

## CREW Project

### National Advocacy Plan – India

#### 1. Introduction

CREW Project is being undertaken in four states in India. The project for Staple Food, Wheat in India, is being undertaken in Bihar and Rajasthan. For bus transport the two project states are Gujarat and Madhya Pradesh. The states in both the sectors have been chosen for the contrast they offer in their regulatory regimes.

The discussions on the key issues started in Phase I itself, as the stakeholders had started to take interest in the study. CUTS took the opportunity to therefore begin some negotiations for the way forward for the findings that would be taken up fully in Phase II of the project.

The key issues identified in the Wheat and Bus Transport sector in India have been explained below.

#### 2. Advocacy agenda for Staple Food

Subject for Advocacy	Advocacy Goal	Overview of Advocacy Plan
<b>2.1. Evaluating the Impact of Liberalisation in Wheat Procurement Segment in Bihar</b>	<b>Undertaking Primary Research Study to Understand How the Wheat market has evolved in Bihar since 2005</b>	<ul style="list-style-type: none"> <li>• <b>What is the problem as informed by the evidence in the DCR?</b> Agriculture Produce Marketing Committee (APMC) was abolished in Bihar in 2006. As per the research undertaken, it was found that only the large farmers have benefitted from the abolishment of the mandis as they do not have to incur transactional costs.</li> </ul> <p>In terms of government procurement, the Primary Agriculture Credit Societies, cooperatives under the Bihar Cooperatives Societies Act, 1935, were given the procurement monopoly in 2013. Only 31 per cent of farmers surveyed experienced any improvement in market access, while 29 per cent experienced increased price realisation. As a result of such administrative impediments, a ‘broker’ segment has emerged – who purchase from farmers at a discounted price and sell produce to the PACS. However, marginal/small farmers surveyed seem to be happy with the arrangements as they save on transportation and get ready cash for their produce.</p> <p>Lastly, private players have been increasing in Bihar over the last few years. With the changing dynamics of the procurement segment, it is crucial to assimilate the behavioural shift of the farmers (to heighten price realisation) since the abolishment of the APMC</p>

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		<p>mandis.</p> <ul style="list-style-type: none"> <li>• <b>What are the intended outcomes?</b> Until now no formal study has been conducted on the impact of the abolishment of the APMC mandis in Bihar or the procurement monopoly of the PACS or the increasing number of private players. If the procurement segment is analysed and the issues of the farmers are collected (specific to their sales), the same will assist policy makers in making well informed decisions in the segment.</li> <li>• <b>How will the CREW project contribute towards addressing this problem?</b> Under the CREW project, a focussed research will be conducted in the district of Purnia or Muzaffarpur, where farmers and local agriculture officers will be questioned on the procurement dynamics since 2005. The study will connect policy makers to the ground realities.</li> <li>• <b>Action agenda<sup>1</sup></b> The action agenda will include the following steps: <ul style="list-style-type: none"> <li>– Mapping of stakeholders (members of the Department of Cooperatives, BAMETI, Department of Agriculture, Farms and Farmers, members of PACS, private players) with whom the agenda will be taken forward.</li> <li>– Undertaking research in Purnia or Muzaffarpur to assess the change in farmers’ behaviour with respect to procurement dynamics over the last ten years.</li> <li>– Writing policy note (as per the research).</li> <li>– Stakeholder meetings to brainstorm on the reforms that can be undertaken to improve PACS’s efficiency.</li> </ul> </li> </ul>
<p><b>2.2. Agriculture Produce Marketing Committee (APMC) Act in Rajasthan</b></p>	<p><b>Exploring Means for Greater Private Participation in Rajasthan APMC Markets</b></p>	<ul style="list-style-type: none"> <li>• <b>What is the problem as informed by the evidence in the DCR?</b> Rajasthan amended the Model APMC Act in 2006 and opened doors for private mandis, contract farming and direct marketing. However, in spite of the amendments the state did not attract private investments.  As of now, no farmer-consumer market has launched operations and only 2 licenses have been issued for private markets. The failure has been ostensibly due to factors such as (a)</li> </ul>

<sup>1</sup> It must be noted that the action agenda mentioned in the NAP for both the sectors is not absolute but dynamic in nature

