CONFERENCE ON IMPLEMENTING SUSTAINABLE URBAN TRAVEL POLICIES IN RUSSIA AND OTHER CIS COUNTRIES

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Ministry of Transport of the Russian Federation
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IMPROVING PUBLIC TRANSPORT IN RUSSIA: STRATEGY AND ACTIONS OF THE WORLD BANK

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1. Current situation in Russian cities

Approximately 75 percent of all Russians reside in urban areas, and approximately 85 percent of all their motorized trips are made on public transport systems, compared to about 20 percent for Western Europe and 3 percent for the United States. About 106 million urban dwellers make about 36 billion surface transport trips each year. The Russian Urban Passenger Transport (UPT) system serving the urban traveling public is one of the largest in the world, incorporating over 78,000 surface transport vehicles (buses, trams, and trolley buses) serving over 11,000 routes.¹

Unfortunately, these systems are in marked decline or under severe stress in most Russian cities, both in terms of levels of service being provided, and in terms of aging fleets and investment in vehicles not meeting demand. The ratio between newly procured vehicles and those considered beyond their economic life has been constantly decreasing, with only 25 percent of the annual new fleet requirements being met.

This deterioration in the condition of the UPT fleets and service to the urban public has been caused by a combination of factors, including a very high percentage of exempted passengers, low fare levels, poor fare collections, and overall inefficient service provision. During Soviet times these deficiencies were offset by generous public subsidies to operating companies. Subsidies at those levels are no longer possible under current market economy conditions. Nevertheless, the total amount of subsidies provided to urban and suburban passenger transport operators from all government budgets is significant, amounting to an estimated RUR13.6 billion (approximately US$450 million) during 2000, and more recent indications are that those levels of subsidies are increasing. Moreover, it is estimated by local transport officials that the subsidies provided are only about two-thirds of what is needed to cover operational loses, much less capital replacement of the rolling stock.

As a direct result of the decline in public urban passenger services, private sector operators have emerged in many Russian cities, and in some they provide most services.² While this phenomenon has helped offset the overall decline in urban passenger services, the introduction of private operators has resulted in an associated host of problems, including haphazard competition with established publicly owned operators, large numbers of small vehicles with questionable safety features, erratic and unsafe driving practices, emergence of criminal elements, disregard for the needs of exempted passengers, and overall poor regulation of the sector by public authorities.

2. Strategy recommended by the World Bank

There is an urgent need to mobilize and regulate the potential of the private sector more effectively. This could be done through the widespread introduction of competitive tendering or operating franchises in urban areas. To facilitate this reform it will be important to develop new skills and practices at the municipal government level to be able to competently manage the introduction of such competitively provided services. This would need to be accomplished in a careful stepwise fashion that would ensure adequate public sector service provision during the transition period to more market-oriented provision of urban passenger services.

¹ This statistic includes all public operators and all private operators with seven or more vehicles. The number of total vehicles would be significantly higher if small private operator vehicles were included.
² It is estimated that in 10 to 15 percent of Russian cities with a population over 100,000, about 30 to 40 percent of total urban passenger trips are being provided by the private sector. (See Urban Transport Sector Reform Study, Task #1 Technical Paper.)
Beyond the problems in urban passenger services, street networks are deteriorating in many Russian cities, and urban traffic management is either poorly understood or nonexistent. The poor condition of urban roads has been caused principally by the lack of adequate municipal funding of road maintenance and rehabilitation. The rapid increase in private vehicle ownership has accentuated the problem by causing increased wear and tear on these urban road networks, and in some cities, the emergence of traffic congestion. During 1990–99, the motor vehicle fleet in Russia increased at an average annual rate of 7.6 percent per year (from 11.9 million to 22.9 million vehicles), with most of the increase occurring within urban areas. The deterioration of road networks has, in turn, had an adverse impact on the public transport fleet and the general operating conditions for all motorized vehicles.

