

Terms of Reference for Performance Evaluation of NWKRTC, Hubli

- 1. Title:** 'Performance of NWKRTC: Challenges and Opportunities'
- 2. Background and the context:** NWKRTC was carved out from KSRTC in 1997 for the purpose of providing adequate, efficient and economic road transport service to the public in the six districts in North West Karnataka namely Dharwad, Belagaum, Bagalakot, Gadag, Haveri and Uttara Kannada. NWKRTC connects 4428 villages in 44 Taluks. It has eight divisions, 48 depots, 128 bus stations, 22262 employees and 4627 vehicle. It operates 4343 bus schedules. Their buses cover about 15 lakh Kilometers daily, carry about 23 lakh passengers and earn revenue of about Rs. 351 lakh a day. It provides concessional travel to about 4 lakh pass holders including students. However, the State Government reimburses these costs partly and also provides grants-in-aid annually for creating capital assets like bus stations. Recently, the Corporation has been exempted from paying Road Tax. NWKRTC is now quite well established and has a vision to be best transport service provider in India.
- 3. Evaluation scope, purpose and objectives:** However, NWKRTC is has been running in losses since its inception. The quantum of losses has been increasing year after year. It incurred a loss of Rs. 63.31 crore in 2012-13. The accumulated losses amount to Rs.442.30 crores at the end of 2012-13. The negotiated wage settlement during 2012-13 lead to a steep hike (85%) in the wages of NWKRTC staff. Secondly, subsidy on diesel was withdrawn by Government of India for the bulk purchasers. As a consequence, the diesel prices went up sharply by as much as Rs. 12.50 per litre. The Corporation ceased to be a bulk buyer of fuel. Diesel is now procured from retail outlets with attendant consequences. These

two items cast an additional burden of almost a hundred crore Rupees to the Corporation annually. It will add to the existing losses. A third and a growing challenge is the competition from private transport operator of all sorts, sizes, and hues. The purpose of this evaluation study is to make a rapid assessment of the situation and suggest measures for making the Corporation financially viable.

4. Evaluation questions: Following are three major evaluation questions:

- i. How far NWKRTC has met its objectives? How satisfied are the commuters and the local communities?
- ii. What is the rating of NWKRTC in key performance areas with reference to industry leaders in the last five years?
- iii. What is the potential return on investments for NWKRTC? What is the actual return? Is there a gap and if so what should be done to close the gap?
- iv. What would be a balanced score card which can ensure the financial viability of NWKRTC?

These are the major questions for which answers should be found. The Consultant is expected to prepare a research matrix in which each major question is broken down into several sub-questions and sub-sub-questions. Answers to the final questions should be found through appropriate and measureable indicators. In this process, the consultant is expected to address the critical questions like:

- a. Are all the major assets of the Corporation put to optimal use? Is there any scope for expanding the revenues any further from these assets?

- b. Which are the costs growing disproportionately in the last five year in NWKRTC? What does the portfolio analysis reveal? How can NWKRTC contain its fastest growing expenditure items?
- c. What is the effective cost of raising the capital to the Corporation? Are there any cheaper options available in the market? How can NWKRTC tap such sources?
- d. Is there any scope for further optimizing the bus routes of NWKRTC?
- e. How can NWKRTC compete with the local private road transporters effectively?
- f. Are there any leakages in the ticket and non-ticket revenues in NWKRTC? How to plug the leakages and further improve the revenues? And so on.

Ultimately, the study should address important questions which impinge on the financial performance of NWKRTC and suggest solutions for making a turnaround.

5. Evaluation methodology: The methodology chiefly involves review of the best practices in the Road Transport Industry and bench marking NWKRTC in key performance areas. Much of this analysis can be done based on the already available primary/secondary data. Limited primary data based on direct field observation on selected sites and survey of commuters may have to be collected by the consultants. In addition, the consultant should conduct depth interviews with key stakeholders of NWKRTC.

6. Agency for evaluation: The consultancy work has already been assigned to the Institute of Public Enterprise, a PSU based in Hyderabad by the Department of Public Enterprises, Govt. of Karnataka at a cost of Rs. 5 lakhs.

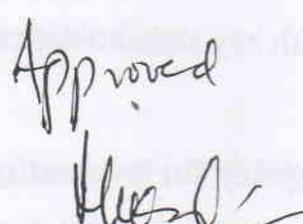
7. Deliverables and time schedule: The consultant will adhere to the following timelines and deliverables:

- a. Sign the contract agreement within 15 days after the approved copy of ToR is received.
- b. Submission of Work Plan to KEA through NWKRTC within 30 days after signing MoU and getting it approved.
- c. Complete the desk review, interviews with key stakeholders and field data collection within two months after the work plan is approved.
- d. Present the draft report to a joint team of NWKRTC and KEA Officers within one month of completing data collection.
- e. Submit the final report to NWKRTC and KEA within 15 days after the draft report is approved.

Thus excluding the time taken for approval, the Institute of Public Enterprise, Hyderabad should complete the evaluation study in five months time.

8. Ensuring quality: The evaluation report and its findings must demonstrate highest professional standards on par with national and international studies.

9. Providing oversight: Karnataka Evaluation Authority will provide the complete oversight for the study. All technical aspects of the study are subject to their approval.

Approved

Chief Evaluation Officer
Karnataka Evaluation Authority
Bangalore-560001