



Asia-Pacific



Symposium on
Public
Transportation in
Indian Cities with
Special focus on
Bus Rapid Transit
(BRT) System

New Delhi
20-21 Jan 2010

BRT Management and Public Private Partnership

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Focus of BRT

What gets done

Physical infrastructure

Procurement of high quality buses

Procurement (not integration) of partial IT systems

What gets missed out

Institutional Structure & Regulatory Mechanism

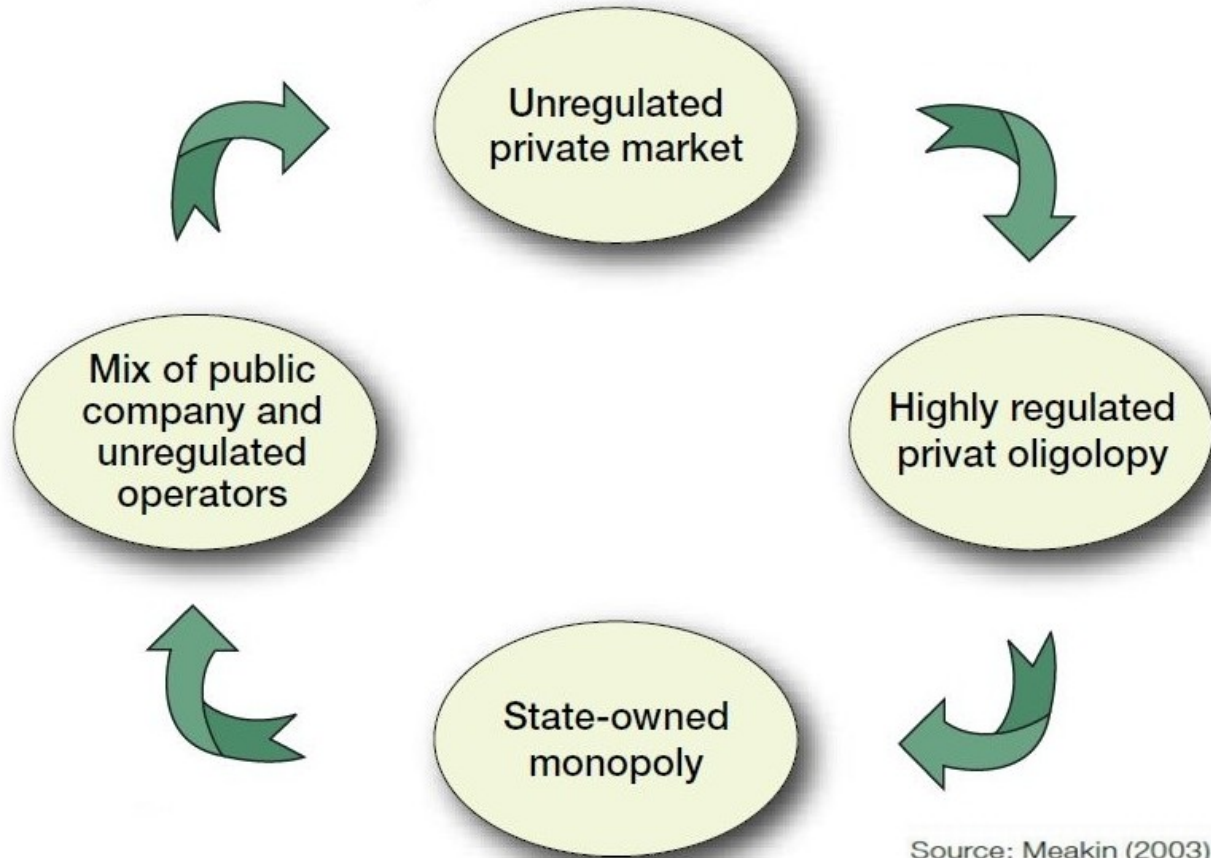
System Optimization & Institutional Capacity Building

Leveraging Private Resources - Efficiency for public good

The Regulatory Cycle

Cities stuck in this vicious cycle find no workable solution

Poor quality public transit leads to private motor vehicle growth



Source: Meakin (2003)

