

Case Study

**DEVELOPMENT OF MODERN BUS
TERMINAL AT AMRITSAR**

Transport Infrastructure

CASE OVERVIEW

Country: India

ULB: Amritsar, Punjab

Sector: Urban Transport **Sub-Sector:** Transport Infrastructure

Award Date: February 2004

Type and Period of concession: Build-Operate-Transfer Concession (BOT) for 11 years and 5 months

Stakeholders:

Contracting Authority	Department of Transport (DoT), State Government of Punjab
Concessionaire	Special Purpose Vehicle (SPV) - Rohan & Rajdeep Infrastructure Private Limited (RRIPL)
Oversight Arrangement	Maintenance Board constituted for the duration of the project and Independent Engineer for detailed project monitoring

Present Status of Project: The Bus Terminal is operational since 2005

PROJECT TIMELINE:

1992	<i>Declaration of the existing Bus Terminal at Amritsar as being 'unsafe' for occupation</i>
1998	<i>Constitution of the Punjab Infrastructure Development Board – the key development agency for the Modern Bus Terminal Project at Amritsar</i>
2004	<i>Award of the concession to RRIPL</i>

1. PPP CONTEXT

1. The Punjab Infrastructure Development Board (PIDB) was constituted in 1998 with a mandate to develop and facilitate infrastructure development in the State. Since its inception the Board has developed several projects for the transportation sector and has actively promoted private participation in such projects. The Modern Bus Terminal project at Amritsar was developed and contracted out by PIDB on behalf of the Department of Transport (DoT), Government of Punjab.
2. The existing facility in Amritsar was built in 1963, was old and dilapidated and had been declared 'unsafe' for occupation in 1992. The facility was nevertheless being used (through ad-hoc addition of reinforcing columns) for want of an alternate facility.
3. The existing facility was not equipped to accommodate the growing needs and growing scale of operations resulting from an increase in the bus and passenger traffic. The facility also suffered from a lack of adequate and quality amenities for passengers.

2. PROJECT DEVELOPMENT

2.1 PROJECT CONCEPTUALIZATION

Given the importance of efficient bus transport for facilitating tourism in the city and the need for ensuring better transit facilities for bus traffic along the busy inter-State GT road, it was necessary to create an improved terminal, which would both cater to the expanded traffic needs and provide better amenities for passengers. It was decided to engage a private operator for the construction and long term maintenance of the proposed facility, in return for revenues accruing from user charges, advertisements and lease of commercial spaces.

2.2 PROJECT DEVELOPMENT

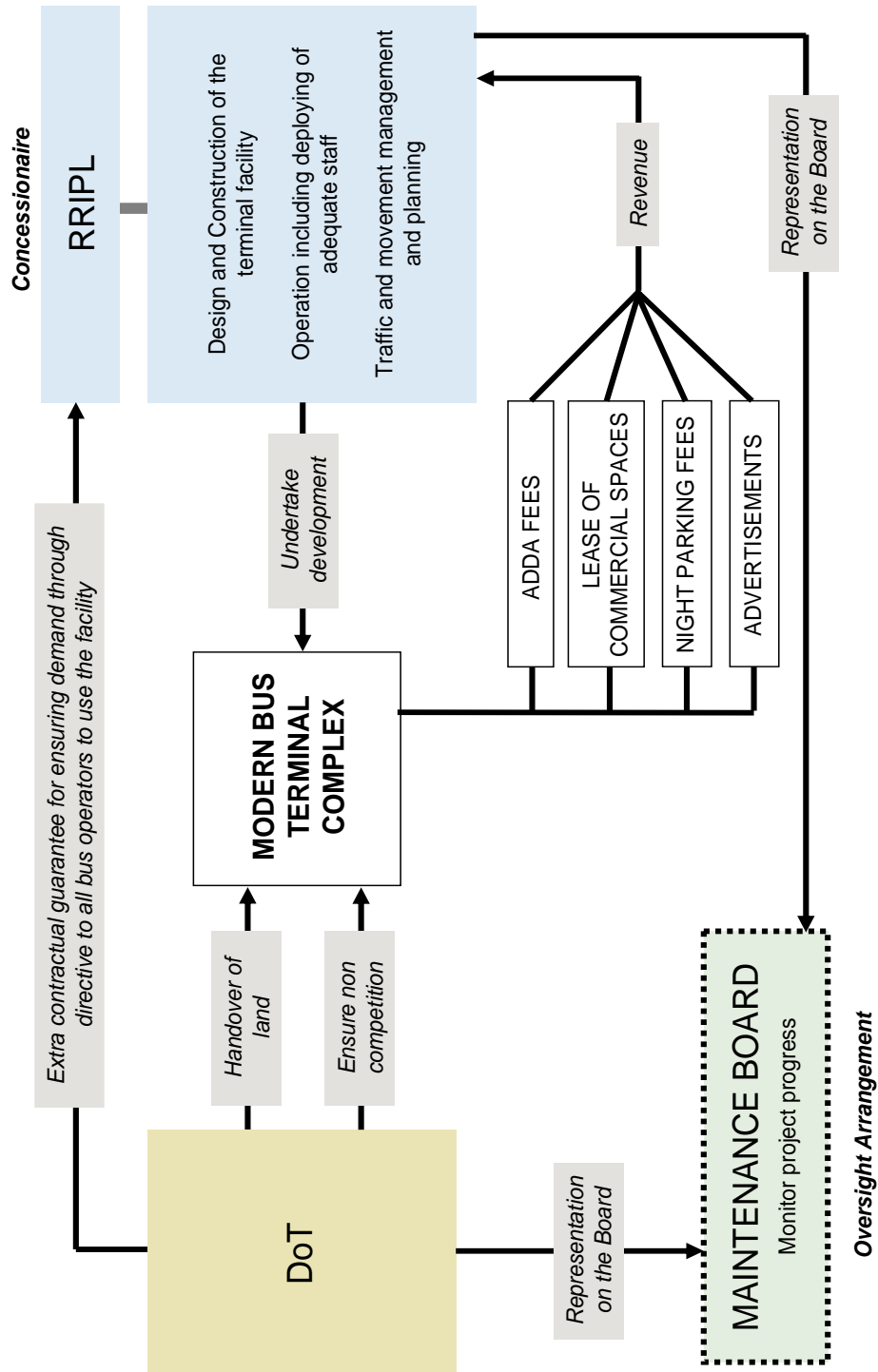
PIDB undertook the process of project development on behalf of the DoT, including feasibility and traffic studies, preparation of technical specifications and development of the concession framework. The RfP issued also included an indicative design, the use of which was optional for bidding companies.

