

Case Study

INDORE CITY BUS CONCESSIONS

Transit Systems

CASE OVERVIEW

Country: India

ULB: Indore, Madhya Pradesh (MP)

Sector: Urban Transport **Sub-Sector:** Transit Systems

Award Date: 2005

Type and period of concession: Separate contracts for bus operations, advertisement and pass vending (renewable every 5 years)

Stakeholders:

Contracting Authority	Indore City Transport Services Limited (ICTSL) – Special Purpose Vehicle (SPV) between Indore Municipal Corporation (IMC) and Indore Development Authority (IDA)
Concessionaire	The SPV manages 3 sets of private operators: <ol style="list-style-type: none">1. Bus Operators: Dayajeet Nimay Logistics Private Limited, Rama Jyoti Travels, Anam Travels, Priyadarshani Transport Service - each operating on designated routes2. Pass Issuing Agency: R Square Systems and Solutions3. Advertising Agency: Giriraj Advertising and Marketing Services
Oversight Arrangement	Concessioning Authority

Present Status of Project: The project is running successfully since 2006.

PROJECT TIMELINE:

Dec 2005	<i>Constitution of the ICTSL as a SPV for implementing a bus public transport system</i>
Dec 2005	<i>Conduct of background studies, design of routes and system and finalization of bus model</i>
Dec 2005	<i>Bidding process for selection of private Bus Operators</i>
Jan 2006	<i>Bidding process for selection of Advertisement Agency and Pass Issuing Agency</i>
Jan 2006	<i>Successful launch of the Bus Transport System</i>

1. PPP CONTEXT

1. Indore (largest metropolis in MP) has experienced rapid economic and demographic growth in the past couple of decades, resulting in substantial increases in the workforce and resultant travel demand.
2. Public transport in Indore is essentially road based, and prior to the 'Bus Concessions' it was restricted to privately operated mini buses (Nagar Sewas), tempos and auto rickshaws. As a

disintegrated and non-regulated system, it was perpetually plagued by problems of overcrowding and non-reliability.

3. In the absence of a good public system, the city experienced an increase in private transport (accounting for 51% of trips), albeit without a commensurate increase in the carrying capacity of existing roads leading to frequent bottlenecks. There was an urgent need for implementing an efficient mass transport system.
4. The sector lacked a specialized regulatory agency to implement and monitor an integrated road transport solution. In order to address this Indore City Transport Services Limited (ICTSL) was constituted in 2005 as an SPV with equal contributions from IMC and IDA. Management was entrusted to a Board of Directors, with the District Collector as the Executive Director. The SPV was a thinly capitalized entity - expected to lead private operators under a unified bus system for the city.

2. PROJECT DEVELOPMENT

2.1 PROJECT CONCEPTUALIZATION

The project was envisaged as a city level bus system, which integrated various private operators under a single system - designed, managed and regulated through ICTSL. Key features of the proposed system were:

1. Standardized and colour coded ultra modern buses plying along select high traffic routes of the city
2. Improved compliance with schedules due to real time tracking of vehicles, through a Global Positioning System (GPS) based On Line Bus Tracking System (OLBTS) managed from a central control point
3. Computerized ticketing and Pass Vending (allowing user unlimited travel on any route for a month)
4. GPS based Passenger Information System for displaying arrival times and other information through LED displays installed at bus stops

2.2 PROJECT DEVELOPMENT

1. The Collector of Indore, Mr. Vivek Aggarwal, acted as the chief architect and champion for the Indore Bus Concession Model, conceptualizing the framework based on his studies of bus systems in Curitiba (Brazil) and Bogota (Columbia). He was also instrumental in the formation of ICTSL (December 2005), which was to anchor and regulate the proposed system.
2. Implementation of the project was proposed within a very short period of 56 days and hence all system design and studies were undertaken in-house and completed within a fortnight of constitution of the SPV
 - 2.1. Background studies included analysis of financial feasibility, and surveys to finalize bus routes which would provide maximum passenger traffic. 18 routes were finalized in consultation with the Road and Transport Authority (RTA).

