

## 5. Modern Bus Terminal and Municipal Market, Danlí, Honduras



Photo Credit<sup>10</sup>

### Background

The municipality of Danlí in Honduras had an outdated and disorganized bus terminal and was suffering from high traffic congestion on its main roads due to the accumulation of street sellers. To address these problems, an improved and expanded Danlí bus terminal and municipal market was proposed to the municipality, which included 418 commercial stalls, warehouse space, meeting rooms, parking space for 60 buses, waiting rooms and ticket stalls.

### Project Structure

The HNL 99,232,126.97 (USD 4 million), 19,000 m<sup>2</sup> project originated as an unsolicited proposal from Flefil y Asociados to the municipality of Danlí. The project, as proposed, did not require public funding or financing, but it did seek public financial guarantees.

The project site was transferred to Flefil y Asociados for construction of the upgraded and expanded facilities, at a price agreed in the transfer agreement. The private partner would be responsible for evaluating the land, sub-ground structures, and all the characteristics of the terrain before commencing construction, so that no unexpected or additional costs related thereto could be claimed against the municipality. In 2016, Flefil y Asociados solicited approval for the transfer of contractual rights to Celaque Constructora and this was granted on 26 May of the same year.

On completion of construction, Celaque Constructora would recoup its investment, plus a reasonable rate of return, by selling commercial stalls to transporters, current tenants, small and medium enterprises, and/or the municipality, at a price preset by the municipality and included in the PPP agreement (HNL 34,000/USD 1,390 per m<sup>2</sup>). If the municipality elected to buy some or all of the commercial stalls, it would be entitled to

rent them to persons not able to purchase a stall. Celaque Constructora would also be entitled to sell the improved bus terminal spaces to small and medium carriers at a price preset by the municipality and included in the agreement (HNL 30,000,000/USD 1,200,000).

The municipality would be responsible for operating and maintaining all common areas and agreed not to grant construction permits for similar works within the project zone. If the contract is terminated early due to force majeure, the municipality would only be obliged to compensate for the works completed prior to the termination date. Other risks, such as environmental, design, financial, and construction, would be borne by Celaque Constructora.

The entire project was designed to be energy-saving and easily accessible by people with physical limitations. It was inaugurated at the beginning of 2018 and is expected to benefit more than 400,000 people.

### Lessons Learned

It was reported that, towards the end of 2017, vendors of the previous market (intended future tenants of the new facilities) began gathering on the streets around the newly constructed bus terminal and market to sell their products, which led to high congestion and several mobility problems. The vendors' argument for selling on the streets centered on the price of the market stalls, which they considered too high for them to proceed with acquiring the new stalls. Several efforts were made to facilitate the purchase of the market stalls, without much immediate success. This led to an agreement between Celaque and the Vendors Association, signed in April 2018, which provided that the stalls would be purchased collectively by the Association, with financing from a local financial institution or individually by each vendor, depending on the case. This financing would be guaranteed by the government.

Problems persisted, however, and the traffic congestion caused by the street sellers was creating serious threats to the safety and mobility of the community. To solve this problem, the Government of Danlí issued an executive order in June 2018 ordering the cessation of all sales activities on the street outside the new market and mandated the expulsion of all the street sellers. In addition, owing to the rise of "private" bus terminals operating near the new terminal, the executive order required all bus operations going in and out of the municipality to use the new

<sup>10</sup> Jaetguz ([https://commons.wikimedia.org/wiki/File:Anillo\\_PerifericoTegucigalpa.jpg](https://commons.wikimedia.org/wiki/File:Anillo_PerifericoTegucigalpa.jpg)), „AnilloPerifericoTegucigalpa”, <https://creativecommons.org/licenses/by-sa/3.0/legalcode>

bus terminal. The executive order also expanded the number of market stalls to be allocated to vendors and stipulated that the municipality would act as guarantor in favor of the vendors/stall-buyers before any financial institution that would provide loans for stall acquisition.<sup>11</sup>

This project highlights the following:

- The ability and willingness of end users to pay for a new or improved infrastructure asset or a better quality of service cannot be taken for granted. Pricing should be determined in close consultation with intended end user demographics, here the intended market stall purchasers. 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
- Where end user fees cannot realistically be expected to fully fund the project, additional options need to be explored – in this case government guarantees to give vendors improved access to finance for purchasing the new stalls.
- 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 – in this case regulating street sellers and competing bus terminals.

## 6. Challenging Case: Bus Terminal-cum-Commercial complex, Mohali, India



Photo Credit<sup>12</sup>

### Background

Mohali's bus terminal was not meeting the transport demands of a growing city, which had burgeoned into a commercial and institutional hub and an investment destination for IT, electronics, and real estate development. To better meet the demand for bus services, the Greater Mohali Area Development Authority, the Department of Transport, and the Government of Punjab decided to pursue a PPP for the design, construction, operation and transfer of a new bus terminal. As the terminal facility alone, however, was not viewed as commercially desirable enough to attract investors, the project design incorporated the development of adjacent commercial facilities to increase its financial viability.

### Project Structure

The project design, considered to be the first-of-its-kind "busopolis" in India, included three main facilities: a bus terminal with passenger amenities and retail space; a hotel with a helipad; and a

commercial office tower. Revenue from the bus terminal would be derived primarily from the "adda" fee – a fee collected from all buses exiting the terminal, in addition to revenues from commercial leases to vendors, parking, a cycle stand, and advertising. Hotel operations, including landing charges for use of the helipad, and the sale, long-term lease or rental of commercial developments for retail and office space, were expected to provide substantial additional revenue for the concessionaire.

The private partner undertook to design, build, finance, operate and transfer the bus terminal and adjacent commercial facilities, in return for a 20-year concession for the bus terminal and a 90-year concession for the commercial complex. Investment costs were estimated at approximately INR 431 crore (USD 60 million) but, due to a change in project scope and delays in implementation, the total project cost was later revised to INR 530 crore (USD 74 million).

The private partner was selected through a two-stage international competitive bidding process. The project was awarded on the basis of minimum eligibility requirements and the highest bid for the upfront concession fee, payable to the Greater Mohali Area Development Authority. The winning bidder, an Indian infrastructure construction conglomerate, offered an upfront fee of INR 57 crore (USD 8 million), in addition to the payment of an upfront project development fee of INR 1,25 crore (USD 200,000) to the Government of Punjab, which was fixed at 5 percent of the upfront concession fee. In addition, the private partner agreed to pay the Development Authority an annual concession fee of INR 2,85 crore (USD 400,000), which would increase by 15 percent every three years.

<sup>11</sup> Coalianza. n.d. "Proyecto "Terminal de buses y plaza comercial municipal, Danlí – El Paraíso"". Accessed November 27, 2019. <http://app.sisocs.org/index.php?r=ciudadano/FichaTecnica&control=Contratacion&id=13>.

<sup>12</sup> ak sa ([https://commons.wikimedia.org/wiki/File:Punjab\\_Bus.jpg](https://commons.wikimedia.org/wiki/File:Punjab_Bus.jpg)), „Punjab Bus“, <https://creativecommons.org/licenses/by-sa/2.0/legalcode>