



JANAAGRAHA CENTRE FOR CITIZENSHIP & DEMOCRACY

FINANCIAL BRIEF ON BANGALORE METROPOLITAN TRANSPORT CORPORATION

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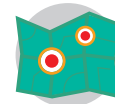
Bangalore Metropolitan Transport Corporation (BMTc) established in 1997 after the restructuring of KSRTC, is responsible for providing bus services within the city of Bengaluru. BMTc operates a large variety of bus services including airport services, Vajra, BIG10, Suvarna and other local services. BMTc is governed by the Road Transport Act 1950 and is headed by a chairman and managing director appointed by and forming part of the board of directors which consists of 15 directors. BMTc functions through a three tier system consisting of corporate office, divisions and depots and has historically been headed by an IAS officer.



Area Covered
5,130 sq kms



Fleet Size
6,165 buses



Routes Covered
2,194 routes



Kilometers Covered
53,984 kms



Depots
43



Central Workshops
2



Daily Passengers
48 lakh



Employees
34,000



Bus Shelters
2,212

Source: BMTc Annual Administration report 2016-17

Executive Summary of Recommendations

- Evaluation of leased operator or PPP model similar to DIMTS in Delhi to meet fleet augmentation requirements of BMTc with minimum capital expenditure.
- A rule based or formulaic approach to allocation of grants, an important source of funds for the BMTc, is recommended to resolve the problem of unpredictable receipts.
- Undertake an exercise to benchmark operational costs against that of other Indian and global cities to identify measures to reduce costs and evaluation of fuel hedging practices which will aid BMTc's efforts to optimize rising costs.
- Commission a capacity utilization study of bus terminals and Traffic and Transit Management Centers to improve revenue generation from renting of commercial space and advertisements given BMTc's responsibility to maintain equitable fares.
- Mandate a 5 year Medium Term Fiscal Plan as the basis for annual budgets and operating plans
- Publish audited annual accounts, annual budgets, and key fiscal and operational performance indicators by to improve accountability and transparency and empanel independent chartered accountants to audit annual accounts.

Summary of financial and operational performance

Particulars	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17
Financial performance (Rs Cr)					
Revenue	1,660	2,014	2,257	2,207	2,106
Fuel and other costs	(1,050)	(1,258)	(1,304)	(1,098)	(1,123)
Staff costs	(758)	(903)	(1,018)	(1,096)	(1,244)
Profit / (Loss)	(148)	(148)	(65)	14	(261)
Operational indicators					
Fleet size	6,431	6,775	6,524	6,407	6,165
Net addition/(deletion)	281	344	(251)	(118)	(242)
Routes	2,430	2,559	2,288	2,424	2,194
Passengers transported (lakhs)	48	50	51	51	48

Source: BMTc Annual Administration report 2016-17

Insight 1

BMTc currently has 518 buses / million population against the UNCHS1 prescribed standard of 1000 buses / million. BMTc falls short by approximately 6,000 buses at a cost of INR 2,100-2,500 crores.

- BMTc has a fleet of 6,500 buses as on Aug17 which transports a population of 12.5 million. BMTc has added and scrapped on average 334 and 337 buses respectively on an annual basis over the last five years. BMTc will have to add on average 600 buses each year for the next 10 years without considering population growth to meet such prescribed standards.
- BMTc had proposed a fleet augmentation proposal through a PPP in Dec16 for 3000 buses for approximately INR 1,067-1,234 crores. At similar cost BMTc would have to incur INR 2,100-2,500 crores over 10 years to purchase the additional fleet.

Recommendations:

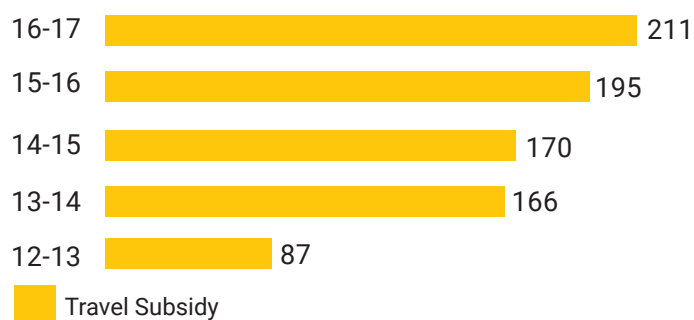
- BMTc should evaluate a leased operator or a PPP model for expansion of fleet where BMTc would lease buses from private operators over the lease period.

Insight 2

BMTc relies on government grants and subsidies to fund fleet expansion and infrastructure projects and has received INR 292 crores for such projects from 1997 to 2014. However, such grants are neither rule based nor predictable which impairs BMTc's financial planning.

- BMTc relies largely on government and scheme grants for fleet augmentation and capital projects. However there is no formulaic process for allocation of such grants and due to their unpredictable nature, BMTc has minimum visibility on support from governments for capital projects.
- Apart from grants, BMTc relies on loans from financial institutions to fund such capital intensive projects. BMTc has a debt balance of INR 616 crores as at Mar17 attracting an interest of 8.3% pa which puts stress on BMTc's assets.
- Apart from annual fare subsidies received from the state government, BMTc is expected to fund operational expenses from own sources of revenue. However due to losses and rising obligations, BMTc had to rely on a one-time grant of INR 72 crores in 16-17 from the state government which cast a doubt on its financial position.

