Role of State Government in Improving City Bus Services

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Arthur D. Little Urban Mobility Index 3.0 – City ranking

Global Average 42.3

Ranking

below average  
average  
above average

28  32  36  40  44  48  52  56  60

Arthur D. Little
Role of buses in top performing cities

In all cities performing highly on mobility, buses are a major system component.
Situation in India

There is a major SUPPLY GAP (about three to four times) compared to international benchmarks and bus quality needs to improve.
Growth in bus fleet is not keeping pace

The situation is rapidly deteriorating, leading India into an unsustainable path.
Bus sector challenges

- Major Supply Gap
  - Bus provision is 1/3 to 1/4 of needs in cities

- Low quality of services
  - Aging fleet with limited customer focus

- Low fleet growth
  - Growing at half of competing modes

- Limited public resources for scale up
  - Public operators on survival mode
Key Challenges

- Fragmented institutional responsibilities
- Bus network not responsive to customer demand
- Licencing and regulatory regimes limiting market access and ineffective mechanisms to leverage private sector operators
- Costly service by public operators
- Low fare and limited government support leading to insufficient investments
- Congested roadways for buses
- Gaps in skilled resources (planning/contract management/drivers)
Why it matters

**Improved mobility**
STU Buses cater on average for 961 in urban daily. A fleet of 25,000 urban buses can deliver **20 million daily trips** or 78 billion passenger kilometres per annum, at a cost lower by 64% than the alternative.

**Efficiency**
The vehicle operating cost of bus transport per passenger kilometre is **45%** lower than the alternative for urban transport.

**Safer mobility**
Bus safety in fatalities per passenger kilometre is about **6** time safer than the alternative.

**Greener transport**
Bus CO2 per passenger kilometre is **40 %** compared to the alternative in an urban context.

**Private investments and employment**
Under contracting, most investments in buses can be raised by the private sector, with a focus on service delivery.

Manufacturing of one bus represents a full year of employment and six to seven long-term operational jobs.

Assumes an alternative for passenger-kilometres at 72% 2W/3W and 27% cars
Transforming Bus Transport Provision

Strategizing improvement of Bus Service Delivery quantity and quality with optimized financing

Unlock efficiencies through private sector operations under contract
Pillars of Success

All elements of this framework need to work together to deliver maximum benefit.
Solution requires engagement of many stakeholders in the bus market.

The development of bus services needs to be anchored in a clear sector vision, shared among the stakeholders.

National government policy and interventions that create the environment for improvements in the bus market, including resolving nationwide issues and enablers, for example boosting capability and providing consistent contracting documentation.

State / city level improvements and implementation will set a vision and ensure improved performance for the authorities who are accountable for bus networks.

A market of private operators who have sufficient trust in the contracting authorities and the process to participate with confidence, capacity to provide consistently good quality services, as well as access to the required resources and financing.
## Role of the State

Establishing capacity to implement critical Requirements for successful bus sector rejuvenation

<table>
<thead>
<tr>
<th>Component</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td><strong>State level policy on Public Transport /UM</strong></td>
<td>Includes targets for coverage, service delivery models, institutional arrangements and funding strategy.</td>
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<tr>
<td><strong>Operationalization of Institutional Arrangement</strong></td>
<td>Nodal responsibility for policy, planning, contracting and management, monitoring and evaluation; Five year business plan with KPI for authority and operator; strategy for transitioning to outsourced operations.</td>
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<tr>
<td><strong>Sustainable approach to PT funding</strong></td>
<td>Create fare setting and funding mechanism to keep system solvent over time.</td>
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<tr>
<td><strong>Contracting Approach</strong></td>
<td>Efficient service delivery through outsourcing based on standardized document (hybrid/quality/performance based GCC) with expeditious dispute resolution mechanism.</td>
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<tr>
<td><strong>ITS Platform</strong></td>
<td>ITS system covering all aspects of bus operation, and contracting, as well as interactions with customers.</td>
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### Service Design
- What cities should be served by formal public transport?
- What types/segmentation of bus services should be provided?
- How much service should be provided?
- How should private sector services be involved in service design and delivery?

### Institutional Frameworks
- Who should be responsible for policy, regulation, service planning?
- Who should manage service operations?
- Who should be financially responsible?

