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**Designing Competition in Urban Bus Passenger Transport:
Lessons from Uzbekistan**

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LESSONS FROM UZBEKISTAN**

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1. Overview of Urban Bus Passenger Transport in Uzbek Cities

1.1 The Institutional Background

Uzbekistan is an independent republic in Central Asia, lying between Kazakhstan to the north and China to the south, and Turkmenistan to the east and the Kyrgyz Socialist Republic to the east. It has a total population of 24 million, of which over 2 million live in the capital city of Tashkent. There are no other very large cities, the major secondary cities having populations of half a million or less.

The central state agency responsible for public transport is Uzavtotrans, which is the transformation into corporate form of the ministry formerly controlling the direct operations of bus, truck and taxi sectors. In consultation with the Cabinet of Ministers, Uzavtotrans establishes relevant policy for the urban passenger transport sector. As a joint stock corporation, Uzavtotrans does not receive its budget directly from state sources. Instead, Uzavtotrans raises funds from its affiliate enterprises, such as Obaltrans (regional transport offices) and the various enterprises that are either wholly or partly managed by Obaltrans. The former state enterprises have been converted into over 400 open joint stock companies (JSC). However, as the majority shareholder, the state is still regarded as the controlling interest by company managers, which constrains the freedom to pursue normal commercial initiatives. All main cities in Uzbekistan, are currently served by one or more of the former Uzavtotrans companies.

1.2 The Decline of the State-owned Enterprises

The disappearance of the 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 most urban areas. The stated public policy objective in regulating bus fares is to ensure that public transport is accessible to all segments of the population. The basis of fare-setting by the Hakims (Mayors) is “the costs of the enterprises, esp. fuel costs, and the anticipated revenue .(but) . . does not take into account full costs”.

In practice, in the past, before tendering the rigid control of public transport fares has led to a severe squeeze in the operating margin of the former state enterprises with a resulting decline in the service standards. Over the past four years, bus availability in the enterprises has been declining at 10%-15% per annum. The average age of bus fleet is over 10 years, which exceeds the planned life of 8-10 years and about 30% of the fleet is over 12 years old. On average, 30%-35% of the enterprises' buses are unavailable for service at any given time. In some cities, almost 25%-40% of the vehicles put on road on any day break down after a few hours of operation. In most urban areas, the bus enterprises are able to provide less than half of the planned capacity.

Most workshops have virtually no stock of spare parts. Enterprises struggle to keep buses on the road through innovative “do-it-yourself” manufacture of parts and cannibalization of defunct vehicles which is costly and clearly not sustainable. Operating enterprises are declared to be profitable, but are clearly not so in a conventional commercial sense. As changes in the value of capital stock are not included in the profit and loss account, the

apparently favorable balance is maintained simply by tailoring current expenditures to the cash available. Although, in principle, there is an allowance for vehicle depreciation, this is on a historic basis and the bus enterprises do not carry any effective replacement reserve account.

1.3 The Emergence of the Private Sector.

The decline in state provided urban transport services has been partly compensated by the emergence of a new set of private suppliers. Typically, these are single owner-operators, operating minibuses of 7 or 11 seats. Both their small scale and their position outside the traditional regulatory arrangement has meant that they had to operate opportunistically, filling in where passenger demand exceeded the supply on routes operated by Uzavtotrans. While the share of private operators in urban passenger transport varies from city to city, available evidence suggests that it ranges from 20% to 50% of trips. This is a significant increase from about 10% in most cities a few years back. The growth in private operations appears to be fueled by the supplier's credit available from Asaka Bank for the 7-seat 'Damas' minibuses produced by Uz-Daewoo. In addition, the Government has essentially deregulated fares for operation of minibuses, as a result of which their average fare is almost twice that charged by large buses operated by the joint stock companies.

While the growth in the number of 'Damas' minibuses is expedient in the current early stages of the development of private sector, it is not a suitable vehicle for public passenger transport. Its small dimensions make passenger access and internal movement difficult and seating is cramped. The Damas is under-powered, fragile and relatively unstable, reducing safety standards. Its small capacity is compensated by high frequency, which though preferable from the passengers' point of view, contributes to road congestion, especially with their frequent stops and stopping on demand.