While the Russian Federation Government is addressing the needs of the general population with programs to improve national-level infrastructure and services, little attention has been directed to assisting the ability of municipal levels of government—where most of the population resides—to cope with this challenge. While recent Federal Government efforts are being directed at assisting the oblasts and other Subjects of the Federation, as exemplified by the World Bank-financed Fiscal Decentralization Project, this assistance generally does not extend in a targeted fashion to the municipalities, which are the governments most directly related to the needs of the dominant proportion of the total national population and the dominant proportion of the poor.

The Federal Government should become more proactive in providing assistance to municipalities both in terms of disseminating and encouraging the implementation of technical best practices in several sectors, including urban transport, and in assisting cities to become more competent in financial matters through providing incentives to implement cost-saving reforms. So far the interventions from the Federal Government have been weak or even nonexistent. The reason for the lack of involvement is that the prime responsibility of urban transport (UT) lies with the local government, but in light of the importance and miserable situation of UT in Russia, the Russian government should consider a more active facilitating role. In the Transport Strategy a first indication of a more active approach can be identified. The reforms in UT should be focused in our view on three priority areas.

**Priority Number 1.**

**Improved Quality and Financial Sustainability of Urban Public Transport Services**

This is to be achieved principally through implementing reforms in those cities that are willing to provide core urban public transport services on a well-managed, competitive basis. More specifically, the competition would be for the market, that is, for exclusive provision of urban public transport services on selected routes or sections of the participating city, under contracts of sufficient length to attract serious bidders. Based on similar reforms undertaken in several countries, it is expected that government subsidies

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3 The ownership of private cars increased even faster than the overall motor vehicle fleet, from 9 million in 1990 to 19.6 million in 1999, at an average annual rate of about 9 percent per year.

4 Oblast-level governments are predominantly concerned about rural and oblast-wide concerns, and that level of government may have priorities that are not consistent with those of municipal governments. Approximately 70 percent (23 million people) of those living below the poverty line in Russia reside in urban areas.

5 This type of Federal-level intervention has performed an important role in other large federated republics where responsibility for urban public transport is primarily at the municipal or conurbation level. The Empresa Brasileira dos Transportes Urbanos (the Brazilian Urban Transit Authority) in Brazil and the Federal Transit Administration in the United States are good examples.
can be substantially reduced, with no reduction in quality of service. For example, in London the cost per vehicle-kilometer of urban passenger transport services was reduced by 35 to 40 percent in the 1990s, with no loss in quality of service, by introducing competitive provision of services, and over a 10-year implementation period public subsidies for urban public transport services were reduced to near zero. In Stockholm, by introducing competition, the cost per vehicle-kilometer dropped about 20 percent, with no loss in quality of service. In several Australian and New Zealand cities, government subsidies were reduced 10 to 40 percent with either the same or improved service quality, under competitive service regimes. Taking these examples into account, advancing reforms in cities and in setting good examples for other cities could easily result in significantly reducing central and local government subsidies.

Recommendation

- Starting in reform-oriented cities, provide core urban public transport services through long-term contracts for selected routes or in sections of the city.

Priority Number 2

Improved Passenger Transport Operations and Overall Traffic Conditions through Selective Urban Street and Traffic Management Investments

A second reform issue, and one that could materially improve (and reward) the willingness of cities to introduce urban public transport reforms, would be the selective improvement of urban road infrastructure and associated traffic management measures. These targeted investments would be made with the principal aim of improving public transport operations, and with the secondary objective of improving overall traffic conditions.6

Recommendation

- Invest in urban road infrastructure and implement traffic management measures that would make public transport more efficient and improve traffic flow.

Priority Number 3

Strengthened Urban Transport Institutions at the National and Local Government Levels

Beyond implementing reforms aimed at improving urban public transport services, it is clear that the current institutional ability and capability of the Ministry of Transport to advance urban transport reforms and best practices in Russian cities is falling short and urgently needs to be improved. More specifically, what is needed is to strengthen the abilities of the Ministry to, first, advance urban passenger transport reforms, and second, advance best practices in urban transport planning and traffic engineering. Part of this capability is expected to develop within the Ministry, and part in educational institutions that could be contracted by the Ministry to conduct training programs for city officials in urban transport.7 It is also expected that, as a result of this approach, cities would attain an improved institutional ability and practical knowledge to plan, design, budget, and implement urban public transport services and urban transport infrastructure and traffic management on a sustainable basis.

