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.[11]

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[12]

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.

[11] 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.

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

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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[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.