



FLiXBUS

Transforming India's Inter-City Bus Travel

A research report
on the All India
Tourist Permit System

April 2025



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Executive Summary

A. About the Report

This report studies the challenges faced by India's inter-city bus transport system, a critical component of the nation's economic and social mobility, and provides recommendation to address the same. The core focus of the report is on the regulatory, operational, and enforcement challenges in the current system, particularly with regard to the **All India Tourist Permit (AIP)** which governs the inter-state bus transport sector. The need for such a report has become increasingly urgent, as evidenced by the recent deliberations of the Transport Development Council on the need to study the AIP framework as well as the establishment of a committee led by the Ministry of Road Transport and Highways (MoRTH) to evaluate the AIP policy.

This report is the culmination of a multi-phased consultation process involving diverse stakeholders. To ensure the study is grounded in real-world insights, one-on-one interviews were conducted with key stakeholders, including policymakers, bus operators, and industry experts. This was followed by the Roundtable Discussion held on March 27, 2025, in New Delhi, which brought together policymakers, bureaucrats, industry leaders, civil society representatives, and other stakeholders to deliberate on the regulatory and operational challenges of AIP, exchange insights, and explore solutions. A full list of all stakeholders, who have been consulted for this study, is provided in **Annexure-1**. The insights gathered from both the personal interviews and the Roundtable Discussion have been instrumental in shaping the recommendations presented in this report.

B. Key Challenges

Challenges for bus operators

1. **Fragmented Regulatory Framework:** The inter-city bus transport system suffers from a fragmented regulatory structure, with complex and overlapping permit categories, leading to confusion for operators and inconsistent enforcement across states.
2. **Multiple Taxes:** The sector is burdened by multiple layers of taxation at central, state, and inter-state levels, increasing operational costs for bus operators and reducing affordability for passengers.
3. **Ambiguity in AIP Rules Interpretation:** There is also lack of clarity on questions like whether AIP buses can make multiple stops or what is the definition of a tourist for the purposes of AIP, leading to inconsistent enforcement and operational disruptions.
4. **Failure in Implementation:** Despite the introduction of the AIP Rules, their inconsistent application across states continues to disrupt operations, with some states continuing to impose border taxes and maintain checkposts.

5. **Lack of Access to State-Run Terminals:** Private bus operators are often denied access to state-run bus terminals, forcing passengers to board buses on roadsides, creating safety hazards and operational inefficiencies.
6. **Harassment by RTO Flying Squads:** The lack of regulatory clarity has led to harassment by RTO officials, who impose fines for alleged violations, further complicating the operational environment for bus operators and leading to frequent stoppages. Some stakeholders noted that RTO officials coerce drivers to change their permit status on the VAHAN app, making them liable for extra taxes.

Challenges for State Governments

7. **Tax Arbitrage and Loss of Revenue for States:** States face revenue losses due to operators registering their buses in low-tax states and operating across multiple regions, impacting state revenues adversely and fostering pushback from state governments.

Challenges for Passengers

8. **Inconvenience to Passengers and Disruption of Tourism:** The lack of access to state-run terminals for private buses poses safety risks and inconvenience, as buses often pick up passengers from unsafe roadside locations. Additionally, inadequate facilities like clean washrooms and seating areas add to the discomfort, especially for long-distance travelers. This poses particular risks for women and Persons with Disabilities. Furthermore, inconsistent AITP Rule enforcement, including frequent stoppages and fines, causes delays and disrupts tourism, impacting passenger experience and the broader tourism industry.

C. Recommendations

1. **Clarify AITP Rules on Multi-Stop Operations:** A clear directive from the Ministry of Road Transport and Highways (MoRTH) allowing AITP buses to make multiple stops, as long as passengers are pre-booked. This would increase flexibility for operators while maintaining regulatory consistency. The Transport Development Council (TDC) could be an appropriate platform to get relevant stakeholders like state governments to engage on this issue, with a view to providing more clarity on the issue.
2. **Renaming AITP to All India Passenger Permit (AIPP):** Renaming the AITP to 'All India Passenger Permit' would better reflect its broader application beyond tourism and streamline travel for all types of passengers.
3. **Introduce an Incentive-Based Home-State Touch Requirement:** To prevent tax arbitrage, where buses register in low-tax states but operate elsewhere, an incentive-based system could be introduced encouraging buses to operate in their state of registration. Operators who meet the home-state

operations requirement could receive benefits such as access to state-run terminals, tax credits or rebates, reduction in AITP renewal fee, etc.

4. **Provide Access to State-Run Terminals:** States could grant private operators access to state-run terminals on fair terms. This would improve passenger safety, reduce congestion, and ensure that private buses are integrated into the broader transport system. Additionally, equalising parking and terminal fees across private and public operators would encourage the use of these facilities and increase revenue generation for the state.
5. **Establish a Robust Monitoring System:** To ensure compliance with the AITP Rules in general and the home-state touch incentive in particular, a robust monitoring system could be established. This could involve real-time vehicle tracking, centralised data sharing, and enforcement via digital platforms. States could leverage the Central Government's Nirbhaya Framework fund to implement state-wise vehicle tracking, enabling MoRTH and regional authorities to oversee operations effectively and ensure adherence to regulations.
6. **Digital Enforcement and Monitoring:** Shifting to a digital enforcement model, using tools like the VAHAN app, would reduce unnecessary physical checkpoints and the potential for corruption. Implementing digital monitoring would ensure compliance with regulatory standards, simplify ticketing, and prevent arbitrary fines.
7. **Updating VAHAN App to Prevent Misuse:** Updating the VAHAN app to include safeguards would prevent misuse by RTO officials and ensure transparency.
8. **Abolish Checkposts in Line with the MoRTH Directive:** Despite the MoRTH directive against checkposts, many states continue to retain them while imposing border taxes, thus violating AITP Rules. States could leverage technology and online data via platforms like VAHAN and mParivahan, rather than relying on physical checkposts. The TDC, as a policy coordination body, could play a key role in ensuring adherence by tracking state progress and reviewing actions.
9. **Introducing an India Bus Operations Index (IBOI):** An India Bus Operations Index (IBOI) could be created to rank states based on bus operation efficiency, regulatory ease, infrastructure, and safety, providing valuable insights for private operators. IBOI would foster competition among states, encouraging improvements in public transport ecosystems and supporting the achievement of sustainable transport goals.

Methodology

A. Research Design

Based on secondary research and extensive stakeholder interviews—including policymakers, bus operators, aggregators, and industry experts—the report identifies key challenges and proposes actionable recommendations to enhance India’s inter-city bus transportation system.

B. Data Sources

The research relies on secondary data sources complemented by primary data obtained through stakeholder consultations. Secondary sources include:

- Policy documents and reports: Analysis of government publications, transportation policies, and regulatory frameworks related to inter-city bus transport.
- Academic literature: Review of scholarly articles and case studies examining the inter-city travel regulatory framework and related issues.
- Industry reports: Insights from reports published by industry concerning bus transport trends and challenges.

C. Stakeholder Consultations

To gain a comprehensive understanding, the research involved consultations with various stakeholders, which include:

- Bus Operators: Discussions with bus operators to gather views on the operational challenges, benefits and implications of the All India Tourist Permit (AIP).
- Aggregators: Discussions with digital aggregators and platforms that facilitate bus bookings to explore their role and perspective on regulations and market dynamics.
- Government Authorities: Discussions with officials from central and state transport departments to understand policy perspectives, enforcement issues, and future initiatives.
- Think Tanks & Civil Society Organisations: Discussions with organisations specialising in transport and tourism to obtain insights on policy reforms and social impacts related to bus transport.

D. Data Analysis

Qualitative data obtained from interviews and discussions will be thematically analysed to identify patterns, key issues, and stakeholder perspectives. The findings from secondary data sources will be integrated to provide a holistic view of the inter-city bus transport landscape.

E. Limitations

This study may face limitations related to data availability and stakeholder access. Potential biases could arise based on stakeholders' perspectives, emphasising the need for triangulation of data sources to uphold validity.

Chapter 1: Introduction to the Bus Transport System in India

Road transport has long been a cornerstone of India's economic and social development, facilitating trade, migration, and employment.¹ As of 2020, road transport remained a key driver of economic activity, contributing 6.30% to the nation's GDP.² The expansion of road networks over the years has further reinforced this trend, enabling greater connectivity and efficiency in passenger and freight movement. Among various modes of road transport, buses continue to dominate as the largest mode of public transport for daily commutes and long-distance travel. According to the National Sample Survey Office's survey in 2016, 66% of rural households and 62% of urban households reported expenditure on buses and trams, highlighting the widespread reliance on bus transport.³ By 2019, while India's railway network transported over 2.3 crore passengers daily, inter-city buses served over 3 crore travellers daily, highlighting their significant role in the country's transport ecosystem.⁴ Buses, as the largest mode of public transport, offer distinct advantages over infrastructure-heavy rail systems, including lower costs, enhanced operational flexibility, and shorter development timelines. Furthermore, buses provide greater ease of booking, thereby improving accessibility for passengers.⁵

Within the bus transport sector, inter-city bus services play a pivotal role in shaping India's mobility landscape. They are essential to the nation's economic growth, facilitating the movement of people across states and enabling the flow of labor, skills, and ideas.⁶ Additionally, inter-city buses provide an affordable and accessible mode of travel for millions of people daily, especially in rural and semi-urban areas, connecting them to employment opportunities, education and healthcare.⁷ For instance, migrant workers rely heavily on affordable bus services to travel to industrial hubs and cities, contributing significantly to sectors like construction, manufacturing, and services.⁸ Additionally, seamless travel fosters tourism, trade, and cultural exchange⁹, further boosting economic activity. Improving the inter-city bus system can support India's vision of inclusive

¹https://morth.nic.in/sites/default/files/circulars_document/National_Road_Transport_Policy.pdf

²https://www.niti.gov.in/sites/default/files/2023-07/98_Towards_Decarbonising_Transport_2023_compressed.pdf

³<https://timesofindia.indiatimes.com/centre/buses-are-the-most-popular-means-of-transport-in-india/articleshow/52971518.cms>

⁴http://timesofindia.indiatimes.com/articleshow/78461356.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

⁵<https://www.motorindiaonline.in/revving-up-for-change-the-growth-and-future-of-indias-bus-industry/>

⁶https://www.granthornton.in/globalassets/1.-member-firms/india/assets/pdfs/travel_tech_2_0.pdf

⁷<https://shaktifoundation.in/wp-content/uploads/2021/11/Annex-1-National-Investment-program-for-bus-based-public-transport-systems-in-India.pdf>

⁸https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@asia/@ro-bangkok/@sro-new_delhi/documents/publication/wcms_763352.pdf

⁹<https://www.trade.gov/travel-tourism-industry>

and sustainable development. Given its significance in supporting economic growth and connectivity, this report analyses the regulatory landscape of India's inter-city bus transport sector, with a specific focus on the impact of the All India Tourist Permit (AITP) system. While the AITP aimed to facilitate smoother inter-state bus operations and boost private sector participation, regulatory inconsistencies, implementation challenges, and state-level restrictions continue to impede progress. Against this backdrop, the report examines gaps in the current framework and draws insights from stakeholder consultations to inform policy interventions that can help AITP reforms achieve their objective of a seamless, competitive, and well-integrated inter-state bus system in India.

A. Growth of the bus transport

1. Formation and Expansion of STUs (1950s–1980s)

After independence, the Indian government placed a strong emphasis on developing road infrastructure¹⁰ and expanding transport networks to support rural growth. In line with this objective, the Road Transport Corporations Act, 1950, and amendments to the Motor Vehicles Act (MVA), 1939, were introduced to regulate public transport services. The Road Transport Corporations Act, 1950 empowered state governments to establish road transport corporations, which led to the gradual nationalisation of the bus transport sector in the country. The organisations set up under this Act, along with those formed through other legal frameworks, are commonly referred to as State Transport Undertakings (STUs).¹¹ STUs were established across Indian states, creating government-run corporations responsible for operating passenger bus services.¹² From the 1950s to the 1980s, with increased government funding and supportive policies, STUs significantly expanded India's passenger road transport market. Investments in infrastructure, fleet modernisation, and operational capacity enabled them to scale services effectively.¹³ Consequently, their share in the total number of buses in India grew from 20% in 1950 to 50% in 1980.¹⁴

2. Liberalisation and Growth of Private Buses (post 1980s)

The liberalisation of the sector in the late 1980s reshaped the landscape, ushering in a blend of nationalised and private bus routes. This was fuelled through the enactment of the MVA 1988, that eased the permit regime for private buses. As a result, public sector buses, which accounted for approximately 55% of the total fleet by 1980, saw a sharp decline in their share over the following decades. By 2019, their share had dropped to just 7.4%¹⁵, while private buses expanded to 92.4% of the total fleet, highlighting the importance of private bus operators in India.

¹⁰<https://www.sciencedirect.com/science/article/abs/pii/S0967070X13001765?via%3Dihub>

¹¹ibid.

