



Augmentation of City Bus Service

16.11.2019

*Ministry of Housing and Urban Affairs
Government of India*

Outline

- Background
- Nature of MoHUA Support
- Scheme Outline
- Benefits from Scheme

Background

- Estimated shortfall of about 42,400* city buses in million plus cities
- Shortfall for all urban areas assessed at 122,500* buses
- Affects city bus service reliability, coverage, and overall public transport modal share
- State/cities lack financial and technical capability to augment city bus service
- There is need to provide central support for augmentation of city bus service in Indian cities
- Increase uptake of buses from manufactures to meet this requirement

**Source: Report on Review of Regulatory, Institutional & Fiscal Policies (Indian), Efficient and Sustainable City Bus Services (ESCBS) project (2019), MoHUA/ World Bank*

Nature of MoHUA Support

Nature of MoHUA Support

Item	Description
City Category	All cities
Bus Procurement	By city through GeM
Bus O&M	Only through private operators
Bus Specification	MoHUA's UBS-II
Operator selection	MoHUA's Model RFP/ Agreement
Capital Support	Yes
O&M Support	Yes. For 5 years.

Rationale..1

- Chosen approach will lead to faster procurement and deployment of Buses using the GeM portal
- Faster deployment due to mitigated financing risk- fully funded by government.
- Urban Bus Specifications (UBS-II) buses available in market.
- Encourage cities to harness private sector expertise and efficiency
- Bring down overall cost of city bus operations

Rationale..2

- Model RFP/Agreement for operator selection already published by MoHUA
- Create a reasonable size long term market opportunities for private bus operators and attract many players leading to availability of competitive market for cities to procure the services on an ongoing basis
- Much needed augmentation of the city bus fleet to encourage travel by sustainable modes
- Immediate business opportunity for the automotive sector

Scheme Outline

Cities Covered

- Cities with population of over 500,000 as per 2011 census
- Capitals of States/UTs not covered above

Number of Buses

Sl. No.	City Category	No. of Cities	Maximum Number of Buses/ City	Total Maximum Number of Buses
1	4-Million plus cities	9	500	4,500
2	>1- 4 Million cities	44	200	8,800
3	0.5-1 Million cities	43	150	6,450
4	Capital cities of UT (without legislature) Hilly/NE States not covered above	13	50	650
5	State capitals not covered above	2	50	100
	Total	111		20,500

Eligible Components

- Scheme is exclusively for urban transport i.e. city bus service and/or bus rapid transit system for the city
- City bus operations with buses of all types of fuel (excluding hybrid /battery electric buses covered under DHI schemes) will be eligible for seeking support under the scheme
- Deployment of only new buses would be supported
- The buses procured must have been manufactured at production facilities located in India
- The benefits of the scheme cannot be combined with any other scheme of the central or the state government

Methodology for Procurement

- Procurement through Government e-Marketplace (GeM) portal
- State nodal agency to place a consolidated order for supply of buses for all the cities in the state
- Model Bus Operators RFP/Agreements prepared by MoHUA to be adopted (with suitable changes) by the selected city for selection of the bus operators
- Issue order for supply for buses within a period of 2 months from the sanction order and select operator for O&M of buses within a period of 4 months from the sanction order

Project Cost and Funding Pattern..1

- Project cost for the purpose of the scheme shall be the procurement cost of buses
- The funding pattern (as % of Project Cost) for the projects taken up under the scheme:

Sl. No.	Category of cities/UTs /UAs	Centre	State/ULB
1	4-million plus cities	30%	70%
2	0.5-4 million cities	60%	40%
3	Hilly/NE State capital cities	90%	10%
4	Capital cities of UTs without legislature	100%	-
5	Other state capitals	60%	40%

Project Cost and Funding Pattern..2

- The maximum support provided by the centre will be limited to the lesser of the (a) amount computed based on % the project cost to be supported, and (b) the maximum average support amount per bus, as under:

