

# EM & A

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ESCALLÓN MORALES & ASOCIADOS

Abogados Consultores

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# I.T.D.P. TRANSPORT SYSTEMS GROUP

## B R T INSTITUTIONAL STRUCTURES AND PPPs IN URBAN TRANSPORT

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# Transmilenio

## A story of success and evolution

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- TM was originated in a political decision to solve mobility chaos
  - People are aware of its problems, challenges and possible future outcomes
  - But there is more than one story behind the reality
  - Each phase was a real adventure

# The Phase 1 is a real thriller

- Investors put their money in Phase 1 as insurance:

If the system prevails they will succeed with benefits and acquire an additional market share.

If the system fails they will continue with business as always

## •Transporters were afraid when the bid opened

Whether they needed to change this business structure or not, they were not willing to

If they could be able to comply with all the technical and financial requirements,

If they could find the bonds requested for bidding

If his new partners could fulfill all of its obligations

If the fare collector would perform well and on time.

There was a lot of IFs

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- The risk was enormous:

The profitability of the operation was very uncertain at that point

Nobody could predict when or if the system would perform and when

No one could have known if the Mayor of the City would keep or not his decisions given the political pressure from the transporters

## How did they overcome the risks and fears?

- First, the tutorial of Transmilenio.
- They handled all the concessionaries, oriented them and coached them in the transition from bus owners to Enterprise owners.
- Second, the system's success. The demand was higher than expected. This traffic provided them with financial strength and trust to the insurance companies, bankers and lenders.
- The users were really happy with the service and TM became a symbol of the city and an example to be imitated worldwide.



- The success was so important that Phase Two (F2) was quickly structured.

The profile of the bidders changed

New and professional investors try to get involved in the business

There were bidders acting as investors, this means people interested in putting their money in the business, assuming a risk and expecting a return.

- The operators of Phase 1 (F1) were now powerful and tried to take another piece of the cake

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- In F2 the profit and the market share was the key to the investors

But the bidding and contract conditions changed.

The integration of F1 and F2 was needed and a hard work:  
Correcting the mistakes and distortions of the experimental F1 (without violating the rules of F1) was a real challenge.

The prices per kilometer were reduced

The penalties for noncompliance increased.

The TM share in the fare was increased

The share of the operators in the surpluses reduced

Even though more bidders want to be in the business.

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- The risk perception in F2 was much lower than in F1.
  - The uncertainty in F2 was lower than reality due to the good results in demand, income and profits of F1.
  - The risk was assumed with more financial strength, with the support of the Banks, lenders and the insurers and with higher operational experience and system improvements.

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- TM F3 is now a part of the SITM (Integrated Massive Transportation System).
  - This system distributes Bogota in 13 zones (4 trunks and 9 complementaries) that must be fare integrated with F1 and F2.
  - The bid has just be assigned and the operators must handle the 70% of the trips of the city.

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- For this Phase the investors were :

The bus owners: giving them a lot of privileges (as guaranteed income) and protection in their shares.

Construction companies

International investors

Financial investors

Investment bankers

Auto parts manufactures

Oil & gas distributors

Communication companies

TM operators

This was the last chance to invest in the transportation industry of Bogotá with more that 7 million paid passengers per day

## •The challenges? The biggest that the mobility of Bogotá had ever faced:

Each of the four trunk operators will receive more than the users that TM received in its beginning. For example the Usaquén area (in the north of the city) shall handle 720 000 passengers per day

- The physical and virtual integration is still under definition
- The assignment of the fare for transfers are not defined
- The fare collection for the SITM was not yet assigned and had to be integrated with the actual TM collector
- The capex for the system is almost 1 US billion that lenders and investors should provide in the following three years. (New buses, destruction of the old ones, terminals, etc)
- This is a real challenge!!

# How can BRTs attract private capital?

- With the example and leadership of TM, and the support of the national government 8 new BRTs are working or have been established in Colombia.
- People who structure the transportation systems have found new ways to involve private capital into the system.

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We have very interesting experiences in the systems that we have structured as Transmetro in Barranquilla, MIO in Cali or TransCaribe in Cartagena.

- We found the way to involve private investors into building the stations of the Barranquilla system with a mix of a few money from the system and a small share of the fare.

- They built 14 stations and a parking lot for the fleet with an investment of US 65 million that concessionaires funded with their own funds and capital markets.



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- At this time they have made all the investments but they are concerned because the expected demand hasn't fulfilled the expectations due to a lack of decisions of the local authorities in the reorganization of the routes and the failure to control the moto taxis.

- We structured the MIO in Cali in a way in which private investors were invited to build two terminals in a PPP agreement, Metrocali invested about 20% of the capital and the investors the balance. The estimates IRR was 22%, and the terminal are working.

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- Perhaps the “Pearl” of the PPP is the Soledad terminal in Barranquilla.
  - This terminal should serve as the receiver of over 200.000 people per day coming from the neighborhood, vicinity boroughs and cities and even people walking or arriving by other means (I mean walking, burro ,bikes and others)
  - Transmetro only had in cash about 10% of the cost of the project and not even then had the money to buy the land

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- The fare is very inelastic and there was no chance to increase it to pay the terminal.
  - In such case we developed a PPP in which the investor (through a bidding process) had to build the technical zones and build a commercial area integrated to the terminal
  - The winner of the bid is building the terminal with 40000 square meters for commercial purposes and has the right to develop and operate it for a 50 years period and of course, receive the money from the economical use of that areas

- At this time, this is the longest concession in Colombia, which will obtain a 25% IRR in a US 75 million investment.
- This structure, used in other countries is a safe way to invite investors to support the development of the BRT and to promote and improve the mobility and welfare of our cities.

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The new TM is the leader  
of the SITM and  
continues to be the icon  
of the city.