



Public transport reform process

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Institute for Transportation & Development Policy



Promoting equitable and sustainable transport worldwide.

- Routes & schedules geared toward profitability rather than passenger convenience or system efficiency
- All of the risk is allocated to the private sector
 - In return, government doesn't expect much in terms of service quality

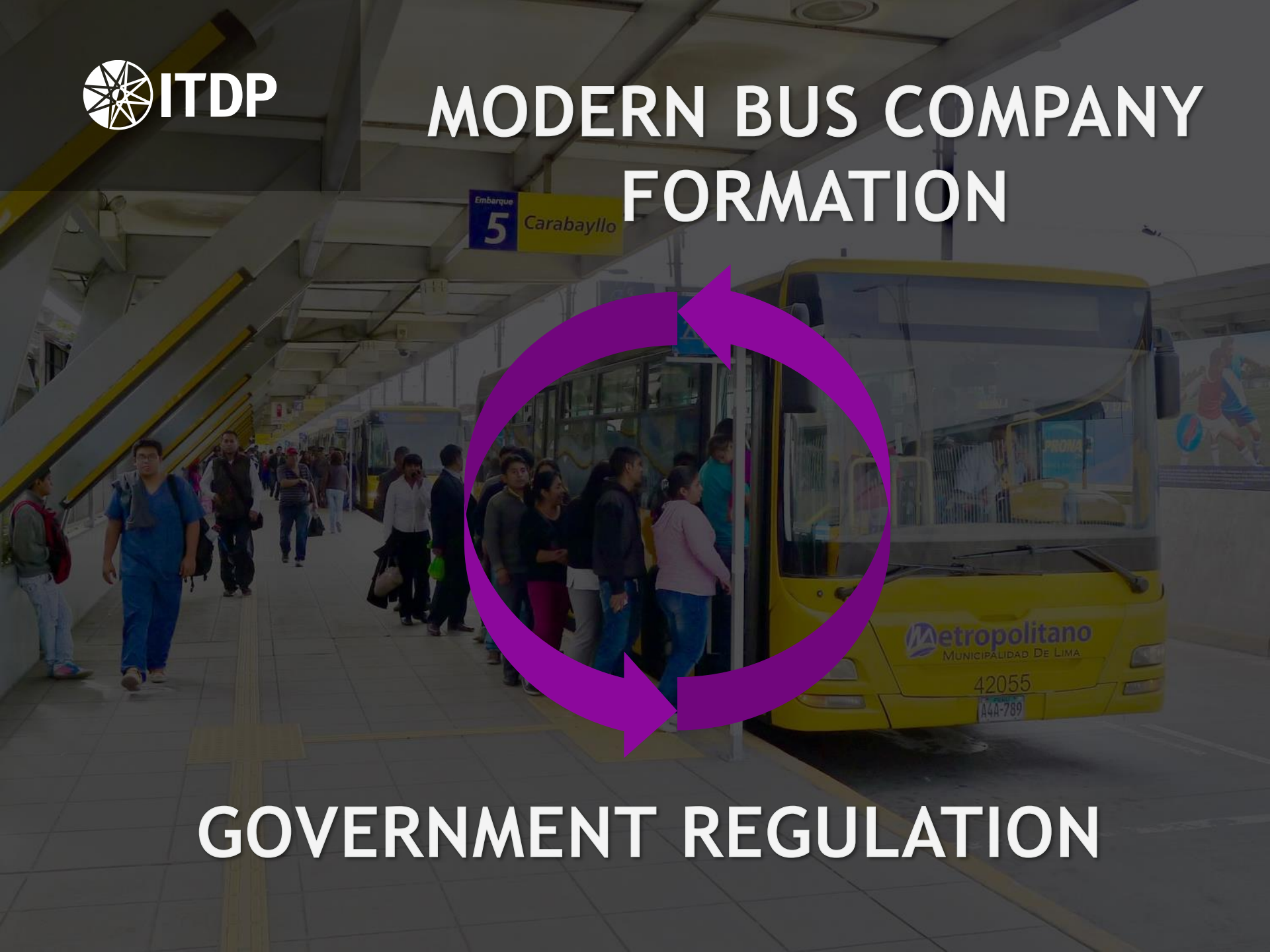




MODERN BUS COMPANY FORMATION



GOVERNMENT REGULATION



Evolution of bus sector regulation

COMMERCIAL OPERATING LICENSE ONLY

- Individuals, collectives or companies can operate anywhere.
- The market is regulated by informal associations.

ROUTE LICENSE ONLY

- Individuals, associations, or companies have licenses to operate specific routes.
- The company or driver collects all revenue.

SERVICE CONTRACT

- The bus company has a contract with the government to provide services.
- The contract lays out operational standards.
- Services may be route- or area-based.

Evolution of the public transport industry

INDIVIDUAL OWNER-OPERATORS

- Each vehicle is owned and operated by an individual.
- The owners are often organised into associations or cooperative societies.
- The fleet is usually maintained by individuals.

BUS OPERATING COMPANY

- The fleet is owned by the company rather than individuals.
- The company has formal fleet maintenance protocols and access to depot facilities.
- There are corporate governance standards.