Sl. No.	Description	Support as % of Project Cost	Maximum Average Bus Cost (Rs Lakh/Bus)	Maximum Average Support (Rs Lakh/Bus)
1	4-million plus cities	30%	60	18
2	0.5-4 million cities	60%	50	30
3	Hilly/NE State capital cities	90%	40	36
4	Capital cities of UTs without legislature	100%	50	50
5	Other state capitals	60%	50	30

Project Cost and Funding Pattern..3

- The centre's share of funding would be released as under:

Sl. No.	Category of cities/UTs /UAs	Upon Delivery of Buses (Capex Support)	Over 5 years Post Delivery of Buses (Opex Support)
1	4-million plus cities	20%	10%
2	0.5- 4 million cities	40%	20%
3	Hilly/NE state capital cities	60%	30%
4	Capital cities of UTs without legislature	66.67%	33.33%
5	Other state capitals	40%	20%

- The opex support shall be payable over a period of 5 years on monthly basis such that the city gets the corresponding amount on present value terms @ 10.5% p.a. discount rate
- The payment of opex support would be released to cities only if they continue to operate the buses deployed under the scheme

Financial Implications of the Scheme..1

- The support from Centre shall be a maximum of Rs. 5,812 Cr.
 - Capex support (maximum estimated as Rs. 3,875 Cr.)
 - Opex support (maximum estimated as Rs. 1,937 Cr. in current value terms)
- The opex support would accrue during the years of bus procurement and would be payable half yearly over a period of 5 years from the respective accrual dates
- The city would get the committed opex support equivalent @ discount rate of 10.5% p.a. A nominal amount of Rs. 2,540 Cr. would need to be allocated as opex support by the centre.

Financial Implications of the Scheme..2

- **Upfront Support:** States/UTs will be provided an upfront support of Rs. 30 lakhs per city covered under the scheme for capacity building, engaging a professional agency for helping them in selection of bus operator **(Rs. 33.30 Cr.)**
- **Capacity Building & Administration:** A sum equal to 2.75% of the central support (of Rs. 5,812 Cr.) will be allocated for the MoHUA for capacity building, administration of the scheme and setting up and operating an online platform for monitoring the scheme **(Rs. 160 Cr.)**, including upfront support.

Release of Funds

- The Centre's capex support shall be released to the city upon delivery of the buses
- The Centre's opex support shall be payable over a period of 5 years such that the city gets the corresponding amount on present value terms @ 10.5 p.a. discount rate
- The opex support amount shall be released by MoHUA on a half yearly basis in arrears based on the number of buses operated by the city during the period

Scheme Administration

- [Brief](#) Project Report & Its Appraisal
- State Nodal Agency
- State funding of the remaining capex and opex
- Central Sanctioning and Monitoring Committee
- Urban Transport Reforms
- Progress monitoring

