining the Amritsar Intercity Bus Terminal Complex. To ensure quality, RRI agreed to submit monthly progress reports to the public authority.

RRI's revenues would come from tariffs paid by buses for use of the terminal, commercial leases for shops, sale of advertising space, and parking fees. RRI agreed to pay PIDB a one-time, fixed project development fee of INR 35 lakhs (USD 50,000), as well as a monthly lease payment to the public authority of INR 50,000 (USD 700) over the concession period.

The contracting authority agreed not to develop any similar facilities within a 10-km radius during the concession period, to ensure that there would be no competition that might hinder RRI in realizing the forecast demand for the terminal.

Lessons Learned

When the project was tendered, it was estimated that the terminal would receive 2,000 to 3,000 buses per day. Actual demand, however, proved to be far less, with only about 1,100 regular buses and 600 minibuses using the terminal on average each day. This may be to some extent attributable to the fact that some buses reportedly began operating from outside of the bus terminal, possibly to avoid paying the terminal usage fee. To compensate for this, the contracting authority issued a notification that all intercity buses must stop, drop off, and pick up passengers from inside the Amritsar Bus Terminal. The notification, however, has reportedly had limited impact.[15]

[13] SBI Capital Markets. 2011. "PPP in Urban Transport Infra." *Infrastructure Today,* January. Accessed February 14, 2019. https://www.candcinfrastructure.com/images/PPP%20in%20Urban%20Transport%20Infra.pdf;

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Rozana Spokesperson. 2017. "Mohali ISBT: Dream Project of Former Deputy CM Proved a Failure." *Rozana Spolesperson*, October 23. Accessed February 14, 2019. https://www.rozanaspokesman.com/news/punjab/mohali-isbt-dream-project-of-former-deputy-cm-proved-a-failure.html

[14] Photo in the public domain published by Simbu123 https://commons.wikimedia.org/wiki/File:ISBT_Amritsar.jpg

[15] Ministry of Finance, Government of India. n.d. "Amritsar Intercity Bus Terminal Project." PPP India. Accessed January 10, 2019. https://www.pppinindia.gov.in/toolkit/ports/module3-rocs-aibtp1.php?links=aibtp1.

This project highlights the following:

- Throughout the project cycle, it is important to consult with key stakeholders on the most salient elements of the project. Pricing in particular should be determined in close consultation with intended end user demographics, in this case the bus operators. This consultation is both an opportunity to explain and justify any new or increased price resulting from a project, and so increase willingness to pay, and to gauge the actual ability of intended end users to absorb any increased cost.
- The municipality should establish and maintain robust monitoring and enforcement mechanisms to ensure compliance with contractual obligations, including its own. Where the municipality agrees to the inclusion of a non-compete provision in the PPP agreement, for example, it must carefully consider in advance how it will ensure compliance with this provision through the life of the PPP.

8. Challenging Case: Bus Terminal and Commercial Complex, Dehradun, India

Photo Credit[16]

Background

Located 236 km from New Delhi, Dehradun is the capital city of the State of Uttarakhand and a popular tourist and educational hub in northern India. To accommodate the city's growing population and an influx of tourists, the Mussoorie Dehradun Development Authority (MDDA) – the municipal development authority – decided to build an Inter-State Bus Terminal (ISBT) and Commercial Complex in Dehradun using a PPP scheme.

Project Structure

Following a two-stage bidding process, Ramky Infrastructure Ltd was announced in 2003 as the successful bidder based on the highest annuity payment to the MDDA. Under the ensuing PPP agreement, the project developer undertook to design, finance, build, operate, and maintain the ISBT (Phase 1) and commercial entertainment complex (Phase 2). The contract was a 20-year concession agreement, extendable by an additional ten years. At the end of the concession period, both ISBT and the commercial area were to be transferred back to the MDDA. The project developer would generate revenue from the following: (i) usage fees charged to the expected 750 buses per day; (ii) lease rental from the commercial area; and (iii) miscellaneous other value-added user services and commercial activities.

The project was to be financed without any contribution from the MDDA and the MDDA was expected to receive a fixed annual lease payment from the developer of INR 81 lakhs (USD 114,000), which would increase 5 percent each year after an initial, four-year moratorium. The MDDA was expected to receive about INR 19.16 crore (USD 2.7 million) over the entire concession period.

Lessons Learned

Phase 1 of the project – the ISBT complex – has been completed and in operation since June 2004. Halfway through the concession period, however, allegations arose that the private developer was not properly maintaining the facilities of the ISBT. In particular, complaints have been received about the poor maintenance of toilets, the lack of sanitation, and the lack of drinking water availability. Furthermore, Phase 2 of the project – the commercial complex – has not been built despite transfer of the leased land from the MDDA, due to a protracted dispute between the parties over the maintenance of the ISBT and the annual lease payment due from the private developer. Nonetheless, the PPP agreement remains in place. The MDDA is reportedly not willing to assume liability for the INR 20 crore (USD 2.8 million) loan assumed by the private developer to construct the ISBT.[17]

[16] ArmouredCyborg (https://commons.wikimedia.org/wiki/File:UTC_bus.jpg), https://creativecommons.org/licenses/by-sa/4.0/legalcode