State owned operations

- Regulator and operator are the same
- Poor capacity in planning as well as operations
- High operating cost and poor service quality
- Monetary leakages in operations & maintenance
- Top management's energy wasted in fire fighting
- No incentive to improve operations since government bails out of debt

Eventual collapse because of no fresh investment

Objective of regulatory change

- Reduce the fiscal burden of transit systems
- Attract new private investment into the system
- Maintain good quality customer service

Competitive contracting options

- A. Route/Zone operating contract with license fee/royalty (or lowest subsidy bid)

- B. Bus operating service contract with payment based on kilometers operated and service quality levels

Route Contract

License to operate
and collect fare

- Little flexibility in modifying routes later
- **Seemingly reduces governments burden/risk**
- Poor service quality - Revenue risk on operators
- **Operators prefer high-demand routes. Low demand routes suffer**
- Poor street discipline since multiple operators fight for each passenger on street (penny war)
- **If monopolistic route/zone contracts are awarded to avoid competition on street, large transfers imposed on passengers and inefficient use of bus fleet**

Route License Contract MYTHS

- Little oversight required by Government
- Operators can provide HIGH QUALITY buses and service levels at fixed LOW regulated fares
- Routes can be so segregated that there is no on-street competition amongst operators
- Government bears no risk, yet earns money

Bus Operations Service Contract

Payment based on kilometers operated

- No fixed route allocated. Flexibility in modifying operations based on changing demand patterns
- Operations optimized by Public Agency (SPV). High as well as low demand zones are well serviced
- Bus operator is responsible for high service quality levels with low revenue risk (shares low/no risk)
- Performance based contract. Poor service levels attract penalty
- Flexible operations with low transfer rate
- Revenue risk borne by Public Agency

Bus Operations Service Contract

Best Practice terms

- Service contract based on km operated. No fixed route allocation. If demand changes, flexibility exists in
 - Changing frequency and schedule on each route
 - Modifying routes (future route rationalization)
- Performance based contract
 - Fines charged for infractions during operations and lapses in vehicle maintenance & upkeep
 - Fine money redistributed amongst good performers
- Kilometer rate based on transparent, predefined formula.
- Fare Collection through independent contract.

Key to system's success

Regulator (SPV) should have

- Access to information – bus operations & ridership
- Strong internal capacity in planning and monitoring
- Independence to take action and run like business

The more empowered the regulatory agency is with information, the better it is able to turn the interests of the private operators to the public good.