Scheme Benefits

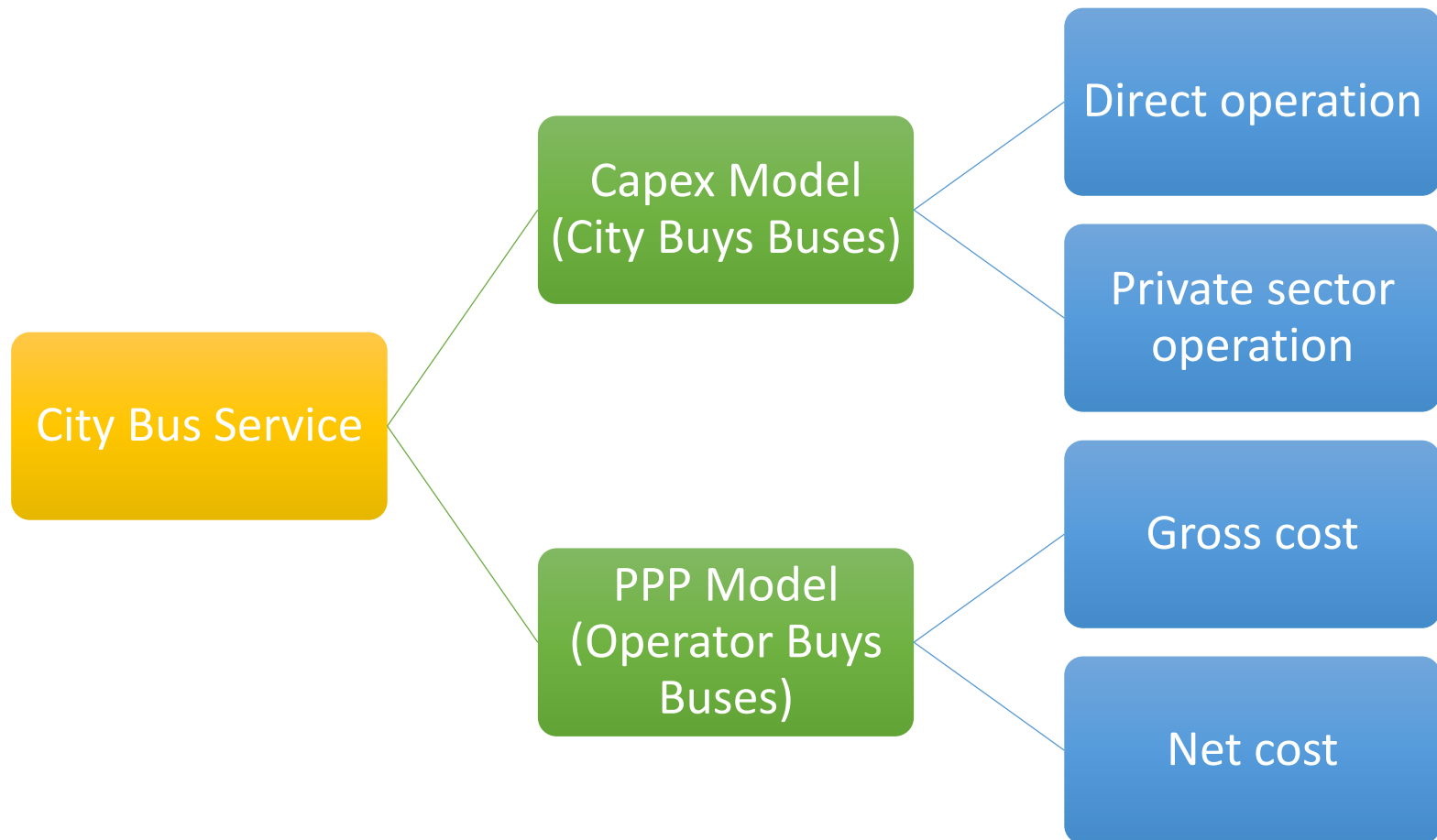
Potential Benefits from the Scheme

- Cities will have an augmented bus service preventing modal shift towards personal vehicles and lead to sustainable travel with environmental benefits
- Immediate business opportunity for the automotive sector
- Immediate business opportunity for the private bus operators
- Supports faster procurement of buses by using GeM portal, existing bus specifications (UBS-II) and model RFP/agreements
- Over 1 lakh jobs are likely to be created on account of the deployment and operation of the buses.
- Over 1 Cr passenger trips per day are projected to be supported by the proposed 20,500 buses requiring central outlay of Rs. 5,812 Cr.

Thanks

City Bus Operation Models

City Bus Operation Models..1



City Bus Operation Models..2

Item	Gross Cost Model	Net Cost Model
Bus Procurement	Operator	Operator
Bus O&M	Operator	Operator
Revenue Risk	Authority	Operator
Fare	Collected and retained by Authority	Collected and retained by Operator
Payment to Operator	Charges quoted (linked to escalation)	Subsidy quoted (linked to escalation)
Driver	Operator	Operator
Conductor	Authority	Operator

GOI Support Options

Nature of MoHUA Support

Option 1 - Capital Funding Support

- The city buys buses and MoHUA provides support by partly funding the cost of buses

Option 2 - Capital and O&M Deficit Funding Support

- Under this option, MoHUA provides funding support to cities for both acquisition of buses as well as their operations

Option 3 - O&M Deficit Funding Support

- The city deploys buses under PPP (gross cost contract) and MoHUA provides support by partly funding the opex deficit incurred in operating the buses