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		<p>heavy security deposit requirements, (b) problems in land availability/acquisition or changing usage pattern, (c) minimum distance required from existing APMC markets, (d) logistical issues, like assured water, electricity availability and/or road/rail connectivity, (e) large investment with low incentives (20 per cent of fees), etc.</p> <ul style="list-style-type: none"> <li>• <b>What are the intended outcomes?</b> The experience of Rajasthan highlights the need for bringing harmony across multiple policy verticals (both legislative as well as administrative) to have a positive impact on the sector. The intended outcome of this issue is to understand the reasons loopholes and bottlenecks and suggest policy options to bring private investment.</li> <li>• <b>How will the CREW project contribute towards addressing this problem?</b> Through focused ground research in a select district, the CREW project aims to understand the bottlenecks faced by buyers and sellers and private investors in the ambit of the relevant APMC mandi. The analysis of the research is envisaged to assist the Department of Agriculture, Rajasthan in better aligning the rules pertaining to AMPC mandis which effect competition.</li> <li>• <b>Action agenda</b> The action agenda will include the following steps: <ul style="list-style-type: none"> <li>– Mapping of stakeholders (Department of Agriculture, Rajasthan, Rajasthan Agriculture Marketing Board, private players, farmers, and so on) with whom the agenda will be taken forward.</li> <li>– Undertaking research in a district of Rajasthan in order to understand the challenges and bottlenecks that impede private investment in mandis.</li> <li>– Stakeholder meetings to brainstorm on the reforms that can be undertaken to improve APMC's efficiency.</li> </ul> </li> </ul>

### 3. Advocacy agenda for Bus Transport

#### 3.1. State Level

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<p><b>3.1.1. Facilitating the development of ‘Madhya Pradesh Intercity Transport Authority’</b></p>	<p>Evidence based negotiations with policymakers on the benefits of having a public transport regulator in the states</p>	<ul style="list-style-type: none"> <li>• <b>What is the problem as informed by the evidence in the DCR?</b> <ul style="list-style-type: none"> <li>– The bus transport sector, specifically the intercity segment, was liberalized after the abolition of the State Road Transport Undertaking (SRTU) in Madhya Pradesh (MP).</li> <li>– Lack of proper route rationalisation for both intercity and intracity bus transport market. For intercity there are many operators available for profitable routes but for remote areas the presence of options is limited. The survey results from the project show that almost 59% of respondents find the intercity bus service in MP to fall short in accessibility, availability and timeliness.</li> <li>– There is a weak accountability mechanism for the private operators, especially on the interstate market. The delay in bus trips is one such example. The interviews with passengers revealed instances when the passengers were left waiting because the operator chose to delay his bus till it was full.</li> <li>– The number of private players providing city bus service (within the city) in Bhopal and other cities of MP are limited. Even though the selection happens through tendering, some of the terms for the eligibility criteria, limits the entry of new players in the market.</li> </ul> </li> <li>• <b>What are the intended outcomes?</b> <p><i>There is a need for constituting a body that has the authority and knowledge for regulating the state’s transport market both in terms of economic and administrative issues.</i></p> </li> <li>• <b>How will the CREW project contribute towards addressing this problem?</b> <p>The findings from the bus transport sector had been shared with the Chief Secretary of MP (Administrative Head of the State) and Department of Transport (DOT), MP.</p> <p>The analysis in the report clearly indicates the dissatisfaction of consumers due to the low accessibility of buses on non – profitable routes. The report also highlights the lack of accountability of operators on intercity routes.</p> </li> <li>• <b>Action Agenda</b></li> </ul>

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		<p>These findings were already in line with the interest the DOT, MP had to have an authority to regulate transport market specifically on the intercity routes.</p> <p>i) <i>Research</i>: Based on the negotiations with Chief Secretary and DOT, MP, CUTS had prepared a Concept Note on the ‘Need for State Public Transport Regulator in Madhya Pradesh’. This was based on the CREW findings and some secondary research.</p> <p>ii) <i>Lobbying with the relevant policymakers</i>: A presentation on the same was made to the Chief Secretary and the DOT, MP. MP’s cabinet has very recently passed an authority namely ‘MP intercity transport authority’. Even though this is meant for intercity transport, it very loosely or not at all taking into consideration important functions like route rationalisation, fare-setting etc. Based on the presentation, CUTS had been therefore asked to facilitate in refining the functions of the authority.</p> <p>iii) <i>Way Forward</i>: CUTS to provide knowledge partnership to DOT to make the mandate of the mentioned authority more inclined towards having functions like route rationalization, fare setting, better public private partnership, etc.</p>
<p><b>3.1.2. Advocating for reforming the transport sector in Gujarat</b> <i>(Additional Advocacy)</i></p>	<p>a) Policy refinement for an efficient bus transport sector in the state</p>	<ul style="list-style-type: none"> <li>• <b>What is the problem as informed by the evidence in the DCR?</b></li> <li>– In Gujarat, intercity, ‘stage carriage’ bus transport has been monopolised by the Gujarat State Road Transport Corporation (GSRTC) since 1994. As the demand for stage carriage<sup>2</sup> increased over time, private operators swarmed in to meet the demand. This is illegal as per the prevailing policy, which grants GSRTC a monopoly right as the sole operator on intercity routes in Gujarat. However, administration has turned a blind eye to this issue as private operators resort to paying rents to operate as stage carriage. This has benefitted large private players, who were able to dominate the profitable routes.</li> <li>– Also maintaining this state monopoly of GSRTC is proving to be a huge burden on the state exchequer. Official figures indicate that the state government is bearing considerable losses in running GSRTC (about US\$47mn in 2012-13).</li> <li>– The Ahmedabad Municipal Transport Service (AMTS), which is a public sector undertaking (PSU) enjoys monopoly in city bus transport in Ahmedabad city (state of Gujarat, India). The only option for private operators to get engaged in the city bus</li> </ul>

