



**BUS & CAR
OPERATORS
CONFEDERATION
OF INDIA**

PUBLIC PRIVATE PARTNERSHIP IN INDIA

THE PPP is RIGHT SOLUTION



WHY PUBLIC PRIVATE PARTNERSHIP

It gives access to **Private Capital by Reducing** the upfront burden on Government funds.

For **better ROI** Private sector will **Execute Project Faster** with better management.

Private companies will bring **Expertise, Technology, and Best Practices** that will improve service quality

Risk is Shared between Government & Private Company depending on who can best manage what function.

With better and reliable service quality **it can attract more customers** and other avenues to generate additional revenue from non fare box collection such as advertising and commercial development

With Private partner's future at stake he will ensure **long term sustainable service standards** which will not only enhance project value but also will ensure assets stay in good condition.

Long term sustained project of Public transport with **better quality & connectivity will boost economic growth** of that area and will create more opportunities of employment.

Government can focus on their core function of policy, regulation, and social services while private sector handles project development and day-to-day operations.



TYPE OF CONCESSIONS

BUILD OPERATE TRANSFER (BOT)

Private sector builds the infrastructure operates it for a set period then transfers it back to the government. Revenue usually from fare collection or annuity payments from government.

BUILD-OWN-OPERATE (BOO)

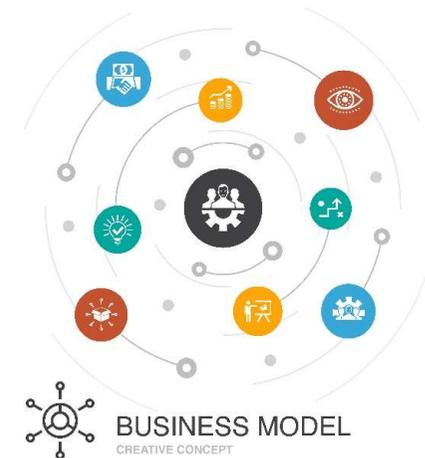
Private party builds and owns the infrastructure permanently, operates it, and collects revenue. Less common in public transport since government often wants ownership long-term.

DESIGN-BUILD-FINANCE-OPERATE (DBFO)

Private sector handles design, construction, financing, and operation. Government pays a service fee or allows fare collection to private operator.

OPERATE-MAINTAIN (O&M) CONTRACTS

Private company operates and maintains existing public transport infrastructure (e.g., bus services, metro lines) for a fixed term. Government retains ownership.



KEY CONCESSION PARAMETERS



Scope of The Project – Defines responsibility of Private sector and Government

Duration – Infrastructure projects 20 to 30 years, bus operations 5 to 12 years

Risk sharing –Infrastructure development, Demand, finance ,Operations & Maintenance

Revenue rights – Farebox collection, Advertising & commercial development or other sources of revenue

Performance Standards – Service & Safety standard, Punctuality, hygiene, availability of asset for minimum running or / and hours.

Government support – Tax concessions ,Viability Gap funding , Subsidy ,Grants, Guarantees, Land & infrastructure.

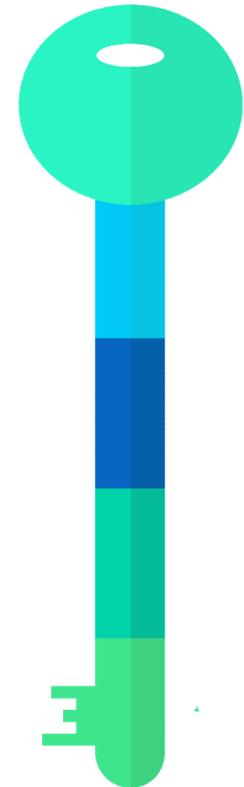
Payment terms – Duration of billing & payment mechanism.

Incentives, Fines & penalties

default of each party

Grievance addressal system & Dispute resolution mechanism

Force measure



TYPES OF PUBLIC PRIVATE PARTNERSHIP MODELS

Gross Cost Contract (GCC)

Government bears the revenue risk , fare collection is typically the government's job, so fluctuations in ridership don't affect the private operator's income.

Private operator runs the service and gets paid a fixed fee by the government, usually based on performance related to number of kilometres run, or availability of service in hours.

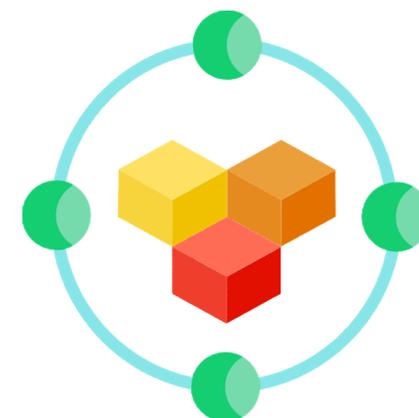
Private operator is responsible for O& M ,running the service efficiently, staffing, and meeting quality standards.