¹²https://morth.nic.in/sites/default/files/srtucopy_compressed.pdf

¹³<https://www.cppr.in/archives/transport>

¹⁴https://www.circ.in/pdf/Road_Transport_Sector.pdf

¹⁵<https://www.motorindiaonline.in/revving-up-for-change-the-growth-and-future-of-indias-bus-industry/>

B. Rising Demand, Financial Constraints of STUs, and the Role of Private Operators

Despite the significant expansion of the bus transport sector, India's bus penetration remains low, with only 1.33 buses per 1,000 people – far below that of many developed and developing countries¹⁶ (as shown in Figure 1) indicating a shortfall in public transport supply limiting mobility options for a large section of the population. At the same time, personal vehicle ownership also remains relatively low, with only 8% of Indian households owning cars and 54% owning motorcycles or scooters, according to the latest National Family Health Survey (NFHS-5).¹⁷ This leaves a large section of the population dependent on public transport, especially buses, since they are most accessible and affordable. In fact, passenger road transport demand in India is projected to grow 300% to 500% between 2010 and 2050, driven by a 27% population increase and a 360% rise in GDP per capita.¹⁸ To meet this escalating demand, India is expected to procure around 20 lakh buses between 2024 and 2030, both for fleet expansion and to replace aging buses.

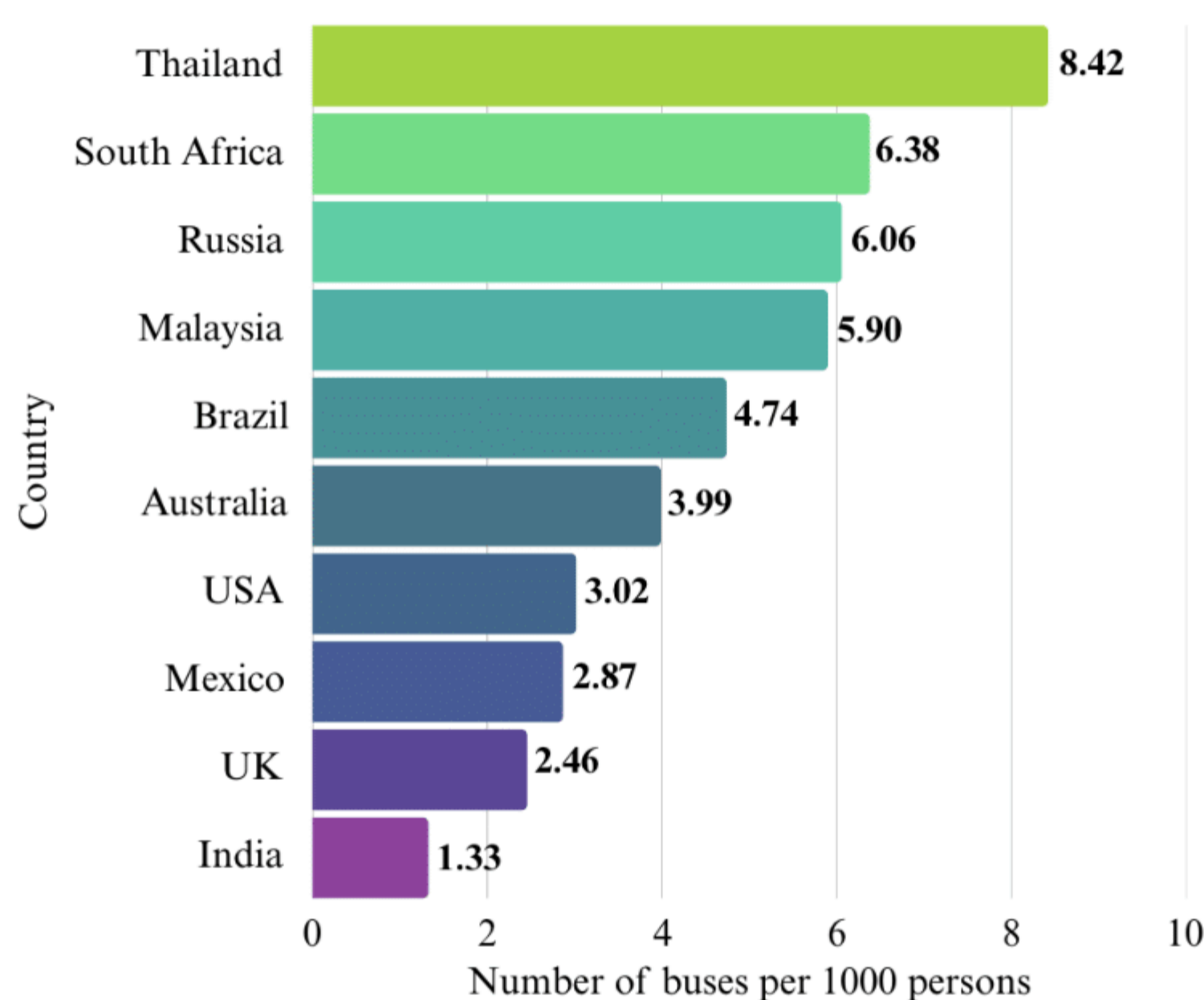


Figure 1: Number of buses per 1000 persons across countries¹⁹

Despite the significant investment needed to meet the growing demand, the public transport sector has received limited financial support from both the Central and State Governments. For instance, between 2015 and 2020, less than 1% of the Central Government's budget for road transport and highways was earmarked for the development of public transport²⁰ – a stark contrast to countries like Norway, where approximately 6.7%

¹⁶https://morth.nic.in/sites/default/files/SRTU%20final%202017-18%20&%202018-19_0.pdf

¹⁷<https://theprint.in/india/only-8-indian-families-own-cars-nfhs-finds-over-50-still-use-bicycles-bikes-scooters/971413/>

¹⁸<https://www.itf-oecd.org/sites/default/files/docs/decarbonising-india-transport-system.pdf>

¹⁹https://morth.nic.in/sites/default/files/SRTU%20final%202017-18%20&%202018-19_0.pdf

²⁰<https://shaktifoundation.in/wp-content/uploads/2022/01/Annex-5-PPP-in-Bus-Operations-in-Indian-cities.pdf>

of the national budget is dedicated to transport infrastructure annually²¹. Moreover, STUs have accumulated significant financial losses over the years, limiting their ability to invest in service provisions. In recent years, only a handful of STUs, such as the Uttar Pradesh State Road Transport Corporation (UPSRTC), have reported profits, while the majority have been operating at a loss.²² These financial constraints have limited STUs' ability to invest in service expansion and modernisation, further widening the gap between supply and demand.

Given these financial and funding challenges mentioned above, private sector participation is increasingly essential to meet the expanding transportation needs of India's growing population. A notable example of this is the surge in demand for transportation during the Kumbh Mela this year, which witnessed a thirty-six-fold increase in bus demand at key destinations such as Ayodhya, Prayagraj, and Varanasi.²³ According to reports²⁴, the private sector was instrumental in meeting this surge, with private operators mobilising a significantly larger number of buses compared to state-owned transport corporations. While state-owned inter-city bus services, including those operated by regional transport corporations, contributed to the transport effort, it was the private sector's ability to scale operations rapidly and efficiently that proved critical in fulfilling the transportation needs during such a large-scale event.

C. Case Studies from Indian States

The bus transportation system in India has undergone significant shifts over time. As explained above, STUs were established soon after independence to ensure state control over the bus transport sector. However, over time there has been an increasing acceptance of the need for the private sector to be contributing to the bus transport sector.

In this regard, the experiences in the states of Karnataka and Madhya Pradesh make for interesting case studies, where unique approaches were adopted to address the emerging issues in public transportation. The case of Karnataka is distinctive in its repeal of the Karnataka Contract Carriages Act, 1976 (KCCA), as it reflects a shift from a state-controlled transport system to a more flexible, liberalised model to meet the growing demand for public transportation. Madhya Pradesh also followed a unique approach by abolishing the operations of Madhya Pradesh State Road Transport Corporation (MPSRTC) in 2005, leading to an open market for private bus operators.

²¹<https://www.itf-oecd.org/modal-shift-cleaner-transport-fails-materialise>

²²<https://asrtu.org/resource/front/uploads/STUs%20Profile%20and%20Performance%202019-20.pdf>

²³<https://www.thehindu.com/my-briefing/kumbh-increased-bus-demand-36-fold-pilgrim-travel-booming-overall-redbus-ceo-prakash-sangam/article69412688.ece>

²⁴ibid.

Case Study: Karnataka

The evolution of public transportation in Karnataka has been shaped by the growing demand for services, which the state could not adequately handle on its own.²⁵ Initially, the KCCA was enacted with the objective of acquiring privately operated contract carriages to bring them under public control. This Act facilitated the transfer of private vehicles and permits to state-owned corporations such as the Karnataka State Road Transport Corporation (KSRTC). However, over the ensuing decades, the transport landscape in Karnataka underwent significant changes – urbanisation intensified, public transport demand grew, and it became increasingly evident that the restrictive regime established by the KCCA was contributing to an artificial scarcity of public transport services, particularly in rural and semi-urban areas.²⁶ As rural and semi-urban areas faced significant shortages of KSRTC-run buses, passengers were often forced to rely on suboptimal and unsafe modes of transport, raising concerns about safety and convenience. This led to the enactment of the Karnataka Motor Vehicles Taxation and Certain Other Laws (Amendment) Act, 2003 (2003 Act), which repealed the KCCA and aimed to liberalise public transport, encourage the entry of private operators, and address the critical shortages in passenger services. In February 2025, the Hon'ble Supreme Court also upheld the validity of the 2003 Act while stating that the Act is rooted in the practical realities of modern transport policy and that contemporary challenges, such as increasing demand for public transport services, congestion in urban areas, and the need for efficient service delivery, necessitated a more flexible regulatory regime.²⁷

Our stakeholder consultations suggest that entry of private bus operators in Karnataka has helped address the growing demand for transportation, with both public and private buses serving inter-city routes. However, some stakeholders also mentioned that private operators tend to focus on profitable routes, resulting in a service gap that remains unresolved in the state, thus highlighting the need for an interplay of both private and public services to meet the demands of passengers.

Case Study: Madhya Pradesh

Madhya Pradesh is another state that has allowed large-scale operations of private bus services. Government-run bus services under the MPSRTC were abolished in 2005 due to widespread inefficiencies.²⁸ MPSRTC's fleet had dwindled from 36,000 buses in the early 1990s to just 1,500 by 2005, with only around 1,000 buses operational at any given time. The organisation faced significant inefficiencies, including monthly losses of INR 5 crores and an accumulated salary backlog of INR 45 crores.²⁹ When the MPSRTC

²⁵https://api.sci.gov.in/supremecourt/2011/26766/26766_2011_5_1501_59110_Judgement_06-Feb-2025.pdf

²⁶ibid.

²⁷M/s S.R.S. Travels v. The Karnataka State Road Transport Corporation Workers, Supreme Court Judgment dated 6 February, 2025 (Para 1)

²⁸https://cuts-ccier.org/pdf/FCR-Sectoral-Bus_Transport.pdf

²⁹https://cuts-ccier.org/pdf/Policy_Option_Note-India.pdf

services were abolished, it led to the open entry of private players, granting them the freedom to choose permits, routes, and schedules. This resulted in improvements in service over time, without a significant increase in fares.³⁰

However, while there has definitely been an improvement in the quality of inter-city bus services in Madhya Pradesh, stakeholders we spoke to also highlighted that private operators mainly serviced popular routes, leaving many villages and rural areas without access to reliable public transportation. The state government has recognised this gap and acknowledged the importance of providing rural transportation, not only to boost economic activity and ensure basic connectivity to healthcare and educational facilities but also as a matter of equity.³¹ In a recent announcement addressing this issue, Madhya Pradesh Chief Minister (CM) Mohan Yadav revealed plans to launch the Mukhyamantri Sugam Transport Scheme, aimed at providing affordable public transport across the state through a public-private partnership (PPP) model.³² During a review meeting, the CM emphasised that the new scheme would strengthen the transport system for rural, urban, and inter-city services – again highlighting the need for an interplay of both private and public services to meet the demands of the passengers.

In conclusion, it is widely acknowledged that increased private participation is essential for improving the bus transportation system. The case studies of Karnataka and Madhya Pradesh illustrate the need for private sector involvement in bus services, but they also reveal that this is not a perfect solution. While private participation does lead to enhanced service on profitable routes, challenges arise, particularly when operators prioritise business interests over public service. The state's involvement is crucial to ensure service coverage on low revenue routes as well provide necessary regulatory oversight. The overarching takeaway is that a combination of state presence, private sector involvement, and robust infrastructure is essential for achieving long-term sustainability and ensuring that public transport serves the needs of all commuters.

D. Global Case Study: Germany's Inter-city Bus Liberalisation

While the case studies of Karnataka and Madhya Pradesh offer crucial lessons on the evolution of liberalisation within India's public transport sector, looking at global experiences can provide additional insights into how other countries have structured their bus transport markets. Examining these global experiences provides valuable insights into how liberalisation can be structured to enhance service delivery and improve affordability, while protecting existing public transport systems. In particular, Germany's experience with inter-city bus liberalisation offers a particularly relevant example, demonstrating how an open-market approach, combined

³⁰<https://cuts-ccier.org/diagnosing-state-policies-to-gauge-effects-of-competition-on-beneficiaries/>

³¹<https://theprint.in/india/19-yrs-after-disbanding-state-transport-service-mp-govt-looks-at-fixes-for-rural-connectivity/2156924/>

³²<https://www.hindustantimes.com/cities/bhopal-news/2-decades-on-mohan-yadav-govt-to-play-a-role-in-mp-s-bus-services-via-ppp-route-101743438973283.html>

with limited safeguards, can successfully expand private sector participation while maintaining the stability of public transport networks.

