

# An Assessment of Franchise Based Urban Transport Scheme in Punjab

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## Abstract

*A noticeable implication of unprecedented expansion in size and population of major cities of Pakistan has been the demand for transport facilities and services. The generally low car ownership rate and limited access to personal motorised transport has created space for public transport to become the most efficient way of providing good access for longer distance trips within the cities. The urban public transport in cities of Punjab, the largest province of Pakistan in terms of population, has also been suffering from numerous inadequacies. In order to bring improvements in public transport services, the government of Punjab launched a franchise based transport scheme in 1999 in five major cities of the province. This paper reviews the performance of this new transport system. The analysis of data presented in this paper leads to the conclusion that the franchise scheme has been successful in laying down the foundation of bus industry and its potential can be optimised by removing the constraints in the way of its development. Nevertheless, the future of the franchise scheme will be highly dependent on the managerial competence of the regulatory authorities.*

**Key words:** Franchise Transport; Urban Transport; Public Transport; Quality Bus Service.

## 1. Introduction

Public transport is by far the most efficient way of providing good access for longer distance trips interlinking the various parts of the large cities in Pakistan. Until the late 1990s, the urban public transport in Pakistan has been in dismal state with limited element of quality, planning or development. The public transport market was dominated by privately operated wagons which were unable to meet passenger demand and was not accessible to women, children and elderly. Realizing the gravity of situation, the government of Punjab took the lead and decided to offer safe, reliable, affordable and well-administered bus services through a system of competitively tendered franchises. For this purpose, it launched a franchise based transport scheme in 1999 in five major cities of the province. This paper provides a thorough review of the performance of this new transport system. The analysis presented in this paper is based on data collected by the authors at numerous occasions under different assignments including the surveys conducted as part of a faculty research project.[1] The evidence gathered on the assessment indicators (see section 6 below) involved:

structured interviews with government officials and franchise operators; collection of secondary data from government offices and franchisees; observation of operational details of the operators; review of studies supervised by the authors; and continuing association of the first author with franchisees operating in Lahore, Gujranwala, and Rawalpindi as advisor.

The paper first presents an overview of situation that led to the justification for the introduction of the new transport scheme. Then it outlines the salient features of the scheme as well as the incentives offered to promote the private corporate sector administered public transport in major cities. This is followed by a comprehensive analysis of the strengths and weaknesses of the scheme and their impact on the efficiency and effectiveness of the service being offered by the franchise operators. The paper specifically provides an account of the barriers that have hampered the growth of bus industry and shaken the confidence of the investors/operators. The final section concludes the discussion by highlighting key interventions on which the future of the franchise scheme greatly depends.

## **2. Situational Analysis Of Urban Public Transport In Punjab**

The major cities in Punjab have been confronting with serious transport problems. This situation has occurred largely because these cities have grown at an unprecedented rate in recent years. The obvious implications of the expansion in city size and population have been the massive increase in the intensity of land use and the demand for transport facilities and services. Walking or cycling has become more difficult as new residential areas in these cities are located well away from first order services, facilities and employment centres. Furthermore, the generally low car ownership rate and limited access to personal motorised transport has created space for public transport to become the most efficient way of providing good access for longer distance trips interlinking the various parts of the cities.

The urban public transport in Punjab has been in dismal state. The Punjab Road Transport Corporation (PRTC) bus services have been deteriorating over many years due mainly to mismanagement and rampant corruption. The result was that standard – size buses were no longer in operation by late 1990s and the gap created in the public transport market was filled by minibuses locally known as “wagons”. Generally the services were provided by individual minibus owners, operating obsolete and poorly maintained vehicles with inadequate standards of quality and service, leading to major source of environmental pollution and accidental deaths. In particular, services remained short of meeting the passenger demand and largely inaccessible to women, children and the elderly. As a corollary to this situation, use of cars and motorcycles greatly increased thereby aggravating urban congestion and pollution.

