Public and Private roles in Urban Transport

Sustainable Urban Transport

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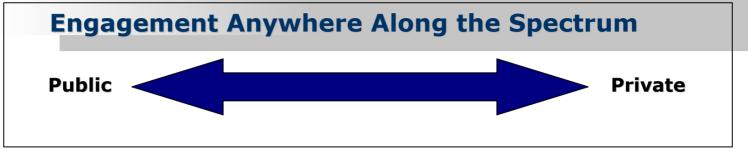


World Bank Infrastructure Action Plan 2003

- Huge infrastructure investment need in developing countries, including urban sector
- Needs public and private sector contribution
- Continuing need to support public sector infrastructure in key sectors; but
- Also need to create enabling environments to make private participation possible.



IAP: An Evolving Model for Infrastructure Service Delivery





Cost Recovery Critical

But At A Realistic Pace



Targeted Subsidies

- For disadvantaged groups
- For Public Service Obligations



Public and Private Roles in Transport

- Three types of transport entity:
 - Transport service providers
 - Transport infrastructure providers
 - Vertically integrated entities (service and infrastructure)



Public and Private Roles: Transport Services (1)

- Services include: road haulage, bus companies, taxis, shipping, airlines, stevedores, train operating companies
- The Bank generally favours private service provision.....
-within competitive or periodically contestable markets (time-bound concessions)
- Service delivery by governments has been disappointing in many countries



Public and Private Roles: Transport Services (2)

Efficiency of public sector delivery influenced by:

- Public service constraints on management freedom
- Government or municipal budgeting policies/process
- Competition with other public functions
- Conflict of interest with competitive markets if the referee is also a player



Public and Private Roles: Transport Services (3)

Private sector delivery of services:

- More focused commercial objectives
- Greater management freedom to achieve them
- More effective management incentives and accountability.....but,
- Without contestability, efficiency benefits may accrue more to the provider rather than be shared with the customers



Public and Private Roles: Transport Infrastructure (1)

- Infra. includes: road, rail and waterway networks, airspace, shipping channels, major ports and airports
- Efficiency concerns of public sector delivery also apply....but,
- There are some countervailing issues raised by infrastructure ownership and projects



Public and private roles: transport infrastructure (2)

- Transport infrastructure can be a natural monopoly or confer significant market power
- Sometimes more difficult to levy direct user charges...
- Financial returns often long-term and risky
- Sometimes involves major external land-use planning, environmental or social issues, especially in cities



Public and Private Roles: Transport Infrastructure (3)

- World Bank continues to support public sector transport infrastructure
- Vertical separation of service and infrastructure encouraged if it enables efficiency/competition gains
- Commercialization and corporatisation of infrastructure departments...and
- Establish stable revenue streams including user fees where possible...



Public and private roles: PPP (1)

Scope for public private partnerships in transport infrastructure:

- Management & lease contracts
- Concessions for existing transport facilities
- Concessions for 'greenfield' projects
- Risk and cost sharing are project specific



Public and Private Roles: PPP (2)

Due diligence needed to assess:

- Is a PPP the best way of achieving the objective compared to public or private alternatives?
- Can it be implemented?
- Is it likely to provide best value for money?



Public and Private Roles: PPP (3)

Assessing project objectives:

- Economic viability
- Reasons for deploying private capital and skills
- Willingness of public sector to concede commercial control
- Sustainable long-term costs to public sector



Public and Private Roles: PPP (4)

Assessing practicality:

- Enabling legal and compliance environment
- Administrative capacity/ specialist skills
- Success in other sectors/ countries
- Record or fair and transparent procurement
- Private sector interest



Public and Private Roles: PPP (5)

Assessing value for money:

- Risk allocated to those best able to manage the risks
- Justified expectation of earlier delivery, lower costs and/or higher revenue through private involvement
- Private debt and equity available at acceptable risk premiums
- Comparison with public procurement



Public and Private Roles: Transport Regulation(1)

Important for protecting public interest in:

- natural monopoly networks
- market power conferred by e.g. location
- Exclusive concessions
- PPP Agreements



Public and Private Roles: Transport Regulation(2)

Conditions for effective economic regulation:

- Independence from the parties to regulation
- Effective legal and enforcement rights and obligations
- Skills and resources



Making PPP's happen (1): Institutional

- Policy commitment and public marketing
- Delivery process....it won't just happen ad hoc
- Co-ordination between agencies involved in transport sector at all levels of government
- 'Focal points' for dealing with PPP issues



Making PPP's happen (2): planning

- PPP Master Plan to identify specific schemes for private approach
- Scoping studies to determine feasibility, necessary conditions and regulatory framework
- Market testing
- Fair and transparent procurement methods



Concluding remarks

- World Bank supports projects across the spectrum of public and private roles
- Private sector participation can help solve real urban transport problems... but within a coherent and realistic overall city transport strategy
- Sound policy, process and regulation are key building blocks.