2.3 PROCUREMENT PROCEDURE

The DoT with the assistance of PIDB undertook the process of selection of Concessionaire through a competitive bid. Bidders were required to have completed at least one project of minimum value of Rs.5 Crore or two projects of minimum value of Rs.2 Crore each in the past 5 years in sectors such as real estate, airports, public utility buildings etc. The contract was awarded in February 2004 to a Special Purpose Vehicle (SPV) called Rohan and Rajdeep Infrastructure Private Limited (RRIPL), formed between three companies: Rohan Builders (India) Pvt. Ltd, Rajdeep Buildcon Pvt. Ltd and Rajdeep Road Developers Pvt. Ltd. The operator was selected on the basis of their lowest bid for the concession period (bid parameter) of 11 years and 5 months.

3. CONTRACTUAL ARRANGEMENTS

3.1 PROPOSED CONTRACTUAL STRUCTURE



3.2 OPERATOR OUTPUT OBLIGATIONS

The contract granted the Concessionaire rights for the design, construction, operation and management of the Bus Terminal. The Concessionaire was thus responsible:

1. To provide and maintain the following facilities:
 - 1.1. A total covered area of 170,495 sq.ft and a bus circulation area of 155,420 sq.ft
 - 1.2. Facilities for bus traffic including 8 embarkation bays, 53 disembarkation bays, 48 idle/overnight parking bays and 2 tolling booths at bus exit points.
 - 1.3. Amenities for passengers including a passenger concourse of 57,228 sq.ft, toilet blocks, water fountains, waiting rooms, restaurant or cafeteria, enquiry and ticketing booths and seating berths.
 - 1.4. Office space and staff amenities for Punjab Roadways
2. To complete the construction of the facility within 18 months of award of the contract
3. To deploy adequate skilled staff for managing the operations of the terminal as per specific performance standards, and evolve a detailed operation and maintenance (O&M) manual for the purpose.
4. To regulate the bus, pedestrian and intermediate passenger vehicles movement within the respective areas designated for the purpose inside the terminal
5. To handover the terminal facility in good operating condition and free of cost to the DoT at the end of the contract

3.3 OBLIGATIONS OF THE CONCESSIONING AUTHORITY

Obligations of DoT as per the concession agreement were as follows:

1. Peaceful and timely transfer of the existing facility (90 days) to the Operator and provision of necessary assistance (free of cost) for obtaining various clearances
2. Development and management of an interim facility during the construction of the new facility and prompt discontinuation of the temporary facility upon issue of completion certificate to the new terminal.
3. Redeployment of all staff working at older bus terminal facility
4. Honouring the non-compete clause included in the contract, preventing the DoT from creating any new facility within a distance of 10 km or allow any other party to do so for 10 years

3.4 REGULATORY AND MONITORING ARRANGEMENTS

The Concession provided for the constitution of a Maintenance Board consisting of representatives of the DoT, the District Magistrate, representatives of the Concessionaire and the Works Manager/Assistant Mechanical Engineer. The representative of the DoT was to act as the Chairman of the Board, which monitored compliance with the O&M manual, reviewed periodic reports, and approved modifications and variations.

An independent engineer was also appointed to monitor project progress and report to the Maintenance Board.