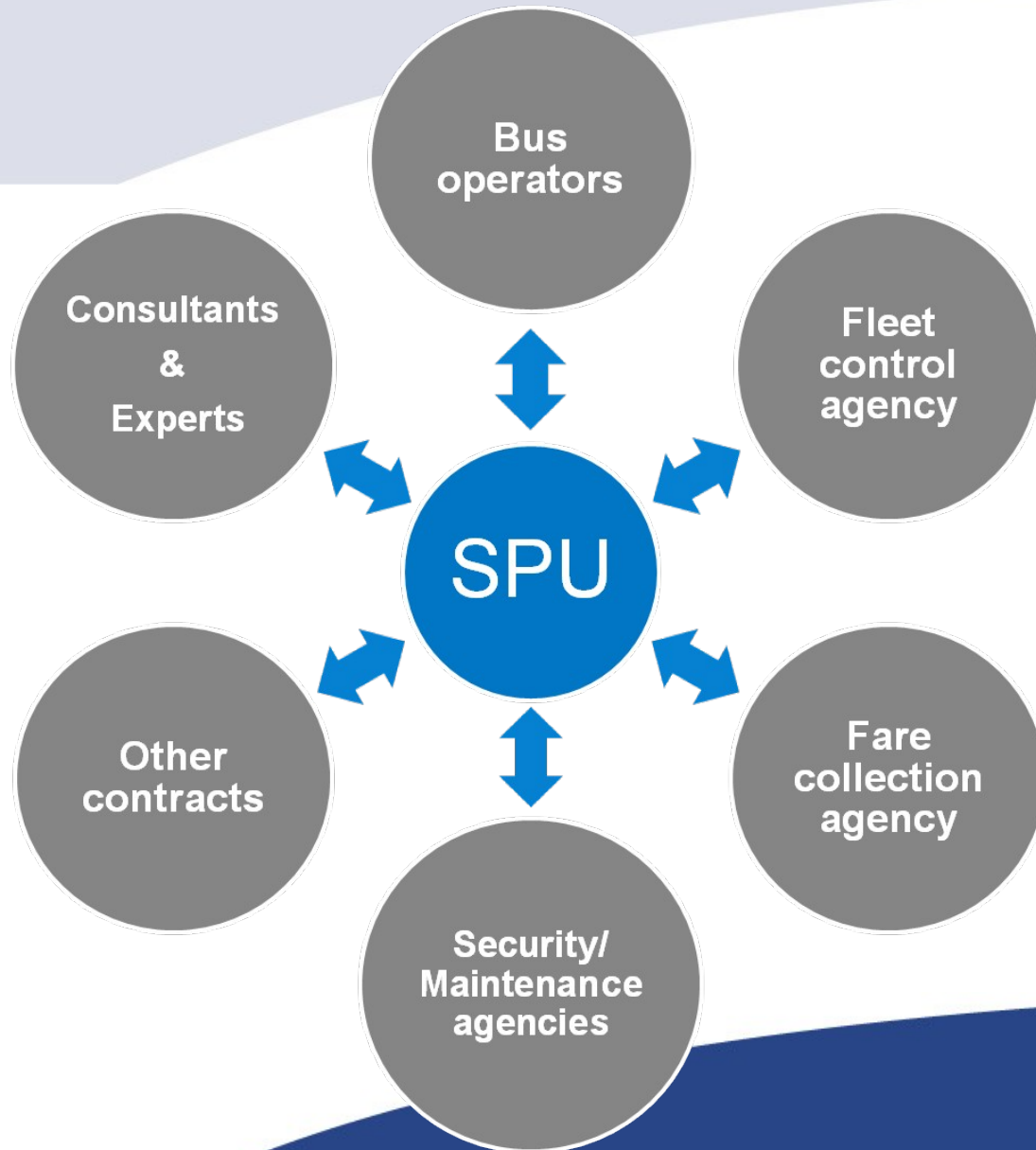
Reason for subsidy

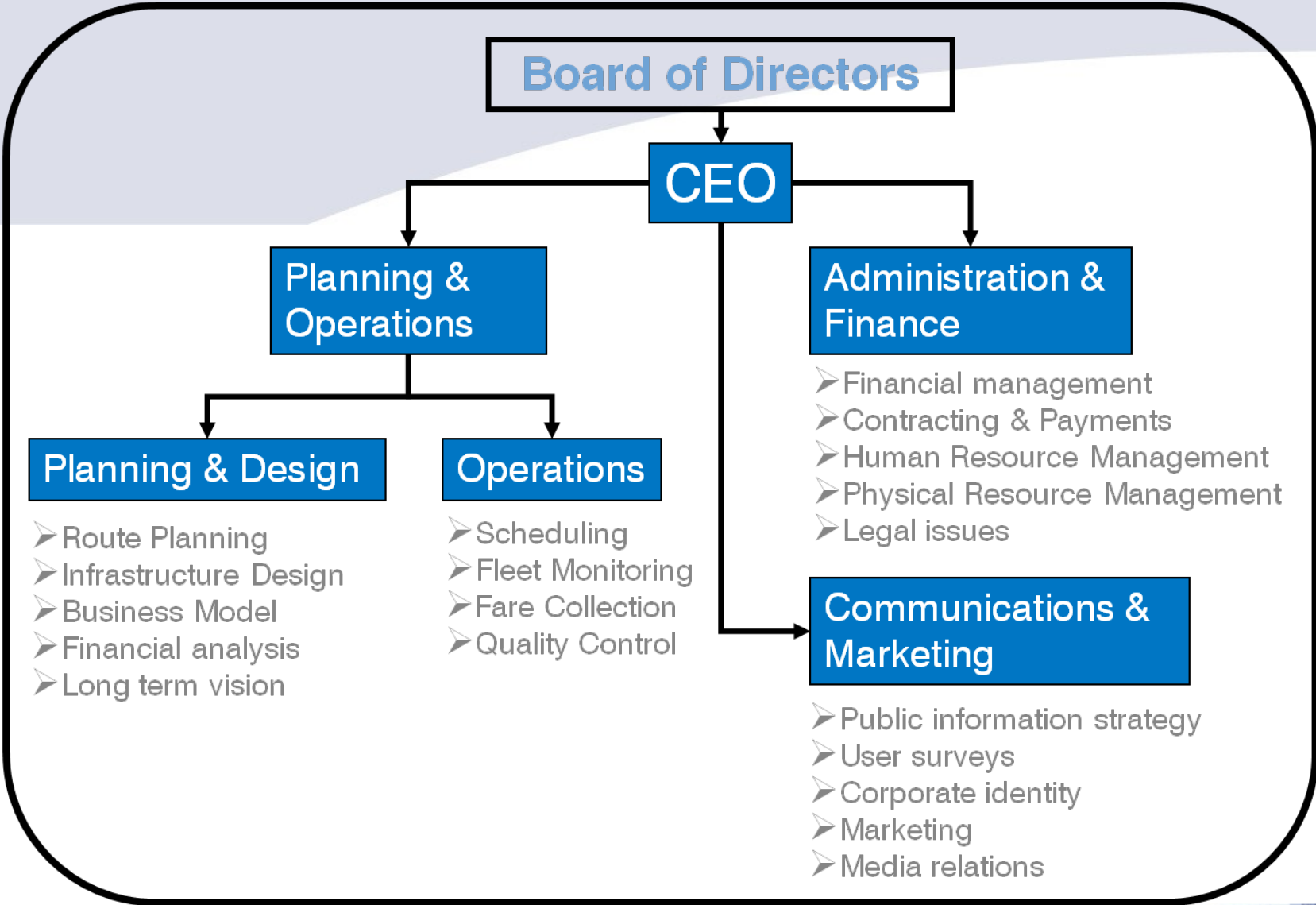
To offset the cost of travel for economically weaker sections and promote public transit...