Russell and Anjum have confirmed that the prominent problem has been the general inadequacy of public transport services relative to the growing demand [2]. They have argued that wagon operators have tended to concentrate their resources on serving general patterns of movement along major corridors, rather than catering for all possible origin-destination choices. Also, the inefficient operation of the available means of public transport has adversely affected its capacity utilisation and hence contributed greatly to its inadequacy. As a

consequence, overcrowding and overloading of public transport vehicles, complex journeys possibly involving frequent interchanges, lengthy walking times, long passenger queues and lengthy waiting times, particularly during peak periods have all become important features of the public transport in major cities.

In order to redress public transport problems, various options were considered and implemented, including bus operations under public as well as private ownership. Attempts at improvements have often been short lived and ultimately unsuccessful because they failed to escape from the net of the established but ineffectual regulatory bureaucracies. The experience of public transport service provision under non-governmental organisation regulation however remained successful in few cities of Punjab. Service quality was also improved under new form of regulation [3]. But the past initiatives could not attract investment in brand new and long body vehicles mainly due to import restrictions and high mark-up rates on loan to procure new fleet.

## **3. Government Response To Address Urban Transport Problems**

In order to provide an efficient urban transport system for major cities of province, the Government of Punjab decided to invite experienced local and foreign investors to operate bus services in major cities of Punjab. The Government of Punjab believed that the public transport system in these cities must offer a comprehensive route network, adequate capacity, and a range of services and fares to cater for different income groups and journey purposes. The services must be safe, convenient, reliable, and environment friendly. The users were expected to include both those who would otherwise travel by car and those with no alternative choice.

A variety of bus services including some air-conditioned (AC) buses to be operated by private companies were envisaged to carry at least half of the non-walking trips within the major cities. Keeping in view the population level, the total bus requirement for these cities was estimated to be 3437 (see table 1 for details). Further, it was anticipated that the option for introducing modern rail system could be considered at later stages in rapidly growing cities of the Province. It was also envisaged to supplement the above public

transport modes by modern taxi services for those willing to pay higher fares for a faster and more direct journey. Implementation of these policies was anticipated to require changes in the organization of government agencies with focus of attention on the legal, regulatory and institutional framework and on monitoring of the effectiveness of policies and plans. In this context, the role of the government was seen to be comparatively less on the provision of facilities and services by itself and more on facilitating the private sector participation. In particular, the focus would be on progressively removing unnecessary restrictions over routes, fares, and tariffs.

**Table 1:** Estimated Bus Requirement for Five Major Cities of Punjab [4].

City	1997 Estimated Population (in Millions)	No. Of Required Buses
Lahore	6.5	1500
Faisalabad	2.14	744
Gujranwala	2.01	605
Rawalpindi	1.47	369
Multan	1.29	219
<b>Total</b>		<b>3437</b>

Given the need to make more efficient use of road space and allied infrastructure, it was decided that efforts would be made to give priority to public transport on social and environmental grounds. Urban traffic and congestion management strategies would be developed so as to maximize the efficiency of the urban transport system as a whole. Whilst investments in new roads and other transport infrastructure would continue to be made, it would also be necessary to introduce measures to influence the choice of travel mode towards public transport.

In 1998 the Government of Punjab appointed the international consultants to review the existing transport system and suggest alternative measures to bring significant improvements in it. The consultants finally recommended a new package of revised policies and strategies aimed at promoting the development of bus industry, together with supporting reforms in the licensing and regulation of urban bus services [5]. Although the primary focus was on the city of Lahore, the recommendations were intended to provide a basis for reform in other major cities of the Punjab.