Incentives or penalties are defined on the basis of operational efficiency and service quality

This is Common in city bus services where ridership is uncertain or fares are subsidized but Government wants to ensure service provision regardless of demand.

Stable income for private operator without much risk because Government controls fare policy and revenue.

Government bears revenue shortfall risk but entrepreneur skills of private operator are not used to increase ridership



TYPES OF PUBLIC PRIVATE PARTNERSHIP MODELS

Net Cost Contract (NCC)

Private operator takes the revenue risk, collects revenue directly and keeps it.

Operator's income depends on ridership, if ridership is low, earnings drop and if fares are not directly linked to input costs losses mount which deteriorates service standards.

Private operator handles operations, maintenance, and service quality, plus marketing to attract passengers as he has strong incentive to increase ridership, improve service quality, and optimize routes.

This model aligns private operator's interests with increasing ridership and Government's financial exposure is lower.

Private operator faces higher risk, may require higher returns this may lead to cost-cutting at the expense of service quality if not well regulated.

In case of overlapping of routes operated by multiple operators in one city this cannot be used as it encourages penny war.



TYPES OF PUBLIC PRIVATE PARTNERSHIP MODELS

Hybrid Model (HM)

This is a combination of Gross & Net cost model where revenue risk up to certain level Government takes which reduces risk of Operator on revenue side.

Government pays fixed annuities over time, private invests in assets & Infra as per concession terms and handles operation & maintenance

Viability Gap Funding (VGF)

For critical social infrastructure like affordable public transport Government grant is given to make PPP projects financially viable

This helps projects with low user charges having high capital costs



RISK REWARD MODEL



RISK TYPE	BOT	GROSS COST CONTRACT	NET COST CONTRACT	HYBRID ANNUITY MODEL
LAND	GOVERNMENT	GOVERNMENT	GOVERNMENT	GOVERNMENT
INFRASTRUCTURE DEVELOPMENT	PRIVATE	PRIVATE / Govrment	PRIVATE/ Government	PRIVATE / Government
REVENUE RISK	SHARED/ PRIVATE	GOVERNMENT	PRIVATE	SHARED / PRIVATE
OPERATIONAL	PRIVATE	PRIVATE	PRIVATE	PRIVATE
FINANCIAL	PRIVATE + GOVT SUPPORT	PRIVATE + GOVT SUPPORT	PRIVATE	PRIVATE + GOVT ANNUITY
FORCE MEASURE	GOVERNMENT	GOVERNMENT	GOVERNMENT	GOVERNMENT

