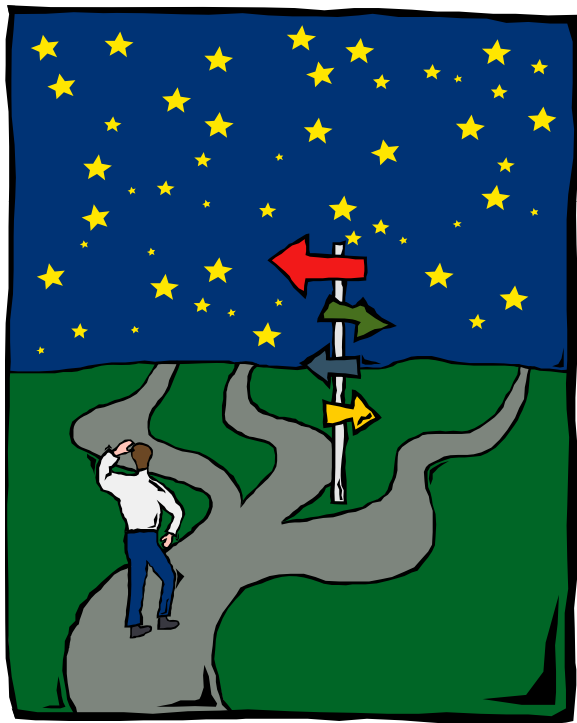


I. Introduction

Public Transport Planning and Industry Reform: An Introduction



Course Objectives



1. Learn Basic Characteristics of Public Transport

2. Acquire Basic Service Planning and Analysis Skills

3. Understand Options for Providing Public Transport





Why is Public Transport Reform Important?

- **Prime Public Transport Goal**
Meet Community Access and Mobility Needs
- **How do we best meet this goal?**
Effective institutional arrangements, planning, and management!



Objectives of Reform



Develop a public transport system that is:

– Effective

- *Meets mobility needs* and is reliable, affordable, safe, and user friendly

– Efficient

- *Minimizes costs* consistent with standards of effectiveness

– Financially Sustainable

- *Consistent with short and long term community resources*

– Consistent with Broader Community Objectives

- *Supports community development and minimizes impacts*
e.g., pollution, congestion



Key Mechanisms



- **Organizational Framework**
 - Forms of competition
 - Detailed rules for operation
- **Regulation**
 - Protects user needs
 - Ensures fair competition



General Organizational Frameworks



- **No competition**
 - Government authority plans and operates services as public monopoly
- **Competition *in* the market**
 - Government authority grants operating rights to private companies
- **Competition *for* the market –**
 - Government authority plans services and contracts for private operation



No Competition Public Monopoly

Government plans and operates services as a public monopoly

Advantages

- Direct government control over services and fares
- Easy service and fare integration
- Sensitivity to social objectives

Disadvantages

- Poor management incentives
- Political interference in day-to-day operations

Typical Results

- Low efficiency and service quality
- Financial sustainability problems

Examples

- United States, former Soviet Union





Bangalore, India Example



- **One operator (BRTC) serves the metropolitan area**
 - Provides different types of services based on BRTC planning
 - Operates large and small buses
 - Outsources some functions
- **Broad policy direction provided by state**
 - BRTC retains full management authority over services, fares, and labor
- **No independent regulation other than safety**



Making SOE, Public Monopoly Work Better

- **Build in incentives for management**
- **Maximize out-sourcing**
- **Establish clear roles for political leadership and management**
- **Set clear performance objectives, measures, required actions, and consequences**



Competition *in* the Market

Government grants operating rights to private companies who may compete on the street for customers

Advantages

- Limited government operations management
- Management incentives for efficiency



Disadvantages

- Strong government technical oversight of services and fares needed
- More difficult service and fare integration
- Difficult to revise service network
- Difficult to provide unprofitable services

Typical Results

- Financially sustainable
- Oversupply of low-quality services
- Insensitivity to social objectives (e.g., congestion, affordability)

