

What Works in Private Provision of Bus Transport Services—Case Study of Accra and Addis Ababa

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ABSTRACT: Accra and Addis Ababa are both capital cities of comparable size, growing at above national average with a rapid decline in travel conditions. The transport environment in both cities is characterized by heavy congestion during peak periods, low vehicle utilization, weak implementation of traffic management measures, inadequate facilities for pedestrian and non-motorized transport (NMT) movement, poor road safety arrangements and high accident rates. A majority share of motorized travel demand is served by buses, which have continued to deteriorate over time. This paper suggests that the bus industry can continue to play a crucial role in the urban transport sector and contribute to both mobility within the cities and the resolution of the urban congestion issue. It will only achieve these objectives, however, if it has the incentives and freedom to respond to changing circumstances. This paper identifies key functions to be retained by the Government and develops arrangements to strengthen provision of bus services by the private sector.

RÉSUMÉ : Accra et Addis-Ababa sont toutes deux des capitales de taille comparable, grandissant au-dessus de la moyenne nationale avec un déclin rapide des conditions de transport. L'environnement des transports dans les deux villes est caractérisé par un encombrement important lors des périodes d'affluence, une faible utilisation des véhicules, une faible mise en oeuvre des mesures de gestion de la circulation, des équipements inadéquats pour les déplacements des piétons et du transport non motorisé, de faibles dispositions de sécurité routière et des taux d'accident élevés. La majeure partie de la demande de transport motorisée est assurée par les bus, qui ont continué à se détériorer au fil du temps. La communication suggère que l'industrie du bus puisse continuer à jouer un rôle crucial dans le secteur du transport urbain et contribuer à la mobilité dans les villes et à la résolution de la question des encombrements urbains. Il réalisera seulement ces objectifs, cependant, s'il y a motivation et liberté dans le secteur privé.

1. INTRODUCTION

Improving access of the poor to affordable transport, either directly by well

maintained roads, inter-connected network, reliable services and appropriate transport fares, or indirectly by reduced costs for goods and services, is a major factor in economic development and poverty alleviation in Sub-Saharan Africa (SSA) countries. Focus on the urban transport modes of poor people essentially means the provision of affordable forms of public transport, both formal and informal. Almost 70% of the person trips in large urban areas depend on some form of buses as the dominant mode. Despite the importance of urban public transport, it is often poorly financed, badly managed and neglected by Governments. The poor public transport suppresses the economic and social advantages for which the cities developed in the first place.

Continuing rapid growth of the cities, low per capita income, and low automobile ownership in most million plus cities in the SSA means that the population will continue to rely heavily on public transport to meet their daily mobility needs. This dependence is expected to grow strongly for the foreseeable future and provision of efficient and effective public transport operations are critical to sustainable economic and social development. While investment in new transport infrastructure is required to help meet mobility needs it will not be sufficient on its own, even in those rare circumstances where it can be expanded to match the growth in travel demand. More effective use of existing infrastructure and equipment is both desirable and cost effective for the foreseeable future.

2. URBAN TRANSPORT ENVIRONMENT IN ADDIS ABABA AND ACCRA

The urban bus transport environment in Accra and Addis Ababa shares common characteristics and has undergone similar transformation over the past decade. Both are million-plus capital cities, with low per capita income (almost 50% of the population earns less than US\$20 per month) with buses as the most common form of motorized urban transport mode (accounting for over 75% of daily motorized travel demand). Inadequate supply of bus services, poor accessibility and low affordability have resulted in heavy dependence on walk trips (over 50 percent of the daily passenger travel demand is met by walking). Other forms of non-motorized transport (mainly bicycle) are not very popular partly because of cultural and attitudinal reasons and partly because of topography (particularly in the case of Addis Ababa). Bulk of the urban bus passenger transport operations are provided by formal and informal private operators (almost 75% in Addis and 95% in Accra). The key role of Government is on regulation, control and enforcement (including setting fares and bus standards), though Government has also been involved in direct operations in varying degrees.

