An Assessment of Contracted Out Parking Services: A Case Study

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Abstract

Over the past two decades the trend of privatizing local government services has increased significantly. The reliance on private sector is considered as a paramount solution to the rising problems of local government as it aims at providing quality services in a cost effective manner. Thus, contracting out is globally becoming a common strategy for local governments. With the help of primary and secondary data the present study examines the process and performance of contracting out by the Municipal Corporation Chandigarh. The study assesses the success through analysis of the citizen satisfaction responses of local paid parking services that have been contracted out. Through this analysis the study also provides suggestions which will help in improving contracting out as a viable solution for providing services in cost effective manner.

Keywords: Contracting out, Municipal Corporation, Citizen Satisfaction

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Introduction

Democracy signifies for the citizens of a country the right to participate in administration and affairs of that country. Local government, therefore, is of utmost importance for the democratic well being of a country like India, which is the world’s largest democracy. Within the perspective of a welfare state and within the functions of that state expanded there is no field of life which is not dependent upon the state. Due to this heavy burden the government faces the problem in tackling the efficient participation of its citizens. So the need for local institutions to act as a conduit is of paramount importance.

The expansion of old rural economies to industrial economies and further to service economies has propelled forward the trend of urbanization. The last census in India throws light on the rapid growth of the population in urban areas. Approximately 377 million people now live in urban areas (Census of India 2011) and this number is expected to continue climbing. Urbanization is considered as part and parcel and a ceaseless trend of economic development. A direct affect of increased urbanization is the increase in the vehicular population.

Vehicular demand is determined by a number of factors, the primary one being the size of the population. Urban travel demand tends to grow faster than the population due to increase in per capita trip for the individual (1.3 in 1982 - 1.6 in 2008). This increase is caused by a growing economy and a requirement of in the ever expanding urban sprawl. Some of the consequences of an unchecked travel demands are congestion and pollution. During 1981 to 2008, the number of vehicles in India increased 19.7 times, from 5.4 million to 106.7 million. However, the population only increased by 1.7 times (IIMA, 2012).

Thus governance of the impact of this vehicular demand is one of the important concepts that the city of Chandigarh is struggling with. The governance functions are performed and governed by the Chandigarh Administration and Municipal Corporation. Through the Punjab Municipal Corporation Act of 1976 the Municipal Corporation of Chandigarh came into being on the 24th of May 1994. Since its inception as a union territory, civic functions such as water supply, sewerage and storm water drainage, solid waste management, city roads and parking management are broadly performed by the Chandigarh Administration. With the formation of the Municipal Corporation Chandigarh in 1994 (with 20 wards) with a jurisdictional area of 79.34 square kilometers local bodies were developed and some civic functions were transferred to them (Chandigarh Development Plan, 2006) in which parking is one of them.

Research Problem

Along with the human density, Chandigarh is the fastest growing city in terms of vehicular population. The growth of vehicular traffic in the city has far exceeded the increase in human population. A recent report ‘State of Environment of Chandigarh - 2004’ says that while the human population in the city has increased a little over three times from 1971 to 2001, vehicle population during the same period had shot up by 42 times. Currently the city has over 500,000 vehicles for a population of about 1,100,000. The city has the highest percentage of personal four-wheeled vehicles and the highest percentage of two-wheeled vehicles in the country. Nearly 15.43 per cent of the people in the city own four-wheeled vehicles and 43.19 per cent are proud owners of motorized two-wheelers. The city’s population is expected to touch two million by 2021. So it is quite obvious that there will be significant growth in vehicular population (Report, The Tribune, 2004). This would automatically escalate the parking problem already being faced by the citizens in Chandigarh. Thus, urban local bodies will play an important role in

the planning, management and development of urban areas given the significant increase in vehicular traffic.

It is within this backdrop; the present study analyzes and evaluates the process, viability and performance of contracting out parking services to fill the gaps of theory and practice in Chandigarh with special reference to the Municipal Corporation Chandigarh.

**Objectives of the Study**

The present study assesses the citizen satisfaction level among parking services being provided by Municipal Corporation Chandigarh, along with it analyzes and evaluates the steps of contracting out theory which are:

- Whether the design of memorandum of understanding is effective?
- Whether the parking contracts are being awarded with effective competitive bidding system?
- Does Municipal Corporation have enough number of potential contractors or is there any hurdle of cartelization?
- Whether the Municipal Corporation carries out feasibility study about the nature and scope of parking services?
- Does Municipal Corporation have made effective arrangements for monitoring of paid parking contractor and their performances?
- Does Municipal Corporation have effective mechanism for filing and resolving the complaints?