1.4 The Decision to Reform .

Faced with the difficult task of maintaining adequate service standards without constraining the public purse, the Government recognized the need to reform state public transport operations on the one hand, and to provide incentives to support development of a viable and well organized private sector on the other. It accepted the general principle that there should be open competition for operating rights, with no discrimination based on company form or ownership. This was to be achieved, where possible, by eliminating disparities in the privileges or obligations of different operators, and where not possible by the introduction of specific compensation mechanisms to cover the extra costs imposed. To enable mobilization of all forms of operation to improve urban transport on the basis of fair competition for the right to provide services, the Government introduced a system of competitively tendered route franchises.

The focus of this paper is on examining the process of development of route franchise arrangements, from the initial imperfect stage to an improved process, and identifying lessons of experience and area for further improvements.

2. Stages in Development of Competitive Bus Route Franchise Arrangements

2.1 *The Legal Framework*

In a declaration of June, 1997 entitled “Strategy for Improving Urban Buses in Uzbekistan” the government of Uzbekistan declared its intention to develop a strategy based on the following principles:

- formation of a private sector as one of the priority objectives;
- creation of a competitive environment;
- proper regulation and management of the sector;
- competitive tendering for the right to supply;
- commercial independence of the former state owned, joint stock companies.

Many steps have been taken by the end of 1999 to implement those general principles, including:

- enactment of a framework law on Motor Transport
- resolution establishing the independent Uzbek Agency for Automobile and River Transport to implement quality licensing and control for the bus industry;
- establishment of most of the Uzavtotrans operating units as joint stock companies;
- design, and progressive refinement of a competitively tendered franchising system;
- progressive implementation of the franchising system covering all services in the five pilot cities by the end of 1998¹, and intended to apply throughout the country by end of 1999;
- creation of City Commissions to administer the franchising system;
- encouragement to the private sector to develop associations to participate in the tendering process.

The offering of route franchises by tender was introduced as a pilot on few routes in each city, with the objective of progressively extending the arrangements to the entire city over a period of time, based on lessons learnt. Public awareness of the new arrangement was created through public announcements and media, stating the intentions and nature of the tendering

¹ The pilot cities of Almalyk, Bukhara, Namangan, Nukus and Samarkand have populations ranging from 120,000 to 400,000

process, together with a right to form associations to enter the process. The development of route franchises involved the following stages:

- Formation of private bus operator associations;
- Setting up a tendering commission;
- Franchising Scope
- Designing an evaluation criteria
- Monitoring

2.2 *Formation of Private Bus Operator Associations.*

Even though the private sector was performing an important role in maintaining an adequate level of service, it was undercapitalized and was deemed to operate in a uncoordinated and undisciplined way.

Operators' associations were initially seen by government as a means by which a degree of organization and discipline could be introduced into the industry, without losing the capacity which they were contributing. From the private operators viewpoint they were seen as the basis on which they would co-operate to bid for route franchises requiring a scheduled service by more than one vehicle. Associations must be registered with the municipality, which can cancel their registration if they fail to comply with service or legal requirements. They may own or rent vehicles, although usually vehicles are owned by members. They compile and submit tender bids and subsequently organize services such as driver's daily medical checks and route dispatchers. Each member pays a fee and makes a contract with the association. Members must contract before the bid is submitted as the City Commission will verify members' vehicles before the franchise is awarded. An association can be transformed into a commercial enterprise if its members so decide. The procedure includes the drafting of articles of association which establish the title, address and objectives of an enterprise, the amount of statutory capital, members shareholdings and other details such as profit distribution and rights and liabilities of the members.

2.3 *Setting up the Tendering Commissions*

The development of private sector willingness to invest in public transport depends on their confidence in the fairness of the competitive process. This suggests that the agency responsible for developing, evaluating and monitoring tender contracts must be completely independent from any interest in operations. In each of the cities where tenders were held, a tendering commission was set up, chaired by a deputy Mayor and comprising representatives of the main state agencies having an interest in this sub-sector (road police, State Property Commission, tax authority, anti-monopoly commission). Each bid was independently marked by each member of the tendering commission, the marks totaled and the decision announced by the deputy mayor as chairman of the commission. While the general principles for tendering were set out in a government decree, and cities were provided with a model tender

scheme by Uzavtotrans, the cities were given some discretion to vary the marking system and weighting of the criteria:

Monitoring to ensure that the franchise holder actually delivers the service offered in his bid is an important activity which must be seen to be undertaken systematically and fairly in order to develop respect for the franchise contracts and confidence in the impartiality of the arrangements. The tendering commissions as set up possessed neither the staff nor the expertise to monitor operations effectively. The current practice is for the chairman of the tendering commission (deputy mayor) to monitor the performance of tendered bus operations on an informal basis, largely based on complaints and suggestions from passengers, but with a focus on ensuring that buses on the tendered routes have valid permits and comply with regulations. There is no systematic monitoring to ensure that the level of service specified in the franchise is actually operated.