3.5 PROJECT FINANCIALS

1. All investments for construction and maintenance of the facilities, including operation of the facility, were to be made by the Concessionaire. Cost of the temporary facility was borne by DoT.
2. Recovery of investments made by the Concessionaire was envisaged through the following:
 - 2.1. Collection of Adda fees on a daily basis from both private and public bus operators for use of the facility. Periodic increase in fees over the contract period was stipulated in the concession agreement
 - 2.2. Collection of Night Parking fees - Periodic increase in fees over the contract period was stipulated in the concession agreement
 - 2.3. Lease/Rental of commercial areas (shops and kiosks of an area of 2,696 sq.ft and offices of an area of 11,767 sq.ft), which were developed as part of the facility
 - 2.4. Advertisement revenue accruing through a total hoarding area of 5200 sq.ft
 - 2.5. Other revenues accruing from passenger charges and use of public amenities

3.6 PROJECT RISKS AND ALLOCATION

<i>Demand Risk</i>	Associated with forecasting the level of traffic using the facility was entirely borne by the Concessionaire. The Concessioning Authority mitigated the risk through the non-compete clause and through issuance of a Government Order directing all buses operating in Amritsar to halt, take up and set down passengers at the Terminal.
<i>Construction Risk</i>	Including cost and time overruns for completion were borne by the Concessionaire. No relaxation in contract duration (period of use and revenue retrieval for the Concessionaire) was permitted in case of delays due to Concessionaire default. Post construction defects emanating from faulty design/execution were also to be borne by the Concessionaire.
<i>Operating Risk</i>	Borne by the Concessionaire since O&M was to be conducted on the basis of an approved O&M manual and supervised periodically by the Maintenance Board
<i>Performance Risk</i>	Borne by the Concessionaire through a Performance Security valid throughout the period of the concession (to be invoked in case of termination due to Operator default)
<i>Force Majeure</i>	The Concessionaire was protected through commensurate extensions in the concession period or in the event of termination through appropriate termination payments.

3.7 DISPUTES RESOLUTION MECHANISM

The Concession Agreement called for resolution of disputes through direct discussion between the parties involved. In the event of non-resolution the parties were required to submit the dispute for adjudication to

the Punjab Infrastructure Regulatory Authority (PIRA) constituted under the Punjab Infrastructure (Development and Regulation) Act, 2002. Also in case the PIRA had not been appointed at the time of the dispute, the parties could resort to arbitration in accordance with the Arbitration and Conciliation Act, 1996

4. PARTNERSHIP IN PRACTICE

4.1 PROJECT OUTCOMES

The project has been successful in meeting most of its requirements, including construction and operationalization of the new facility within the stipulated time frame, providing services to an expanded load of buses and providing better facilities for passengers.

4.2 PROJECT SHORTCOMINGS

1. The DoT has not been able to enforce compliance of bus operators with its order directing that all buses will have to use the new facility. Several bus operators avoid stopping at the terminal in order to avoid Adda fees. As a result the Concessionaire has not been able to realize expected revenues, a problem further compounded by inadequate demand for the commercial spaces built into the terminal.
2. The Operator has not been able to efficiently carry out regulation of movement within the terminal leading to frequent traffic jams within and in the vicinity of the bus terminal. This may also be a result of the lack of adequate co-ordination mechanisms between the agencies regulating traffic within (operator) and outside the terminal (city traffic authorities). Also the information system for passengers is weak and lacks audio visual facilities.
3. The Oversight arrangements through the Maintenance Board have not been adequate with slippages from both the Concessionaire and the Concessions Authority.

4.3 LEGAL/CONTRACTUAL ISSUES

While the project has not run into any major disputes (contractual or otherwise) the implementation period has been fraught with problems such as issuance of completion certificate by the independent engineer without the approval of the Concessions Authority, dissatisfaction of the operator regarding the lack of enforcement by the Government of its Order directing all bus operators (public and private) to use the terminal facilities etc.

5. LESSONS LEARNT

1. Need for public agencies to honour their commitments (even if they are extra-contractual) so as to ensure project success. In this case the inability of DoT to enforce its order directing all bus operators to use the facility (one of the key mitigants of the demand risk for the Concessionaire) led to losses for the operator.
2. This could be mitigated in the future if demand risk (which cannot be controlled by the private party) is retained by the Concessions Authority, which is the competent Authority for enforcing

compliance by all bus operators with directives regarding compulsory use of the new terminal. In such cases a fixed remuneration (for the user fees component) could be committed to the Concessionaire in addition to revenue accruing from commercial leases, advertisements etc.

3. Need to set more stringent technical criteria during the process of selection of Concessionaire. As elaborated in 2.3, the eligibility criteria were restricted to experience of bidders as contractors/developers for developing projects of a certain value. The criteria did not include any prior experience or expertise in traffic management or regulation. This could be the reason for inadequate traffic management and resultant traffic bottlenecks in the case.
4. One possible manner of mitigating such issues could be that the Concessioning Authority retains the responsibility of planning and traffic management within and outside the terminal, given its technical expertise to do so efficiently. The project can also be structured differently to include a team of traffic management experts, either as part of the Concessionaire's team or as a separate third entity within the contract, integrated with the surrounding traffic management through a strong coordination mechanism.