The urban transport sector remains confronted with major issues and challenges, including high cost, poor and inadequate quality of service, poor safety, poor accessibility and affordability for most urban and poor residents and firms. Critical problems associated with bus operations in Accra and Addis are:

- underutilization of publicly owned terminal and garage facilities
- inefficient service to users due to terminal dispatch practices (only sending buses out when full, for example)

- lack of management control to enforce proper vehicle maintenance scheduling
- conflict between financial sustainability and the broad objective of reducing cost burden on the poor
- inappropriate bus size (too many small vehicles) and incorrect allocation of function between vehicle sizes (particularly the operation of taxis and mini buses on trunk routes more suitable for large buses)
- operations impeded by excessive numbers of small vehicles offering public transport service
- lack of investment in new buses

These problems are closely inter-related. Starting from a situation where the public sector operator provided a substantial amount of service, the impact of fare controls was to limit the revenue of the public operator to an extent that it was not able to maintain its vehicles on the road. The underutilization of terminal assets partly results from this. In response to declining services and growing demand, Government partly deregulated the sector encouraging the private sector to participate in provision of bus services. The fare controlled private sector bus operators entered the market to fill in the deficit in public service but ~~who~~ they found it profitable to operate at very high load factors associated with low quality of service. Investment in new large vehicles could not be sustained in this regime. The residual deficit in services was filled by taxis operating outside the fare control. This has contributed to proliferation of small vehicles.

2.1 Urban Transport Environment in Addis Ababa

The demand for public transport services in Addis has been growing at a rapid rate due to the expansion of the city and a corresponding rise in population. The car ownership and use growth rate is low, with a dominant role played by the public transport system. Public transport in Addis consists of conventional bus services provided by the publicly owned Anbessa City Bus Enterprise, mini buses and conventional taxis operated by the private sector, and buses exclusively for employees of large organization.

The Anbessa Bus Enterprise, managed by a Board under the city administration, is a parastatal under the city council, moves around 10% of public transport passengers. It operates a fleet of 450 conventional buses with an average age of 6 years and provides scheduled service along 85 routes as well as non-stop services (express services). The fare structure varies with distance—0.35 Birr (4 UScents) for up to 9 kms and gradually increasing with distance up to 2.50 Birr (28 UScents) for a distance of

Table 1: Bus Characteristics in Accra and Addis Ababa

	Addis Ababa	Accra
Population	2.7 m	1.7 m
Growth Rate	2.7%	3%
Land Area	530 sq. km	
Per capita income	US\$7.0	US\$10.0
Share of Urban pop	30%	35%
Vehicle Ownership	38 veh/000 p	99veh/000p
Mode Choice		
Taxi	50%	23%
Bus (public)	10%	11%
Mini bus (pvt)	27%	51%
Pvt Cars	13%	15%
NMT	56%	NA
Motorized Transport	44%	

Av. Speed	10km/hr	10km/hr
No. of Buses		
- 100 seater	450	588
- 11 seater	10,000	14,854
- taxi	1,500	2,477
Av age of bus fleet		
large public buses	6 yrs	4 years
pvt mini buses	13 yrs	12 years
Fare structure		
Anbessa buses	4 US cents	NA
Pvt mini buses	6.5 US cents	
Passengers carried		
Km/bus/day	170	180
Bus utilization ratio		
Public bus	85%	
Private bus	90%	90%
Headway		
Public bus	30 minutes	
Pvt bus	10 minutes	10 minutes
Av. waiting time		
Public bus	30-90 min	
Pvt bus	15-20 min	20 min
Trip length	60% trips >5km 11% >15km	NA

about 44 kms extending to the peripheral areas to the west and south. Additional 10 Ethiopian cents are charged for express service. The Anbessa City Bus Enterprise provides subsidized scheduled services with fixed stopping points and established routes. The fleet size of Anbessa increased from 171 buses in 92/93 to 255 in 97/98 and 355 in 98/99, and 450 in 2003. The Enterprise serves a total of 85 routes (1 bus for every 6200 people). Anbessa bus service enjoyed monopoly prior to 1987, but declining bus services and growing passenger demand led to emergence of informal bus operations.

The remaining 73 percent of public transport passengers trips are provided by privately operated buses, with 1500 taxis and 10,000 mini buses.

On average, Anbessa buses operates 170km/day, which is low compared to

efficiently operated bus systems in other cities, because of narrow road width, lack of connecting links, congestion and weak management. While design capacity of each bus is 100 passengers, load factors of over 100 percent (almost 150 passengers) is not uncommon during peak periods. The load factors are below 50% during off peak hours and the average daily load factor is estimated to be about 85%. The planned headway of Anbessa ranges from 7 to 30 minutes depending on demand along particular routes (Anbessa bus enterprise runs at the same frequency throughout the day under two shifts), though in practice, headways of 60 minutes are not uncommon; in contrast, headway of minibuses ranges from 5 to 8 minutes during peak period and about 10 minutes during off-peak period. The average waiting time for services of Anbessa is 30 minutes but could reach 90 or more minutes depending on the particular route and time of day. Available estimates indicate that more than 60 percent of trips exceed 5km, of which about 11 percent exceed 15 km. The minibuses have been playing a greater role, partly because they achieve higher frequency due to their adaptability to difficult operating conditions of congestion as compared to the conventional buses of Anbessa which require larger road space.