**Literature Review**

Escalating pressure on urban local bodies and the strong emphasis on infrastructural development and the growing population, the role of the state has changed from a producer of infrastructure to the facilitator for infrastructure development. There are various forms and approaches which allow private players to play a part in provision of various goods and services that broadly include service contracts, management contracts, leases, concessions, Greenfield projects, divestures, etc. (Dhameja, 2011). The aim of performance based contracting is to pay a private body on the basis of outcomes and performance rather than the processes or methods used to deliver goods and services (FCS Group, 2005). The use of contracting out is expected to lower costs of service provision through the discipline of the market and open competition (Amagoh, 2009). The contracting out as an option of service provision became popular in the public sector because governments are considered inefficient (Huque, 2005). The private sector is generally considered to be more efficient and cost effective than the public sector. Thus, contracting out has been suggested as panacea (Kettl, 1993), so contracting out is perceived as the optimal means of creating a newer, better, and more efficient means of service provision (Ferris and Grady 1986, 332; Savas 2000, 70). Savas (2000, 70) defines contracting out as an arrangement in which “the private organization is the producer and government is the arranger, which pays the producer.” Contracting out at its best, “contracting promotes efficiency by stimulating private cost saving incentives (Shields 1988, 70) another factor that favors contracting out are the effortless of measuring contractor’s performance. The easier it is to
measure performance, the fewer the danger of the contractors shirking their responsibilities. If measuring performance is difficult, it may be necessary to use direct provision as an alternative to contracting out. One advantage of direct provision is that it is generally easier to supervise public agency employees closely than to supervise contractors. Contracting is also appropriate if there is high competition among potential private providers. This has been cited as one of the main justifications for contracting out, since competition leads certainly to cost reductions (Hodge, 1999; Huque, 2005; Johnston & Seidenstat, 2007; Dijkgraaf & Gradus, 2003) the use of contracting out is expected to lower costs of service provision through the discipline of the market and open competition. While it has been effectively used by both public and private organizations for simple tasks such as cleaning and security services, problems may be encountered in more complicated out-sourced projects as a result of the inability of government agencies to effectively monitor the activities of contractors. Using market forces as an organizing principle for social activity has certain advantages (Schultz, 1977; Dunleavy & Hood, 1994, Dovalina, 2006).

On the other hand, critics feel that with cautious attention to monitoring, local government experience with contracting out has not always been positive (Adler, 1999; Sclar, 2000). Local government practice has always involved a mix of public provision and government contracting (Sonenblum, Kirlin, & Reis 1977). It can enhance quality of service delivery or it can be a catastrophe, depending on the underlying market conditions and management effectiveness (Brown et al., 2006). Opponents of contracting out regards contracting out is that it can be a breeding ground for corruption (Greene 2002; Fredrickson 2005) It can improve service delivery or it can be a disaster, depending on the underlying market conditions and management efficacy (Brown et al., 2006) Another issue of contracting out is viewed as a method of escaping accountability issues (Gilmour and Jensen 1998, 248). According to Dicke and Boonyarak (2005, 185), “Downsizing, Devolution, Diffusion, and Empowerment,” all contribute to erosion in accountability standards. These four factors work to erode the hierarchical, legal, professional, political, moral, and ethical dimensions of accountability (Dicke and Boonyarak 2005, 187-188).

**Indian scenario of Privatization:**

In India, urban service delivery determines the scope for urban governance as per the functions enshrined to urban local governments in 74th Constitutional Amendment Act, 1992. Despite the recognition of urban service delivery as a vital part of urban development, there are significant gaps in service delivery. To fill the gaps there are various innovative methods which are being adopted, out of which Public Private Partnership is one of them (Pandey, 2002). There are broad range of services like sanitation, solid waste management, maintenance of street lights, maintenance of roads and parks, parking services, data entry and processing and upgradation of infrastructure which are privatised under the various modalities of public private partnership. The following table depicts the trend of privatization of local public services.

**Table 1. Privatization of Local Public Services in Select Indian Cities**
The above table clearly shows the trend of privatizing local basic services is very much in practice across Indian cities. While the studies carried out in India show mixed results, (Mathur, 1998; Geeta and Navin 2005) it has been accepted that privatization is a success in terms of cost effectiveness and quality. While on the other hand, some researchers (e.g. Ghuman and Mehta 2010, Monga, Mehta and Ranjan 2009) believe that privatization of basic services leads to poor quality of services, besides this there are also various flaws in carrying out the process of privatization ranging from contract design, contract awarding, and in its implementation to monitoring. The second school of practitioners believe that only when these lacunas are addressed, the contracting out process would deliver desired results.