Pre-Liberalisation Challenges

Before 2013, Germany's inter-city bus sector was one of the most restricted in Europe, operating under a monopolistic framework that effectively banned inter-city bus competition with rail services. The Passenger Transport Act (PBefG) prohibited private long-distance bus services from operating on routes where Deutsche Bahn (the national railway company and a state-owned enterprise) provided rail services, ensuring that long-distance train travel remained the only viable option for long-distance travel.³³ Private operators were effectively blocked from entering most inter-city routes, leading to limited passenger choice and high rail fares. Deutsche Bahn strongly opposed liberalisation, arguing that inter-city buses would divert passengers from rail, impacting the financial sustainability of some train routes.³⁴

Liberalisation Measures

Germany's 2013 liberalisation reforms adopted an open-market approach with minimal restrictions. The most significant reform was the removal of long-standing barriers that had effectively banned private inter-city bus services from competing with Deutsche Bahn.³⁵ Since 1931, private long-distance buses had been permitted only on routes where Deutsche Bahn did not provide an acceptable service, severely limiting their role in the transport market. The 2013 reform removed these restrictions, allowing private operators to freely enter and compete on long-distance routes, including those already served by Deutsche Bahn. However, to protect short-distance regional and urban transit systems, Germany introduced a limited safeguard on ticket sales: bus operators were prohibited from selling tickets between stops less than 50 km apart, or where a parallel train service completed the journey in under one hour.³⁶ This measure was designed to prevent inter-city buses from undermining local public transport services, such as commuter trains, trams, and metro networks, which remained under state and municipal control.³⁷

Impact of Liberalisation

Germany's inter-city bus transport liberalisation led to rapid market expansion, lower fares, and increased ridership. Within three years, inter-city bus services supply grew from 26 million vehicle-km in 2012 to over 220 million vehicle-km in 2015, and the number of passengers rose from around 2.2 million in 2012 to 20 million in

³³<https://ftp.zew.de/pub/zew-docs/dp/dp15062.pdf>

³⁴<https://www.econstor.eu/bitstream/10419/115879/1/834243636.pdf>

³⁵ <https://www.econstor.eu/bitstream/10419/115879/1/834243636.pdf>

³⁶https://www.researchgate.net/publication/317424053_Intercity_coach_liberalisation_The_cases_of_Germany_and_Italy

³⁷<https://journals.sagepub.com/doi/abs/10.1177/178359171501600301>; <https://www.econstor.eu/bitstream/10419/115879/1/834243636.pdf>

2015³⁸ (Refer to Figures 2 and 3). One of the most immediate effects was the sharp decline in long-distance travel costs, with post-liberalisation average bus fares reaching around €0.09 per km, and special offers available for less than €0.04 per km – making inter-city bus travel about half the price of comparable post-liberalisation rail journeys.³⁹

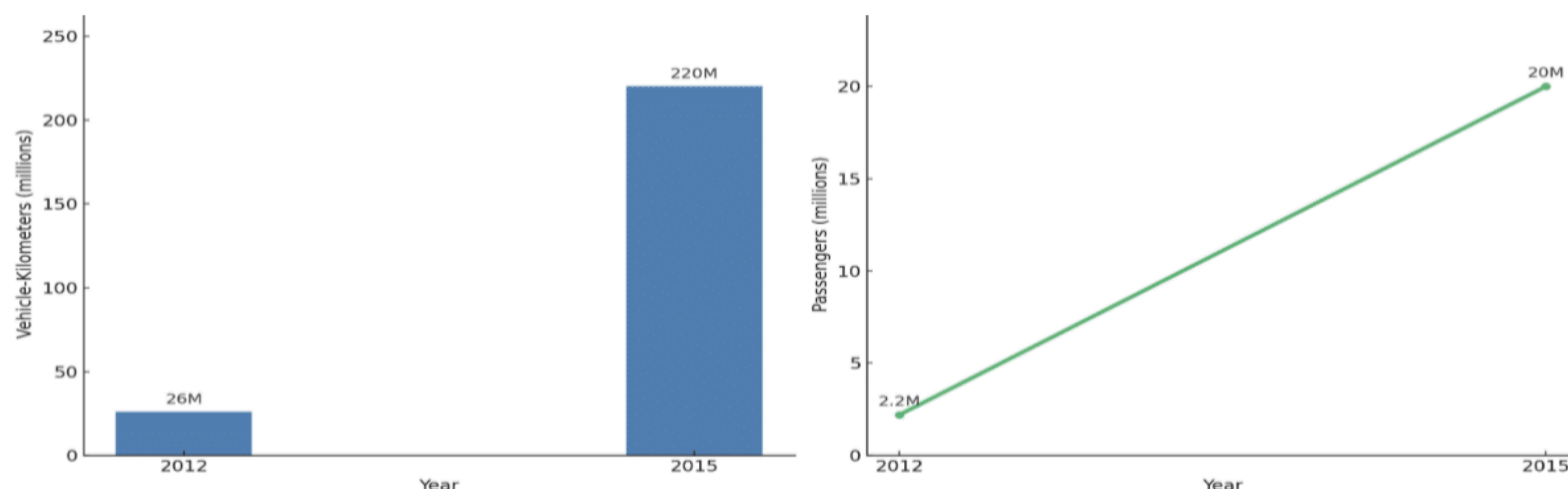


Figure 2: Inter-city bus services supply (2012-2015) **Figure 3: Number of inter-city bus passengers (2012-2015)**

As market entry barriers were eliminated, the number of inter-city bus routes expanded rapidly. Within two years of liberalisation, the network grew from 86 to over 270 routes⁴⁰, increasing accessibility for passengers, particularly in regions where rail services were limited or expensive.

While the demography and geography of Germany and India are substantially different, it is relevant to reference Germany's model of bus transport liberalisation while studying the Indian context, especially because both initially had restrictive policies for private operations. Germany's experience shows how opening the market to private operators can drive rapid growth, improve affordability, and increase quality supply. By minimising entry barriers and allowing competition to flourish, Germany significantly expanded mobility options for passengers across the country. At the same time, the introduction of limited safeguards – such as restrictions on short-distance ticket sales – helped balance the interests of different stakeholders and ensured that local and regional transport networks remained protected. The liberalisation highlights the potential of a competitive inter-city bus sector to complement other transport systems. Further, Germany's experience with liberalising its inter-city bus transport market demonstrates that, with the right balance, liberalisation can complement and strengthen the broader transportation ecosystem.

³⁸https://www.researchgate.net/publication/317424053_Intercity_coach_liberalisation_The_cases_of_Germany_and_Italy

³⁹https://www.researchgate.net/publication/304001870_Modelling_and_Observing_the_Effects_of_Long_Distance_bus_Market_Liberalization_in_Germany; Data on pre-liberalisation inter-city bus fares in Germany is severely limited, as the sector was heavily restricted and miniscule in scale before 2013. Due to the absence of a sizeable pre-liberalisation long-distance bus market, post-liberalisation bus fares have been compared with post-liberalisation rail fares to illustrate the impact on cost of travel.

⁴⁰<https://ftp.zew.de/pub/zew-docs/dp/dp15062.pdf>

Chapter 2: The Role of Bus Transport in Economic Growth and Social Mobility

The significance of bus transport extends beyond fleet numbers and transportation statistics; it plays a broader role in fuelling economic growth, shaping mobility patterns, fostering economic participation, and enabling access to essential services. Buses serve as an essential mode of transportation, enabling millions of people a means to access work, education and healthcare.⁴¹ As one of the most cost-effective and widely available modes of transport, particularly for low-income and marginalised groups⁴², buses also directly impact livelihoods, gender equity, and accessibility for persons with disabilities and the elderly⁴³ thus contributing to broader developmental outcomes. In particular, the inter-city bus transport sector plays a critical role in economic and social development, enhancing connectivity, facilitating mobility, and supporting regional integration across India.

A. Contribution to Economic Growth

While bus transportation in India plays a crucial role in facilitating all kinds of economic growth, two key areas in the economy that rely on transport services are labour and tourism.

India is often called a country on the move, and migrant workers contribute approximately 10% of India's GDP.⁴⁴ They often rely on inter-city buses to access employment opportunities as elaborated below. Bus transportation has become especially important to migrant workers in recent times, with trains having significantly reduced the number of sleeper coaches. Indian Railways' policy changes have significantly impacted migrant corridors, with the share of sleeper berths declining by about 23% between 2009 and 2022, while AC coach availability has risen.⁴⁵ Many trains also do not connect source and destination districts for migrant workers. In the wake of these struggles, migrant workers have turned to inter-city bus services whose routes fill the gaps left by the Indian Railways.⁴⁶

In addition to supporting labour mobility, the bus sector also plays a significant role in the tourism industry.⁴⁷ As tourists move across regions, they not only contribute to local businesses but also trigger a multiplier

⁴¹<https://shaktifoundation.in/wp-content/uploads/2021/11/Annex-1-National-Investment-program-for-bus-based-public-transport-systems-in-India.pdf>

⁴²<https://www.thehindu.com/data/India-relies-mainly-on-buses-for-transportation-but-they-are-being-marginalised/article60472423.ece>

⁴³<https://www.greenpeace.org/static/planet4-india-stateless/2024/10/c293ab29-riding-the-justice-route-1-compressed.pdf>

⁴⁴<https://www.livemint.com/news/india/why-india-s-migrants-deserve-a-better-deal-11589818749274.html>

⁴⁵<https://citizenmatters.in/indian-railways-train-coach-policy-impact-on-migrant-workers-travel/>

⁴⁶ibid.

⁴⁷<https://www.ibef.org/industry/tourism-hospitality-india>

effect⁴⁸, with increased spending leading to broader economic growth. According to the World Travel and Tourism Council's Economic Impact Research, tourism constituted 6.5% of India's GDP in 2023 and created nearly 4.3 crore jobs.⁴⁹ As the Government of India targets 10 crore inbound tourists by 2047⁵⁰, the sector is projected to play a critical role in economic development⁵¹, in turn also relying on the transportation system to make these targets a reality. In conclusion, India's bus transport sector plays an indispensable role in driving economic growth by facilitating labor mobility, supporting tourism, and enhancing regional connectivity, making it a cornerstone of the country's overall economic development.

B. Women's Economic Empowerment

Transport also plays a critical role in enhancing women's economic empowerment by improving their mobility, access to opportunities, and quality of life.⁵² Nearly 75% of women workers either walk or do not have to travel to their workplaces and even when they do need to commute, women are more likely to travel shorter distances than men.⁵³ This could be attributed to prevalent social norms and a lack of commuting choices⁵⁴, limiting their employment opportunities to a small area within a few kilometers of their home.⁵⁵ In terms of education, in rural areas, women often face the challenge of traveling long distances to access higher education institutions, which can be both physically taxing and financially strainful.⁵⁶ Other than employment and education, women also face limited access to healthcare services, as the long distances to primary, secondary, and tertiary healthcare facilities along with financial constraints often discourage women from frequent visits for their healthcare needs.⁵⁷

One key initiative addressing these challenges has been the introduction of fare-free bus travel schemes in various Indian states that have enhanced women's mobility, increasing access to employment, education, and healthcare.⁵⁸ In Delhi, the introduction of the scheme led to women's share in total bus ridership rising from 33% in 2019 to 42% in 2023, with savings on monthly transport expenses ranging between INR 500 to INR

⁴⁸https://www.nrb.org.np/contents/uploads/2019/12/NRB_Economic_Review-Vol_24-1_April_20124_Does_Tourism_Really_Matter_for_Economic_Growth_Evidence_from_NepalShoorabeer-Paudyal-Ph.D..pdf

⁴⁹<https://wtcc.org/news-article/indias-travel-and-tourism-sector-shows-strong-recovery-with-domestic-tourism-leading-the-way>

⁵⁰<https://www.hotelierindia.com/leadership/my-job-is-to-ensure-that-the-world-sees-just-how-invincible-india-truly-is>

⁵¹<https://fbj.springeropen.com/articles/10.1186/s43093-020-00048-3>

⁵²<https://www.weforum.org/stories/2024/02/india-buses-women-economic-success/>

⁵³<https://krea.edu.in/ifmrgsb/wp-content/uploads/2020/09/IFMR-GSB-WORKING-PAPER-WP19-02.pdf>

⁵⁴ *ibid.*

⁵⁵<https://womenmobilize.org/free-bus-passes-for-women/>

⁵⁶https://www.researchgate.net/publication/374054106_Challenges_Of_Women_In_Accessing_Higher_Education_In_India

⁵⁷https://www.researchgate.net/publication/377229624_Factors_Influencing_Women's_access_to_Healthcare_Services_in_Low-_and_Middle-Income_Countries_A_Systematic_Review_Women's_access_to_Healthcare_in_LMICs

⁵⁸<https://theprint.in/india/governance/aaps-free-bus-ride-scheme-helped-delhi-women-save-up-to-8-get-access-to-better-jobs-wri-india-paper/2536921/>

2,300.⁵⁹ A study by WRI India⁶⁰ found that it allowed women to travel longer distances – raising their average travel distance from 7.92 km to 10.52 km – increasing access to formal jobs opportunities in Delhi from 18% in 2019 to 33% in 2023. Similar schemes in Karnataka, Tamil Nadu, and Punjab have increased women's economic participation by removing financial barriers to mobility, reinforcing the importance of affordable and safe bus services in fostering gender equity.⁶¹ In Tamil Nadu, the percentage of women commuting by bus rose from 40% to 61% between July 2021 and March 2022.⁶² Before the implementation of the Shakti scheme, which offers free bus rides for women on state-run buses⁶³, Karnataka's buses recorded an average of 93.46 lakh passengers daily. After the scheme's launch, this number surged to 116.63 lakh, marking an increase of 23.17 lakh daily commuters on average.⁶⁴ Such an initiative not only improves access to economic opportunities but also empowers low-income women by saving money, managing time better, and enabling them to explore new places. Users have expressed appreciation for the freedom to travel without restrictions, as the scheme removes barriers to mobility.⁶⁵ In conclusion, improving access to affordable and reliable transportation is a powerful tool for enhancing women's economic empowerment, providing them with greater mobility, and expanding their access to essential services like employment, education, and healthcare.