Travel Subsidy (Rs in Crores)



Capital Grants

Year	Grant / Subsidy (Rs Crores)
1997	65
1999	0.1
2007	65
2010	152
2014	10
Total	292

Source: BMTC Annual Administration report 2016-17 and Revenue and expenditure analysis-30-01-18 received from BMTC

Recommendations:

- A rule-based or formula driven system of allocation should be considered which will ensure foreseeable amount of funds being received by the BMTC from the state government for operational and capital projects.
- BMTC should mandate preparation of Medium Term Fiscal Plans with details of fiscal targets over the coming years which will ensure accountability and financial foresight as well as improve financial management.
- BMTC should explore alternative options of raising funds through green bonds or infrastructure bonds with the help of the state government or other state finance corporations as guarantors.

Insight 3

BMTC has the social responsibility to provide bus services at affordable prices which results in its inability to significantly raise fares while operational costs continue to rise. This has led to BMTC suffering cumulative losses of INR 608 crores as on Mar17. Losses coupled with a large liability balance of INR 584 crores has weakened BMTC's financial position. Such losses cut into the internal accruals of BMTC, reducing internal sources to fund projects and alleviating reliance on grants.

- The last fare revision by the BMTC was in 2015 with reduction in fare by 1.7%. Fares in Bengaluru are amongst the highest when compared to other metro cities and any further increase might be unfeasible.
- Staff costs and diesel costs which constitute 80% of the total costs show an increasing trend. While cost per km of diesel has increased there has been a drop in fuel efficiency in terms of km / litre further driving higher costs. Staff costs / km have risen by an average of 16% from 2013 to 2017 and increase is expected to continue.
- BMTC maintains a depreciation reserve fund of INR 1,138 crores, the utilization of which is unavailable. Detailed breakdown of liabilities was not available.

FY	Earning / km	Fuel cost / km	Staff cost / km	Fuel efficiency (kmpl)
FY 12-13	35.8	13.0	16.3	3.84
FY 13-14	42	15.7	18.8	3.82
FY 14-15	48	16.1	21.6	3.79
FY 15-16	49.4	13.3	24.5	3.76
FY 16-17	50	15.4	29.6	3.74

Source: BMTC Annual Administration report 2016-17

Recommendations:

- BMTC should evaluate alternate models to reduce operational costs and improve profitability such as leasing of fleets and PPP (similar to DIMTS in New Delhi).
- BMTC should undertake an exercise to benchmark costs against those of transport operators in other Indian and global cities to identify measures to reduce costs (including fuel hedging)

Insight 4

BMTC holds land and building worth INR 1,058 crores providing a return on building of 6.6% in 16-17 in the form of rent. BMTC should leverage such property to generate additional revenue to strengthen financial performance given its inability to raise fares.

- BMTC has land & buildings worth INR 163 crores and INR 895 crores respectively which generates a return of 6.6% while BEST in Mumbai is able to generate a slightly higher return of 7.2%. BMTC has 10 Traffic Transit Management Centres (TTMC) which leases space for offices and public conveniences.

Recommendations:

- BMTC may undertake a benchmarking exercise and bring rent in line with those of surrounding properties.
- BMTC should onboard advisers to undertake capacity utilization study of bus terminals and TTMCs and explore opportunities to improve revenue from other sources.
- BMTC may explore land based financing sources including long term leases.

Insight 5

BMTC has not published audited annual reports for 4 out of the last 5 years and budgets are prepared based on aged information which may lead to erroneous decisions. The absence of audited financial statements and budgets inhibits BMTC's ability to raise alternate sources of funds.

- The governing Road Transport Act requires BMTC to audit its accounts annually. However the Act does not prescribe time limits for completion and publication of such audited statements. Annual accounts for the last 4 years are therefore not available in public domain. Auditor General of Karnataka has finalized on audited statements up to Mar16.
- The Act also does not demand for preparation of medium fiscal term plans which facilitates sound financial planning for 3-5 years duration based on which annual plans can be drawn up.
- Budgets are prepared based on two years prior data and may lead to erroneous estimates which can impact the allocation of grants.

FY	Annual budgets*	Audited annual accounts	Key financial indicators
FY 13-14	✘	✓	✓
FY 14-15	✘	✘	✓
FY 15-16	✘	✘	✓
FY 16-17	✘	✘	✓
FY 17-18	✘	✘	✘

*Annual budgets for 13-14, 14-15 and 15-16 were received as part of RTI but are not published on the website or available in public domain.

Recommendations:

- BMTC should mandate a 5 year Medium Term Fiscal Plan as the basis for annual budgets and operating plans.
- BMTC should empanel Independent Chartered Accountants to audit annual accounts and also as internal auditors with pre-defined timelines.
- BMTC should publish annual accounts, annual budgets and key fiscal and operational performance indicators in public domain to improve accountability and transparency

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