**Research Methodology**

The present study examines the various facets of the process and performance of the contracting out of parking services adopted by the Municipal Corporation Chandigarh through the satisfaction of its users. To accomplish the objectives, both primary and secondary sources of information have been used. The secondary data collected from office records comprised of tender forms, live tenders signed between Municipal Corporation and private parties, proceedings of general house meetings, media reports and reports of urban local bodies. The primary data was collected from 26 parking lots of Chandigarh. To ascertain the level of satisfaction of parking services, ten citizens’ were interviewed from each parking lot, which resulted in a sample population of 260. To provide further background and response to parking...
Concerns interviews were conducted with select contractors, their employees and Municipal officials. Conversation analysis was carried out to generate common categories and themes.

The study has been divided into three sections. The first section provides detailed information about the background of the case and in particular, of the parking management and facilities. The findings of the study are discussed in the ‘Survey Findings’ section. Finally, the paper provides an interpretation and suggestions for revamping the governance process used for contracting out.

**Case Background**

The earliest evidence of local management of civic administration in India can be traced to the Indus Valley civilization (around 2300 B.C) which was essentially an urban civilization (Sharma 2007). The existence of local administration can also be traced in the Vedas, the epics of Ramayana and Mahabharata and in Kautiliya’s Arthasatra. Even during the various empires in ancient India, the village was a unit of administration. Chandigarh is a modern city and covers area of approximately 114 kilometers with population of around 1000000 making density of around 7900 persons per square kilometers (Chandigarh Development Plan).

The working process of the Municipal Corporation Chandigarh is based on a foundation of a committee system under which various committees are formed to carry out the work. For example, committees have been constituted that cover these specific areas: water supply and sewerage, roads, slum development, fire services, environment and city beautification, and house tax. Each of these sub committees is headed by a Chairman however the Finance and Contract Committee is headed by the Mayor (Municipal Corporation Chandigarh, 2012). The Department of Paid Parking is one of the important departments in the Municipal Corporation. It functions under the control of an Additional Commissioner-I, who is assisted by senior divisional engineer. The paid parking lots are only given a lease for the period of one year which can be extended up to 3 years through an auction process. Parking passes are issued yearly, half yearly, quarterly or monthly for the users of paid parking areas. The money generated is equally distributed between the contractors as per their allotment of tenders (Municipal Corporation Chandigarh, 2012).

The Municipal Corporation Chandigarh contracts out parking services to contractors through a closed bidding process. A proposal for privatization of a parking facility is submitted by the concerned department to Municipal Corporation Chandigarh for approval. Once it gets the approval an advertisement is published in newspapers for tenders. Interested private parties are asked to submit a proposal within fixed period of time. The tenders are opened in the presence of Mayor, Head of Parking Department and the contractors. The proposals are examined and the private party offering the highest amount and meeting all the requisite demands for providing that particular service is asked to sign a memorandum of understanding (MOU). The MOU contains terms and conditions and obligations on the part of the private party.

**Survey Findings**
Poor Contract Design Mechanism for Parking lots

Service requirements should be specified in terms of outcomes or outputs, not inputs. This means specifying what the activity is, not how the activity is to be performed. Contract design is crucial step in the contracting out process. It should be clear, thorough and precise specifications, so that both the parties understand and resolve to work while entering a contract, a poorly designed contract will result in unnecessary misunderstandings at the implementation stage (Public Management Service, 1997).

On basis of the research findings it has been found that contractors feel the heat of harsh norms. They hold the Municipal Corporation responsible for making such strict norms which are not viable to pursue. Contractors lamented that they had submitted a memorandum in this regard, but no action has been taken. Such a communication gap points out that despite the contractors’ demand, no attention has been paid to improve the design of the contract. Contract design is considered as one major pivotal mechanism for successful contracting, it has been found that there is no specialized team for designing the contracts as contractors feel that it is next to impossible to comply with terms and conditions laid down by Municipal Corporation Chandigarh, it also proves that there is no participation of contractors while designing the contracts.

Serious Cartelization Problem: No Make Shift Arrangement

The first step of contracting out process is about deciding to contract out a service. It is one of the most crucial stages in the entire procedure. It is pertinent to assess that whether competition exists or not. Often, governments make a decision to contract out a service inefficiently or hastily, which can lead to detrimental consequences (Dicke & Boonyarak, 2005).