C. Accessibility for Persons with Disabilities and Elderly

Accessible public transportation is vital for people with disabilities (PwDs) and the elderly, who rely on it to access healthcare, work, education, and other essential services. PwDs constitute 5-8% of India's population⁶⁶ and the elderly (60+ years) account for 10.5%⁶⁷. However, these groups often face significant challenges due to a lack of accessible transport options. Many PwDs are forced to rely on expensive alternatives such as auto-rickshaws and taxis, which can be financially burdensome for their families.⁶⁸ As one disability rights activist pointed out, "*No city can be smart if it ignores 30% of its population*".⁶⁹ This issue is also echoed by elderly participants in a study conducted on active aging in New Delhi and Chennai who reported that poorly designed

⁵⁹<https://www.hindustantimes.com/india-news/aaps-free-bus-service-boosted-women-s-access-to-jobs-education-healthcare-study-101741334583204.html>

⁶⁰<https://wri-india.org/publication/fare-free-bus-travel-scheme-women-lessons-delhi>

⁶¹<https://www.theindiaforum.in/forum/free-ticket-can-be-ticket-freedom#:~:text=While%20fare%2Dfree%20schemes%20for,women's%20mobility%20and%20social%20participation>

⁶²<https://womenmobilize.org/free-bus-passes-for-women/>

⁶³<https://www.thehindu.com/news/cities/bangalore/karnatakas-shakti-scheme-increases-ridership-but-faces-pending-reimbursements/article69002010.ece#:~:text=Launched%20on%20June%2011%2C%202023,them%20through%20free%20bus%20travel>

⁶⁴<https://www.thehindu.com/news/cities/bangalore/karnatakas-shakti-scheme-increases-ridership-but-faces-pending-reimbursements/article69002010.ece>

⁶⁵<https://womenmobilize.org/free-bus-passes-for-women/>

⁶⁶https://www.mospi.gov.in/sites/default/files/reports_and_publication/statistical_publication/social_statistics/Chapter%204-Dimension_Disability.pdf

⁶⁷ibid

⁶⁸<https://timesofindia.indiatimes.com/city/chennai/no-city-can-be-smart-if-it-ignores-30-of-its-people/articleshow/118661924.cms>

⁶⁹ibid

access routes and unsafe bus stops hindered mobility.⁷⁰ In Delhi, older adults faced risks when buses didn't stop near curbs, and many struggled with complex traffic conditions.⁷¹

Ensuring accessible public transport is not just about convenience but about safeguarding the rights of PWDs and the elderly, enabling their full participation in society. Studies have demonstrated that accessible public transportation plays a crucial role in enhancing travel autonomy and increasing access to economic and social opportunities for such persons, who often face significant mobility barriers.⁷² Without accessible transport, they face isolation and limited opportunities, making it difficult to participate in daily life. Accessible transport also opens up greater employment opportunities, allowing PWDs and the elderly to pursue jobs, education, and personal growth, which in turn promotes financial independence and well-being.⁷³ Moreover, for those unable to afford private vehicles, inclusive public transportation provides the freedom and independence to navigate their surroundings without relying on others for mobility which is crucial since mobility is closely associated with quality of life and wellbeing in later life.⁷⁴

Recognising this need, cities like Delhi and Bengaluru have introduced mobility-friendly bus services. The Delhi Transport Corporation (DTC) and Bangalore Metropolitan Transport Corporation (BMTc) operate low-floor, wheelchair-accessible buses with ramps, priority seating, and other accessibility features to aid passengers with mobility challenges.⁷⁵ While these improvements have enabled greater independence for many, allowing them to participate more actively in economic and social life⁷⁶, ongoing attention is still needed to ensure last-mile connectivity and equitable access. Continued investments and policy interventions in public transport are crucial to bridge these gaps and to fully unlock the socio-economic potential of inclusive public transport.

D. The Growing Importance of the Inter-city Bus Transport Sector

As mentioned above, inter-city bus transport plays a crucial role in fuelling India's mobility landscape, serving as an affordable and accessible mode of travel for millions of passengers daily.⁷⁷ With an extensive network connecting urban centers, rural areas, and industrial hubs, this sector is fundamental to economic activity, tourism, and more. Beyond facilitating basic mobility, inter-city bus transport promotes accessibility and social inclusion, supports environmental sustainability and also creates conditions conducive for economic growth.

⁷⁰<https://journals.sagepub.com/doi/10.1177/0971333620937497>

⁷¹<https://www.hindustantimes.com/columns/making-delhi-age-friendly-will-secure-our-own-future/story-vt9dbMMeyW9AOQwf5wjEQK.html>

⁷²<https://post.parliament.uk/the-role-of-transport-in-improving-access-to-opportunities/>

⁷³<https://svayam.com/accessible-transportation/>

⁷⁴<https://pmc.ncbi.nlm.nih.gov/articles/PMC8625775/>

⁷⁵<https://timesofindia.indiatimes.com/city/delhi/delhi-dtc-board-approves-induction-of-1245-low-floor-buses/articleshow/86842229.cms>; <https://www.thehindu.com/news/cities/bangalore/bmtc-launches-first-air-conditioned-electric-buses-in-bengaluru-on-trial-run/article69092693.ece#:~:text=The%20new%20buses%20are%2013,amounting%20to%2087%2C500%20kilometres%20annually>

⁷⁶<https://www.thehindu.com/news/cities/chennai/accessible-buses-give-me-greater-independence/article68959547.ece>

⁷⁷https://www.grantthornton.in/globalassets/1.-member-firms/india/assets/pdfs/travel_tech_2_0.pdf

Strengthening this sector through investments in efficiency and accessibility can further empower people, bridge inequalities, and drive India's broader developmental goals.

While the economic and social benefits emanating from this sector are undeniable, the ability of the sector to fully realise its potential is closely tied to the regulatory framework governing inter-city bus operations. The next chapter will delve into the existing regulatory landscape and its impact on inter-state bus operations. While liberalisation and private sector participation have expanded the sector, gaps in regulatory frameworks and infrastructure constraints continue to hinder seamless operations – issues that will be explored in detail in the following sections.

Chapter 3: Regulatory Framework of Inter-State Bus Transport in India

A. Historical Context of Regulations

The MVA 1914 was India's first central legislation governing motor vehicles. It consolidated existing laws in Madras, Bombay, Punjab, and Bengal, establishing a framework for the registration and licensing of both drivers and vehicles. However, as motorised road transport began to grow, the British colonial government implemented policies aimed at limiting competition with the railways, which it owned.⁷⁸ This led to the introduction of the MVA 1939, which marked a significant departure from its predecessor by imposing various restrictions on motor vehicle operations. The 1939 Act established State Transport Authorities (STAs) and Regional Transport Authorities (RTAs), while granting the state governments full authority to issue permits to both public and private carriers.⁷⁹ Consequently, the state gained substantial control over permit issuance for private transport, allowing it to restrict operations and even exclude private carriers altogether in some cases.⁸⁰

Post-independence, the Road Transport Corporations Act, 1950 was enacted to promote public sector involvement in the road transport system by establishing Road Transport Corporations. This legislation ultimately led to a near monopoly of the government over bus transport, with minimal participation from private operators.⁸¹ In response to this situation, a Working Group formed in January 1984 to review the MVA 1939 recommended liberalising policies to encourage private sector involvement in road transport.⁸² These

⁷⁸https://mpira.ub.uni-muenchen.de/121158/1/MPRA_paper_121158.pdf; [https://www.orfonline.org/expert-speak/mapping-the-evolution-of-india-s-urban-transport-planning#:~:text=The%20\(Indian\)%20Motor%20Vehicles%20Act,goods%20carriage%20and%20public%20transit](https://www.orfonline.org/expert-speak/mapping-the-evolution-of-india-s-urban-transport-planning#:~:text=The%20(Indian)%20Motor%20Vehicles%20Act,goods%20carriage%20and%20public%20transit)

⁷⁹Section 44, MVA 1939; Committee on Transport Policy and Co-ordination – Preliminary Report, 1961; Planning Commission, Government of India, New Delhi

⁸⁰<https://indiankanoon.org/doc/1822801/?type=print>

⁸¹[https://www.orfonline.org/expert-speak/mapping-the-evolution-of-india-s-urban-transport-planning#:~:text=The%20\(Indian\)%20Motor%20Vehicles%20Act,goods%20carriage%20and%20public%20transit](https://www.orfonline.org/expert-speak/mapping-the-evolution-of-india-s-urban-transport-planning#:~:text=The%20(Indian)%20Motor%20Vehicles%20Act,goods%20carriage%20and%20public%20transit)

⁸²Statement of Objects and Reasons, MV Act 1988

recommendations paved the way for the enactment of the MVA 1988, which relaxed the regulatory framework for private bus operators. Nevertheless, the rights of private operators remained subject to the overriding authority of the State Government, which could designate any route in its favor.⁸³

B. Overview of the Key Permits under MVA 1988

1. MV Act: Contract Carriage and Stage Carriage Permits

As mentioned above, the MVA 1988 is the central law governing all aspects of motor vehicle operations. According to the Act, any vehicle used for public service must have a valid permit, which is issued by the state government. Broadly, there are two kinds of permits for public service vehicles like buses under the MVA 1988: contract carriage permit and stage carriage permit.

A **contract carriage permit**, issued under Section 74 of MVA 1988, applies to motor vehicles (including buses) that provide end-to-end services to a pre-determined list of passengers between fixed origins and destinations. The essential elements of a contract carriage are that:

- it is based on a contract (express or implied);
- the vehicle is to be used as a whole from one point to another (meaning the vehicle should be hired wholly by one group of passengers); and
- no intermediate stops to pick up or drop off passengers not included in the contract.

The State Government is empowered to make rules in relation to contract carriage permits, including the fees to be paid in respect of applications for permits.⁸⁴

A **stage carriage permit**, issued under Section 72 of MVA 1988, is for motor vehicles (including buses) that carry passengers paying separate fares, either for the whole journey or for stages of the journey. Unlike contract carriages, stage carriage buses can stop and pick up passengers from various points during the course of the journey, as the journey is split into various 'stages'.⁸⁵

It is pertinent to note that the MVA 1988 has provisions empowering state governments to nationalise road transport services to be operated by STUs.⁸⁶ Utilising the power vested with them, some of the states like Gujarat have reserved the stage carriage routes for STUs - as a result all the private operators were given only contract carriage permits.⁸⁷ Similarly in Tamil Nadu and Maharashtra, all intra-state routes were nationalised

⁸³Ram Krishna Verma v. State of U.P., (1992) 2 SCC 620 : 1992 SCC OnLine SC 371: 14. ...*No corridor protection to private operators is permissible*

⁸⁴Section 95, MVA 1988

⁸⁵A.P.S.R.T.C v. Regional Transport Authority, Supreme Court Judgment dated 28 April, 2005: "*Long routes are divided into various stages for purposes of fixing fares from one stage to the next stage and the carriages which run on the routes for hire are called stage carriages.*"

⁸⁶Chapter VI – Special Provisions Related to State Transport Undertakings, Sections 97 to 108, MVA 1988

⁸⁷https://cuts-ccier.org/pdf/Discussion_Paper-Cost_of_Monopoly_in_Bus_Transport_Case_of_Gujarat.pdf?utm

in 1967 and 1974 respectively, and no new stage carriage permits are being issued to private players.⁸⁸ As a result, state-run buses are dominating stage carriage services, while private buses are largely confined to contract carriage services.⁸⁹

2. Tourist Permit and the All India Tourist Permit Rules

In addition to contract carriage and stage carriage permits, the MVA 1988 also includes a third category: the **tourist permit**. This permit has an interesting history, which is discussed below, ultimately culminating in the issuance of the All India Tourist Permit Rules in 2023.