The mini buses and taxis generally operate on regular routes, but are relatively demand responsive in terms of frequency of service—frequency during peak period about five to eight times greater than during off-peak period. There are about 30 major mini-bus stations in the city, which are the primary centers of O & D. The market segment for mini buses includes office employees in government and private sector institutions with an

income level above 800 Birr per month (US\$90) and students and trips for social and shopping purposes by middle-income residents. Taxis are mainly operated by individual private operators, who are either organized as associations or are independent of such associations. More than 90% of privately operated mini buses enter the market as second hand vehicles and average age of minibuses is about 13 years. The average utilization of the mini buses is low during off-peak hours, with an occupancy ration of about 60 percent. Minibus services are mainly rendered by individual operators.

2.2 Urban Transport Environment in Accra

Unlike Addis, most of the privately operated buses in Accra are controlled by unions, through routing, loading by turns and permission to operate on specific routes. The few operators (less than 10%) who do not belong to any transport union are called “floating drivers” by the unionized members. Key characteristics of bus operations in Accra are:

- 85% of the daily person trips are carried by buses and taxis
 - 51% trotos (mini buses)
 - 23% taxis
 - 11% large buses
- the market share of low capacity buses, mainly second-hand imported taxis and minibuses is high leading to worsening of traffic congestion:
 - registered private vehicles: 14,854
 - commercial vehicles: 4,083
 - taxis: 2,477
 - buses: 588

- use of old commercial vehicles for passenger transport results in adverse environmental impact due to frequent break downs, poor engine maintenance
- the quality of bus transport system is generally poor, because most vehicles are old and many trucks/vans have been converted for passenger services, which are not well suited for urban passenger transport
- regulatory and institutional environment supporting the transport system is weak. The 1972 Omnibus Services Decree provides for the establishment of the Omnibus Licensing Authority to decide routes and parking places and fares to be paid. However, the Decree has never been implemented and no bus route licensing system operates in Ghana. As a result, there are no specified bus routes for public and private buses. The license gives the right to operators to operate the buses anywhere in the city
- Generally, private operates run buses on high demand corridors and where road condition is in a good condition. Where demand is low or roads are in poor condition, services are of lower standard and higher fares are charged. This is typically the case in poor outlying areas
- Public transport is informally controlled by the Transport Unions, Ghana Private Road Transport Undertaking (GPRTU) under Ghana Road Transport Coordinating Council (GRTCC). Since 1990, bus fares have been de regulated by Government and the fares are now being fixed by the

umbrella body of the transport unions, GRTCC.

- There is freedom of entry, provided the vehicle meets the Licensing Authority requirement for operating commercial vehicle. The operating licenses are provided by the Metropolitan, Municipal and District Assemblies (MMDAs) after certification by DVLA (the licensing authority), which is renewed on an annual basis
- Difficulties in raising commercial financing for purchase of buses result in most private buses financed through individual resources. This has compromised investment in modern, safe, high-capacity buses.
- The route structure of public transport generally provides good access to the city center from suburbs but there are poor links from east to west, and cross town radial trips requiring interchanges for people living in suburbs
- Mini buses and terminals are poorly utilized because of driver insistence on fully loading prior to departure, further compromising reliability of services for passengers en route
- The transport unions do not provide any physical facilities to their members as they are considered welfare unions. The main support is provided in organizing social activities and in collective negotiations with Government. The operators/drivers pay a one-time fees to join the Association in addition to membership fees and daily loading fees at the terminals.

2.3 Key Transport Issues

Key transport issues that need to be addressed in improving urban transport environment in both Addis Ababa and Accra are:

- (a) *Weak governance and implementation capacity.* The environment is characterized by multiple institutions with overlapping responsibilities and unclear mandates; a discouraging record of public sector provision and maintenance of urban services and infrastructure; and the relative lack of success of Government interventions in the provision of public transport services. The provision of public transport service by the private sector is not supported by an enabling regulatory environment.
- (b) *Weak management and maintenance capacity.* The problem of traffic congestion on the primary road network is as much due to lack of capacity as to inefficient use of road space, poor road maintenance, indiscriminate parking and street trading; urban traffic congestion is increasing rapidly, and is already a significant constraint to urban productivity. Congestion is therefore becoming an ever more serious problem, putting even more time and travel burden on the urban poor and further increasing the already unaffordable transport costs for goods.
- (c) *Dysfunctionality in road transport industry* Within the past few years, steps have been taken to open up the transport sector to competitive

forces by liberalizing the market. However, barriers to entry include non-transport factors such as lack of finance and insurance constraints. The full benefits of liberalization have failed to reach the consumers.