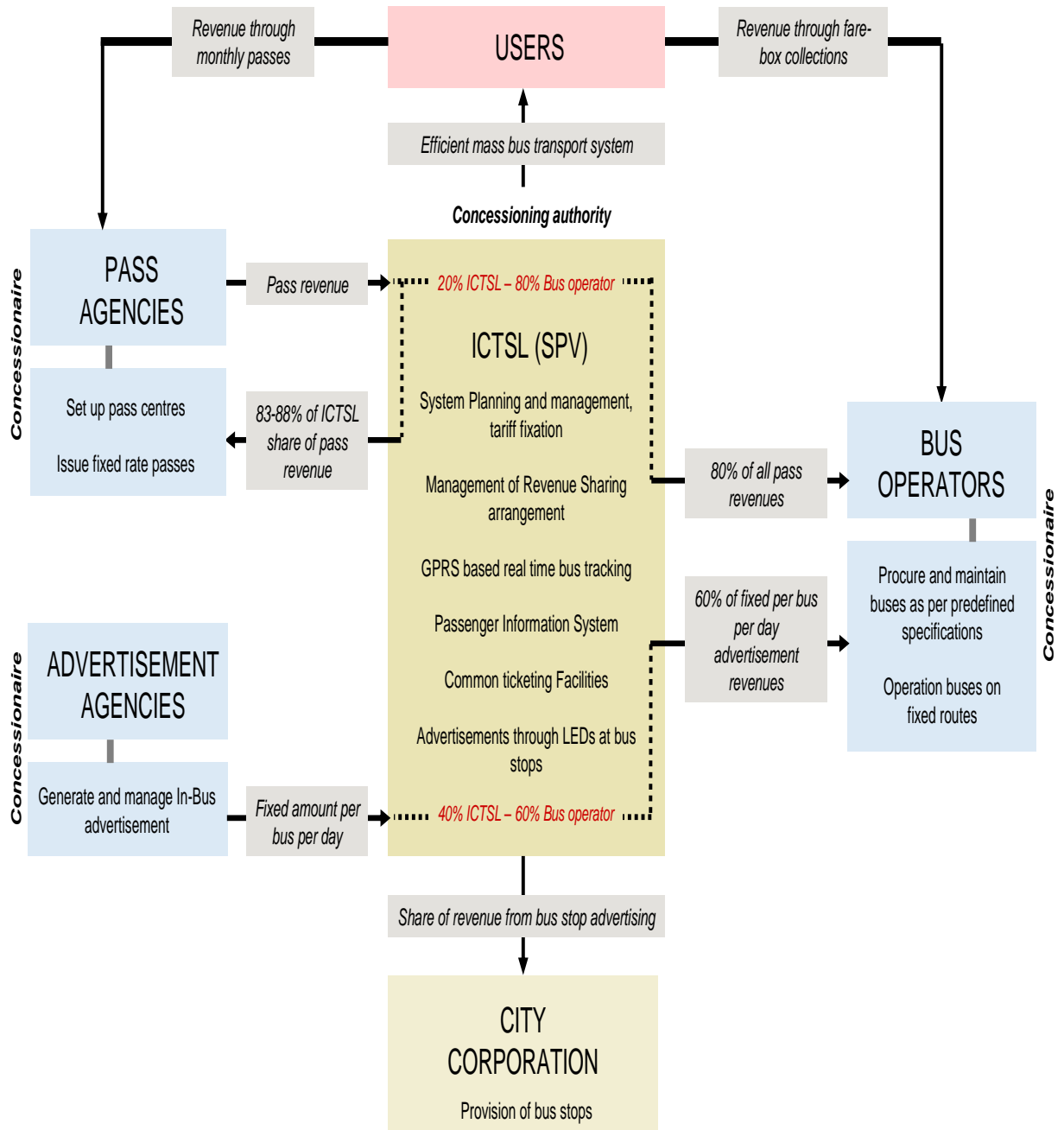
- 2.2. A movement system was designed as a hub-spoke pattern to cover both personal and workplace commuting requirements. Bus routes and buses were to be colour coded for ease of identification.
- 2.3. Ultramodern low-floor TATA buses were selected as the standard model to be procured by operators.
3. A pre-bid meeting was hosted on December 20, 2005 to introduce the business aspects of the project and address queries, so as to encourage private bidders.

2.3 PROCUREMENT PROCEDURE

1. Competitive bidding process for selection of bus operators was held in December 2005 for each of the bus routes. The following companies: Dayajeet Nimay Logistics Private Limited, Rama Jyoti Travels, Anam Travels, Priyadarshani Transport Service were selected for operating on designated routes, based on the quotes for highest monthly premium to be paid to ICTSL.
2. Competitive bidding process for pass issuance agency was held in January 2005. Square Systems and Solutions was selected on the basis of their quote for cost per pass.
3. Competitive bidding process for advertising agency was held in January 2005. Giriraj Advertising and Marketing Services was selected on the basis of its quote for highest revenue offered per bus per month.

3. CONTRACTUAL ARRANGEMENTS

3.1 PROPOSED CONTRACTUAL STRUCTURE



3.2 OPERATOR OUTPUT OBLIGATIONS

Bus Operators	Procure and maintain buses as per specifications laid down in the contract (ultramodern low-floor TATA Starbus) Operate buses on fixed routes and as per predetermined schedules
Pass Issuance Agency	Set up Instant Pass Centres throughout the city and administer computerized vending of uniform monthly passes Issue a minimum of 15,000 passes in a month so as to ensure a minimum revenue stream
Advertisement Agency	Provide all advertisement equipment, generate and manage in bus advertisement and ensure a fixed monthly revenue stream to the ICTSL and the bus operators.