Examples

- Latin America, Africa, Asia



Hong Kong Example

- **Strong government planning and analysis**
 - **Corridor/sub-area**
 - Small number of companies operating large buses including double-deckers
 - Larger number of companies operating mini-buses
 - Different types of services based on private market assessment within regulatory limits
- **Very tight regulation/enforcement**
 - **Number of companies and buses**
 - **Quality of buses**
 - **Safety**
 - **Fares**
- **No subsidies (huge captive market)**



Making Competition *in* the Market Work Better

- **Create strong planning and regulatory body**
 - Manage the amount of service operated to insure profitability and quality
 - Set realistic fare levels based on sound economic principles and operating practices
 - Enforce safety and operating rules
 - Establish sound licensing policies (e.g., number, renewal period, ceilings on ownership)
- **Provide publicly-funded infrastructure**
- **Provide strong traffic management and enforcement**
- **Provide joint services**
 - Public information and marketing
 - Assistance in vehicle procurement



Competition *for* the Market

Government plans services, sets fares, and contracts for private operation

Advantages

- Direct control over services and fares
- Management incentives for efficiency
- Control of service quality through contract provisions
- Sensitivity to social objectives



Disadvantages

- Strong government planning and oversight of services and fares needed
- More difficult service and fare integration
- Requires strong contract management

Typical Results

- Financially sustainable
- Relatively high efficiency and service quality

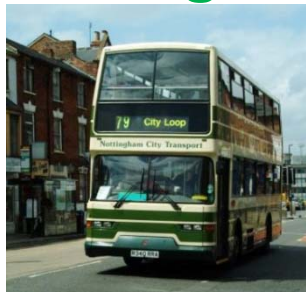
Examples

- Latin America BRT, United Kingdom, France



UK Outside London Example

- **Strong government planning and analysis**
 - **Corridor/sub-area**
 - Small number of companies operating large and/or small buses
 - Different types of services based on public authority plan
- **Results**
 - **Early problems in contract specification and management that were corrected**
 - **Higher quality services, lower subsidies**



Contract Types

- **Gross-cost contracts**
 - Fare revenues go to public authority
 - Contractor risk limited to costs
- **Net-cost contracts**
 - $\text{Net-cost} = \text{Total costs} - \text{Fare revenues}$
 - Contractor risk includes costs and revenues (riders)



Making Competition *for* the Market Work Better

- **Maximize competition**
 - Multiple tenders (break up services)
 - Limits on awards to one company
 - Public provision of infrastructure and facilities
 - Assistance in procuring vehicles
 - Reduce contractor risk
 - Gross-cost contracts
 - Pass-through of volatile cost items (e.g. fuel)
- **Provide joint services**
 - Public information and marketing
 - Street supervision
 - Fare collection
- **Provide reasonable contract incentives**

Summary of Key Features Competition Frameworks

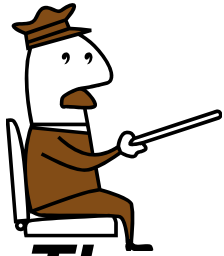
	Monopoly	In Market	For Market
Operations Efficiency	—	+	+ / —
Service/Fare Integration	+	—	+ / —
Quality Control	+	—	+ / —
Political Interference	—	—	+
Passenger Demand Response	—	+	—
Government Skills Required	—	+	+ / —
Sustainability	—	—	+

Regulation



- **All frameworks need regulation**
 - Set rules of conduct and operation
 - Enforce rules
- **Regulation can cover:**
 - Fares
 - Service levels: frequency, hours, accessibility
 - Service quality: reliability, crowding
 - Vehicles: access, comfort, safety, emissions
- **Effectiveness of regulations**
 - Regulations are meaningless without enforcement
 - Incentives can assist compliance





Institutional Implications



The reform of urban bus transport requires:

- **A regulatory framework**
 - Legal basis to impose the appropriate obligations and incentives
- **Competent regulatory institutions**
 - Able to plan route networks, administer regulations, guide industry development, and monitor outcomes
- **A responsive operating industry**
 - Amenable to control, willing to enter into competition and to invest (e.g., buses, garages)
- **A government entity to provide supporting infrastructure**
 - e.g., Passenger facilities, traffic management, bus priority schemes