(d) *Poor accessibility to transport infrastructure and services.* The majority of the urban and rural poor have little access to transport, as measured by time spent in traveling to places of daily necessities, delays in transporting goods to local markets, etc. The demand of rapidly growing urban areas for transport infrastructure and services by far exceeds the financial and managerial possibilities of the governments and municipalities involved

(e) *Poor quality of service.* Poor quality of service is often characterized by low frequency, low punctuality, losses and pilferage. Work-related travel of more than 1 hour per day is the norm, with great variations upwards due to unreliability of the public transport. Poor infrastructure, poor condition of road vehicles, inadequate management of transport businesses, outdated technology, and lack of competition are the main causes for the continuing poor quality of service. The growth of urban population continues at a rate above the average national growth rate and this trend is expected to continue in the foreseeable future. Almost 30%-40% of the total population lives in urban areas. Vehicle ownership and use is growing even faster than the population growth rate. Urban poor are most affected by the poor quality of transport services as they often

live in low-income suburbs far away from the city center and heavily depend upon the public transport system. Vehicular air pollution is increasing rapidly and has become a severe health issue; inadequate facilities for pedestrians and NMT, poor standards and lack of traffic rules enforcement is resulting in an increase in number and severity of road accidents.

(f) *Inadequate impact on poverty alleviation.* While the effect of transport on the poor permeates all sub-sectors, urban and rural transport, including and specifically non-motorized transport, have the most direct and broadest impact on poverty alleviation. If well managed, they can enable large numbers of people to gain access, or at least better and cheaper access to transportation services, either as passengers or as commercial users. However, widening access for the poor cannot, as the experience of past decades has shown, be effectively achieved by a top-down approach. It requires the inclusion of a wider spectrum of society in the decision making process, thus ensuring a more effective involvement of the users and beneficiaries. More inclusiveness in decision-making processes is expected to increase responsiveness to the needs of the poor and disadvantaged groups of transport users. It can be achieved, particularly in rural and urban transport, through decentralization of authority, devolution of revenue-raising powers, and appropriate agreements on cross-subsidization of services and infrastructure. This

will help push decision-making closer to community levels and lead to better consideration of the needs of the poor.

3. THE DECLINE IN STATE OWNED ENTERPRISES

The decline in traditional fiscal basis for financing subsidized public transport, coupled with inability of the public transport systems to raise sufficient revenues through fare collection to maintain service quality, has resulted in declining levels of operation in both the cities. As a result, during the early 1990s, the urban transport bus operations underwent a major transformation, with greater role of the private sector. In Accra, publicly owned bus operations virtually ceased in early 1990s following mounting losses. The control over both trotos (minibuses) and shared taxis was mandated to Ghana Private Road Transport Union (GPRTU), whose members provide 80% to 90% of bus services in Accra. In Addis, road transport industry was deregulated in 1992 as part of the liberalization of the economy.

Public monopolies are often less efficient than competitive regimes. This results from a combination of political interference, poorly incentivised management, the power of organized labor and need for social and other obligations. Public monopolies however have the advantage of closer authority over services and fares. This can make integration and attention to social and other wider community needs easier to achieve. However, in practice, this requires a coherence of purpose and action within the public sector, that is often missing. According to a study by

Department for International Development (2000), ‘we have not any examples where a pure public monopoly offers a superior alternative to the best designed competitive arrangement.’”

Direct public sector provision can ensure that an affordable well ordered public transport network is provided. However, in absence of competition, financial support leaks into operational inefficiencies. Public sector provision where there are several technical and/or financial constraints can result in inadequate services. This is well illustrated in Accra and Addis Ababa, where a fare-freeze has led to a decline in the number of public sector buses. Government ownership, poor management, inadequate motivation and accountability, heavy overstaffing, and low tariffs made these businesses loss-making and heavily dependent on financial support from their governments for survival. Poor cost recovery (partly resulting from low tariffs) and general subsidies, meant to improve affordability for all sections of the population, themselves contributed to reducing the viability of transport service operations and inflicted heavy costs on transport users and the macro-economy

Even in the developed countries, where public transport has long been predominantly provided by the public sector agencies, past decade has seen a process of liberalization and emergence of a range of competitive regimes in the transport sector. The general rationale for this is that competition promotes improved efficiency and greater sensitivity to user needs.