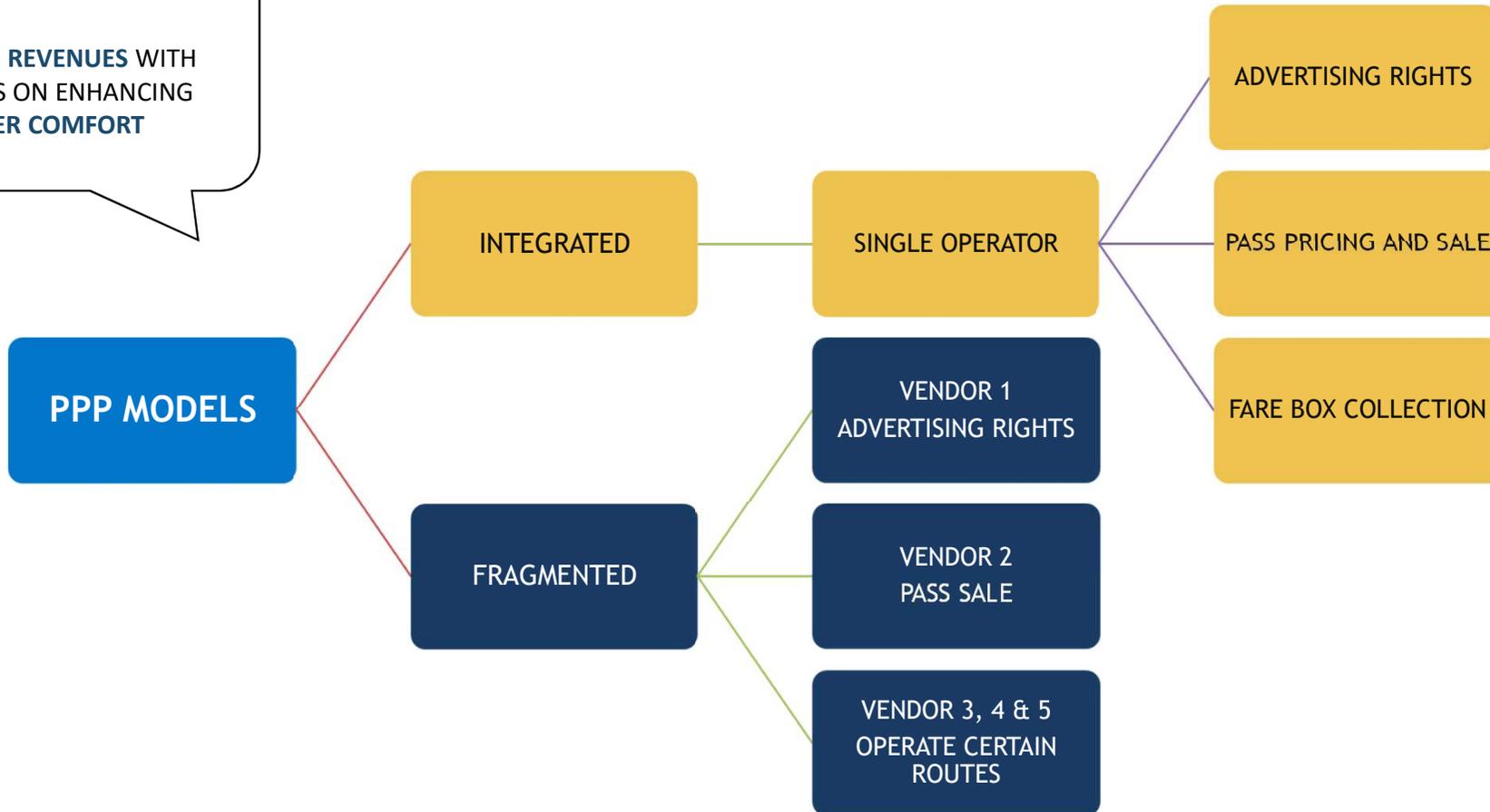
PARTS OF PPP



ASSET OWNERSHIP	FINANCING	REVENUE SOURCES	SERVICE
LAND & BUILDING	HIRE PURCHASE	TICKETING	ASSET O&M
ROLLING STOCK	LEASING	ADVERTISING	TECHNOLOGY
TECHNOLOGY	OWN FINANCE	PASSES	REVENUE COLLECTION
PLANT & MACHINERY	GOVERNMENT GRANT	SCHEMES	SCHEMES
BUS TERMINAL / STOPS	STU	COMMERCIAL DEVELOPMENT	VIGILANCE
			QUALITY CONTROL

INTEGRATED V/S FRAGMENTED MODEL

RESULT
MAXIMISE REVENUES WITH
THE FOCUS ON ENHANCING
COMMUTER COMFORT



REVENUE MODEL AND PRIORITY

Integrated Model

Possible only when one operator undertakes entire city operations.

Priority is given to passenger convenience as main stream of revenue is dependent on carrying more number of passengers.

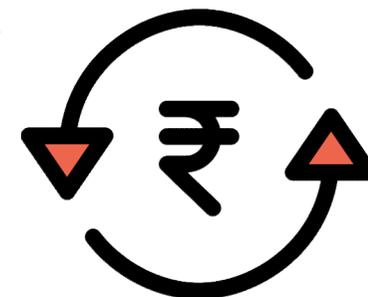
To attract more passengers he can leverage advertising space to be used as barter to provide discounts to pass holders in certain shops, malls, multiplexes, restaurants intercity bus operators etc.

Fragmented Model

Impossible when there is no strong city controlling body.

Priorities of different service provider is different .

Revenue model of bus stop advertiser - Is to generate revenue through only advertising hence he will opt for a place of bus stop where advertising will become profitable and will not consider passenger's convenience.



RISKS TO PPP BECOMING SUCCESSFUL

SELECTION OF AN OPERATOR AND TYPE AND MODEL OFFERED

Without technical grading if operator is selected only on the basis of L-1

INVOLVEMENT OF MULTIPLE AUTHORITIES

Lack of coordination between City administration, Corporation, RTO, Traffic police etc.

EVER CHANGING INPUT COSTS

fares or contract rate not changing according to input costs

CHANGING ENVIRONMENTAL NORMS

Vehicles to be changed or upgraded to conform to the CHANGED norms makes it impossible to predict project cost longer period.

DELAYED PAYMENTS

Payments are delayed beyond defined credit period making it difficult for operators to maintain quality

LEVY OF PENALTY TO REDUCE LIABILITY

Penalties are used as a tool to reduce liability rather than to improve quality of service.

Delayed grievance redressal

Disputed are not resolved timely



PPP SUCCESS PARAMETERS

Essence of real partnership at the core where risk and rewards are well balanced

Structuring concessions well balanced, making projects attractive to private investors while ensuring public interest by keeping fares affordable, services reliable, builds reputation and maintains long-term asset quality.

Fare or contract amount revision formula linked to input costs.

Incentives & penalties shall be linked to defined quantifiable & easily measurable quality norms which ensures sustained service standards.

Flexibility in concession agreement to adopt changes in areas which are beyond control of both the parties.

Timely payments allows Operators to maintain service standards

Faster grievance redressal system allows timely corrections

Clear Default and exit clauses allows both parties to remain vigilant.

Force measure risk always should be taken by Government to attract private capital.





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Thanking You !

PRASANNA PATWARDHAN

NATIONAL PRESIDENT OF BOCI

CMD, PRASANNA PURPLE MOBILITY SOLUTIONS