#### 4. Strategy to Provide Quality Urban Bus Services

In pursuance of the recommendations of the international consultants, the government of Punjab undertook to provide better quality, reliable and well administered public transport service initially in five major cities of the province viz. Lahore, Faisalabad, Gujranwala, Multan and Rawalpindi. The goal was to phase out the chaotic ‘wagon culture’ by introducing a regulated bus system owned and operated by corporate private sector on the basis of route franchises [4]. Under this new policy, the government provided a package of incentives for private sector operators to invest in large size brand new buses with expected side benefits in terms of amelioration of traffic congestion, improvement in environmental conditions and road accidents. The major emphasis however has been on the quality of service to the general public.

The primary role of Government of the Punjab under the new transport policy is strategic planning and regulation of services operating under franchise based transport scheme. Detailed operational aspects are left to the private sector operators with close monitoring of services by the relevant District Regional Transport Authorities (DRTAs).

#### 5. The Franchised Transport Scheme

##### 5.1 The Key Components of the Scheme

The salient features of the franchise based urban transport scheme as conceived are spelled out below [4]:

- Award of franchise to companies/cooperatives after a competitive bidding process;
- Evaluation criteria includes bidders' capability to operate a safe and efficient bus service, level of investment and fares to be charged;
- Substantial operators are eligible to hold a franchise to operate bus service on designated route(s). Small operators may hold franchises for specified routes;
- The allocation of route(s) to the franchisees depend on the scale of the induction plan submitted by each operator in his "Bid for the Award of a Franchise";
- On a specified route the franchisee has an exclusive rights to operate a bus service

subject to conditions defined in the franchise agreement;

- The initial period of a franchise is 10 years, depending on the resources committed by the bidders and specified in their induction plans;
- Some routes or parts of them may be operated by two or more franchisees in certain situations;
- The focus is on long body buses with a combined seating/standing capacity of 70 plus passengers per bus.

### 5.2 Incentives Offered to the Operators

Urban transport is generally subsidized all over the world in view of the high risk factor involved in urban operations [6]. The government of Punjab also decided to give certain incentives to generally reluctant private sector so as to encourage investment in urban public transport. Therefore, under the franchise based public transport scheme, following incentives were offered to attract foreign and local investors/operators:

- **Subsidy on Mark-up of Loan:** Initially, when the scheme was started the interest rates were high, ranging from 18 to 20 percent. A subsidy to a maximum of 4 percent on the mark-up of loans obtained by the investors on debt/equity ratio of 70:30, for purchase of both AC and non-AC buses, was agreed to be provided by the provincial government under this scheme. A benchmark was also fixed wherein the operators were supposed to bear at least 14 percent of the mark-up themselves. In 2000, the condition of fixed benchmark was removed and 8 percent subsidy on mark-up for the purchase of AC buses was also granted. In 2002, 10 percent subsidy on mark-up of loan for inducting dedicated CNG buses was introduced.
- **Subsidized Lease of Depots:** As a part of the policy, government of the Punjab has made available the depots of the abandoned PRTC to the operators on *first-come-first-served* basis on nominal lease rental for their operational requirements (such as offices, workshops and overnight parking). The sites of depots are situated at very important places in the city and could generate huge revenue if rented out on market rates. However, the government has agreed to charge only Rs. 20 per bus per night (i.e. the rent of 150 sq. meters of

land). According to the Franchise Agreement, a separate lease deed has to be signed by each franchisee. Here it is also to be noted that the late entrant operators have arranged land for depots on their own as PRTC depots were already given to early operators.

- **Other Incentives:** The most important incentive offered to the franchisees is that they enjoy exclusive rights to ply their buses on the specified route. Operators are not required to offer concessionary fares to students or any other class of passengers. Moreover, a comprehensive regulatory framework defining the rights and obligations of the operators has been worked out and necessary amendments have been made in the Motor Vehicles Ordinance 1965.