The key circumstances under which Government support to public transport system can be justified are:

- Internalizing externalities in infrastructure markets—environmental benefits arising from reduced congestion, reduced accidents and reduced pollution
- Overcoming failures in markets for adequate sources of bus financing
- Circumventing political constraints on prices—fare controlled regime may deter private investment in good quality buses.
- Redistributing resources to the poor

4. THE EMERGENCE OF THE PRIVATE SECTOR

Rapid growth in travel demand, fueled by expansion of city and the corresponding rise in population, and inability of the state provided bus transport system to satisfy the growing demand, often leads to growth in privately provided bus transport system. The gaps in public sector provision have been filled by para-transit shared taxis/minibus services. These are generally mini buses or taxis, financed by own resources. Fares for these services are considerably higher than those for state operated large buses, excluding poorer sections of the community. Impact of fare control has been to constrain service adequacy and performance. Typically, they are single-owner operators, operating minibuses of up to 12 seats. In Addis Ababa, their numbers have increased from 4,000 in 1992/93 to 10,000 in 2002/03 (average annual growth rate of 10%).

While the growth in minibuses is expedient in the early stages of the

development of private sector and given that the state provided services can not satisfy the demand adequately, it is not a suitable vehicle for public passenger transport, particularly on the main corridors for long distance trips. Its small dimension makes passenger access and internal movement difficult and seating is cramped. Its small capacity is compensated by high frequency, which though is preferable from passengers' point of view, contributes to road congestion, especially with their frequent stops and stopping on demand. Their adaptability to different operating conditions and requirements of less road space makes them suitable in a congested environment. Use of smaller vehicles will provide service frequency advantage over their competitors but may increase their numbers on the road, further worsening congestion. The introduction of privately owned micro and mini bus fleets is on the increase in most cities, which is expedient in view of financial and operational constraints, but is not suitable along high density corridors. The small buses are fragile and relatively unstable, reducing safety standards.

5. THE NEED TO INTRODUCE CAREFULLY MANAGED COMPETITION

Deregulation, as currently followed in Addis and Accra has increased supply but has worsened road congestion, the urban environment and user safety and security. Of particular mention are the private mini bus operations in Accra, which operate on an opportunistic basis, without any schedule, route licensing or service standards. The license gives them permission to operate anywhere, resulting in their concentration along the main corridors to the exclusion of outlying

areas. This situation has particularly worsened the travel environment for poor who live in outlying areas, who depend most on public transport. As recognized in the World Bank urban transport strategy (2002), “the lesson is that it is not privatization or deregulation per se that improves public transport, but rather the introduction of carefully managed competition, in which the role of the public sector as regulator complements that of the private sector as service provider.”

In developing countries environment, there is usually plenty of competition to provide public transport services. Where competition is very diverse and active, this can result in “near anarchy” on the streets. It may also lead to traffic congestion or adverse environmental impacts. Where operators group to bring some order, this may well result in the un-competitive practices such as the formation of cartels. The formation of GPRTU is a case in point. Here the challenge is not that of creating competition but creating a regulatory framework that brings order and purpose that acts in the consumers’ interests. The critical challenge is to overcome entrenched interests in preserving the status quo to allow appropriate conditions for competition to develop.

In absence of regulation, and left to their own devices, private operators will tend to gravitate to the busier routes and exacerbate congestion. This may leave some areas and times of day poorly served. Alternatively, fare levels can be set “too high” or service standards poorly maintained. The private sector often circumvents the control fare regime by informally charging above the fixed fares,

depending on affordability, time of day or demand.

While different types of services (big buses, mini buses, taxis) offer potential benefits if working together, commercial self-interest may obviate making the best of these synergies. Inability to adequately plan for different bus types, has resulted in multiple interchanges in Addis Ababa. In Accra, vehicles are poorly utilized because of the practice of fully loading the vehicle prior to leaving the terminal. Absence of a management discipline leads to various kinds of sub-optimal behavior, contrary to consumers’ interests:

- “collusion” to maximize patronage either on the road or at terminals
- “blocking” to obstruct rival operators’ services
- “racing” to beat rivals vehicles in picking up passengers
- “turning back” to pick up passengers waiting to travel in the opposite direction when lightly loaded