2.4 *Franchising Scope.*

The first routes offered by tendered tended to be those on which there were already numerous private operators and a degree of competition. This ensured that more than one operator or group would be interested in obtaining the franchise. As a result more minibus routes than large bus routes were put out to tender in the initial round. The number of bids per tender has varied between 1 (in case of a large bus route) to 5 (in the case of minibus routes). The private sector has won a substantial proportion of the tenders so far, though this does not imply that the tendering process has extended their share of supply because of the initial concentration on routes on which the private sector was already dominant.

2.5 *Designing an Evaluation Criteria*

The first attempts to design evaluation criteria were closely modeled on the system introduced two years previously in Kazakhstan. Originally, 14 evaluation criteria were considered, but by the time the tender program commenced in late 1997, the number had been reduced to the following eight.

- i. number and type of buses: manufacturer, passenger capacity, age and total kilometers run by vehicle
- ii. availability of facilities for parking, maintenance and repair of vehicles.
- iii. measures proposed for replacing vehicles breaking down in service.
- iv. procedure for washing and cleaning buses, inside and outside.
- v. measures to ensure safe operation, including the number of drivers and their qualifications (license category, year of birth, years experience, total and in urban transport, last medical check).
- vi. proposed bus operating schedule.
- vii. availability of passenger insurance.
- viii. 'additional proposals' such as service enhancements (higher frequency, longer operating hours, new buses), offers of donations to charities, special departures and

discounted fares for educational institutions, or carriage on minibuses of passengers holding government free travel passes.

Maximum marks were specified for each criteria. Members of the tendering commission had discretion to award marks subjectively up to the maximum. The evaluation criteria tended to favor the state enterprises over the private operators. While the anonymity of bids could be maintained between private operators, some of the evaluation criteria made it easy to distinguish between private and public sector bidders. The second criteria, for example, requiring disclosing nature of facilities for parking and maintenance, clearly revealed whether a bidder was a state company or a private association. Similar concerns could be raised against the fourth criteria.

To maintain objectivity in the selection process, the criteria distinguishing the public and private sectors were taken out of the bid documents. Other criteria, for example time required to replace a vehicle breaking down in service, are very weak. It is difficult to estimate in advance, or verify, and allows bidders to make promises which they cannot fulfil.

3. Review of Franchising Arrangements

3.1 *Franchising Scope*

The Government has been cautious in limiting initial franchises to very short periods (6 months to one year) and flexible in adjusting the tender procedures and evaluation criteria in the light of experience. Neither the operators nor the tender commissions have been locked into unsatisfactory interim arrangements. With a gradual refinement of the evaluation criteria and tendering process, there should be a scope for enhancing further operators' incentives to provide a high quality service at the lowest possible cost.

As the short duration of the franchises makes investment in new capacity very risky, and makes it difficult to secure either loan or lease financing of new vehicles, it is desirable to extend the franchises periods to three to five years in future.

3.2 *The Role of Uzavtotrans.*

The government has decided in principle to decentralize responsibility for the planning and procurement of urban public transport services to the municipalities, and to devolve operating responsibilities to independent commercial companies over which it will exert no direct control. However, Uzavtotrans and its affiliates in the Oblasts (the Obaltrans) have, in the past been the location of all high level experience and skill in the formal urban public passenger transport sector. The continuation of freight and inter-urban passenger operations by Uzavtotrans, sometimes in organizations that also operate urban buses, also complicates the attempt to secure the effective independence of the bus operating companies which is so critical to the achievement of real competition and commercial motivation in the urban bus transport sector. Complete accounting separation of the urban bus operations is a minimum requirement. But that will not be enough. Some major institutional changes will also be necessary in the organization of Uzavtotrans in order to make decentralization and devolution effective.

The changes already undertaken provide for the skills of Uzavtotrans central staff to be utilized at the national level in the Central Regulatory Commission. The status and independence of the Central Regulatory Commission should be reinforced by requiring it to report to the relevant Deputy Prime Minister.

