

RECENT DEVELOPMENTS IN BUS TRANSPORT POLICY IN CHINA

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The Chinese context

- Area of 9.6 million square kilometers.
- Population estimated at 1.34 billion,
- Workforce of 807 million,
- Population growth rate 0.66% per annum,
- Population is rapidly aging
- 43% of the population is already urbanized
- Urbanization rate growing 2.7% per annum.

Motorization growing rapidly

- Average income per capita of \$2,300 in 2007
- Explosive growth in car ownership has started
- By end 2007, there were 56.97 million motorized vehicles ,
 - including 14.68 million three-wheeled vehicles
 - and 35.34 million privately owned vehicles
- China is the worlds fourth largest car producer
- Sales expected to top 10 million p.a. by 2010.

But China still depends on buses

- Car ownership rate still only 0.027 per capita,
- Majority captive to bicycle or public transport.
- Average bicycle ownership > 1 per household,
- Growing market for electric bicycles.
- Currently 1.3 million buses and increasing.

The political and administrative context

- Four levels of government
- Very hierarchical structure
- Importance of parallel communist party cadres (controlling the State Council at highest level)
- At municipal level mayor responsible to party secretary

Therefore

- State Council and hence CCP can control decisions considered crucial

The Central State also controls local organization

- Pre 2008 departments of construction responsible for urban transport, departments of communications for suburban transport.
- Resources and policies differed
- In 2008 responsibility for urban transport transferred from to departments of communications
- Creating anomalies as fares lower and subsidy levels were historically higher in cities

Local Government is financially responsible for local public transport

- Devolution of responsibility and resources started in 1978
- By 2001 central share of revenues tax fell from 36% to 14%
- Hence central government does not finance public transport

And LGs use their initiative

- Two sources of funds for LG
 - Budgetary funds (from taxes, etc)
 - Extra-budgetary funds from trading
- So LGs let the publicly owned companies make profits by
 - Exploit their land and other assets
 - becoming conglomerates
- And become politically strong!

But SOEs circumstances changed

- SOEs were labor intensive, low-tech and simple.
- Ridership was stable, or growing slowly
- Until mid-80s public bus had 25% - 35% share
- After mid eighties share fell due to increased motorization, congestion and increased costs.
- Only by a major process of reform could these trends be reversed.

Phase 1 85-95; improve SOE efficiency

Reduce costs

- Spin off excess labor
- Move to o.m.o.
- Change employment conditions
- Reduce input quality

Market oriented action

- Real fare increases
- Differentiate products
- Abolish concessions
- Smart cards

Phase 2 95-2005: reform of structures

Internal reforms in SOEs

- Divisionalisation
- Inward investment
- contractual relationships with subsidiaries
- Functional separation
- Sub-contracting to private companies

Increasing market access

- New public transport enterprises.
- Joint Ventures
 - _ Contracted operations by private individuals.
- Franchising lines.
- Auctioning lines.

Central government influence on urban transport

- Not much attempted before about 2003.
- Then under pressure of motorization the central government began to intervene
- Three administrative acts then created a new platform for reform.

Phase 3 2003- A reform platform

- ***The Opinion of the Ministry of Construction on the Priority Development of Urban Public Transport, 2003***
- ***The Regulation on Administrative Methods in Franchise Operations of Municipal Public Utilities, 2004***
- ***State Council Opinion 46 on Urban Transport Priority Development, 2005***

The Opinion of the Ministry of Construction on the Priority Development of Urban Public Transport, 2003

Emphasizes the importance of urban public transport for the avoidance of traffic congestion and proposes a structured integration of transport modes ,requiring

- *Urban Master Plan* which acts as the master plan for urban development
- *A Comprehensive Urban Transport Plan*, consistent with the Master Plan,
- *An Urban Public Transport Plan*, which defines the structure of urban road public transport services and facilities
- *A Rail Transport Plan* for cities planning to have rail services.

Regulation on Administrative Methods in Franchise Operations of Municipal Public Utilities, 2004

requires that franchising of municipal public utilities comply with principles of openness, fairness, equity, and priority of public interest, and deals with :

- Qualification for an enterprise to enter public utilities market.
- Procedures for selection
- Content of a franchise agreement
- Rights and responsibilities of the authority
- Rights and responsibilities of the franchised enterprise
- Duration of contract
- Procedures for amendment or termination
- Price regulation
- Avoidance of illegal behavior or breach of agreement

State Council Opinion 46, 2005

“advises”

- *Restructuring the investment and financing mechanisms.*
- *Promoting the franchise system.*
- *Strengthening market regulation.*
- *Upgrading the service level.*

Interpreting the new requirements

- Priority to PT interpreted to advocate
 - Lower fares (Beijing olympics)
 - Urban-suburban fare integration
- Specifically SCO 46
 - Restructuring the investment and financing mechanisms **(attracting external money –all)**
 - Promoting franchising **(competition – long contracts)**
 - Strengthening market regulation **(little done)**
 - Upgrading service level **(eliminating minibuses and consolidating operations)**

Emerging problems

- **The conceptual divide**

The old regime remains in many cities

- **The practical compromises**

Anti competitive contracts

- **Urban-suburban integration and subsidy financing**

Unrealistic expectations of central government