

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 Credit¹⁶

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>

This project highlights the following:

- Service parameters should be clearly defined and included among the key performance indicators (KPI) of the private partner. In the case of a bus terminal, the private operator's service parameters may include, for example, the frequency with which toilets must be cleaned and maintained. Likewise, the municipality may assume an obligation to ensure adequate access to basic infrastructure services, such as piped water and sewerage. These obligations should be plainly defined and delineated in the PPP agreement, to ensure both parties' responsibilities are clear.

- It is also important to have robust monitoring, communication, and enforcement mechanisms to ensure both partners' obligations are met and that the private partner meets its service delivery standards. These mechanisms should be designed to promote effective communication between the two parties to the PPP, so that any disputes over compliance are proactively identified and resolved.

¹⁷ Ministry of Urban Development Government of India, Confederation of Indian Industry. n.d. *Compendium on Public Private Partnership in Urban Infrastructure - Case Studies*. Accessed November 27, 2019. https://ppp.worldbank.org/public-private-partnership/sites/ppp.worldbank.org/files/documents/India_urban-infrastructure.pdf.

¹⁸ Shkurte ramushi (https://commons.wikimedia.org/wiki/File:A_street_in_the_center_of_Peja.jpg), <https://creativecommons.org/licenses/by-sa/4.0/legalcode>

¹⁹ Dinarama, Vesa. *Analysis on Public-Private Partnership Kosovo*. Balkan Monitoring Public Finances, 2017. Accessed January 29, 2019. <http://wings-of-hope.ba/wp-content/uploads/2016/12/D3.4.4.3.-Analysis-on-Public-Private-Partnerships-Kosovo.pdf>;

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²⁰ Felipe Restrepo Acosta (https://commons.wikimedia.org/wiki/File:Bogotá_biarticulado_de_TransMilenio_por_la_av._Caracas.JPG), „Bogotá biarticulado de TransMilenio por la av. Caracas“, <https://creativecommons.org/licenses/by-sa/3.0/legalcode>

9. Challenging Case: Urban Transport Services, Peja, Kosovo



Photo Credit¹⁸

Background

In the municipality of Peja, Kosovo, the population's transportation needs were served by a mixture of numerous private buses and taxis, which was contributing to increased congestion and air pollution. This led the municipality to consider ways of designing and implementing a more efficient urban transit system, to ease congestion and encourage people to use public transport.

Project Structure

Following a tendering process that took about 15 months, the municipality awarded a PPP contract for bus services to a private partner on 17 April 2012. The deal had an estimated value of EUR 4 million (USD 4.6 million) and a term of ten years. Under the PPP contract, the private partner undertook exclusive responsibility for providing bus transportation services and designing, constructing, and maintaining bus stops on land provided by the municipality. At the end of the term, the bus stops would transfer to the municipality, but the buses would remain the property of the private partner.

The private partner would derive revenue from the ticket fares charged to passengers and by selling advertising space near bus stops and on buses. The municipality agreed to give exclusive bus operation rights to the private partner to help ensure the realization of demand for the bus services.

Lessons Learned

After the PPP agreement entered into effect, the municipality reportedly failed to comply with the exclusivity provision, as it struggled to end the operations of illegal bus and taxi services. Consequently, the private partner had to compete with these other transport service providers, which significantly impacted the revenues of the private partner. The private partner and the municipality had discussions to address the problem but could not agree on a viable solution. As a result, the PPP agreement has been suspended. No further publicly available information has been found following the suspension of the PPP agreement.¹⁹

This project illustrates the importance of establishing and maintaining robust monitoring and enforcement mechanisms to ensure compliance with contractual obligations, including those assumed by the municipality. 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.