Reform Also Requires Consideration of Transition Issues

- **What service will be provided?**
 - **Current, revised, or new route network**
 - **Frequencies and days of operation**
- **How will current stakeholders be treated?**
 - **Companies which “own” operating rights**
 - **Owners who provide the buses**
 - **Drivers and other labor**
 - **Combinations of the above**





Examples of Potential Shareholder Treatment

- **Government “compensates” stakeholders for change**
 - **United States: Competition in Market *TO* Public Monopoly**
- **Government requires stakeholder involvement in new system**
 - **United Kingdom (Labor): Public Monopoly *TO* Competition for Market**
 - **Cali, Colombia (Companies/Bus Owners): Competition in Market *TO* Competition for Market**
- **No effort made to address stakeholder concerns**
 - **Indore, India: Competition in Market *TO* Competition for Market**



What is the Best Reform Option?

The answer depends on the local setting

- **Desire of the government to control outcomes**
- **Legal authority for oversight and control**
- **Availability of funding to support government oversight and control**
- **Political willingness to exercise legal authority**
- **Ability to develop acceptable transition plan**

The Urban Bus Toolkit can help



World Bank Urban Bus Toolkit



- Targeted at improving urban bus systems in developing/transitional countries
- Sets out alternatives for providing services
- Provides tool for evaluating alternatives



Supporting Materials Provided

- **Case studies**
 - Developing countries (11 cities)
 - Developed countries (11 cities)
- **Guidance documents for transport practitioners and city officials**
 - Administrative procedures
 - Administrative structures
 - Contracts
 - Reform options



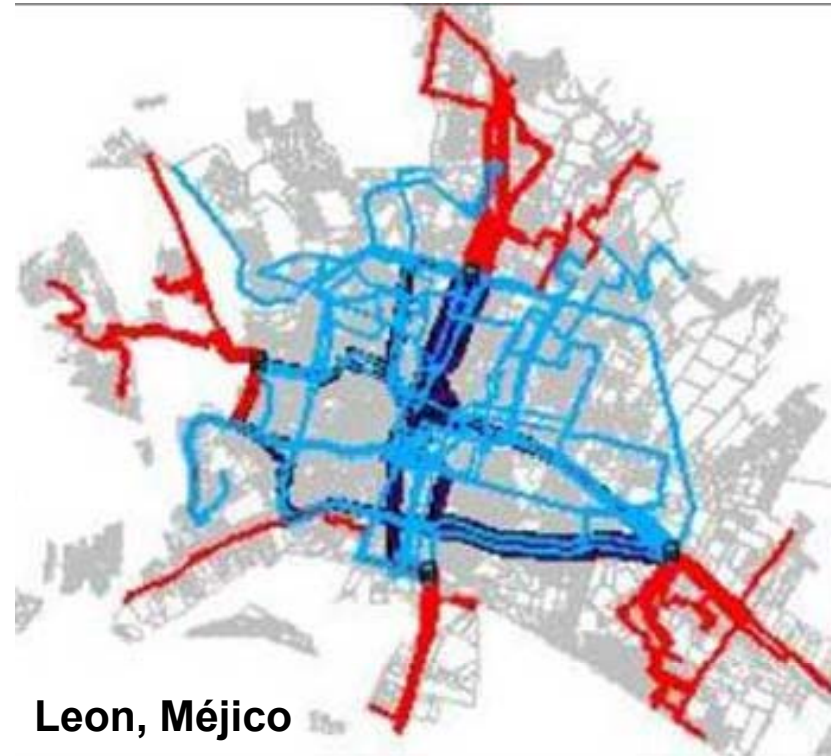
Where Can I Get the Toolkit?