In 1969, the MVA 1939 was amended to introduce tourist permits for ‘tourist vehicles’ – a type of contract carriage vehicle constructed, adapted, equipped or maintained according to specific standards.⁹⁰ The primary objective was to promote tourism by enabling seamless inter-state travel. Before this amendment, tourist vehicles faced hurdles as they required separate permits for each state or had to get their existing permits countersigned by the transport authorities of each state they entered. **This meant that vehicles entering states in which they were not registered had to pay border taxes.**

With the implementation of the MVA 1988 and the Central Motor Vehicles Rules (CMVR) 1989, additional conditions were imposed for tourist vehicle permits, to ensure that there was planned tourism development across states, replacing the previous state-wise quota system. However, some operators were misusing permits by running services entirely outside their home state and only returning to the home state for annual renewals.⁹¹ To curb this, the CMVR mandated that vehicles must start or end their journeys in their home state and could not remain outside their home state for more than two months.⁹² The Rules also provided that tourist vehicles shall not be parked on any bus stand used by stage carriages and shall not operate from such bus stands.⁹³ Additional conditions included maintaining passenger lists⁹⁴ and prohibiting tourist vehicles from operating as stage carriages⁹⁵. However, while the tourist permit facilitated inter-state travel, it did not exempt vehicles from paying tax leviable in any State.⁹⁶

⁸⁸http://164.100.58.95/sites/default/files/2statepolicesaffecting_20080508111218.pdf

⁸⁹<https://shaktifoundation.in/wp-content/uploads/2022/01/Role-of-Bus-Aggregators-in-improving-city-bus-services-in-India.pdf>

⁹⁰Section 2(43), MVA 1988

⁹¹<https://indiankanoon.org/doc/793144/>

⁹²Rule 85 (3), CMVR

⁹³Rule 85 (6), CMVR

⁹⁴Rule 85 (1), CMVR

⁹⁵Rule 85 (9), CMVR

⁹⁶Rule 84, CMVR

In 1992, the Transport Development Council⁹⁷ recommended the formulation of an appropriate scheme for tourist vehicles to operate based on an All India Permit. This led to the Motor Vehicles (All India Permit for Tourist Transport Operators) Rules, 1993 (AIP Rules, 1993) being notified.⁹⁸ The AIP Rules, 1993 were only applicable to 'Tourist Transport Operators', which was defined to include a tour operator, travel agency, company, or an individual engaged in the business of promotion of tourism. Pertinently, these rules specifically provided that the conditions prescribed in Rules 82 to 85A of the CMVR⁹⁹ would not apply to all India permits - this meant *inter alia* that the requirement of touching home states and the liability to pay taxes across multiple states was removed.

To further simplify inter-state travel, the MoRTH sought to introduce a 'one nation and one permit' system and bring an end to the practice of collecting authorisation fees at the state borders.¹⁰⁰ This led to the enactment of the All India Tourist Vehicles (Authorisation or Permit) Rules, 2021 (AIP Rules, 2021), which aimed to streamline and simplify the permit regime for tourist vehicles.¹⁰¹ **These Rules clearly provided that a permit would enable a tourist vehicle operator/ owner to ply tourist vehicles throughout the territory of India without payment of taxes or fees levied by the State or Union territory through which it plies.**¹⁰² However, it was essential for the tour operator to obtain an authorisation - this was a pre-requisite prior to obtaining a permit and posed an additional burden to granting the permit.¹⁰³

Building on the reforms of the AIP Rules, 2021, the revised **All India Tourist Permit Rules, 2023** (AIP Rules, 2023) were implemented by the MoRTH to further simplify and strengthen the tourist permit regime. The AIP Rules, 2023 introduced key improvements by doing away with the provision on authorisation. The Rules provide that the **All India Tourist Permit issued by the Transport Authority enables a tourist vehicle operator/owner to ply a tourist vehicle throughout the territory of India by payment of a permit fee. Accordingly, the power to levy border taxes by the State Governments at various border check posts for vehicles having AIP was to be done away with.** Apart from ensuring seamless and smooth movement of tourist vehicles across different states, the AIP Rules also intended that the revenue generated by the Centre (through the application fee) be proportionately shared with the State Governments as per a predetermined formula.¹⁰⁴

⁹⁷Transport Development Council is the highest body to advise the Government on all matters relating to road transport and acts as a well-established forum to facilitate coordination between key stakeholders of states and centre. It comprises representatives of all States/Union Territories with the Union Minister of MoRTH as the Chairman of the Council. See: https://morth.nic.in/sites/default/files/circulars_document/Scan_MOM_30-09-22.pdf

⁹⁸<https://indiankanoon.org/doc/1717447/>

⁹⁹These Rules deal with the conditions for operating 'tourist vehicles'

¹⁰⁰<https://www.thehindu.com/news/national/kerala/one-nation-one-permit-for-tourist-vehicles/article25314687.ece>

¹⁰¹<https://travel.economictimes.indiatimes.com/news/ministry/draft-notification-issued-to-streamline-tourist-permit-regime/95545625>

¹⁰²Rule 2(1)(d), AIP Rules, 2021

¹⁰³Rules 2(1)(b), AIP Rules, 2021

¹⁰⁴Muthyala Sunil Kumar v. Union of India, Supreme Court Judgment dated 9 July, 2024 (Para 4)

These Rules have retained the provision that specifies that the conditions prescribed in Rules 82 to 85A of the CMVR would not apply to all India permits. This meant that the tourist vehicles were not required to meet the home state-based requirements and were not liable to pay taxes across multiple states. It has therefore theoretically allowed the seamless movement of people across borders without paying individual border taxes to multiple states through the introduction of a single tax slab of the AITP permit fee. Moreover, it has also done away with the restriction on tourist vehicles being parked or operated from any bus stand used by stage carriages.

3. Aggregator Rules

The bus transport sector has undergone a significant transformation with the entry of technology-enabled aggregators. The MVA 1988 recognised the growing importance of aggregators in the transport sector and introduced provisions to regulate their operations. An 'aggregator' has been defined under the MVA 1988 as a digital intermediary or marketplace for a passenger to connect with a driver for transportation.¹⁰⁵ These aggregators partner with bus operators, allowing passengers to reserve seats online through digital payment, with the whole booking process being wholly digitised. They also enable passengers to track bus schedules and arrivals and guarantee seat availability.¹⁰⁶ In addition to aggregation and ticket sales, they also provide a whole host of services including network planning, traffic control, operations support, branding and marketing.

According to the MVA 1988, any entity operating as an aggregator must obtain a license from the appropriate authority designated by the State Government, in line with the guidelines issued by the Central Government.¹⁰⁷ The Central Government has issued the Motor Vehicle Aggregator Guidelines, 2020, providing a guiding framework for State Governments to issue licenses as well as regulate the business conducted by aggregators.¹⁰⁸ These Guidelines provide various requirements for obtaining a license, including compliance related to drivers, vehicles, apps, websites, etc. It also provides measures for ensuring safety, preventing discrimination, and the procedure for suspension or cancellation of the license. Such regulations are considered essential to ensure that there are better working conditions for drivers, enhanced service experience for passengers, and accountability on the part of aggregators on critical issues.¹⁰⁹

States like Kerala¹¹⁰ have published State Motor Vehicle Aggregator Policy, while Uttarakhand¹¹¹ and Chandigarh¹¹² have published draft rules in line with the Guidelines. However, some industry stakeholders have

¹⁰⁵Section 2(1A), MVA 1988

¹⁰⁶<https://shaktifoundation.in/wp-content/uploads/2022/01/Role-of-Bus-Aggregators-in-improving-city-bus-services-in-India.pdf>

¹⁰⁷Section 93, MVA 1988

¹⁰⁸Motor Vehicle Aggregator Guidelines, 2020

¹⁰⁹<https://wri-india.org/blog/balancing-innovation-and-regulation-mobility-aggregators>

¹¹⁰https://mvd.kerala.gov.in/sites/default/files/Downloads/SSG%201%202_merged.pdf

¹¹¹https://transport.uk.gov.in/upload/pressrelease/Pressrelease-22_hi..pdf

¹¹²https://chdtransport.gov.in/sites/default/files/2024-07/Chandigarh%20Administration%20Motor%20Vehicle%20Aggregator%20Draft%20Rules%2C%202024_0.pdf

raised concerns that these rules could serve as a backdoor for states to impose additional taxes, despite the existence of AITP. Once the rules are implemented in every state, aggregators could be required to pay these fees for each state they operate in, leading to increased operational costs for them.

Chapter 4: Challenges Impacting the Inter-City Bus Transportation System

As highlighted in the previous chapter, the inter-state bus transportation sector in India has undergone significant reforms over time, with various policy initiatives aimed at liberalising operations, improving connectivity, and fostering competition. However, a fragmented regulatory structure, inconsistencies in the interpretation and implementation of permits, and bureaucratic hurdles create challenges for operators and inconvenience to passengers. Additionally, corruption, inadequate infrastructure, and last-mile connectivity gaps further compound these issues. This chapter examines the key regulatory, operational, and enforcement challenges within the inter-city bus sector and their broader impact on mobility, tourism, and public convenience. Addressing these challenges is crucial for ensuring a seamless, transparent, and efficient inter-city bus system in India.

A. Issues for Bus Operators

Private bus operators are essential to India's inter-city transportation network, offering flexibility and connectivity across states. However, they operate within a complex regulatory landscape marked by fragmented permits, inconsistent taxation, and restrictive enforcement.

1. Fragmented Regulatory Regime

i. Complex Permit System: One of the key concerns with the regulatory regime is its fragmented nature. This fragmentation arises primarily due to the existence of multiple permit categories, including **stage carriage permits** (which allow buses to pick up and drop off passengers at multiple points along a fixed route), **contract carriage permits** (which restrict buses to pre-booked passengers traveling from one point to another without intermediate stops), and **AITPs** (which are defined as contract carriages but with the option to transport tourists 'individually or in a group'¹¹³). The overlapping scope of these permits results in regulatory uncertainty for bus operators. For instance, Kerala and Tamil Nadu have cracked down on tourist buses on the alleged ground that AITP is a contract carriage permit, which prohibits picking up or dropping off passengers en route since this resembles stage carriage

¹¹³ Rule 6(2), AITP Rules, 2023

operations, thereby violating permit conditions.¹¹⁴ The authorities overlook the fact that AITP, while being a variant of contract carriage permit, does not have the restriction on multi-stops (as explained in sub-point 2 below) that contract carriage vehicles specifically have. This highlights how the blurred distinctions between permit categories leaves bus operators vulnerable to such enforcement challenges.

ii. Multiple Taxes: In addition to the complex permit system, the sector is burdened with multiple layers of taxation at the central, state, and inter-state levels. Operators must navigate a range of levies including registration fees, state border taxes and AITP permit fees leading to triple taxation. For instance, a bus operator we interacted with highlighted that an operator running in just two states outside their home state in South India ends up paying a staggering INR 1-1.5 lakh per quarter per state as border tax, on top of the INR 90,000 per quarter towards AITP fee. This means their total quarterly costs soar to approximately INR 3-4 lakh per quarter (despite the fact that AITP Rules specifically provide that tourist vehicles can play throughout India on the strength of permit fees), making inter-state operations crippling expensive for many operators.

iii. Overlapping Legislative Powers: One possible reason for the issue with multiple taxes/fees is the overlapping legislative powers of the state and centre. While states have the exclusive powers to levy taxes on transport of passengers and goods under Entry 56 of State List¹¹⁵, their power to tax motor vehicles under Entry 57 of State List is subject to the regulatory provisions of Central laws.¹¹⁶ This has led to variations in taxes imposed on motor vehicles by different state governments. The issue of harmonising motor vehicle taxes has been discussed multiple times in Transport Development Council meetings. In 2016, the Group of Ministers on Transport also deliberated on the matter and recommended that all States and Union Territories rationalise motor vehicle taxes to facilitate seamless vehicle movement across the country. However, the issue remains unresolved due to its highly contentious nature, as it directly impacts the revenue streams of both state and central governments.¹¹⁷

iv. Failure in implementation: The problem of regulatory fragmentation extends beyond the division of legislative powers, and is likely a result of the failure of states to implement rules in accordance with the agreements reached during their enactment. For example, the AITP Rules, 2023, were introduced to facilitate seamless inter-state travel, establish a standardised permit system and abolish border

¹¹⁴<https://www.livelaw.in/high-court/kerala-high-court/kerala-high-court-tourist-buses-not-allowed-pick-up-drop-off-passengers-like-stage-carriage-269295?utm;https://www.dtnext.in/news/tamilnadu/tamil-nadu-transport-department-to-crack-down-on-tourist-buses-flouting-permit-rules-789745?utm>

¹¹⁵Entry 56 and 57 of List II of the Seventh Schedule, Constitution of India

¹¹⁶ The power to tax vehicles in Entry 57 is subject to Entry 35 of the Concurrent List which allows legislating on mechanical propelled vehicles, including the principles on which such taxes are to be levied; https://morth.nic.in/sites/default/files/Road_Transport_Year_Book_2012_13.pdf

¹¹⁷ https://rsdebate.nic.in/bitstream/123456789/710773/1/IQ_251_23032020_S301_p14_p14.pdf

taxes. Yet, several state governments have disregarded these provisions, continuing to impose border taxes and additional levies. This is especially true for states like Tamil Nadu that earn high revenue from vehicle-related activities than others¹¹⁸ and have resisted dismantling checkpoints (despite a MoRTH directive to remove checkpoints¹¹⁹). This undermines the intended objectives of regulatory reforms, further exacerbating the complexity of inter-state bus operations.

v. Differential treatment faced by private operators: While the State Transport Authorities are responsible for granting permits to private operators and regulating the industry, there exists a clear conflict of interest in their role. This is because both STUs (which compete with private operators) and STAs fall under the administrative control of the state government's transport departments.¹²⁰ The state, which appoints members of the STA, also has a financial stake in STUs, as these public bus services contribute to state revenue and are owned by them. The state governments are, therefore, not only the regulators but also operators, competing with other private operators. As a result, private operators often face differential treatment in permit allocation, route approvals, and enforcement of regulations.¹²¹ For instance, in states like Gujarat, Maharashtra, and Tamil Nadu (to name a few, though most states have similar restrictions in place), authorities have imposed entry restrictions that limit private players' market access favoring STUs.¹²² In Maharashtra, public transportation was nationalised in 1974, and since then, all intra-state routes have been reserved for public operations, barring private operators from entering the market. Similarly, Tamil Nadu nationalised all 30 districts in 1967, allowing private operations only on select routes where they had been operating prior to nationalisation—no new permits have been granted to private operators since. In Gujarat, the government reserved the stage carriage segment of inter-city routes for the Gujarat State Road Transport Corporation (GSRTC) in 1994, granting GSRTC exclusive stage carriage permits while limiting private operators to contract carriage permits. These policies have significantly restricted private sector participation in public transportation within these states.