Organizational structure

VEHICLE CREW OPERATING UNDER THE TARGET SYSTEM

- Driver and conductor earnings are directly related to the number of passengers carried.
- Little or no job security.

STAFF RETAINED IN SALARIED POSITIONS WITH FORMAL CONTRACTS

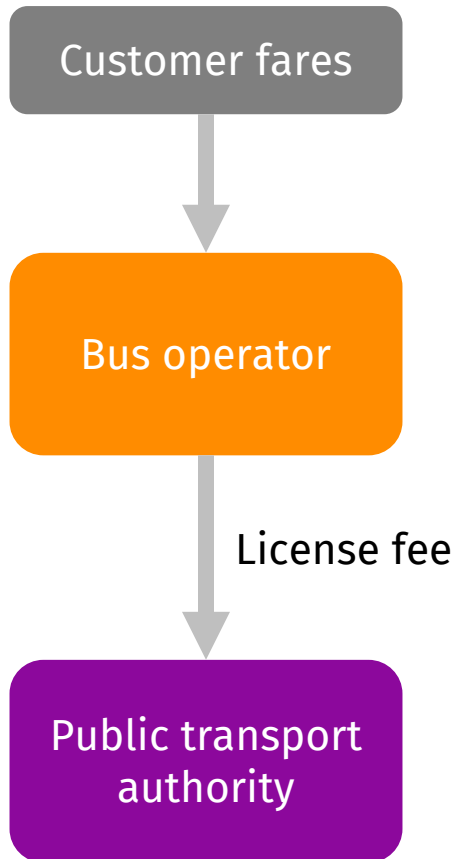
- Crew members earn a fixed monthly salary.
- Individual performance is incentivised through parameters such as driving safety rather than the number of passengers carried.

Staff compensation

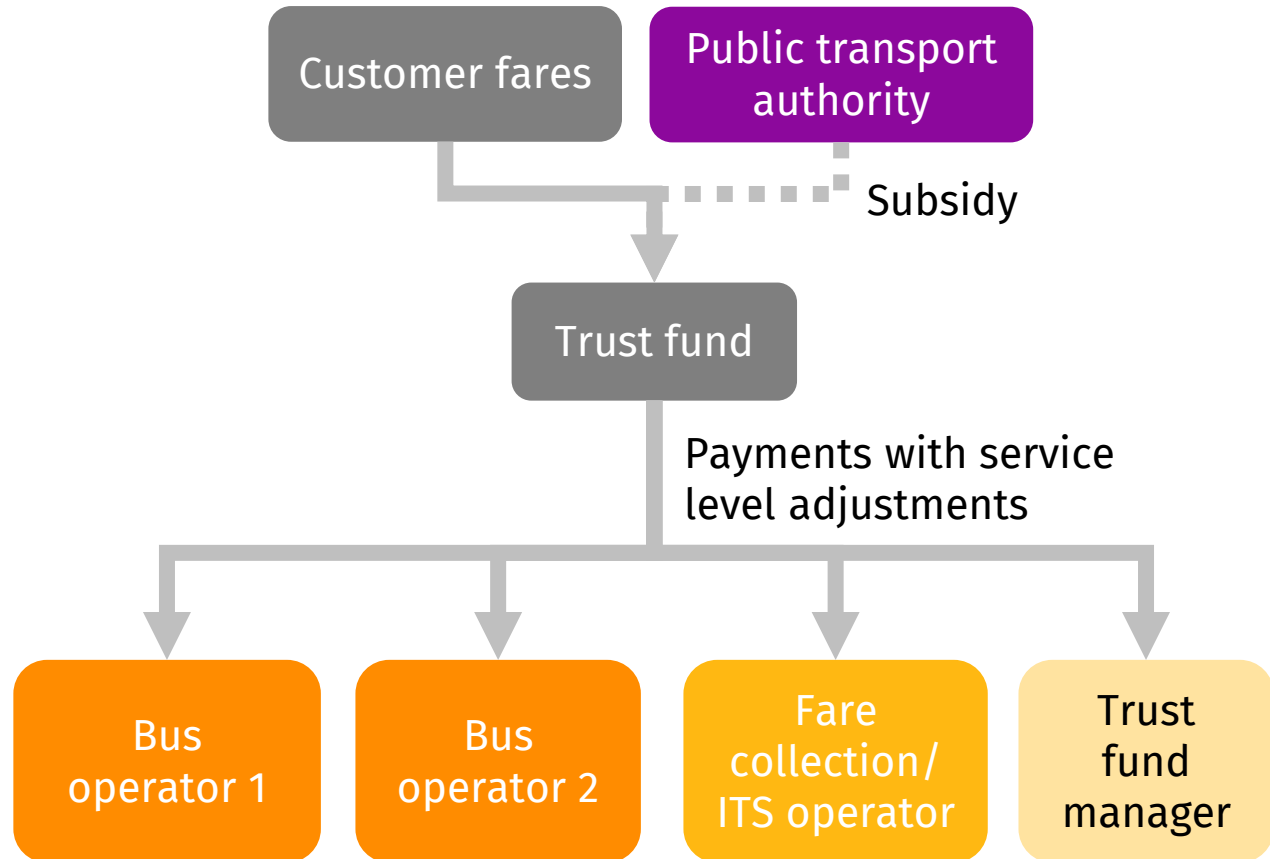


How should bus operators be compensated?