3.3 OBLIGATIONS OF THE CONCESSIONING AUTHORITY

1. Act as a regulator for the entire system, administer tariff fixation/revision, monitor quality and standard of services, and undertake planning and route management
2. Provide and maintain allied infrastructure such as bus stops (through IMC), GPS based passenger information system and common ticketing facilities
3. Manage the revenue sharing arrangement between operators

3.4 REGULATORY AND MONITORING ARRANGEMENTS

Regulation was through the SPV and the powers vested in it through executive orders of the Government.

3.5 PROJECT FINANCIALS

- 1) All investments towards procurement and operation of buses, setting up of pass vending systems and advertising media were to be made by the respective private parties.
- 2) Investments for allied infrastructure (except bus stops developed by the IMC) were made by ICTSL
- 3) The following revenue streams and revenue-sharing mechanisms were envisioned as part of the project:
 - a) Revenue from fare-box collections: accrued entirely to Bus Operators for the specified bus routes
 - b) Revenue from passes: was shared on 80-20 basis between Bus Operators and ICTSL. ICTSL would retain 12.2% of its share in case of a new pass and 17% in case of a renewed pass and the remaining was given back to the pass issuance agency
 - c) Revenue from in-bus advertisement: accrued to the advertising agency and a fixed sum of Rs.25,000 was to be paid to ICTSL per bus per month. 60% of such advertisement revenue was shared by ICTSL with the Bus Operators
 - d) Revenue from advertisement at bus stops: and through ICTSL installed LEDs for displaying public information was shared between ICTSL and IMC
 - e) A monthly premium (bid amount) was paid by bus operators to ICTSL

3.6 PROJECT RISKS AND ALLOCATION

The operators bore the investment and revenue risk since travel demand is variable and the Concessioneing Authority did not guarantee fixed minimum payment to any of the Concessionaires. The risk was mitigated in part for the bus operators through the revenue sharing arrangements (described in 3.5).

3.7 DISPUTES RESOLUTION MECHANISM

The ICTSL Board of Directors was responsible for settlement of all disputes arising from the contracts

4. PARTNERSHIP IN PRACTICE

The project has been hailed as a major success and many organizations/cities have studied it with a view to replicate it.

4.1 PROJECT OUTCOMES

1. The SPV operates 110 ultramodern buses through private operators in Indore. Success of the bus initiative has prompted ICTSL to expand into new systems such as a Bus Rapid Transit (BRT) System and a network of CNG call cabs.
2. Users have benefitted through direct benefits such as better facilities, increased reliability and ease of accessibility. The project has also brought in allied benefits such as time and cost savings (for people using private transport previously) and improvement in quality of services offered by competing mini buses and auto rickshaws
3. The project has generated high and steady revenues for ICTSL with minimal asset holding in the system
4. Bus operators have also gained advantages since there is no competition on the routes they operate.
5. The model has been replicated in all major cities in the State such as Bhopal, Gwalior and Ujjain as well as in other cities/States such as Raipur and Bilaspur (Chhattisgarh) and Ludhiana and Jalandhar (Punjab).

4.2 PROJECT SHORTCOMINGS

1. The contract did not prescribe any particular formula (indexing or otherwise) for calculating periodic increases in bus fares. Decisions on fare revisions are the mandate of the ICTSL Board of Directors and its acceptance is subject to mutual understanding between the two parties.
2. The existing bus system is focused on high capacity arterial routes of the city. The system does not service all areas of the city and expansion through the same model may be difficult due to smaller roads, problems of congestion and possible lack of enthusiasm from private parties due to lesser profits.

4.3 LEGAL/CONTRACTUAL ISSUES

The project has been operating smoothly since January 2006 and no legal or contractual complications have emerged during implementation.

5. LESSONS LEARNT

1. The current case illustrates that PPP arrangements can be employed even in sectors such as city bus transport, which are typically seen as loss-making public services.
2. Robust institutional structuring and risk distribution has been the key to the success of the Indore Bus Concessions. ICTSL as an overall regulatory body assesses demands, plans routes, regulates tariffs, and monitors daily performance through a permanent team appointed for the purpose. This has allowed the system to achieve optimum functional distribution and run efficiently, despite the presence of a number of different private operators within the arrangement.
3. The project is also an excellent illustration of the manner in which all possible revenue streams (bus operation, advertising etc.) have been tapped and captured under a single system, with a revenue sharing mechanism that allows all private operators to get adequate returns.
4. Indore city started with a 'clean slate' since a State Transport Corporation was not already operational. In cities where such corporations do exist, extensive financial and manpower investment is already 'sunk in' and such an arrangement may be infeasible. Many such corporations are also hampered by not having the freedom to fix fares. Only those corporations, such as Bangalore Metropolitan Transport Corporation (BMTCL) at Bengaluru, which have a reasonably better fare regime, manage to show profits in operations. As such replicability of the model in other cities may largely depend upon availability of such enabling preconditions.