At the Oblast level the Obaltrans functions are:

- i. provider of technical services to the operating companies on demand assessment and operational planning
- ii. advisor to the City Commissions on network planning and franchising issues (involving some staff seconded from the Obaltrans),
- iii. administrator of the interests of the state's residual (but still effective majority) shareholding in the joint stock companies, and
- iv. direct controller of the remaining state owned companies. This combination of functions within the Obaltrans organization remains as a potential conflict of interest.

It is therefore desirable to finally and formally separate those functions by:

- i. the transfer of staff involved in planning and management work for the joint stock companies into an independent, commercial, consulting agency;
- ii. the transfer of all Obaltrans staff involved in the planning of municipal transport to the direct service of the City Commissions (either directly to individual municipal transport departments or to a joint planning agency serving all municipalities in an Oblast);
- iii. the conversion of all state owned municipal bus operations into joint stock company form; and
- iv. the transfer of the holding company functions to a unit directly responsible to, and financed by, the State Property Fund.

The financial implications of these institutional changes should be mirrored by the discontinuance of the traditional levies on the turnover of the former state enterprises to Uzavtotrans and the Obaltrans. Consistent with the independence of the companies, they should pay

- i. dividends on the state shareholding to the State Property Fund at the normal rate declared by the company Boards;
- ii. levies on franchises to the hakimyat at rates determined by the hakimyat and applying to all franchise holders; and
- iii. fees for services provided by any other body, including the consultancy services of the Obaltrans.

3.3 Planning and Regulatory Agencies

The current capacity of City Commissions to carry out planning and regulatory activities, including franchising and monitoring is weak. Until effective monitoring and planning capability is established, the operator will usually be more aware than the regulator of disparities between passenger demand on a route and the supply specified in the franchise contract. The regulators must be sensitive to proposals from operators to amend their services and must have the flexibility to authorize the required changes. If the regulatory regime is inflexible, as it appears to be now, either the operators will be constrained to operate services that do not meet the need of users, or they will make unauthorized adjustments to services. The latter is more likely in practice.

As planning and monitoring becomes sophisticated, a framework of policies and strategic plans for bus development should increasingly guide the exercise of regulatory powers. For these to be used as a basis for service development, they will need to be based on a sound database of identified travel demand. This requires a capable planning and monitoring body to be established in each city. Some of the cities may be too small and may not have the critical mass to justify establishing a professional body. This may be overcome through sub-contracting some of the planning/monitoring functions to other institutions.

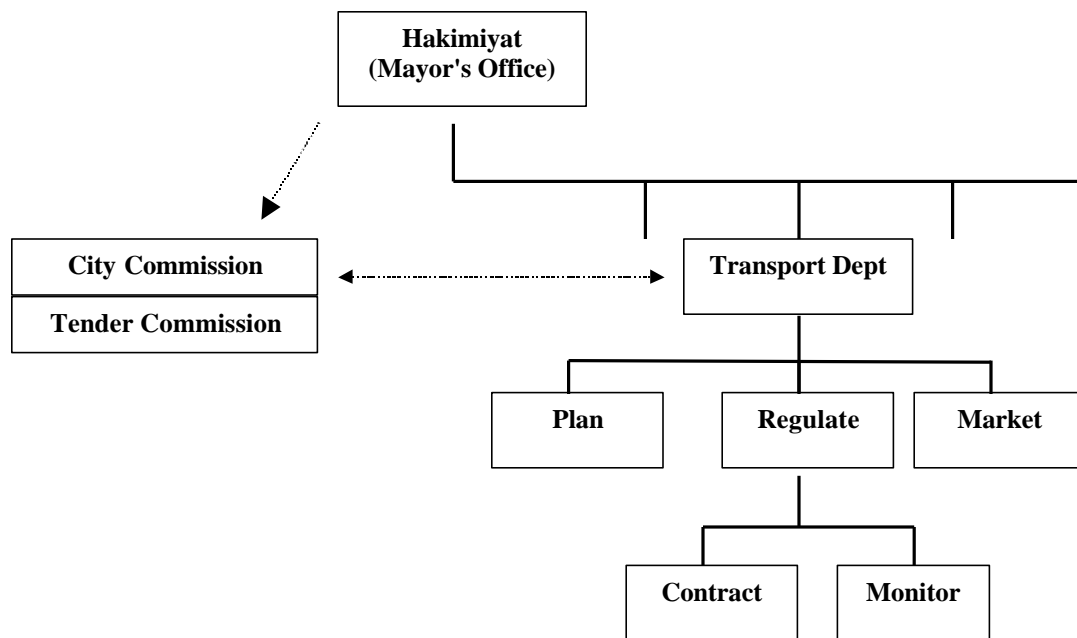
The initial series of tenders has been conducted in 1998 by the City Commissions, with professional help from staff seconded from the Obaltrans. However, it has been proposed that a professional transport department be set up in each city, under the City Commission, to plan the entire public transport network, including buses and trolley buses. The department would organize bus route tenders, award and administer franchises and monitor service delivery.