6. THE DECISION TO REFORM

Faced with the difficult task of maintaining adequate service standards without constraining the public purse, the Government recognizes the need to reform state transport operations on the one hand and to provide incentives to support development of a viable and well organized private sector on the other. The key objective of the Government in the two countries is to establish an efficient, affordable, complementary and integrated transport system for the movement of people and goods. Within this overall framework, key objectives of the urban transport strategy are to: (i) improve accessibility to places of

employment, education, social and other purposes; (ii) enhance travel opportunities at affordable prices for the poor, handicapped, children and elderly; (iii) enhance the quality of travel by ensuring comfort, safety and efficiency; (iv) minimize the cost of providing transport services and facilities through cost-effective measures; (v) address issues linked with land use, urban planning, factors affecting location of jobs and housing, externalities (pollution, noise and accidents), concerns of different stakeholders; and (vi) minimize the adverse environmental impact of transport. The Governments aim to satisfy these objectives, through a combination of measures, including:

- address the needs of a diversified modal choice set
- develop dedicated mass transit corridors
- improve environment for private bus operators
- increase number of buses
- introduce competition in bus services through privatization
- develop segregated bus lanes
- improve traffic management system
- enhance capacity of urban transport planning and management

Each of these policies needs to be pursued in the context of a well balanced urban transport strategy. The concern with dealing with the immediate problems has often led Governments to ignore the long term impact of the proposed solutions. Very few countries have come to grips with defining policies that relate the value and needs of the urban transport sector to macro-economic considerations. In the past, urban transport planning has been

carried out on a project-by-project basis and the transportation system has evolved from the unsystematic accumulation of public projects and policies. This approach has neglected the critical interconnections between parts of the system and between the system and the basic processes of the city.

Of particular interest is to create discipline in bus operations and address particular needs of the poor and disadvantages sections of the population living in distant suburbs. The central purpose of introducing a system of franchising of routes or services is to have a contractual basis for the imposition of discipline into operation, including scheduled operation and improvements on road behavior. However, effectiveness of a competitively tendered route franchising system depends on the skill with which the contracts are designed and the competence with which contracts are awarded, monitored and enforced.

Introduction of an effective system of bus priorities on the main routes is critical to the development of public transport service. The immediate focus could be on:

- provision of safe access for passengers to the bus way
- provision for cross flows of general traffic at intersections
- effective exclusion of non-bus traffic

Preconditions for competition to take place:

- Firstly, presence of an effective legal framework which allows and protects property rights and fair trade; clear transport objectives

and administrative and institutional capacity to promote direct and regulate competition to serve these.

- Second, existence of a culture of competition and industrial capacity
- Third, existence of rules to regulate the ways in which competition operates.

There is a need to restructure public transport company with the objective to ensure that; (a) use of fixed assets (land, terminal facilities, maintenance facilities) is addressed in the context of a thorough re-examination of the regulatory structure; and (ii) public transport company is put on an equal footing with the private sector competitors.

Low fares generally result in bringing forth a low quality and quantity of service from private suppliers unless the fare box revenue is supplemented by some explicit subsidy payment. Various options to overcome the adverse impact of fare control include:

- Allow effective free entry into the fare controlled service provision but permit and encourage new entrants to provide a differential service at a higher price (example Addis express buses).
- Award a franchise to the bidder willing to pay the highest premium for the franchise or willing to accept the lowest subsidy
- In absence of public subsidy, a franchise could be awarded to the bidder offering the greatest amount of capacity supply at the fixed fare.

There exist a range of competitive/regulatory regimes in order to help develop guidance as to the most effective way competition can be deployed to improve public transport. The range of arrangements to regulate the public bus transport industry include: Public monopoly/ management contracting/ gross cost service contracting/ net cost service contracting/ franchising/ concessions/ quantity licensing/ quality licensing/ open market. Each type of competitive regime has its own advantages and disadvantages. Operation of public transport by private operators as a franchise can be used to: (a) regulate relationship between operators; (b) regulate potential abuse of monopoly powers; and (c) service of non-commercial policy requirements (social services). Experience in implementing bus franchising arrangements in cities in Central Asia suggests that (Gwilliam, et al, 2000):

- genuine competition for franchises will only be achieved by strong political commitment to a comprehensive program of reform;
- political and regulatory responsibility should be separated from operational responsibility;
- encouragement should be provided to develop an independent private sector, including associations of small operators;
- assurance of equal access to the competition for franchises by all forms of organization, particularly through the elimination of any privileges or obligations deriving from state ownership; and
- need to set up effective planning and contract management institutions.

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