

### **Liberalization of Passenger Transport Services**

Seeing the scope for improvement in the present system, it is now proposed to liberalize passenger transport system in the country. The new system will be based on the new policy that passenger transport services (bus service) would be liberalized with minimum intervention from the Government. Under this new system, individuals can apply and receive approval to operate passenger transport services on demand basis, but subject to compliance on approved schedule, route and fare. This is based on the reasoning that fewer and simpler regulations under the liberalized market will lead to a raised level of competitiveness, higher productivity, with direct and immediate benefit to the people.

Liberalization is proposed within the following framework:

- (1) Operators within the existing 7 broad groups shall be allowed to operate as per the terms and conditions of the existing contract agreement signed.
- (2) RSTA shall also institute appropriate penalty provision in case of failure on the part of groups' Executive Directors to abide by the new management agreement.
- (3) New operators wanting to introduce services on new/existing routes or the existing operator wanting to introduce services on new routes or increase frequency on the existing routes shall receive immediate approval based on the following conditions:
  - a) There shall be no market protection on any route and that new operator(s) shall always have opportunity to participate in any route conditional upon maintaining a minimum gap of half an hour (30 minutes) between two buses departing from the same terminal to the same destination.
  - b) The existing operators shall receive preference over the new comers on the timing/schedule of operation as mentioned in (a).
  - c) While applying for permission, the applicant must take complete responsibility of studying the economic viability.
  - d) Upon receiving approval, the new applicant must commence operation of service(s) within six months from the date of approval by the Authority. Failure to comply with this requirement will result in immediate cancellation of the approval, and subsequent request to operate transport business shall not be entertained for a period of three years.
  - e) In case of non-introduction of approved services or pre-mature termination of services based on provision of the contract agreement, the operator(s) shall be liable to the payment of all applicable taxes and duties on the bus (es) for the unused duration.

- f) The initial contract period shall be five years and may be renewed depending on the performance of operators.
  - g) For the purpose of approving routes/ services, the RSTA shall decentralize its approving authority up to the level of RTOs.
- (4) Authority's intervention in transport operation shall be to ensure safety, reliability, comfort, environmental friendly and affordable services, based on provisions of the Road Safety and Transport Act-1999 and the Contract Agreement.
- (5) Additionally, the Government shall continue the following incentives :
- i) Exemption of sale tax and customs duty on import of passenger transport buses
  - ii) Exemption of Royalty
  - iii) Exemption of route permit fees

This proposal shall come into force with immediate effect and consequently a revised contract agreement shall be concluded between RSTA and bus operators reflecting all additional features mentioned above, among others.