A tendering commission would still be needed as it has an important role in imparting a sense of objectivity and confidence to the bus operators in the evaluation of the tenders and the award of franchises.

To perform its functions most effectively, the composition of the commission should satisfy following requirements:

- i. the members of the commission, and the management of the tender process should be independent from any interest in bus operations, including the former state enterprises under Uzavtotrans' control. This will instill confidence in the emerging private sector that it will be treated fairly in the competitive process;
- ii. the commission should consist of only those members who are essential to the satisfaction of community demand for public transport. This implies that there should be some representation from the general public. Matters such as insurance, safety requirements, and compliance with tax regulations should be treated as essential conditions of eligibility requiring prior clearance, so that it is not necessary for these authorities to be represented on the tendering commission.

Figure 1. A Possible Institutional Structure for Planning and the Administration of Tenders in the Cities.



3.4 Evaluation Criteria

The initial tender evaluation criteria presented several problems. they tended to be:

- (a) concerned with the process rather than outputs
- (b) qualitative and judgmental
- (c) difficult to monitor

The evaluation criteria was subsequently modified to ensure that bids from JSC could not be identified and that only the criteria that could be marked quantitatively be included. In view of these considerations, a revised set of criteria was adopted, including:

- i. Fare
- ii. Vehicle type
- iii. Vehicle age
- iv. Total vehicle capacity
- v. Frequency

The central objective is to increase the degree of transparency and objectivity of the competition for franchises whilst using criteria that are likely to indicate future operating performance. The greatest objectivity is achieved where monetary criteria are used as the critical decision criteria. All of the qualitative requirements (safety of vehicles, reliability of service, etc.) should be stated in the form of standards which must be achieved and for which penalties would be paid in the event of non-achievement.

The revised tendering process is achieving its primary objective of creating equal access to franchises by the private sector and JSCs. However, there still remain a large number of variations and inconsistencies in defining the criteria, which may reduce the confidence of operators in the tender process. The key areas for further improvement are:

- i. *Route requirements.* The route requirements specify the maximum fare and the minimum capacity, frequency and operating hours of the route against which bids are made. They form the basis of the service obligation in the franchise. Ideally, the route requirements should reflect passenger demand on the route to provide guidance to the operator on expected revenues. However, in the absence of an assessment of the actual passenger demand for a route, the franchise contracts may commit operators to schedules or routings that are not well matched to demand, with the result that unrealistic levels of service specified in the franchises are not provided in practice. In addition, in the absence of demand assessment, the requirements may be seen to be unduly restrictive. It is therefore important to regard route requirements as guidelines rather than rigid requirements, and to be responsive to operators' requests to adjust service levels in line with demand.
- ii. *Evaluation criteria.* Broadly, two considerations are of importance in determining evaluation criteria. First, they should be seen to be independent of the nature of current operations; and second, they should give strong incentives to achieve the objective of improving service to the user. In this connection, specification of a particular make of vehicle would not only create bias in favor of some existing operators but, more importantly, work against introduction of new technologies in future. Allowing each of the City Commissions some discretion to employ their own tender criteria has resulted in wide variations among cities in the data requested from bidders and the weighting system used. Use of fare as an evaluation criteria in some of the cities, for example, carries only about 15% of the marks even though it is recognized to be the most important criteria. Similarly, service frequency carries low weight in spite of its importance in the evaluation. Even though vehicle type is only an indirect factor in level of service, it carried almost 35% of the marks. It is, therefore, important for a central agency to develop a basic framework to limit the scope of variations. This would also minimize the difficulty in supervising the tendering process.
- iii. *Markings.* Analysis of the tenders conducted so far reveals large variations (sometimes up to 500%) in the marks awarded by different members for the same criteria, in the same bid. In some cases, this resulted in the unjust award of the franchise to an inferior bid. The large variations seem to originate