### 5.3 Incentives by the Federal Government

In order to promote the development of urban transport, the federal government has exempted custom duty on the import of CNG or diesel buses in complete-knock-down (CKD) condition. In this regard, an exemption certificate was to be issued by the Small and Medium Enterprise Development Authority (SMEDA) in favour of the operator mentioning the quantity and the manufacturer of buses. The operator undertakes that these buses will be exclusively operated in urban areas on the specified routes already agreed with the relevant DRTA. The custom duty exemption on the import of buses in complete-built-unit (CBU) condition was only available provided the manufacturer of the bus undertakes to establish its assembly plant in Pakistan. Recently the federal government has withdrawn the concession on diesel CKD kit of buses.

## 6. The Effectiveness Of The Franchise Transport Scheme

This section gives an assessment of the efficiency and effectiveness of the franchise transport scheme. The discussion provided below is structured around some key indicators namely; quality of service, level of attractiveness of service, dependency of low income groups on franchise buses, environmental performance of buses, the attitude of the operators, staff and the general public, safety of other road users, managerial competence of operators, and level of investment in new buses. These indicators are

generally considered as forming the basis for viable and sustainable urban transport.

### 6.1 General Description

In response to the new franchise transport scheme, a fleet of 30 buses started its operation on July 1, 1999 in Lahore. Since then, over 1500 buses (with 70 AC buses) have been inducted by 20 franchise companies in Punjab (see Table 2). A total investment of about Rs. 4000 million in purchasing bus fleet, setting up of depots/repair workshops etc., has been made so far by the operators. Out of 20 franchise companies, 18 are local and only 2 are foreign investors (Daewoo and Monolite who have imported buses in CBU condition). A substantial proportion of investment has been arranged by all the franchisees locally at debt equity ratio of 70:30 under financing deals with banks and leasing companies. The mark-up rate on amount of loan has been varying from 18 percent to 8 percent. The operational companies are plying their service on 57 routes in five cities catering approximately 1.8 million passenger trips per day.

**Table 2:** Number of Companies, Buses, and Operative Routes in Punjab [7].

City	Companies	Buses	Operative Routes
Lahore	14	925	34
Faisalabad	2	230	8
Gujranwala	1	65	4
Rawalpindi*	1	150	5*
Multan	2	160	6
<b>Total</b>	<b>20</b>	<b>1530</b>	<b>57</b>

(\* In Rawalpindi, M/s Varan Tours terminated its service in early 2005)

All the franchisees have inducted large body diesel run new buses with wide doors and handle bars and grips in order to ensure safety of passengers. Only five out of twenty companies have introduced around 300 buses with Euro I emission standards. A separate compartment has been provided in the buses for female passengers.

### 6.2 Quality of Service

A detailed analysis carried out in the evaluation study [1] reveals that the public transport policy of the government of Punjab to eliminate chaotic 'wagon culture' and to introduce a regulated bus operation has been partially successful. Although, a modal shift from

wagons to brand new long body buses has been witnessed [8], the operation of buses lacks on-street regulation on franchise routes. These buses are primarily plying on primary and secondary road network which is also being used by small capacity and slow moving vehicles. Due to mix of slow and fast moving traffic and the limited width of right-of-way (often encroached), the buses are generally blocked in traffic jams. As a result of excessive delays on some sections of route network, the operators of buses are unable to adhere with the specified service schedule. These ill-effects make the bus service less attractive to users.

In general, the service under the new scheme has been widely appreciated by captive users and, as compared to wagons, resulted in marked improvement in quality of public transport. However in Faisalabad, due to limited number of buses, the passengers are not satisfied with the provision of service. Farooq confirms the dissatisfaction of passengers and argues that they were already availing the service offered by wagons regulated by government organized non-governmental organization (the Faisalabad Urban Transport Society) [9].

A noticeable change that has followed bus operation on franchise routes is the increase in ridership of female passengers. On all franchise routes, the share of female passengers has increased considerably compared to what wagon service was catering for on the same routes. In particular, the franchise bus service has promoted daily commuting of females from suburban settlements to the cities. The key reason includes more space in separate compartment of buses where females feel secure and travel independently [10-11]. Thus such a sustained initiative has promoted better traveling environment and led to increased female mobility in these cities thereby contributing to general economic betterment.