2. Ambiguity in the Interpretation of the AITP Rules - Whether Contract Carriage Or Not

Stakeholders highlight a lack of clarity regarding what AITP permit holders are allowed to do, with differing interpretations leading to inconsistent enforcement. This confusion arises from overlapping definitions in the regulatory framework. There is persistent ambiguity regarding whether AITP buses being a variant of contract carriages can undertake multi-stop operations or not.

¹¹⁸<https://auto.economictimes.indiatimes.com/news/industry/revenue-from-vehicle-registration-up-by-33/116935875>; Muthyala Sunil Kumar v. Union of India, Supreme Court Judgment dated 9 July, 2024 (Para 3)

¹¹⁹ <http://www.aitwa.org/home/detail?id=600>

¹²⁰ <https://cag.gov.in/uploads/StudyReports/SR-StudyReports-05f68754f090388-05778944.pdf>

¹²¹ http://164.100.58.95/sites/default/files/2statepolicesaffecting_20080508111218.pdf

¹²² State Policies Affecting Competition: Passenger Road Transportation Sector - http://164.100.58.95/sites/default/files/2statepolicesaffecting_20080508111218.pdf

The AITP Rules specify that it applies to ‘tourist vehicle’ as defined under the MVA 1988.¹²³ The MVA 1988 defines a ‘tourist vehicle’ as a contract carriage, which implies transporting passengers whose names are mentioned in a pre-existing list of passengers as a whole from one origin to one destination, without picking up or dropping off additional passengers along the route.¹²⁴ This has led many authorities and regulators to interpret AITP strictly as contract carriage and not allow permit holders to pick up and drop passengers during the journey. However, the AITP Rules deviate from the definition of contract carriage under the MVA 1988 by stating that the permit shall be used for transporting tourists “individually or in a group”.¹²⁵ Unlike the traditional understanding of contract carriage – where the entire vehicle must be booked as a whole for a single journey – this language suggests that the contracts could now be with individual passengers rather than a single group. As long as there is a contract with each passenger and their names are included in the passenger list¹²⁶, there is no explicit restriction on making multiple stops along the route. Additionally, the AITP framework allows for a digital passenger list¹²⁷, which can be dynamically generated in real time, unlike the traditional pre-existing contracts envisioned under the MVA 1988. Moreover, Rule 85 (9) of the CMVR, which requires tourist vehicles not to operate as stage carriage, has been explicitly held as inapplicable in this context.¹²⁸ This suggests that tourist vehicles with AITP can transport individual passengers across multiple stops, provided their names appear on a passenger list.

Further, such restrictive interpretation acts as a deterrent to tourism. While this restrictive definition of a ‘tourist vehicle’ may have been appropriate decades ago – when tourism largely involved hiring entire vehicles for group tours – the nature of tourism has evolved significantly. Today, travelers increasingly prefer experiential tourism over standard group tours, seeking flexible, personalised and community-driven travel experiences.¹²⁹ This outdated definition fails to account for modern travel patterns, excluding newer forms of tourism.

Despite this, MoRTH, in its affidavit before the Kerala High Court, stated that AITP falls under the contract carriage category¹³⁰, without acknowledging that AITP, while a variant of contract carriage, has specific modifications in its permit rules – further adding to the confusion. Consequently, state governments and enforcement authorities have adopted inconsistent positions, leading to widespread

¹²³Rule 2(d), AITP Rules, 2023

¹²⁴Section 2(43), MVA 1988

¹²⁵Rule 6(2), AITP Rules, 2023

¹²⁶Rule 10(1), AITP Rules, 2023

¹²⁷Rule 10(1), AITP Rules, 2023

¹²⁸Rule 13(1), AITP Rules, 2023

¹²⁹<https://hospitality.economictimes.indiatimes.com/news/speaking-heads/rise-of-experiential-travel-and-its-impact-on-tours-and-activities/93748196>

¹³⁰<https://www.livelaw.in/high-court/kerala-high-court/all-india-tourist-permit-is-a-contract-carriage-permit-centre-tells-kerala-high-court-246010>

enforcement challenges in states like Kerala and Tamil Nadu (as mentioned above)¹³¹ restricting AITP buses from picking up individual passengers mid-route. Bus operators have reported instances where RTO authorities impose fines or stop vehicles arbitrarily, citing violations of contract carriage rules, even when operators comply with AITP provisions. This has significantly reduced convenience for passengers, as they are often unable to board or alight at intermediate stops. The regulatory uncertainty has not only led to harassment of bus operators and inconvenience to tourists and passengers, but is also deterring further foreign investment into the sector, with companies like FlixBus citing these concerns as a barrier to expansion.

3. Ambiguity in the Interpretation of the AITP Rules - Limited to Tourist Or Not

Various stakeholders also highlighted that authorities argue that AITP is meant exclusively for transporting “tourists”, even though neither the AITP rules specify this requirement nor does the MV Act define the term “tourist”. While this assumption prima facie seems to be stemming from Section 88(9) of the MVA 1988¹³² (the provision pursuant to which AITP Rules have been enacted) which mentions tourism promotion as an objective. This however overlooks the fact that people travel between cities for various reasons, including work, leisure, and personal commitments. Moreover, in practice, it is difficult to determine who qualifies as a “tourist”. This ambiguity has led to inconsistent enforcement, giving RTO authorities another pretext for harassment, resulting in frequent fines and challans. Such artificial distinctions not only create barriers to seamless inter-city travel but also run counter to the broader policy objectives of improving mobility and accessibility.

4. Restriction on Multiple Stops and Its Impact On Load Factors

As mentioned above, a significant challenge faced by AITP permit holders is the restriction on making multiple stops along a route, effectively limiting their operations to end-to-end services. This restriction not only reduces flexibility for travelers but also affects the viability of inter-city bus operations. Data from an internal FlixBus study, which analysed bus load factors across three routes over an 8-week period, highlights the critical role of intermediate stops and multiple boarding/dropping points in improving passenger occupancy. The key findings are explained below (Refer Figure 4):

¹³¹<https://www.livelaw.in/high-court/kerala-high-court/kerala-high-court-tourist-buses-not-allowed-pick-up-drop-off-passengers-like-stage-carriage-269295?utm;https://www.dtnext.in/news/tamilnadu/tamil-nadu-transport-department-to-crack-down-on-tourist-buses-flouting-permit-rules-789745?utm>

¹³²Section 88(9), MVA 1988 (*Notwithstanding anything contained in sub-section (1) but subject to any rules that may be made by the Central Government under sub-section (14), any State Transport Authority may, for the **purpose of promoting tourism**, grant permits in respect of tourist vehicles valid for the whole of India, or in such contiguous States not being less than three in number including the State in which the permit is issued as may be specified in such permit in accordance with the choice indicated in the application and the provisions of sections 73, 74, 80, 81, 82, 83, 84, 85, 86 [clause (d) of sub-section (1) of section 87 and section 89] shall, as far as may be, apply in relation to such permits.*)

- Highest Load Factor (66-75%): Achieved when buses had intermediate stops along the route and multiple boarding/dropping points at the origin and destination.
- Moderate Load Factor (45-55%): Observed when there were no intermediate stops, but multiple boarding/dropping points at the origin and destination.
- Lowest Load Factor (40-50%): Recorded for point-to-point services, where there were no intermediate stops and only a single boarding and drop-off point—a structure similar to the restricted AITP model.

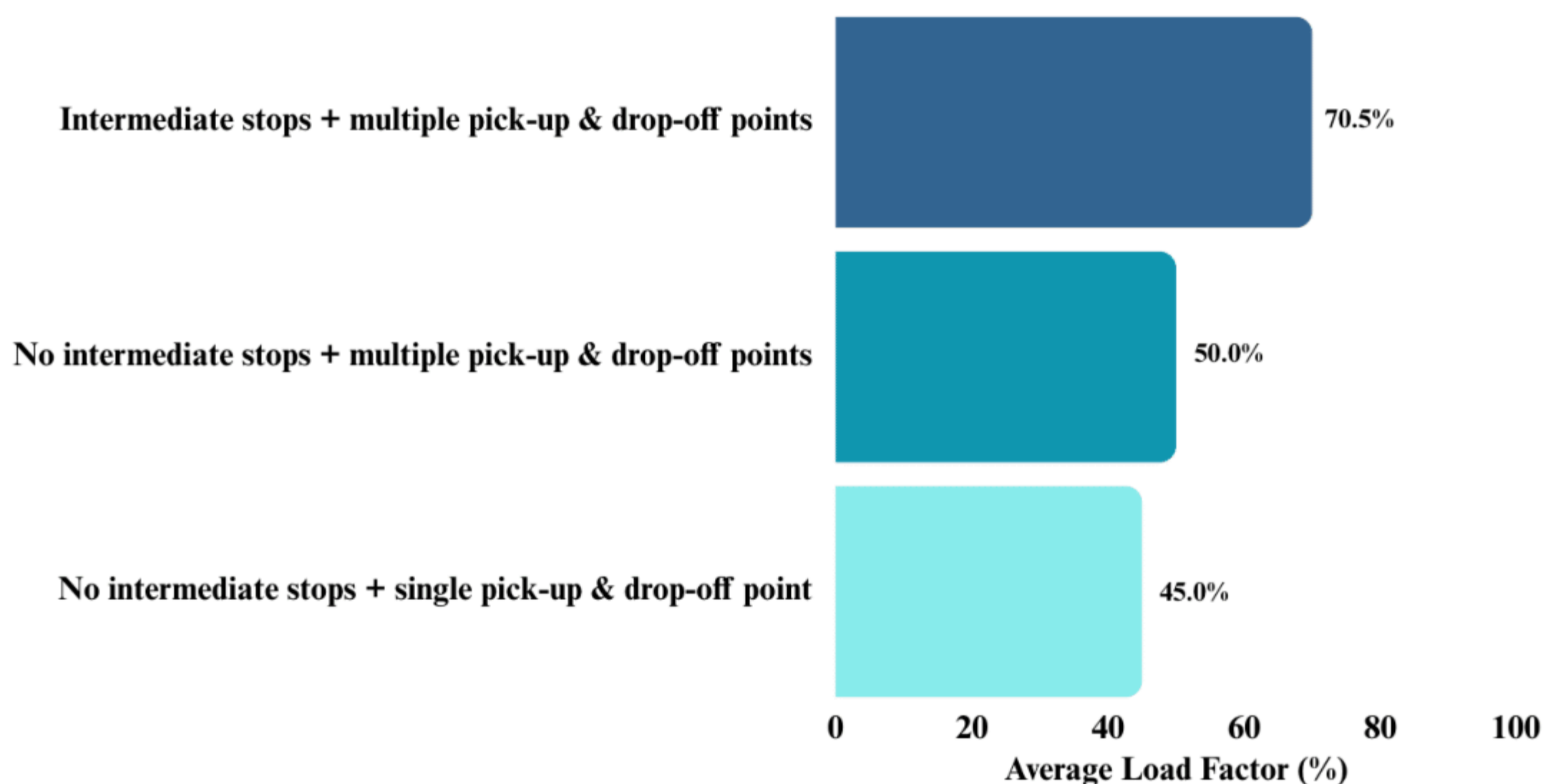


Figure 4: Impact of Stops on Bus Load Factors

These findings suggest that limiting AITP buses to end-to-end travel significantly reduces their occupancy levels, making operations less economically viable for bus operators. In contrast, allowing multiple stops enhances accessibility for passengers and optimizes seat utilisation. However, the rigid enforcement of permit conditions continues to prevent operators from adopting this more effective model, further straining the inter-city bus sector.

5. Lack of Access To State-Run Terminals

Another significant challenge faced by private bus operators is the limited access to state-run bus terminals. Bus operators pointed out that in several states, STUs receive preferential access to government-run terminals, while private buses are denied entry, forcing passengers to board buses from the roadside, creating safety hazards. This is yet another instance of differential attitude towards private bus operators as explained above. In recognition of this problem, states like Uttar Pradesh¹³³

¹³³<https://www.hindustantimes.com/cities/lucknow-news/up-ready-with-first-ever-private-bus-station-policy-101737055115714.html?utm>

and New Delhi¹³⁴, where the lack of proper bus stations and parking facilities led to significant inconvenience, have come out with policies that ensure private bus operators get infrastructural support. This approach is consistent with the airline sector, where private airlines do not need to build their own airports. Instead, the government has integrated them into the system, granting access to infrastructure in exchange for payment of charges.¹³⁵ This stands in contrast to the current approach in the bus transport sector, where private operators often face restricted access to government-run bus terminals and depots, despite paying applicable taxes and permit fees. Experts have emphasised the urgent need for proactive state-level planning to accommodate the growing involvement of private bus operators and integrate them into the existing infrastructure. Addressing these infrastructural disparities is essential to ensure a level playing field for private bus operators.

