

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

Engagement Anywhere Along the Spectrum

Public



Private

Combine Bank Group Instruments

IBRD/IDA Loans, Credits and Guarantees

IFC Loans and Investments

MIGA Guarantees

Cost Recovery
Critical

*But At A
Realistic Pace*

Targeted Subsidies

- For disadvantaged groups
- For Public Service Obligations

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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.**