### 6.3 Level of Attractiveness of Service

All operators have inducted non-AC diesel buses except in Lahore where Daewoo has introduced AC diesel buses on 4 routes in the city. The non-AC buses have catered for only the majority of wagon users and in fact, some passengers have been diverted on other modes such as auto-rickshaw, motorcycle-rickshaw and taxis. In this regard, franchise route number 4 in Lahore can be cited as an example, which runs from General Bus Stand to Wagah border, and

which interlinks predominantly low income communities. Previously around 350 wagons plying on that route were carrying the daily load ranging from 90,000 to 100,000 passengers, whereas now 70 franchise buses on the same route were observed catering for only 70,000 to 75,000 passengers per day. Similarly in Rawalpindi on Murree Road, 481 wagons and 120 midi-buses were operating and carrying 175,000 passengers daily. Under the franchise scheme around 100 buses of Varan Tours were observed plying on Murree Road and passenger load estimated in May 2004 was around 156,000 per day [12]. The buses could fetch lesser passenger load as compared to wagons and the passengers have diverted to other modes on some routes. This diversion of passengers to other modes has happened because wagons were available at frequent intervals and the passengers did not have to wait for long. On the other hand, the headway for buses has been larger than wagons and the buses have been unable to even maintain that specified headway due to clogging in traffic chaos thus provided gap long enough for other modes especially taxi and motorcycle rickshaw to fetch the passengers.

The AC buses on three non-exclusive operational routes have succeeded to some extent in attracting car users. However, the case of one franchise route (no. 16) with exclusivity of operation is different. It originates from Railway Station and connects General Bus Stand, Secretariat, Ichhra and Model Town areas. Previously wagons on this route were catering for around 40,000 passengers but AC service is only carrying around 30,000 to 32,000 passengers per day thus showing decline in the ridership. This is despite the fact that AC buses on this route are managed by Daewoo, which is equipped with innovative technology and qualified staff to effectively run the bus operation. The AC buses could not attract number of passengers at least equal to that of wagons partly because the low income people got excluded from this service due to higher fare.

#### *6.4 Marginalization of Low Income Passengers*

The survey of selected franchisees in 2004-05 revealed that 60% passengers of the buses in all five cities belong to low income group and to them reasonable fare matters a lot to continue using the bus service. But since the introduction

of the franchise scheme, the fares have gradually increased upward due to escalation in price of diesel. For instance, the minimum fare (fixed on distance based scale) was Rs. 3 for the first stage covering 3 km distance in the beginning of franchisee transport scheme when the price of diesel was Rs. 10 per liter. Now the minimum fare has risen to Rs. 6 for the first stage with diesel costing around Rs. 38 per liter. The ticket sale data of the franchisees show that this doubling up of the fare has resulted in drop of 10% ridership. Apparently the poor have responded to this situation by curtailing their unnecessary trips on bus. The worrying aspect is that if this trend continues and the government does not intervene in an appropriate manner, the poor are most likely to be marginalized further. Haider and Badami argue that the government should subsidized low-income groups to continue ensuring their accessibility to bus service [13].

#### *6.5 Environmental Improvement*

Initially, the introduction of brand new buses with relatively better maintenance service ensured by the operators contributed significantly to environmental improvement on franchise routes in all five cities. Later, due to aging fleet and low attention towards maintenance, the emission level of buses was found much higher than what was desirable even in cases of Euro-I standard buses of the foreign franchisees. For instance, Hina and Salam found that the majority of sampled buses of two of the franchisees operating in Lahore were emitting far more than the Korean emission standards for buses [14]. However, amongst the franchisees operating in five cities, the Varan Tours in Rawalpindi was the exception where proper maintenance regime applied by the operator helped a lot in keeping the emissions from buses on the lower side.