6. Harassment By RTO Flying Squads and Corruption

The ambiguities and inconsistencies in the AITP framework, as outlined above, have not only created regulatory and operational challenges but have also enabled excessive interference by enforcement authorities. Due to the lack of clarity in permit classifications, RTO flying squads have been able to exploit the situation to harass private operators under the pretext of regulatory violations. Several bus operators raised concerns about the issue of RTO flying squads conducting surprise inspections, resulting in buses being stopped for long durations mid-journey, and ultimately being issued challans. These fines are imposed for various reasons ranging from alleged violation of contract carriage permit rules (such as picking up passengers from multiple stops or irregularities in passenger lists) to blatant refusal to recognise AITP permits. Some bus operators highlighted that RTO officials force drivers to change their permit status on the VAHAN App from 'AITP' to 'contract carriage', making them liable to pay additional border tax fees online. Even the Supreme Court took note of these unchecked regulatory overreach and directed state governments to not obstruct buses with AITP permits registered in other states.¹³⁶ This regulatory uncertainty has created an environment ripe for exploitation, where operators face arbitrary fines, operational disruptions, and financial losses.

Beyond these enforcement challenges, corrupt practices have become deeply entrenched within the system. Some of the bus operators drew attention to the practice of RTO officials demanding 'liaisoning payments' on a monthly basis in order to allow the buses to operate without disruptions. Such illegal and corrupt practices by the RTOs are rampant, with even the MoRTH drawing attention to this problem in the past.¹³⁷ In fact, despite a MoRTH directive in 2017 to remove checkpoints from state

¹³⁴ <https://www.tribuneindia.com/news/delhi/delhi-l-g-pushes-for-major-reforms-at-kashmere-gate-bus-stand/>

¹³⁵ <https://www.aai.aero/sites/default/files/Airport-Charges-2015-16.pdf>

¹³⁶ <https://www.livelaw.in/top-stories/dont-obstruct-buses-registered-in-other-states-having-all-india-tourist-permit-supreme-court-to-tamil-nadu-govt-261416>

¹³⁷ [https://economictimes.indiatimes.com/news/politics-and-nation/rto-most-corrupt-body-loot-more-than-chambal-dacoits-nitin-gadkari/articleshow/50126446.cms?from=mdr](https://economictimes.indiatimes.com/news/politics-and-nation/rto-most-corrupt-body-loot-more-than-chambal-dacoits-nitin-gadkari/articleshow/50126446.cms?from=mdr;); <https://sundayguardianlive.com/investigation/1163-delhi-s-transport-offices-are-corruption-hubs>

borders with the introduction of GST and digital monitoring of vehicle data¹³⁸, in 2023, the All India Motor Transport Congress (the parent body representing the truck industry) addressed a letter to the Prime Minister, highlighting that the continuation of checkpoints in states like Madhya Pradesh, Uttarakhand, Maharashtra, Jammu and Kashmir, Chhattisgarh, Karnataka, West Bengal, Kerala, Odisha, Andhra Pradesh, Bihar, Telangana, Assam, Tamil Nadu, Nagaland, Pondicherry and Manipur are contributing to corruption and exploitation by the RTOs.¹³⁹

B. Issues for State Government

State governments play a critical role in providing and regulating public transportation. The implementation of AITP Rules has created tensions between central policies and state-level financial interests. These conflicts highlight the broader challenge of aligning national transport reforms with the fiscal and regulatory priorities of individual states.

7. Tax Arbitrage and Loss of Revenue from Vehicle-Related Activities

Certain bus operators register their vehicles in states with lower vehicle registration taxes, such as Nagaland, Daman and Diu, and Haryana, but operate primarily in regions like Karnataka, Tamil Nadu, and Kerala.¹⁴⁰ In fact, an analysis of a set of 140 buses operating across the country suggests that 81 (58%) are registered in states where they do not operate. This practice is enabled by the AITP framework, which requires only a one-time national permit fee, exempting operators from paying additional state-level taxes in the states where they actually operate. As a result, these states claim to lose valuable revenue that would otherwise accrue from vehicle registration and border taxes. While the AITP fee is proportionally distributed among states, the extent to which this distribution compensates for the loss in vehicle-related revenue remains unclear - an area where the Transport Development Council could play a key role in assessing the fiscal impact of AITP implementation across states. States like Kerala and Tamil Nadu argue that very few tourist buses with national permits are registered in their states, leading to revenue losses from taxes, registration fees, and fitness test fees.¹⁴¹ For instance, reports indicate that over 250 AITP buses operated in Kerala without being registered there in September 2023. If these buses were registered in Kerala, they would be subject to a quarterly road tax of INR 1.5 lakh, resulting in an estimated annual loss of INR 16 crores for the state.¹⁴² Similarly, Tamil Nadu also put out a list of 838 AITP buses in June 2024 which were plying in

¹³⁸ <http://www.aitwa.org/home/detail?id=600>

¹³⁹ <https://www.thehindubusinessline.com/economy/logistics/aimtc-seeks-pms-intervention-to-abolish-check-posts-in-some-states/article67334554.ece>

¹⁴⁰ <https://coachbuildersindia.com/all-india-tourist-permit-in-kerala-illegal-says-transport-minister-antony-raju/>

¹⁴¹ <https://www.newindianexpress.com/states/kerala/2024/Feb/06/load-off-tax-on-tourist-buses-with-national-permit-lowered-in-kerala>

¹⁴² <https://english.mathrubhumi.com/news/kerala/kerala-fears-revenue-decline-as-sc-restricts-levying-additional-tax-on-all-india-permit-vehicles-1.8875219>

Tamil Nadu without registering there¹⁴³, which was estimated to cause a loss of INR 4.32 lakh per bus annually for the state. This has led to strong pushback from state governments, some of which continue to impose border taxes on AITP vehicles as a way to compensate for the lost earnings. In response, the Central Government issued a directive to all States and Union Territories, advising them not to levy any other kind of taxes/fees from tourist vehicles plying under valid tourist permits issued under the AITP Rules, 2023.¹⁴⁴ This has become a major point of contention, prompting pushback from state governments,¹⁴⁵ including maintaining border checkpoints to levy border taxes.

C. Issues for Passengers

Passengers are at the heart of India's public transportation system, yet they often bear the brunt of regulatory inefficiencies and infrastructure gaps. The challenges faced by private bus operators and state governments directly translate into reduced consumer choice, safety concerns, and travel disruptions.

8. Lack of Adequate Infrastructure

For many passengers relying on private buses, the lack of access to state-run terminals is more than just an inconvenience, as it constitutes a safety risk. Unlike state-run buses that operate from government terminals, private buses are often forced to pick up and drop off passengers from roadside locations, leaving travelers exposed to traffic, delays, and unsafe waiting conditions. This situation is especially concerning for women and persons with disabilities. Several studies suggest that safety is a critical factor in women's commuting decisions.¹⁴⁶ A 2021 study by ORF found that many women felt unsafe due to concerns about accidents and breakdowns in the transport infrastructure.¹⁴⁷ This highlights the need for infrastructure improvements to enhance safety. Public transport operators often fail to halt vehicles properly at stations, creating major safety hazards, particularly for women with children or luggage. Studies have also shown that these safety issues lead to female passenger journeys being skewed towards the daytime and shorter distances.¹⁴⁸ This also highlights the gendered dimension of long-distance inter-city travel - such that women have fewer mobility options, leading to reduced access to employment, education, and social opportunities that require long-distance or time-flexible travel. Beyond safety concerns, several operators highlighted that the lack of essential facilities such as clean washrooms, food stalls, seating areas, and proper waiting zones adds to the discomfort, especially for long-distance travellers, the elderly, and families with children.

¹⁴³ https://tnsta.gov.in/whatsnew/whatsnew_tn_5XGqZCO_2024_06_18.pdf

¹⁴⁴ <https://parivahan.gov.in/parivahan/sites/default/files/NOTIFICATION%26ADVISORY/All-India-Tourist-04-08-2023.pdf>

¹⁴⁵ <https://timesofindia.indiatimes.com/city/chennai/tamil-nadu-bans-800-private-buses-registered-outside-the-state/articleshow/111095957.cms>

¹⁴⁶ <https://sprf.in/womens-mobility-and-public-transportation/>

¹⁴⁷ https://www.orfonline.org/public/uploads/posts/pdf/ORF_Monograph_WomenOnTheMove.pdf

¹⁴⁸ <https://sprf.in/womens-mobility-and-public-transportation/>

9. Inconvenience To Passengers and Disruption of Tourism

As detailed above, the inconsistent implementation of the AITP Rules, 2023 by authorities has caused significant inconvenience to passengers, with frequent stoppages by RTOs and checkpoints.¹⁴⁹ Bus operators have reported instances where passengers were deboarded, leading to long delays and uncertainty during their journeys. For instance, the Delhi Transport Department instructed the traffic police to impound buses picking up or dropping off passengers traveling to neighboring cities from non-designated points.¹⁵⁰ In another instance, Kerala's Motor Vehicles Department seized a tourist bus mid-journey for an alleged violation and hauled it away to a police camp.¹⁵¹ The incident was caught on video and quickly went viral on social media, drawing widespread attention to the heavy-handed enforcement practices faced by private operators. Such disruptions not only inconvenience travelers but also negatively impact tourism - one of the stated objectives of introducing AITP Rules in the first place. Despite its revenue potential, India's tourism sector is losing ground to competitors, partly due to poor infrastructure, inadequate tourist facilities, and weak last-mile connectivity.¹⁵² According to data from the Ministry of Tourism, foreign tourist arrivals in October 2024 were 13.2% lower than pre-pandemic levels in 2019.¹⁵³ Ensuring seamless travel under AITP Rules, 2023 is therefore essential not only for promoting a passenger-friendly transport system but also for fostering tourism growth in the country.

These issues underscore how the broader complexities within the AITP framework have directly contributed to enabling unchecked regulatory overreach and corruption. The lack of a clear and standardised enforcement mechanism not only leaves private bus operators vulnerable to extortion and operational disruptions but also creates inefficiencies for state governments and significantly reduces convenience and safety for passengers. In the following section, we outline key recommendations to address these challenges and build a more coherent, inclusive, and efficient inter-state bus transport system.

¹⁴⁹<https://www.thehindu.com/news/national/kerala/stand-off-between-mvd-bus-operator-reaches-a-boiling-point/article67426988.ece>

¹⁵⁰<https://indianexpress.com/article/cities/delhi/buses-pick-drop-passengers-non-designated-points-traffic-police-govt-9576068/>

¹⁵¹<https://www.thehindu.com/news/national/kerala/stand-off-between-mvd-bus-operator-reaches-a-boiling-point/article67426988.ece>

¹⁵²<https://www.deccanherald.com/india/india-misses-the-mark-in-the-international-travel-market-3385166>

¹⁵³<https://tourism.gov.in/sites/default/files/2025-01/Monthly%20Tourism%20Statistics,%20October%202024.pdf>

Chapter 5: Recommendations

Through this study, we assessed a range of potential reforms designed to enhance the efficiency, accessibility, and regulatory clarity of inter-city bus transport in India. Our focus was to identify solutions that enhance the viability of both public and private bus operators, safeguard passenger interests, and ensure a fair and sustainable revenue framework for state governments. The recommendations outlined below reflect our key findings, prioritising measures that strengthen the overall efficiency of inter-city bus transport while balancing the needs of industry stakeholders, relevant government authorities, passengers, and economic sustainability.

A. Regulatory Reforms

The implementation of the AITP has not fully aligned with its intended objectives, creating challenges for all stakeholders, including bus operators, passengers, and state governments, as highlighted in the previous section. Unclear permit classification – whether AITP falls under contract or stage carriage rules – has led to conflicting regulations, with some authorities restricting multi-stop operations and penalizing operators. Additionally, limiting AITP to tourist travel has resulted in arbitrary fines and barriers to inter-city mobility. These issues hinder ease of travel, create enforcement conflicts, and reduce operational efficiency. State governments also face challenges in implementing the AITP system due to concerns over revenue loss and competition with STUs. Resolving these gaps is crucial for economic growth, better connectivity, and a balanced transport system that supports both private operators and state interests.

Proposed Recommendations:

1. Clarity On Multi-Stop Operations Under AITP Rules

As discussed earlier in this report, the AITP rules do not explicitly impose restrictions on buses making multiple stops.¹⁵⁴ However, bus operators frequently face harassment under the AITP permit for making multiple stops, which needs to be addressed. To resolve this issue, the MoRTH could issue a clarification stating that AITP buses are permitted to have multiple pick-up and drop-off points as long as the booking is made prior to the start of the journey. This would ensure that AITP buses are not operating like stage carriages and competing with SRTUs by picking up and dropping passengers who have not pre-booked. Moreover, booking prior to the journey is necessary to satisfy the requirements under Rule 10(1) of the AITP Rules. This would enhance passenger convenience by increasing connectivity and providing more accessible options to board the bus, as demonstrated through the load factor study conducted by Flix (Refer Figure 4 above).