<sup>2</sup> Stage carriage is a mode of licence under which the bus operator can charge fares stage-wise, i.e. on a per kilometre basis. Under this licence operators can pick and drop passengers anywhere on the route and charge them accordingly.

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		<p>transport industry is to attach their fleet to AMTS. This happens when AMTS opens up its fleet procurement process for interested private players to bid for it.</p> <ul style="list-style-type: none"> <li>• <b>What are the intended outcomes?</b> There is a need to have policy environment for the inclusion of private players in the policy umbrella. This would help in increasing transparency and competition in the bus transport market.</li> <li>• <b>How will the CREW project contribute towards addressing this problem?</b> A review of the policy is suggested by the study which will not only help curb corruption, but also help the state government in recovering some of the losses.</li> </ul> <p>The discussions with policy makers during Phase I of the project had indicated their willingness to start discussions on the possibilities of finding a method of reforming the policy structure for bus transport in Gujarat.</p> <ul style="list-style-type: none"> <li>• <b>Action Agenda</b></li> </ul> <ol style="list-style-type: none"> <li><i>Focus Group Discussions</i>: FGDs with private operators (both on intercity and intracity routes) would help in identifying the policy bottlenecks for their active participation in the bus transport market</li> <li><i>Lobbying with relevant policymakers</i>: The findings of the consumer perception surveys in the DCR and the FGDs being proposed, would be used as evidence to start negotiations with policy makers on the need for reforming the transport sector</li> </ol>
	b) Need for a ‘State Public Transport Regulator’ in Gujarat	<p>As indicated in the discussion above, there is a clear indication for the need of an authority that looks after administrative as well as policy level issues. These would look into issues for fare setting, route rationalisation, mechanism of public private partnership among other functions.</p> <ul style="list-style-type: none"> <li>• <b>Action Agenda</b></li> </ul> <ol style="list-style-type: none"> <li><i>Lobbying with the state government</i>: Raising the matter with the state government – using the experience from Madhya Pradesh.</li> <li><i>Research</i>: Once the state government would be interested (which they had already indicated earlier during Phase I), similar Concept Note would be prepared to take the discussions forward.</li> </ol>

### 3.2. National Level

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<b>3.2.1. Competition in Public Procurement</b>	Infusing competition principles in public procurement of buses	<ul style="list-style-type: none"> <li> <p>• <b>What is the problem as informed by the evidence in the DCR?</b>                In the states of Gujarat and Madhya Pradesh only have one operator present in the BRTS sector. The eligibility criteria for the operators bidding for BRTS services, limits the number of worthy operators. These terms limit the competition in the sector.</p> </li> <li> <p>• <b>What are the intended outcomes?</b>                It is important to address policy issues that negatively impact competition. Having more operators in this segment, would help to reduce conditions of monopoly.</p> </li> <li> <p>• <b>How will the CREW project contribute towards addressing this problem?</b>                CUTS to facilitate engagement of CCI in developing pro-competitive procurement principles in states (MP and Gujarat)</p> </li> <li> <p>• <b>Action Agenda</b></p> <p>i) <i>Lobbying with policymakers</i>: CUTS has already written to CCI about the need for inducing competition in public procurement with evidence from the DCR in the bus transport sector.                A discussion had also been undertaken in the BRTS wing of Ahmedabad for the need for CCI to help in developing procurement principles for BRTS bus procurement. The negotiations would be pursued rigorously now.</p> <p>ii) <i>Acting as an intermediary</i>: Once the negotiations bear fruition, CUTS would act as an active intermediary between CCI and the states for developing these principles.</p> </li> </ul>