from: (a) inconsistencies in route requirements; (b) incomplete definition of marking schemes; (c) insufficient guidance to committee members prior to the evaluation process; (d) variations in criteria introduced by different cities; and (e) simple arithmetic errors. In keeping with the spirit of the evaluation process, if the evaluation criteria are really objective and quantitative, then what is required is a mathematical adjudicator to identify the winner rather than a committee of judges. The tendering commission could still exist to perform the function of a public scrutiny committee, to whom all markings are presented for verification and approval. Any inconsistency in the data provided would be presented to the commission, together with the recommended means to resolve it. It is also preferable that the calculation of marks should be done by officers of the tendering commission rather than by its members.

3.5 Securing Competition in Large Bus Services

Currently, there exists little scope for competition between large and small buses. The joint-stock enterprises still enjoy a degree of protection from private competition as many routes are designated for big buses only and the private sector has few big buses. A number of factors mitigate against large bus operation by the private sector.

- i. the *regulatory environment* is not fully developed and acts as a deterrent to investment in large buses. The private sector is uncertain about its rights and obligations—whether they will be required to maintain unprofitable services or trips,—have to carry concessionary passengers without compensation, or whether fares will be adjusted to reflect costs of operation and maintenance. To reduce their risk, most operators buy cheap, used minibuses, which are easily sold or which can also be used as family transport or as unlicensed minibuses.
- ii. on the *organizational requirements*, large buses require investment in land, maintenance facilities and management. No companies yet exist in the private sector and these resources are beyond the means of individuals. The low availability of capital and high cost of borrowing favors the use of own family resources.
- iii. on the *operational requirements*, large buses cannot be used part-time for private purposes and cannot be maintained at home. Dedicated facilities and equipment and designated secure parking spaces are required, which add to the cost. In addition, big bus drivers require a 'heavy vehicle' driving license which requires them to be professional drivers, whereas many mini-bus drivers are part time and a 'light vehicle' license is not difficult to obtain.

The prevailing regulatory framework mitigates against competition on big bus routes because:

- i. the specification of large vehicle size effectively excludes any competitor not able to offer a large bus;

- ii. the maximum fare specified for big buses are based on historic levels which have demonstrably failed to sustain the maintenance of the services; fares on small buses, on the other hand, are based on the capacity of the private sector to provide services. This has resulted in a dual fare structure, with the minibuses charging almost twice the big bus fare; and
- iii. the combination of a requirement for a minimum frequency, minimum bus size and the maximum flat fare, taken together with the absence of any provision for subsidy, gives rise to a condition that is not financially viable for new big buses to operate.

To allow incentives to operators to develop innovative approaches, it is important to allow competition for all routes to be open to buses of the whole range of sizes, using minimum frequency and capacity specification for the route and adopting fare as the ultimate decision criteria.

3.6 Commercialization of All Operations

The Uzavtotrans bus operating companies have traditionally performed important functions in meeting seasonal demands for movement of people to cotton fields for harvesting, summer camps, etc. Other “public service obligations” may also exist in respect of military requisition, etc. Although these services have been paid for (and some operators at least consider the payments to have been adequate) the payment has often been severely delayed, or made in kind (replacement vehicles obtained through miscellaneous barter deals, etc.). This arrangement is damaging to the operators because it adversely affects both their cash flow and their ability to plan and maintain service. It is inconsistent with a strategy which treats the companies as commercially independent. It is also inconsistent with the concept that there should be a “level playing field” in the competition for franchises.

Most governments reserve the right to requisition assets and services in cases of emergency. However, there is no reason why the state should maintain direct ownership of operating companies or assets for the performance of what is a regular, seasonal, task and not really an emergency. Any obligation to be available for such service should be part of the normal terms of licensing arrangements rather than separated out as a state function. It is therefore desirable that such services should in future be provided commercially - on a competitively procured contractual basis. It is understood that the government has already decided to divest itself of the ownership of taxi fleets. The continued state ownership of some of the bus enterprises arises from their joint use as reserve military resources. The continuation of that arrangement is damaging to commercial competition in the bus sector and should be discontinued.

