

Strategy and Innovation for Bus Reforms in Developing Countries

Challenges

- In developing countries, buses are the backbone of public transit, and the poor depend on them to access employment and other urban services. But these bus services are often unsafe, offer poor service, and are environmentally unfriendly.
- Bus-based public transit has been dominated by three models, all of them inadequate: (i) private, atomized services with diluted ownership models and incentive structures; (ii) inefficient publicly owned operators; and (iii) strong and corporatized private operators not subject to the discipline of open and transparent competition and scrutiny.
- Poorly run and weakly regulated bus-based public transit strains cities' competitiveness and finances, and can ultimately be regressive for the poor.

the private sector delivers services through corporatized operators that compete openly and transparently.

These hybrid systems require regulatory institutions able to plan and monitor services, administer regulations, and oversee outcomes and service quality. They also require a responsive operating industry that is amenable to control, willing to enter into competition, and able to invest (e.g., in buses, garages)

Strategy for Reform

The emerging consensus is that bus reform should encourage a hybrid system, in which the public sector plans, regulates, and provides oversight, and



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What is GPSC?

Led by the World Bank and supported by multilateral development banks, UN organizations, think tanks and various city networks, the GPSC is a knowledge sharing platform that will provide access to cutting-edge tools and promote an integrated approach to sustainable urban planning and financing.

Case Study London Bus Reform

Before passage of the London Regional Transport Act of 1984, London's bus system was an increasingly costly public monopoly: between 1970 and 1985, inflation-adjusted costs per bus mile grew 65 percent, or 3.4 percent per year. The 1984 act introduced competitive route tendering and privatized the state-subsidized public company responsible for bus transport services. Private operators are now subject to continued retendering of bus routes, have short franchise durations (five to seven years), and are incentivized to meet quality standards by a system of bonuses and fines. A strong planning and regulating entity, Transport for London, oversees the planning and management of route networks, fare pricing, and performance of private operators; operators are paid by the authority, which retains the revenue from bus services. These gradual reforms have increased London's bus patronage and services levels, and they have reduced operating subsidies by almost 40 percent over the 2008–2013 period.

Source: M. Pai, A. Prabhu, and D. Hidalgo, "Decision Making Process in Successful City-Wide Bus Reforms: Same Story Repeats in Three Continents" (EMBARQ-WRI Ross Center for Sustainable Cities, 2009).

Bus Rapid Transit: A Positive Context for Reform

Many cities in developing countries have implemented similar bus reforms: they have centralized fare collection and fleet control, reduced supply and reorganized services, contracted out bus services, required that incumbent players form companies, formalized drivers and maintenance personnel, and applied stricter quality control, regulation, and enforcement. These reforms have often been successful when implemented in the context of bus rapid transit (BRT) systems, which include the development of segregated busways and higher-capacity buses. In cities like Bogota, Quito, Lima, and Mexico City, shorter travel times on the dedicated busways combined with the higher frequency of buses have benefited riders, enhanced economic viability for the operators, and left cities safer and cleaner.



Challenges to Reform

Post-reform, many non-BRT systems and some BRT systems have not achieved financial viability. Cities have been ill prepared for the ensuing financial liabilities and contract volatility, including renegotiations (in Santiago de Chile's Transantiago system), bankrupt operators (in Bogotá's more current citywide reform called SITP), and outright cancellations of the concession (Monterrey). In some medium-size cities of Colombia and South Africa that have implemented BRTs, the financial liabilities have cast doubt on the entire system's sustainability.

Reform efforts have entailed other challenges as well:

- **Dissatisfied users.**

The reforms have not been a net improvement for many riders, who must deal with less frequent buses and more frequent transfers, which are needed to make a formalized system economically viable.

- **Lack of open competition**

and regular retendering. Initial reform has often safeguarded incumbents' interests and livelihoods at the expense of efficiency. A truly competitive, open, and regular tendering process is needed; contracts should be of a reasonable duration, and retendering should occur upon expiration.



- **Weak regulators.**

Cities' weak institutional capacity has hindered their ability to plan, manage, and regulate bus systems. Lack of capacity to design, tender, and manage concession contracts has increased reform costs and led to contracts with inadequate incentive structures, risk allocation, and durations. Technological investments related to fare collection have experienced some significant problems and have not always paid off.

- **Financial risk and private sector participation.**

Lower-than-expected demand, along with weak governance and corporate structures, has hindered access to commercial finance for operators, which is needed for procuring the new fleet.

Moving Forward: Innovative Initiatives for Gradual and Flexible Reforms

Cities are increasingly seeking to improve bus services incrementally and thus avoid some of the challenges of a large-scale formalization reform. The following are among the initiatives being tried:

- **Enhancing operators' capacity.**

Sensors are being used in La Paz to make dispatching more efficient, while financial and technical training for informal operators in South Africa is helping to professionalize operations.

- **Mapping informal routes with smartphones and crowdsourcing.**

In cities such as Durban, Nairobi, and Mexico City, crowdsourced maps of informal routes have made paratransit more visible and accessible to users as well as regulators.

- **Incentivizing good driving.** In Nairobi, a pilot program allows riders to record and rate drivers' behavior using accelerometers in their smartphones. The goal is to assess how this information could be used by insurers to reward good driving.

- **Using smartphones to schedule and pay for services.**

Travelers in Nairobi can use an Uber-style app to schedule and pay for matatu (minibus) rides. The app addresses the informal inefficiency in paratransit by matching supply (matatu drivers) to demand (passengers).

Taken together, these initiatives do not provide a viable alternative to formalization; nor has any city yet successfully implemented these initiatives at scale. Still, these pilots could herald a new paradigm in bus transit reform.



Public Private Infrastructure Advisory Facility (PPIAF) Bus Reform Toolkit, <https://ppiaf.org/documents/toolkits/UrbanBusToolkit/assets/home.html>.

See Andrés Gómez-Lobo and Julio Briones, "Incentive Structure in Transit Concession Contracts: The Case of Santiago, Chile, and London, England" (Washington, DC: Clean Air Institute, 2013); Andrés Gómez-Lobo and Julio Briones, "Incentives in Bus

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