

POLICY TOOLS - PROVISION OF MEANS OF TRANSPORT

4.11 SECTORAL ORGANISATION

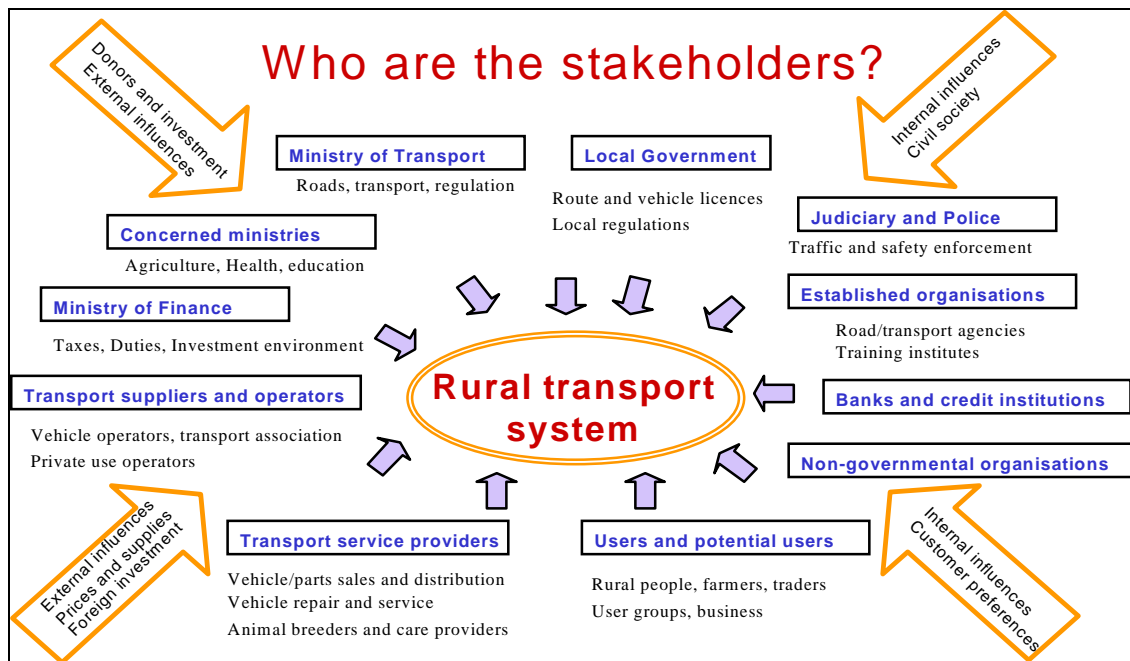
Problem: Rural transport users have little representation. Responsibility for the performance of the sector is fragmented; regulatory policy is inadequately framed and poorly implemented

Solution: Strengthening local government so that it can take a more positive role in rural transport services.

BACKGROUND

The main players in rural transport services are the operators, the users and the regulatory authorities. All contribute in some measure, both individually and in combination, to the performance of the transport sector. However, there are many other stakeholders who benefit from, and contribute to, the effective running of rural transport services as presented in **Figure 1**.

Figure 1: Stakeholders in the rural transport system



Source: Starkey, et al (2002)

Transport operations

There is often no distinction between passenger and goods transport in the rural context with most vehicles, motorised and non-motorised, carrying both. Operators may take the form of an individual company or many individual owners, each having a small fleet (perhaps only one vehicle). A company is most likely to operate medium or large-size vehicles, which involves significant investment and organisation support. An individual is most likely to invest on a much lower scale in a minibus or similar vehicle, and employ or hire drivers on an ad hoc basis. More affluent rural people will own vehicles for their own private use. The bicycle is the most common example.

Individual operators rarely work entirely independently of one another; they create associations, which may be based on individual routes, types of vehicle used, geographical areas or entire countries. Companies and associations can be monopolistic, or highly competitive to the point of bitter rivalry. Companies may be in either the private or public sector whereas associations invariably represent private enterprise.