It is also critical that any non-commercial obligations should be properly funded. This requires either that fares are set at an appropriate level to enable operators to cross-subsidize exempt or reduced fare passengers from their fare revenues, or (preferably) that direct compensation be paid by the sponsoring agency for the carriage of exempt and reduced fare passengers. The current restraints on cost recovery caused by the universal adoption of flat, rather than distance-based fares should also be noted in this context.

3.7 Improving the Quality of the Operating Enterprises

There is still little evidence of the joint stock companies behaving in a commercially competitive manner. This appears to be at least in part because the continued majority state share administered, albeit passively, by Uzavtotrans leaves managers with little incentive to innovate. Although action is being taken by the government to align financial accounting requirements to international standards the joint stock companies also need to change their traditional management accounting and information systems to a more market oriented form. Changing this situation requires i) management education on commercial accounting and management information ii) some limited investment in equipment to facilitate improved systems and, above_all, acceleration of the process of privatization so that there is both opportunity and real financial incentive for change.

In cities where there is currently only one large bus enterprise (e.g. Bukhara) there is no possible mechanism for internal competition within the former public sector. This could be overcome by division of the undertaking into two or more separate enterprises. Even in cities where there is more than one enterprise, the agreements between them to delegate certain functions to the Obaltrans, is potentially a serious anti-competitive practice, which should be discontinued. The levies on revenue currently paid to the Obaltrans should be discontinued, and any services obtained from outside the organization purchased on normal commercial terms.

It is also clear that there is an excess of depot infrastructure for the number of buses being operated by the joint stock companies. This suggests the possibility of making part of the facilities available for the maintenance and operation of large vehicles by private sector operators. Alternatively, maintenance facilities could be vested in independent companies which would compete to provide maintenance services to all the operating companies

In some cities trolleybuses operate economically and play a key role on the most heavily patronized routes. In others they appear to play only a small role, at considerably higher cost than ordinary buses. In all cases they are still state-owned, have their infrastructure provided through the hakimyats, and are not coordinated with the rest of the sector.

In the longer term, competition in the urban bus sector will be enhanced by the further development of the private operators' associations which now form the basis of the private sector.

Changes in their organizational form towards co-operatives or companies which jointly own the vehicles, will give them better access to capital and professional management. This will enable them to operate large buses which are potentially more profitable than minibuses once fare differentials are eased. The government can take steps to encourage that as they already have done in developing the associations.

4. Lessons of Experience

The franchising system in Uzbekistan, with its emphasis on delivering the service as contracted, and improving internal efficiency to be able to compete, has already changed the mode of thinking of some state public transport enterprises. Some private sector operators

who have won tenders, or who are preparing bids for tenders, also welcome the franchising arrangements which formalize their right to operate and offer some degree of security of tenure and protection. The franchising arrangements are expected to improve the services of both public and private sector operators by requiring a higher level of organization and discipline to win and retain franchises. Progression may also be expected from the current fixed short-term franchises ('short tenure as a means of regulation') to more flexible, longer-duration, demand-responsive franchises. The change that will enable (or inhibit) this progression is the development of the planning and regulatory capability of the professional Transport Dept (under the City Commission).

Overall, the Uzbekistan experience suggests that competition in urban bus passenger transport is most likely to work when the following conditions are satisfied:

- i. Where the starting point is a state monopoly, genuine competition for franchises, and the benefits that it brings, will only be achieved by strong political commitment to a comprehensive program of reform. Introducing tendering while ignoring other aspects of the traditional system will not work well and may simply strengthen an inefficient, non-commercial monopoly;
- ii. Political and regulatory responsibility should always be separated from operational responsibility;
- iii. Encouragement should be provided to development of an independent private sector, including associations of small operators;
- iv. Improvements to the operations of the bus enterprise requires: (a) management education on commercial accounting and management information; and (b) acceleration of the process of privatization so that there is both opportunity and real financial incentive for change;
- v. Organization of private operators into associations should be viewed as a gradual learning process and a means of facilitating entry to the business. Efforts should be made to: (a) increase the confidence of the private operators in the objectivity of the tendering arrangements; and (b) disseminate information to operators and the general public through mass media and other outreach programs;
- vi. 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;
- vii. Bid evaluation criteria should be limited to only those which can be objectively stated in quantitative terms, while all other dimensions should be treated as conditions of eligibility;
- viii. Municipalities should establish effective planning and contract management institutions;

- ix. Monitoring of franchised bus operations must be seen to be undertaken systematically and fairly in order to develop respect for the franchise contracts and confidence in the impartiality of the arrangements.