In this case, there are five parking lots which are empty and there was no bidder, this resulted in loss of four million rupees to the organization (Victor, 2012). No bidder came forward; this shows that there is strong influence of cartels among the potential bidders, which is against the spirit of contracting out public services. The environment is not conducive for a fruitful process of contracting out as there is need to have good competition for provision of quality services in cost effective manner. Contractors lamented that under the harsh terms and conditions no one will come forward. Ultimately the local government suffers the financial loss and citizens suffer from the basic provision of services as there are no bidders for five parking lots. Making it bad to worse, there is no make shift arrangement made by Municipal Corporation Chandigarh in five parking lots where there are no takers.

Norms: A Mere Formality

Proper vendor monitoring tends to reduce contractor “shirking”, increase service quality, reduce costs, and consequently improve the returns on contracting (Dean & Kiu, 2002; Paroush & Praeger, 1999; Taylor, 2005; Sclar, 2000).

Once contract is allotted to a private party, it is the duty of officials to ensure the compliance of the terms and conditions that are set out. In most of the parking lots it has been found that there are only two persons managing the whole parking lot, one is at the entry that punches the ticket and collects the fee and one collects the outgoing tickets. Yet, in the contract it is mentioned that there needs to be personnel every ten meters, which is clearly being flouted by contractor. The only answers contractors have are the strict terms and conditions on part of Municipal Corporation Chandigarh. Evidence shows that there are only few penalties issued by the authorities to contractors for not abiding the terms and conditions. Mere imposition of penalties
is not the solution to ensure the standards are met. Most of the contractors lamented that it is impossible to comply with the rigid guidelines. Instead, they find it easier to pay the penalties.

**Lack of Consensus among Top Management**

Contracting out should be incorporated with the comprehensive policy of the organisation. It requires the active leadership of top management. The ownership and oversight of the contracting out exercise should therefore rest with the very top of the organisation. Contracting out should not involve a mechanistic consideration rather it should be used as an prospect to assert and assess both the rationale for existing tasks, is these cautions are not taken into consideration, the whole process of contracting out can lead to tensions and resistance within organisations. Consensus of top management and leaders is crucial in preventing, or resolving, these internal obstructions to successful contracting out (Puma Policy Brief 1997). The survey findings clearly depict that there is lack of consensus among elected representatives for contracting out parking services to contractors. Many councillors have raised concerns regarding the way contracting out process is being carried out for parking services. A recent meeting of Municipal Corporation witnessed councillors from different political parties giving call for either dissolution of paid parking or to privatize it completely rather than just leasing out to private players. Despite the concerns and issues councillors feel helpless as the decision of enforcing paid parking was started by Chandigarh Administration on directions of Honourable High Court. On the other side Municipal Commissioner said that the main objective of paid parking is to regulate and to restrict the vehicles and not to generate the revenue. Such difference of opinion among the various governing agencies, leaders and bureaucrats is leading to resistance within the organization, and the process of contracting out is not yielding the desired results in terms of cost effectiveness and service delivery (178th Meeting of Municipal Corporation, 2012).

**Poor Service Quality**

The private sector is generally considered to be more cost-effective, competent and efficient than the government sector. After a contract has been awarded, public managers must focus on proper management of the contract. Several accountability methods are needed to adequately review contract compliance and service performance. This may include monthly or quarterly reports by contractors, random check of the files, and financial documentation of costs. Other monitoring mechanisms include communicating with citizens and executing inducement programs (Kelman, 2002; Brown et al., 2003; Huque, 2005).

The services being provided by the contractors are of poor quality. It is like winning a war if one gets space to park (Ghai, 2012). Visitors have to wait for hours to park the vehicle as there is poor management inside the parking lots. Most of the time it is chaos during the peak hours and the haphazard manner in which two wheelers are often parked adds to the chaos. Such provision of services depict that the process of contracting out is lacks quality and not cost effective.

Despite the payment of 10-20 cents there is little to no security for a vehicle inside the parking lots even though the parking lots are often filled to their capacity. According to the responses of vehicle owners the parking lots are poorly managed. Although Minor accidents and scratching of the vehicles are common. An owner of an expensive luxury car (Audi) lamented that an unknown person hit his car and when he complained to the contractor, the contractor pleaded ignorance. This shows that the contractors are just minting money and ultimately, the welfare of the user is being sacrificed. Out of 26 parking lots, barely five or six parking lots have CCTV cameras. The cameras installed are of poor quality and do not provide clear pictures. Often the
cameras are just installed for the sake of formality. When contractors were questioned about this situation they fell back to the familiar argument that the terms and conditions laid by Municipal Corporation Chandigarh are very harsh and difficult to comply with. The citizens lamented that parking contractors and personnel are just for collection of parking fee. Even number of times, they use to charge people despite no parking space. There is no system to check the availability of parking at the entry point.