Where the regulatory authorities are weak, the associations may be very strong, enjoying powerful political patronage, and taking responsibility for quantity licensing, route allocation and setting fares. They can act as strong pressure groups to lobby government on behalf of member's interests. They may also provide internal support (organising credit facilities for purchase of vehicles and spare parts). Even so, large associations may not be homogeneous, with internal rivalries which can lead to the formation of splinter groups.

Transport users

Passenger transport users have very little representation; user groups are beginning to be created and find a voice in some cities, but not in the rural context because of the dispersed locations and infrequent use of transport. Furthermore, many rural operators have a monopoly of transport services which leaves users with a 'take-it-or-leave-it' choice.

Regulatory authorities

Regulatory authorities are likely to be government (central and/or local) bodies, but strong operator associations may also impose their own control which can be enforced in draconian style using internal policing. Quality licensing of transport services is probably universal, though the thoroughness of execution is limited by the institutional capacity to monitor and enforce regulations. Quality control (on, for example, vehicle roadworthiness and driver experience) is likely to be a national issue governed by traffic law and administered by central government through regional offices (e.g. Traffic Commissioners; Vehicle Licensing Agency; Driver Testing Agency; etc.)



Fare setting has also been a traditional responsibility of many central governments (perhaps because it has a high political profile). The trend is towards market pricing, but many monopolistic associations have taken over the role of fare setting (sometimes in collusion with central government).

Quantity licensing is more likely to be a local issue, which should be administered by local government (though subject to any relevant traffic law). In the past local governments have not always been equipped to take ownership of this responsibility. Furthermore, they have not had the resources to enforce such regulatory policy as they have framed and consequently transport associations have taken over these roles. This development has also seen associations taking on the role of managing local government transport terminals (controlling access and managing its finances); this is a prime source of bitter feuding between competing associations, and is not in the transport users interests.

Legal frameworks

The legal framework of the rural transport sector will largely be found in the various traffic Acts (Ordinances, Amendments, Legislative Instruments), their Schedules and statutory provisions empowered to the responsible Minister and/or his agents. Transport companies and associations will have their own acts of establishment, which set out aims, duties, powers, procedures, funding, accountability, etc. Other law which may be applicable may be associated with local government powers, conditions of employment, company and union law, and government revenue generation (the imposition of taxes and excise duties).

Traffic law invariably covers in some form the following:

- vehicle construction and use
- registration and licensing of vehicles, including roadworthiness checking
- licensing of drivers of vehicles, including their qualification and instruction

- regulations relating to the use of the highway including safety provisions
- police powers, traffic offences, penalties
- insurance requirements

Local government law may be particularly relevant to transport operators in the towns from which rural operations emanate. Transport terminals are typically owned by local government, which may have statutory obligations concerning passenger safety, the maintenance of the terminal and hence levies on use. In practice, the evidence is that terminals are very poorly maintained and managed, with responsibilities often abrogated by local government to the operators.

The raising of taxes and duties affects transport operators primarily through the price of imported vehicles, as well as the price of fuel. Schedules will set out the amount of excise duty applicable on imported vehicles. Rates may be weighted to deter the importation of certain vehicle types and ages. Rates can also be used by government as an investment incentive (e.g. waiving excise payment to encourage importation of PSVs).

Intermediate means of transport

The promotion, design, manufacturing and financing of intermediate means of transport are mainly undertaken by small organisations (projects and NGOs) and not by government. In rural areas intermediate means of transport are often kept for private use with occasional lending or hiring. Some intermediate means of transport are maintained primarily for hire, particularly around rural markets and in urban and peri-urban areas. In these cases operators will also form associations, whether formal or informal. These may be needed to lobby against restrictions imposed by local authorities or police. They may also try to regulate the transport market and improve standards of service.