Net cost contract



Gross cost contract



New economic model for public transport services

- Company earnings based mostly on vehicle kilometres travelled rather than number of passengers
- Km operated to be controlled and monitored via GPS



Lloyd Wright

Bogotá before BRT: Drivers worked 16 hours per day under difficult conditions



Lloyd Wright

After: Drivers work 6 hours per day under greatly improved conditions and earn more

Who should be responsible for each element of the system?



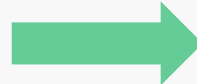
Bus fleet



Bus operators should buy and own the buses. The private sector can negotiate a better deal and ownership gives an incentive to maintain the vehicles.



Depots



Government builds and owns the physical structures, while the operator provides removable furnishings and supplies. The government retains ownership if there is a change of operator.



Fare collection



An **independent operator** answerable to government should manage the fare system. Government can enforce service levels and multiple bus operators can use the same fare system.



Division of responsibilities between government and bus operators

	Bus operations	Bus procurement	Fare collection	Trust fund	Control center	Operations planning
Curitiba	Private	Private	Public	Public	Public	Public
Transmilenio, Bogotá	Private	Private	Private	Private	Public	Public
Transantiago, Santiago	Private	Private	Public	Private	Private	Public
Transjakarta, Jakarta	Private	Private	Private	Public	Public	Public
Rea Vaya, Johannesburg	Private	Public	Private	Public	Public	Public
MyCiti, Cape Town	Private	Public	Private	Public	Public	Public
Janmarg, Ahmedabad	Private	Private	Private	Public	Public	Public
Guangzhou BRT, Guangzhou	Private	Private	Public	Public	Public	Public
Metrobus, Mexico City	Private	Private	Private	Private	Public	Public

Transition process



- Incentives for the transition process: Fleet renewal, new service plan, BRT system



Prepare a service plan to understand travel patterns



- The process for identifying affected operators should be transparent:
 - **Fully affected:** The full route or more than half of its initial length is included in the tender or the route is canceled
 - **Partially affected:** Less than half of its total length is included in the tender
 - **Not affected:** The route and frequency are not changed at all or are changed minimally
- Affected operators elect leadership
 - May differ from existing industry associations





Variables used to identify affected operators

- License to operate on the route
- Fleet of each owner/association per route
- Estimated value of the vehicles, per route and association
- Daily boardings per route
- Daily kilometers per route



Managed competitive tender or negotiated contract?

- **Managed competitive tender:** Bidder is selected based on the highest quality proposal with the lowest price. Experience points awarded to bidders that include affected operators
- **Negotiated contract:** The government may choose to negotiate with the operators if they form a modern company and sign a new contract
- Advantages of a managed competitive tender:
 - An open tender is more transparent
 - The selection process can follow a clear timeline
 - The bidding price will be lower due to competition
 - Minimum qualification criteria (e.g., capital reserves, presence of competent managers, and corporate governance standards) can be enforced



Bidding criteria can reward involvement of existing operators

TransMilenio bidding criteria

Factor	Description	Eligibility	Min. Points	Max. Points
Legal	Legally registered	X	-	-
Economic	Sufficient investment capital	X	-	-
Price	Price per km offered			350
Operations	Bus operator in city		30	150
Operations	Bus operator in corridor		50	250
Operations	International experience		-	50
Ownership	Shares held by small bus owners		32	200
Environment	Emissions, etc			200
Vehicle source	Local manufacturer			50

	Competitive tender	Private bus operators	Kilometer based contracts	Separate fare collection	Quality of service contracts	Multiple operators
TransMilenio, Bogota	Yes	Yes	Yes	Yes	Yes	Yes
Guangzhou	No	Yes	Yes	Yes	Yes	Yes
Curitiba, Brazil	No	Yes	No	Yes	Yes	Yes
Metrobus, Mexico City	No	Yes	No	Yes	Yes	Yes
Rea Vaya, Johannesburg	No	Yes	Yes	Yes	Yes	Yes
MiCity, Cape Town	No	Yes	Yes	Yes	Yes	Yes
Janmarg, Ahmedabad	Yes	Yes	Yes	Yes	Yes	Yes
TransJakarta, Jakarta	No	Yes	Yes	Yes	Yes	Yes



Measuring a bus operating company's development



- Centralised ownership of a modern vehicle fleet
- Sufficient reserve fleet (i.e., at least 6 percent)
- Fleet secured in a modern, fully equipped depot
- IT-based operations control & maintenance scheduling
- Salaried staff
 - Priority hiring list to incentivise inclusion of existing drivers, conductors, and other staff
 - Workplace benefits including defined work hours, paid sick leave, and paid parental leave
 - Gender representation among drivers, mechanics, and management
- Good corporate governance

Quick Guide to Bus Sector Modernisation



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Thank you

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