Challenges with Option 3

- Under Option 3, city deploys buses under PPP (gross cost contract), MoHUA supports by partly funding opex deficit
- Private operator finances and acquires buses in addition to undertaking their operation and maintenance
- Likely to take longer to deploy buses as tendering, securing loan by the operators, placing order for buses, its delivery etc. may take longer time (over 12 months) as compared to the earlier two options
- Many cities may not be considered attractive in view of the no. of buses and/or their creditworthiness and may face difficulty in attracting adequate participation

Brief Project Report & Its Appraisal

- City while seeking funding under the scheme shall submit a Brief Project Report covering relevant particulars
- The Project Reports shall be appraised by the Institute of Urban Transport (IUT) and / or such other institutions as may be approved by MoHUA
- The Urban Transport Wing of the Ministry to scrutinize the same before placing such proposal for sanction before the Central Sanctioning and Monitoring Committee (CSMC)

State Nodal Agency

- Each State/UT to designate a single point of contact (SPOC) for MoHUA (Secretary, Urban Development Department or his/her nominee)
- All scheme related communications by MoHUA shall be with the aforesaid SPOC

State/UT Funding

- The states/UTs (with legislature) would fund the remaining project cost, adjusting for the central government share, and the O&M cost of bus operations (including for payment to operators and deployment of conductors)
- The cities where the centre support is provided partly as opex support over a period of 5 years, the corresponding amount will need to be arranged by the states for undertaking procurement of the buses

Central Sanctioning and Monitoring Committee

Sl. No.	Designation	Position
1	Secretary (HUA)	Chairman
2	Secretary, Ministry of Finance (Department of Expenditure) or his representative	Member
3	Principal Adviser, Niti Aayog or his representative	Member
4	Secretary, Heavy Industries or his representative	Member
5	Secretary, Ministry of Road Transport & Highways or his representative	Member
6	Joint Secretary (UT), MoHUA	Member
7	Joint Secretary & FA, MoHUA	Member
8	Director (UT), MoHUA	Member Secretary

Progress Monitoring

- The city is required to develop an online platform for monitoring the performance of buses deployed
- The platform shall monitor relevant parameters, including but not limited to, project status, status of reforms, number of buses, number of buses in operation, daily running kilometre, number of passengers served, revenue collected, fleet utilisation, bus utilisation etc.
- The platform to be connected to the central portal of MoHUA so that all the required data is available to MoHUA for monitoring purposes

Urban Transport Reforms..1

- The State/city to submit the status of reforms already undertaken and timelines for achievement of remaining reforms

SI. No	Reform Milestones
State Level Reforms	
1	Single department to deal with Urban Transport
2	Setting up of Unified Metropolitan Transport Authority (million plus cities)
3	State Level Urban Transport Fund – Details of revenue sources including % from additional registration fee on four-wheelers and two-wheelers, annual renewal fee on driving license and vehicle registration, green tax etc.
4	Specific measures taken for promotion of Transit Oriented Development (ToD)
5	Specific measures taken for periodic revision of city bus service fares

Urban Transport Reforms..2

Sl. No	Reform Milestones
City Level Reforms	
1	Comprehensive Mobility Plan
2	Dedicated Urban Transport Fund – Details of sources including % from rationalization of parking fee, property development tax, advertisement revenue to transit corridor, employment tax, betterment levy on land in area which benefit by investment in urban transport projects, property development on the land banks with para-statal.
3	Parking Policy including congestion pricing
4	Modern City Bus Transport System <ul style="list-style-type: none">• Buses as per UBS-II including ITS along with the required backend application and associated systems to receive, process and analyse data• Availability of Depots/Workshops and terminals for 100% of the fleet.• Operational control centre• Periodic training programme for drivers for capacity building, checking road safety performance, fuel conservation etc.• Implementation of Integrated fare structures and collection systems• Implementation of payment by electronic ticketing machine• Implementation of payment by national common mobility card



City Bus Operation Models..2

- There are broadly two approaches: the capex model and the PPP model
- In the capex model the city buys the buses and can operate these using any approach – either directly or through private operators
- In the PPP model, the operator is required to finance, acquire, operate and maintain the buses
- The gross cost or net cost model can be chosen under the PPP approach