KEY PRINCIPLES FOR ORGANISATIONAL REFORM

Organisation structure

There can be no hard-and-fast rules on particular organisational structure. Probably a good general principle for central government is to give operational departments as much independence as is politically acceptable. Agency status, for example, confers a degree of financial and operational autonomy from the parent ministry, which should improve efficiency and effectiveness of output. Restructuring and institutional strengthening are likely to be required in both the establishment of agencies and privatising parastatals. These are complex programmes involving a range of human resource issues, privatisation mechanisms, marketing and business planning, and training. Wide scale technical support is essential.

Central government agencies which provide a national service (e.g. driver examination) must develop an adequate regional structure which reaches out as far as possible to rural communities. Ideally, they should have representation and operational capability at district level. Use of committees to effect policies or operational goals (for example, a National Road Safety Committee) should be avoided because they are unlikely to have any statutory powers, or any secure funding.

Law

It is axiomatic of any organisational development that new law may be required to underpin its implementation. Any new public body will need parliamentary assent as to its powers, procedures, funding and accountability. Legislation cannot be treated lightly, requiring as it does the due process of ministerial, cabinet and parliamentary debate, including the appropriate drafting of cabinet memos and the bill.

Pragmatism

In considering institutional change, it is as well to remember that there are many vested interests as well as inertia in an existing system. It may be pragmatic to concede that changes are likely to take time and patience to effect. Institutional reform should not be seen as a short term measure, and even in the long term its impact should be viewed with caution.

KEY REFERENCES

Starkey, P. (2001). Promoting the use of intermediate means of transport. The Rural Transport Knowledge Base. *Crowthorne: TRL Limited*. www.transport-links.org/knowledgebase.htm

Witkiss, M. Hine, J. and Ellis, S. (2001). The provision of rural transport services: an agenda for reform. The Rural Transport Knowledge Base. *Crowthorne: TRL Limited*. www.transport-links.org/knowledgebase.htm

Table 1: Action plan for rural transport service provision

| Responsibility | Actions required |
|-------------------------------------|--|
| Local government | <ul style="list-style-type: none"> • Develop an expertise in transport planning and management, through which it can articulate and enforce a transport policy (this expertise could be 'contracted in', though someone internal to the organisation must have overall responsibility and understanding of the sector). • Establish the ground rules (i.e. its policy) for route allocation and quantity licensing, even where these are very liberal. • Monitor and enforce its transport policy. • Enforce, in as far as it is possible, that associations conform to the rules of fair competition. Where local services are being provided in a monopolistic way, local government must be particularly vigilant in representing the interests of users. • Local government should establish a financial framework for encouraging investment in passenger facilities and terminals, which have open access and which are complementary to urban development. |
| Central government | <ul style="list-style-type: none"> • Maintain an operating environment that encourages external (regional and national) transport services complementary to rural services. • Strive to raise quality standards in a pragmatic way. Standards of examination and testing must be rigorously enforced, and constantly reviewed. Penalties for evasion, non-compliance and corrupt practice should have weight. • Overhaul of current traffic law to bring it in line with current conditions. It should be subject to review from key stakeholders such as responsible ministries, departments and agencies, operators, drivers, police, motoring organisations and road safety organisations. |
| Central and local government | <ul style="list-style-type: none"> • Establish incentives for investing in rural transport services. Some possible mechanisms include tax incentives, credit facilities, franchising arrangements and subsidy. • Central government ministries and local government must find ways of collaborating on the rural transport issue, through maintaining continuing dialogue at all levels and through joint initiatives and pilot projects. |
| Transport associations | <ul style="list-style-type: none"> • Take a greater responsibility towards the development of the sector, probably through maintaining a more participatory or partnership approach with government and users. • Increased professionalism of their staff and drivers to improve the service to users |
| Transport users | <ul style="list-style-type: none"> • There must be a voice for the users; small public funding may be the way to achieve this. |