It is worth mentioning here that the Government of Punjab is very keen to introduce dedicated CNG buses and the present transport policy provides incentive of 10 percent subsidy on the mark-up of loan for purchase of CNG buses. Further, the central government offers custom duty concession on CKD for CNG buses. Many new operators expressed their interest in the bidding document in 2003 about the introduction of CNG buses but none of them was able to bring them. The main reason was that CNG dedicated buses were not available in

the local market. Recently, a local manufacturer has assembled a dedicated CNG bus which is under trial. The large scale production of these buses is likely to depend upon success of trial bus and the government policy to promote CNG buses. Besides, one diesel bus in Multan and one in Lahore have been converted on CNG and the government is considering giving some incentives for large scale conversion. Although visible improvement in environmental condition can be expected if this becomes a reality, a regular maintenance program will still be required on the part of the operators to really gain the benefits associated with CNG use in motor vehicles

#### *6.6 Changes in Attitude*

Another positive aspect of bus service is that it has contributed in bringing some change in the attitude of the operators, staff and the general public. For instance, passengers do wait and drivers generally stop their buses at designated bus stops. Similarly, passengers do register complaints to the operators instead of the regulatory authorities. Likewise, no data on passenger volume previously existed with the owners of the wagon, whereas the franchise operators have well organized data on operational aspects of their service like sale of tickets, fuel consumed, and the expenditure incurred etc. Overall, there has been visible positive change in public transport culture in all five cities of Punjab.

#### *6.7 Safety of other Road Users*

Due to mix of slow and fast moving traffic, collisions of buses with small capacity vehicles, non-motorized vehicles, and pedestrians have become the common practice on franchise routes. The fatal accidents involving buses with other vehicles and pedestrians have also led to violent protest from the general public. As a result 32 buses have been set on fire so far and a large number of buses have been damaged badly in Lahore, Faisalabad, Multan and Rawalpindi. Rizwana and Sadaf have found that in general collisions of buses and fatal accidents are not due to inadequate width of roads but mainly because of reckless attitude of drivers with inadequate training [15]. The root cause of this problem lies in the fact that there is a dearth of public service vehicles' drivers well conversant with the traffic regulations and road conditions in urban areas. Moreover, there are no proper

training institutes available to impart formal training particularly to the bus drivers and neither the government has made serious effort to this end. The result is that even untrained drivers have been recruited by franchisees to drive long body buses. For instance in case of Lahore, around 2500 skilled driver is needed in order to operate 925 buses but due to their non-availability, untrained drivers are also hired thus risking the lives of other road users.

#### *6.8 Mismanagement by Inexperienced Operators*

Urban transport is a labor intensive industry which requires qualified, experienced and highly dedicated managers. For the franchise operators, the workforce of abandoned PRTC proved to be useful in setting their operations at the initial stages. The operators have been disinclined towards employing qualified managers and continued running their businesses in the traditional style of inter-city bus operation which is quite different from that of urban bus operation. The result has been that only few companies have been managing their operation successfully with the help of qualified and experienced staff while the rest are facing operational problems due to inadequate managerial capabilities. Thus sometimes they are unable to put the required number of buses in operation due to mismanagement of daily duty roster. Similarly, inadequate workshop facilities and absence of trained workforce have led to chaotic operations, for instance, large number of breakdown of buses during operational hours.

#### *6.9 Low Investment in Induction of Brand New Buses*

The transport policy has helped in laying down the foundation for bus industry in large cities of Punjab. The political support extended to the franchise scheme in 1999 by the then civilian government and subsequently by the military regime kept the flow of investment coming in the urban transport sector. Furthermore, the enthusiasm of the operators has been increasing gradually since the introduction of the franchise scheme. For instance, Anjum and Hameed [16] noted that some incentives such as subsidy on mark-up of loan in case of diesel buses and space for depots were available only at the initial stages of the scheme. Despite that, neither the existing operators lost enthusiasm to further

expand their fleet nor had new entrants hesitated to invest in urban transport. Lashari [17] pointed out that financially viable bus operation even without subsidy and confidence of financial institutions in this business encouraging them to facilitate investment in the transport sector on softer terms and conditions were the key reasons behind the continued interest of the operators.