### Business and Operating Models
- Who should operate bus services?
- How should private providers be involved in service design and delivery?
- What performance standards should be used?

### Financing and Funding Mechanisms
- What funding programs should the Union, state and cities provide?
- How should state funding be awarded?
- Should state create local revenue sources?
- What should be requirements for tariff setting and adjustments?
Establishing long term Financing and Funding

A combination of revenue streams (fare/non fare revenues and viability gap funding) allow cities and states to meet their obligations under GCC, with the overseeing entity as a pass through.

**Business planning**
- Embed decisions impacting financing and funding (like fares) in a business planning process
- Earmark source for gap funding and infrastructure development
- Require appropriations for subsidies and discounts established by policy
- Establish fare setting with gradual adjustments

**Use non-fare revenues**
- Contribution by employers (France/Sao Paolo)
- Revenues from Business Rate Retention (Greater London)
- Revenues from advertisement
- Revenues from cars

**Improved targeting**
- Direct subsidy to those in need
- Differentiated services @ different fare rates

Keep in Mind Social, Environmental, Economic Societal Goals

And

Direct/Indirect Beneficiaries
Existing Practices in Financing and Funding

Cities seldom cover their costs from fares only.

**SAO PAULO**
- Support from Government (2018)
- Expenditure Coverage:
  - 41% Fare
  - 59% Non Fare
  - Total: 100%

**LONDON**
- Bus Operational Deficit 2017-18
- Expenditure Coverage:
  - 34% Gross Income
  - 66% Deficit
  - Total: 100%

**SINGAPORE**
- Support from Government (2017/8)
- Expenditure Coverage:
  - 49% Gross Income
  - 51% Deficit
  - Total: 100%
The five pillars of a successful contracting model

**Customer Focus**
To grow mode share for bus, the service must be appealing to potential customers, these questions aimed to understand the extent to which customer feedback is already sought and how (or if) it is incorporated into bus contracts.

**Service Planning**
The approach taken to service planning will have direct implications for how those services are contracted and managed.

**Procurement**
The process adopted for procuring contracts has an important role to play in ensuring contracts are awarded to the most appropriate operators and in helping the market to mature.

**Quality focused contracts**
The type of contract used dictates the flexibility for changes during the contract term and the level of leverage the contracting authority has to encourage improvements to service quality after the contract has been awarded.

**Successful operator market**
Successful Operator Market– It is necessary for there to be enough stable operators for successful tendering to spread risk, without being overly resource intensive or them being too small to be financially viable.
Current findings in India: Trusted partnerships

Barrier to growth:

Contracts are in place but they are not reliably honoured by either side.

- Late payment
- Payment deductions without clear rationale
- Operators not able to complete contracts
- Lack of structured opportunities for dialogue between STUs/operators
- Lack of clarity or trust regarding dispute resolution and arbitration

Need to build capacity on both authority/operator side

Moving forward:

Improved contracts, with standard unambiguous terms

Better payment terms and security

ITS for effective monitoring

Regular dialogue between STUs and operators
### Good Practices in Business Model

A growing number of cities adopting GCC contracts with performance criteria (applied as well to public operators)

### SYDNEY

- GCC with performance criteria for 5 years (+3)
- State buys many of the buses and the contracts focus on service delivery
- Public and private operators
- KPI focused on punctuality, % of trip cancelled, complaints, bus defect rate.
- 14 contract regions for Sydney (9 open tender and 5 direct award)

### LONDON

- GCC with performance criteria for 5 years (+2)
- Private operators (~20) purchase buses based on TfL specs
- KPI strong focus on Reliability and Excess Wait Time.
- Multi year program (~15% of all routes awarded each year)
- Operators need to prequalify first

### Takeaways

- **Service focus**
- **Open tender**
- **Comprehensive KPIs**
- **Reliability/punctuality safety/customer**
Conclusion: Many opportunities for bus services

Keys to success:
- A clear vision and plan
- Building capability in new skills
- Leveraging best practice in India and internationally
- All parties working together

Supported by:
- Institution
  - Funding and financing
- Private Sector Effectiveness
  - Improved Infrastructure
Thanks!
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