¹⁵⁴ Refer Chapter IV: Section A. 2.

A precedent for such flexibility exists in the Delhi Motor Vehicles Licensing of Aggregators Premium Buses Scheme, 2023 - while the permit is for contract carriage, the scheme allows passengers to be picked up from any stop, provided that the booking is made at least two minutes before the boarding time and digital passenger list is maintained.¹⁵⁵ This change was crucial to achieving the scheme's objective of reducing intra-city use of private vehicles by offering premium bus services. Moreover, the Scheme was issued to further the objectives of Section 67(3) of the MVA 1988, which provides for promoting: development and efficiency in transportation, improved last-mile connectivity, enhancement of urban transport, etc. Given this clear legislative intent under the MVA 1988, the government could issue a specific clarification to ease multi-stop restrictions under the AITP framework, aligning with broader transport development objectives.

2. Renaming AITP to All India Passenger Permit (AIPP)

The traditional notion of a "tourist" as a passenger travelling in a large group is outdated and does not align with modern mobility needs. Today, travellers increasingly prefer experiential tourism over standard group tours, seeking flexible, personalised and community-driven travel experiences.¹⁵⁶ The contract carriage model, originally designed for groups hiring an entire bus, does not accommodate this shift in travel patterns. AITP, while a variant of contract carriage, requires a more flexible framework to meet current mobility demands. To address this, renaming AITP as an "All India Passenger Permit" is necessary to reflect broader use cases for inter-city travel beyond tourism. This would eliminate the unnecessary restriction of proving passengers are "tourists", make travel smoother for everyone, and ensure the rules better fit modern transportation needs.

3. Introduce an Incentive-Based Home-State Touch Requirement

States are losing significant revenue due to tax arbitrage, where bus operators register in low-tax states like Nagaland and Arunachal Pradesh while primarily operating elsewhere. This issue can be potentially solved by introducing an incentive-based system to encourage buses to operate in their state of registration. Operators who meet the home-state operations requirement could receive benefits such as access to state-run terminals, tax credits or rebates, reduction in AITP renewal fee, etc. This provision will ensure that buses registered in a particular state periodically return to contribute to that home state's economy. This could serve as a middle ground between state interests and industry needs. By integrating this with the monitoring system (mentioned in sub-point 5 below), states can effectively track vehicle movements, reducing revenue loss while maintaining a fair competitive environment.

¹⁵⁵Rule 7(1)(a), CMVR

¹⁵⁶<https://hospitality.economictimes.indiatimes.com/news/speaking-heads/rise-of-experiential-travel-and-its-impact-on-tours-and-activities/93748196>

B. Infrastructural Reforms

India's inter-city transport infrastructure remains inadequate for the growing demand from both tourists and general passengers, leading to inefficiencies, safety concerns, and economic losses. Tourism, a major contributor to the economy, is particularly affected by poor inter-city transport infrastructure. One of the key challenges specifically faced by private bus operators is limited access to state-run bus terminals, forcing passengers to board and disembark on roadsides, creating safety hazards and traffic congestion. Additionally, the lack of essential amenities such as washrooms, food stalls, waiting areas, and maintenance facilities further complicates operations for private bus services, impacting both passenger experience and service efficiency. Addressing these infrastructure gaps through better planning, investment, and policy reforms can significantly improve passenger movement, inter-city connectivity, and economic growth.

Proposed Recommendation:

4. Opening Up State-Run Bus Terminals to Private Operators

To enhance passenger safety and streamline operations, state-run bus terminals could be opened to private buses for pickups and drop-offs. Additionally, parking and terminal usage fees should be standardised for both private and government-run buses to ensure fair access and prevent operational inefficiencies.

In this regard the Delhi model, where ISBT Terminals were opened to private buses, can be replicated in other states as well. In September 2024, the Delhi Transport Department identified that underutilisation of ISBTs was primarily due to higher parking fees for private buses compared to state-run buses. As a result, many private operators avoided ISBTs and illegally parked outside, contributing to traffic congestion and revenue loss for state-run services.¹⁵⁷ To address this, Delhi implemented fee equalisation, ensuring that private and government buses pay the same parking charges. Reports indicate that this led to increased bus traffic at ISBTs, improved passenger handling, higher revenue generation, and a reduction in traffic congestion.¹⁵⁸

Expanding this approach across states can reduce roadside passenger boarding and improve safety while generating additional revenue for state governments through terminal usage fees from private operators and also reducing enforcement actions against private operators. While this approach may face resistance from STUs, state governments must prioritize it in the interest of passenger safety,

¹⁵⁷<https://www.tribuneindia.com/news/delhi/delhi-l-g-pushes-for-major-reforms-at-kashmere-gate-bus-stand/>

¹⁵⁸http://timesofindia.indiatimes.com/articleshow/113773260.cms?utm_source=contentofinterest&utm_medium=txt&utm_campaign=cppst

tourism growth, and broader economic benefits. Providing private operators with fair access to terminals can reduce roadside boarding risks, improve transport efficiency, and generate additional state revenue through terminal usage fees, all while fostering a more seamless and competitive transport ecosystem.

C. Technology-related Reforms

Inefficiencies and malpractices in enforcement mechanisms can create operational bottlenecks, leading to delays, financial burdens, and a loss of trust in regulatory authorities. Ensuring transparent, technology-driven governance in the transport sector is crucial for reducing corruption, enhancing efficiency, and fostering a fair business environment for operators. By addressing systemic loopholes and leveraging digital solutions, transport authorities can create a regulatory framework that prioritises efficiency, minimises undue interference, and improves overall passenger experience.

Proposed Recommendations:

5. Establish a Robust Monitoring System

To ensure proper enforcement of AITP Rules, a robust monitoring system is necessary to enable both state and central governments to track AITP buses. It has been suggested by key stakeholders that states could leverage the Central Government's Nirbhaya Framework fund to establish State-Wise Vehicle Tracking Platforms, equipping all AITP buses with AIS-140-compliant tracking devices, which will provide real-time vehicle location, alerts, and operational data to monitoring centers set up in each state.¹⁵⁹ These monitoring centers would serve as an interface for MoRTH, state transport departments and regional transport offices. As of January 2025, 33 states / union territories have received the funds and 14 states / union territories have set up monitoring centers.¹⁶⁰ There must be renewed focus from all states on this scheme, so that state governments can use this system for enforcement purposes, while the central government can leverage it to track state compliance with AITP regulations.

6. Shifting to Digital Enforcement to Eliminate Unnecessary Physical Stops

To minimise unwarranted stopping of buses, enforcement could move towards the use of digital systems. Authorities can utilise digital tools such as the mParivahan App, which already contains information about permit status, along with camera-based systems to monitor compliance – thereby minimising the need for physical stoppages. Several violations, like non-payment of quarterly AITP

¹⁵⁹https://morth.gov.in/sites/default/files/circulars_document/Letter%20VTS%20Guidelines-compressed.pdf

¹⁶⁰<https://pib.gov.in/PressReleasePage.aspx?PRID=2091508>

fees, expired AITP permits, checking passenger lists online, etc., can be fully monitored online with *challans* issued digitally allowing operators to pay within a set timeframe, eliminating mid-journey stops and on-the-spot cash payments, and reducing corruption. However, there may be some transgressions which may require physical enforcement, like driver intoxication tests, where digital checking is not feasible. A hybrid enforcement model that prioritises digital tracking while reserving manual checks for specific cases would enhance efficiency, improve compliance, and streamline inter-state bus operations.

7. Updating the VAHAN App to Prevent Misuse

Certain stakeholders pointed out that some RTO officials misuse their authority by coercing drivers to change their permit status on the VAHAN App from AITP to contract carriage to make them liable to pay additional taxes. This modification feature in the VAHAN App, which authorities exploit to arbitrarily alter permit status and impose border taxes, should have sufficient inbuilt safeguards in the app itself. This will prevent state officials from forcing permit changes and ensure that AITP operators are not unfairly penalised.

8. Abolish Checkposts in Line With the MoRTH Directive

Despite the MoRTH directive prohibiting checkposts¹⁶¹, many states continued with the border check posts leading to border taxes being levied in violation of the AITP Rules. States should utilize technology and available online data—such as insurance, permits, tax status, Pollution Under Control certificates—accessible via the VAHAN portal and mParivahan app,¹⁶² instead of solely relying on physical checkposts. The continuation of checkposts is also inconsistent with GST implementation and the AITP framework, which aims for a uniform national tax structure for goods and vehicles.¹⁶³ While the MoRTH itself cannot impose punitive actions for continuing with border checkposts, continuous pressure must be applied to ensure adherence to national policies.

The Transport Development Council can play a crucial role in this effort. As mentioned above, being the highest forum for the formulation of policies for the development of road transport¹⁶⁴, the TDC serves as a well-established forum for coordination between states and the central government.¹⁶⁵ The TDC could establish a sub-committee to track state-level progress, review actions, and escalate enforcement issues through structured discussions, making it a more impactful mechanism for

¹⁶¹<http://www.aitwa.org/home/detail?id=600>

¹⁶²<https://parivahan.gov.in/PNM-Mailer/>

¹⁶³<https://timesofindia.indiatimes.com/india/truckers-body-seeks-removal-of-illegal-check-posts/articleshow/103818629.cms>

¹⁶⁴https://morth.nic.in/sites/default/files/Click_for_the_Sundar_Committee_Report_on_Road_Safety_and_Traffic_Management.pdf

¹⁶⁵Supra n. 98

addressing continued violations. The TDC has previously done such progress reviews for schemes like the Nirbhaya Framework.¹⁶⁶

D. Other Reforms

9. Introducing an India Bus Operations Index (IBOI)

An IBOI could be created to rank states based on bus operation efficiency, regulatory ease, infrastructure, and safety, providing valuable insights for private operators. With approximately 92% of India's buses operated by private entities, the IBOI will provide valuable insights into state-level regulatory environments for private bus operators. The Central Government has already implemented similar indices, such as the Logistics Ease Across Different States (LEADS) Index, which assesses states' performance across factors such as logistics infrastructure, logistics services, operating and regulatory environment, and sustainable logistics.¹⁶⁷ The LEADS Index has empowered state governments with region-specific insights and contributed to a positive shift in state performance across these key areas.¹⁶⁸ It is based on the World Bank's Logistics Performance Index¹⁶⁹, a benchmarking tool that helps countries identify challenges and opportunities in trade logistics, and understand how to improve their performance. Similarly, the Sustainable Urban Transport Index (SUTI), developed by UNESCAP, evaluates the performance of cities in terms of sustainable urban transport.¹⁷⁰ Consisting of ten indicators, it is a useful tool for cities to assess their progress towards SDG target 11.2, which is to "*provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women children, persons with disabilities and older persons*" by 2030.¹⁷¹ SUTI assessments have been conducted in 20 cities across 12 Asia-Pacific countries, enabling cities to identify their strengths and areas for improvement in transport systems.¹⁷² Experts we consulted suggested that the IBOI can serve as an incentive for states, fostering competition among them to improve their public transport ecosystems.

¹⁶⁶https://morth.nic.in/sites/default/files/circulars_document/Scan_MOM_30-09-22.pdf

¹⁶⁷<https://economictimes.indiatimes.com/news/economy/indicators/13-states-uts-among-achievers-in-logistics-performance-index-dpiit-report/articleshow/116921399.cms?from=mdr>

¹⁶⁸<https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1987132>

¹⁶⁹<https://lpi.worldbank.org/>

¹⁷⁰https://www.unescap.org/sites/default/files/SUTI%20Data%20Collection%20Guideline%20_%202019%20update.pdf

¹⁷¹https://www.unescap.org/sites/default/d8files/event-documents/SUTI_brochure_2021.pdf

¹⁷²<https://www.unescap.org/our-work/transport/suti#:~:text=The%20secretariat%20continued%20to%20promote,in%2012%20Asia%2DPacific%20countries>

Annexure-1

The individuals listed below generously shared their insights and perspectives to help us better understand the inter-city bus sector in India. Their contributions were invaluable in shaping the overall understanding reflected in this report. However, the findings, analyses, and conclusions presented are solely those of the authors and should not be attributed to any individual participant or organisation.

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2	Mr. Paresh Kumar Goel	Ex-Director	Ex-MoRTH	Policymaker
3	Mr. Sebastian Borchmeyer	First Secretary, Economic and Global Affairs Section	German Embassy	Diplomat
4	Mr. Sanjeev Kumar Lohia	Ex-MD and CEO	Ex-Indian Railways Stations Development Corporation	Policymaker
5	Mr. Priyadarshi Singh	Ex-CMULF Fellow	Ex- Govt. of Delhi	Policymaker
6	Mr. Vijit Mahana	Representative	Asians Shina	Industry
7	Mr. Sunil Ravindran	Representative	Universal Bus Services	Industry
8	Mr. Rama Reddy	Representative	Samanvi Travels	Industry
9	Mr. Mohit Bedi	Representative	Bedi Travels	Industry
10	Mr. Satender Singh	Representative	Brham Travels	Industry
11	Mr. Shekhar	Representative	Anne Travels	Industry
12	Mr. Praveen Agarwal	Representative	Mahalaxmi Travels	Industry
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