However, this situation could not be sustained and the new democratic government diverted its attention from the bus project to other transport initiatives such as introduction of 4-stroke CNG-rickshaw and mass rapid transit. Further, on the writ petition lodged by the wagon owners from Rawalpindi, Lahore and Faisalabad against the franchise transport scheme, the Supreme Court of Pakistan declared the franchise law as ultra-virus to the Constitution of the country. It directed the government of Punjab to take necessary legislative and administrative measures to run the urban transport system by providing equal opportunity to all the operators and ensuring competition in the market. It also advised the government to consider the possibility of operating its own transport. All this coupled with ever increasing prices of fuel seriously contributed to near halt down of further investment in urban transport. A good indicator for this is the fact that neither a single new bus has been added in the existing fleet nor any new operator with brand new buses has entered in the public transport market since June 2005 onwards. Under the present situation it appears difficult that any new investor will come forward and invest in transport business.

### **7. Need To Overcome Barriers In Developing Bus Industry In Major Cities**

The government of Punjab did not draft and publish a comprehensive policy document to generate public and stakeholders discussion about public transport issues. A simple policy paper was issued highlighting the salient features and procedure to participate in the bidding process under the new transport scheme. However, Small and Medium Enterprise Development Agency (SMEDA) produced two national policy papers including proposals for the development of the public transport industry in June 1999 and March 2000 [18-19]. These papers also were not comprehensive and did not extend to the principles of managing the bus system. They focussed on alleviating two

problems that were restraining the development of urban bus industry, a) insufficient incentives to invest in the industry and b) bureaucratic and restrictive regulation. Based on SMEDA's proposals, the federal government offered some incentives to the franchise operators (see section 5.3).

Anjum notes that the most problematic deficiency of the franchising process was the lack of a strategy that would have determined [20]:

- how many operators there should ultimately be in each city,
- the geographical coverage by the operators,
- the allocation of available depots and terminal spaces among all operators,
- the need to create some competition and,
- the provision of a complete network including less profitable feeder and secondary routes to cover the whole city.

So far, the government has resorted to 'first-come, first served' strategy in the interests of getting some buses operating quickly on different routes. There are disincentives for new entrants as all the available government land for depots/workshops has been allocated and so is the case of profitable routes, there is likely to be little competition in the market. In the absence of competition, the onus on the DRTAs to assess demand and plan the route network and services is much greater. However, the government lacks transport planning capability and there is no mechanism to ensure that franchised routes will eventually cover the whole city.

The regulatory framework is comprised of all legislations, contracts, and other instruments that govern the relationship between the operator and the authority. It also sets the rights, freedoms and obligations of both the parties. The amended legislation pertaining to franchise scheme empowered the provincial government to award franchises but it did not set out the rights and obligations either for the authority or the operator. There were many redundant and obsolete provisions in the existing legislations, for instance a maximum length and width of bus is 30 feet and 8 feet respectively whereas most of the buses operating under franchise scheme are 36 feet long and 8 feet 2.5 inches wide. The legislation needs extensive redrafting to reflect modern conditions. There is a need to define a regulatory framework, which not only maintains the balance between commercial incentives of

the operators and service obligations but also gives the regulatory body sufficient powers to guide the development of the bus industry.