**Citizens Response Regarding Paid Parking**

The respondent citizens across different parking lots expressed their dissatisfaction with regard to quality of services. In spite of level of dissatisfaction, citizens were not keen to file a formal complaint, as they thought it would be of no use. However an internet blog was initiated to discuss the issues of paid parking. The blog attracted citizens from across the city. They lamented that they suffer from problems like overcharging, inconvenience in parking, commonly changing parking lots due to poor management practices, and the behavior of parking lot employees have been found to be rude boarding on indecent. Overcharging is common practice by contractors to make more money from unaware residents. Parking in sector 17 charged 20 cents while the parking slip still says 10 cents. When enquiries were raised about this issue the employees used a black marker pen to black out the old price and the new price of 20 cents was put on manually over all the parking tickets. Overcharging is most common practice at the sight seeing areas like rock garden, rose garden, and the lake areas.

**Figure 1. Copies of Parking Slips Demonstrating Overcharging**

The above parking slips clearly demonstrate the overcharging practice. The owners of vehicles have forwarded ticket stubs illustrating the problem to different authorities including Municipal Corporation Chandigarh, Chandigarh but no action has been taken. The behavior of the personnel deployed at parking lots is also not satisfactory. Most of the respondents provided negative feedback reading the behavior.

**Paid Penalty Despite Purchase of a Parking Slip**

The MC contractor has been found fleecing the general public by issuing slips for parking in an area that is not open for parking. The traffic police imposed penalties in Sector 17. The fine imposing spree on the road led to chaos as scores of motorists gathered and raised a hue and cry about being penalized despite being in possession of a parking slip. This shows the height of parking contractors’ arrogance which has caused a huge inconvenience to the general public (The Tribune, 2011).
Poor Grievance Redressal

The grievance redressal is very poor at Municipal Corporation Chandigarh. It has been found that despite media reports and internet blogs of complaints that are created by the citizens regarding the issues like overcharging and poor management went unnoticed. The Study found that the role of Public Relations Department (PRD) is confined to giving advertisements and press releases only. No efforts are made by the Public Relation Department to carry out efficacy campaigns. The office of Public Relation Department is of little importance and is not working in true spirit of taking care of media reports and blogs created on internet. On contacting Assistant Public Relation officer it has been found that the whole department is operating with just one assistant public relation officer and two assistants. There is no separate budget for carrying out the PR activities effectively. An inefficient Public Relation Department is one the biggest hurdles in the success of developing effective interface between agency and public. There is no option of filing online complaint. Successful grievance redressal and effective interface with the public can only be developed with sincere efforts of Public Relation Department.

Interpretation and Suggestions

The study brings forth the serious lapses in procedural areas of the contracting out process. Contracting out is being adopted without checking its feasibility. A contract should be simple and specific. There is need to assert effort on good contract designs, monitoring, and effective checks to ensure the quality. There is need to evolve a watchful attitude to make the process effective. Contractors must be involved during the contract design phase. The use of cartels should be checked. The government needs to foster competitive markets by recognizing that contracting out practices can play a major role in the development of markets for the relevant services. Project management and contract maintenance are vital elements of the contracting process as they enable the local government to properly conceive, monitor and evaluate the contractor’s performance. So techniques of project management must be applied while contracting out a particular service.

The focus of all public policies should be on efficiency, economy, effectiveness and efficacy to improve the concept of governance. Role of agency should be at large extent as ultimate responsibility lies with the Municipal Corporation who is facilitator for provision of services. Implementation of information technology must be brought into the local bodies to make the system transparent and accountable. Social audits should be introduced in order to promote openness. The problem which emerges must be checked and redressed carefully to make contracting out worthy transactions.

Conclusion

The assessment of contracting out paid parking services in Municipal Corporation Chandigarh validates the contribution of practitioners of this theme namely Adler, 1999; Sclar, 2000, Greene 2002; Fredrickson 2005, Brown et al., 2006, Gilmour and Jensen 1998, that the process of contracting out could be counterproductive if not carried out with precision. This case study clearly delineates that contracting out of local parking service is carried out in context of dynamic environment of service provision but the practice is carried out without the in-depth analysis of environmental constraints in way of contracting out. The technical knowhow is poor among the agency. Although contracting out showed success in some developing nations, there
is need to understand the various modalities under which privatizing would yield desired outcomes in terms of quality and cost. In present case of provision of parking services, there is emergent to think of alternative service provision as the cartels are proving to be the biggest hurdle. There is need of periodic research based assessment by independent authority of the ongoing contracting out parking projects, so that hurdles like corruption, cartelization, maladministration and poor grievance redressal can be removed.

References


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