- **Run from the CD**
 - **Copies available here**
- **Go the web site**
<http://www.ppiaf.org/UrbanBusToolkit/>

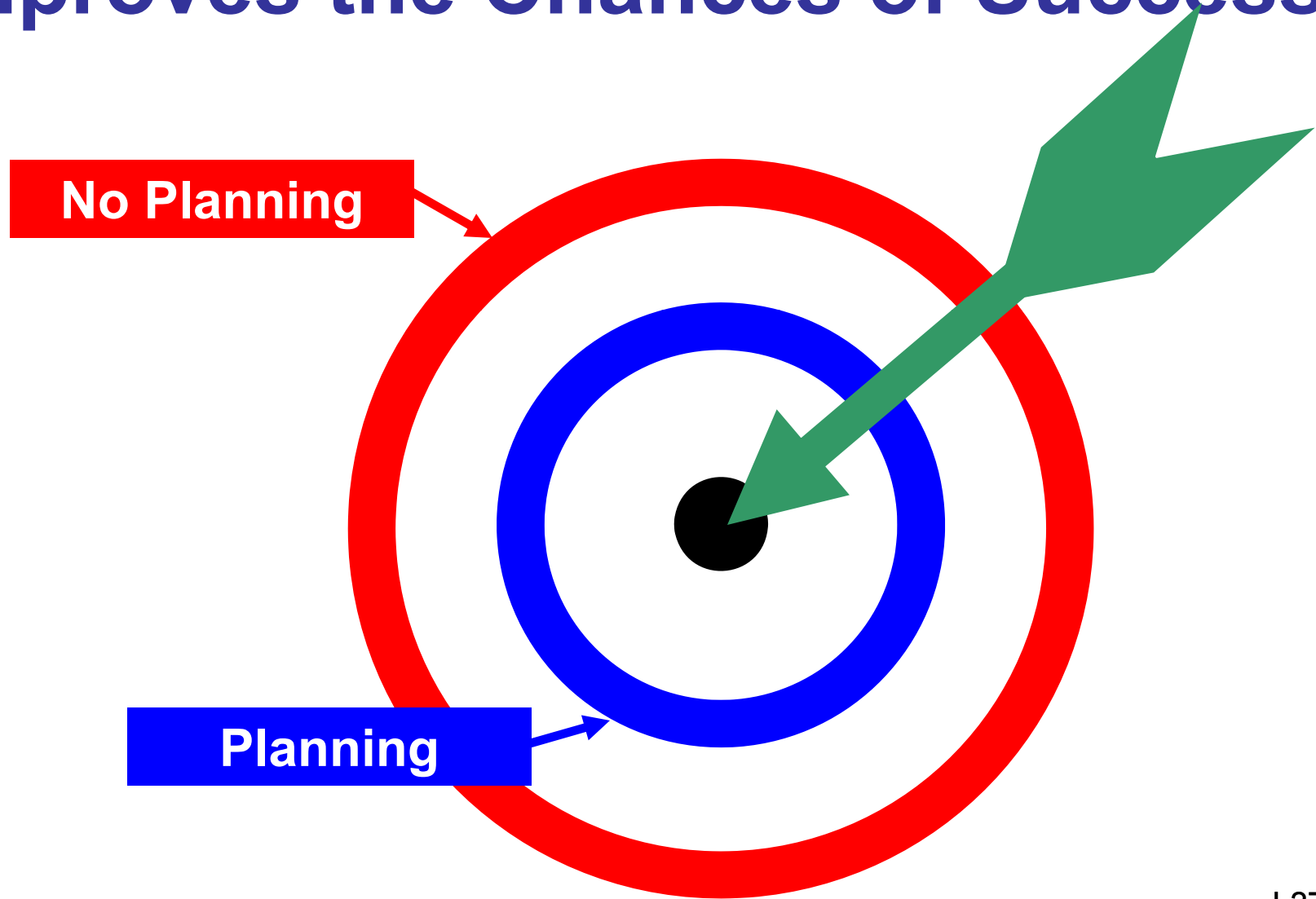


Public Transport Planning and Analysis Is Important to Reform

- Public Needs Analysis
- Network/Route Design
- Alternatives Evaluation
 - Riders, revenues, costs
- Fare Setting
- Performance Standards
- Performance Evaluation



Good Planning and Analysis Improves the Chances of Success!



Planning and Analysis Building Blocks



Schedule Building	Cost Analysis and Financial Planning
Performance Analysis	
Measures & Standards	Service Monitoring and Data Collection
Network and Route Design	Fares and Revenue: Policy, Analysis, and Collection
Market Factors and Demand Analysis	Terminology and Basic Relationships