It is unfortunate that a pilot project aimed at reforming the Regional Transport Authority (now DRTA) of Lahore in 1999 was not implemented as it could have provided a model for the industry. Generally, little has been done to improve institutional capability, especially for DRTAs who are responsible for administering both the route permits and the franchises. The experience so far reveals that bus companies are operating their services according to their own will and wishes with no effective monitoring of services at all by the DRTAs. While there are clear signs of change in wagon-culture on the roads as a result of introduction of buses, the DRTAs are still working with traditional 'mind-set' and conventional methodologies. The DRTAs remain essentially bureaucratic in nature and have little perception and vision for the development of the franchise system. The ineffectiveness of the DRTAs has put more pressure on the provincial government to oversee the franchising process.

Wagons have been replaced by long body buses on the routes allocated to franchisees. The wagon owners have been given alternative routes. They have been worried by the process of expansion of the franchised bus industry. Generally, there has been no resistance from their side in the form of demonstrations, strikes, obstructions or attacks on buses. Instead they adopted the legal course of action as discussed above to stay in the transport business alongside the buses. Unfortunately, the wagon operators cannot be franchised under the present legislation because this allows only buses with carrying capacity of 70 or more to operate under franchises. Therefore the strategy for the bus industry needs also to include reform of the wagon sector. This is all the more important because there will always be routes which would be difficult for large bus operation and could be better served by wagons, which in turn will also give them a legitimate role like that of buses. To this end, wagon operators will need help with access to finance and understanding efficient operating practices.

## 8. Conclusions

The assessment of franchise transport scheme has shown that it was a remarkable initiative of the government at a time when urban transport conditions were characterised by pathetic wagon

transport and virtual absence of decent bus service, the later being considered now as enormously vital for development of large cities. The scheme has helped in fostering the cadre of corporate operators who were previously reluctant to invest in urban transport. It has also ensured the introduction of 1530 new buses and even with this limited number, there has been some visible improvement in public transport culture in all five cities of Punjab.

The assessment also points out that the bus operation predominantly has so far catered to the needs of captive users and marginally succeeded in attracting car users and motor cyclists. This situation can be improved by promoting innovation in service at different fare levels to cater for the needs of different income groups. Moreover, the attractiveness of the bus service can be enhanced by introducing supporting measures (such as training of operators, managerial staff, drivers and fare collectors, on-street regulation, removal of encroachments, installation of bus stop sign boards and passenger shelters, and provision of pedestrian facilities) which have so far remained short of the desired level.

However, the worrying aspect is that the spirit with which the franchise scheme was introduced has waned with the passage of time. This is due mainly to the delay in the implementation of new law and administrative measures as directed by the Supreme Court, continued rise in fuel prices and inadequate regulatory support. Furthermore, shift in policy of the present government towards new transport initiatives like rapid mass transit and CNG-rickshaws has greatly slowed down the development of urban bus industry. Although introduction of any form of rail based system on selected corridors and promotion of cleaner rickshaws would be desirable, these need not to undermine the role of bus system. Similarly, fuel prices need to be capped through subsidy or some other appropriate mechanism where fare levels ensure financial viability of the urban transport.

On the environment front, shift of bus industry from diesel to CNG is highly desirable, given the alarming levels of pollution resulting from road transport. But to make this transition to happen, the government needs to take measures aimed at not only lowering down the initial price of the CNG buses but also devising a well thought-out mechanism to convert existing diesel bus fleet into CNG.

The changes in the relevant law have already been made in the light of the direction of the Supreme Court and its implementation has started. The new provisions have clearly classified the route network allowing high and low occupancy stage carriages on specified routes. As such wagons on these classified routes have started operation but these are also plying on some of those routes classified primarily for bus operation due to weak enforcement by the regulatory authorities. This practice is a cause of great concern for existing bus operators and unless rectified, this is also going to keep serving as strong deterrent for new entrants in urban transport.

Finally, the future of the urban transport scheme will be highly dependent on both the political will on the part of the government as well the managerial competence of the regulatory authorities. In the case of later, it is essential that the local government in five large cities have regulatory bodies that are responsive and capable of market-sensitive regulation. This requires concerted effort to strengthen institutional capacity of existing DRTAs both in terms of staffing and resources.

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