...not to cover the inefficiency of the regulator and operator

In a developed system, formal subsidy recognizes the social and economic importance of Public Transport. Subsidy, in such context, requires clear analysis of ridership and costs.

SPU as regulator and manager





Case study – Bogota

TransMilenio

- Public owned SPV contracts, monitors and regulates. High capacity to plan and monitor. Lean organization. Independent
- Competitive bidding for bus operations paid by km with service level benchmarks. Buses procured & operated by multiple private operators.
- Risk partially borne by private operator (no min km guarantee)
- Separate contract for Automatic Fare Collection (paid on passenger ridership. Risk borne by fare operator)
- Ongoing system optimization. Routes & schedules modified
- Fare is increased by SPV if needed to keep business afloat without reducing service quality
- No subsidy from government

Case study - Mexico city

Metrobus

- SPV formed but weak capacity in planning and monitoring
- Private monopoly operator awarded contract with no bidding. Some competition from a public bus operator.
- Poor negotiation, so price paid to operator per km is high. Resulted in high public fare.
- Buses procured by private monopoly operator
- Independent fare collection contract. Fare operator pays itself (based on ridership), monopoly bus operator (on km) and public sector bus operator (on km).
- Two corridors without any integration with each other and with other services or feeder services

Case study - Quito

Ecovia

- Buses procured by government and leased to private monopoly operator.
- Operator collects fare, pays itself. Maintains service levels but claims losses and doesn't repay cost of bus
- Regulator is weak and has no access to information
- Single corridor without any integration with other corridors or feeder services
- Fare is fixed by regulator and has not been changed

Closing remarks

- Lean SPV as regulator with high level of planning and monitoring capacity
- Private bus owner-operations firms paid on km run
- Independent fare collection contract (ridership linked or service contract)
- Direct access to untampered information on passenger ridership and bus operations (km & quality)
- SPV has freedom to modify operations as required, based on demand or business opportunity
- SPV is authorized to set fare after all means of optimization are exhausted

*'To open a shop is easy,
to keep it open is an art!'*

- Chinese proverb

Suggested reading

1. BRT Planning guide, ITDP (www.itdp.org)
2. Bus Regulation and Planning, Richard Meakin, Sustainable Urban Transport: A Sourcebook for Policy-makers in South Asian Cities, GTZ

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