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6 Provision of exclusive bus priority facilities would be a high-priority investment.

7 Four training institutes working with the Ministry of Transport are already being trained in urban public transport reforms under a World Bank-administered Dutch government grant.
**Recommendations**

- Make improved training within the Ministry of Transport and within educational institutions a priority.
- Contract for training of city officials in urban transport operations, planning, and management.

3. **Actions of the World Bank**

   1. Work of Bank for 10 years (the first sector research of Holt group has been completed in 1994!)

In 1994 we started working in Russia on transport, Russia being a new member of the World Bank, the knowledge of the sector had not been available. That is exactly ten years ago, the team prepared an excellent very detailed field diagnosis and strategy development, this study was meant to prepare a project and it finally led to the project for the 14 cities. The objective was to preserve essential urban transport capacity in 14 cities (new investments in vehicles, vehicle rehabilitation), shift the onus of financing public transport operations from the public budget to passengers, reform the status of public operators and their relation with municipal authorities, improve operations, maintenance and planning activities of the companies and involve the private sector in the provision of urban passenger transport operations. Where we successful, perhaps the project did not deliver all the ‘goods’ we (the Bank, MoT, cities, operators) had in mind, but for sure it provided some very valuable lessons.

2. Lessons of the first project "Urban transport" in Russia.

The lesson -I would like to focus on- concerns the links between the policy agenda and the institutional power to make changes. We realized too late that there was a role to play for the federal government. The history of the project shows an abundance of efforts by cities to experiment with public transport regulation, but the pivotal change occurred only when the locus of the regulatory effort moved to the Ministry of Transport (MoT). MoT alone had and has the jurisdiction to evolve a national regulatory framework, which would allow the cities a wide latitude in the site specific implementation. For instance the issue of fare exemptions might have been resolved had the Ministry of Finance accepted during negotiations a legal obligation to do so. The lesson is to place the onus of a condition where the power to make a change…simple but very difficult.

3. The distance learning program of transport administrations staff. Attraction grants of some European countries governments. The first results.

When the UT project came to an end in 2002, the Russian Ministry of Transport and the World Bank started discussing ways (based on the UT project policy/reform directions) of strengthening, promoting, disseminating a mutually agreed reform program in urban passenger transport. As part of this program MoT and the Bank agreed to cooperate in preparing and implementing a distance learning program under which several cities across the Russian Federation could learn about the latest approaches, techniques, and processes as a means to plan and implement urban passenger transport reforms at the municipal government level. In support of this proposed program the Bank has secured five grants of varying sizes and for varying purposes.

In response to the concerns about the state of urban public transport the Federation Ministry of Transport undertook a study of current conditions in Russian cities and developed the “Open Reform Program” to assist them to identify and implement market oriented reforms. This was done under the UT project, the program also reviewed international experience with market oriented reforms and identified a number of approaches which were considered appropriate for Russian cities. Recognizing that urban public transport is a matter for the subjects of the federation, and not of the federal government, a “Center for Urban Public
Transport Reform” was established within the Federal Ministry of Transport in Moscow, to assist cities in confronting their urban transport problems. This education program has been developed by the Center, with the assistance of the World Bank Institute and experts funded by the British, Irish and Dutch governments, to give practical guidance to cities in confronting the problems of reform. We have an impressive set of learning documents ready which have been used for the trainer of trainers in St Petersburg, Moscow, Omsk and Saratov. The documents are on the Russian website but will also be available pretty soon on the World Bank website. These documents will provide hands on guidance to practitioners in public and private sector; actually I think they would serve a great purpose in Western Europe as well.

We are very grateful for the opportunity to present today our cooperation with the Russian Government and we are very pleased that our recommendations and assessments can be shared with everybody with an interest in improving UPT in Russia. We need to find ways to coordinate our thinking and our efforts. For this the Bank will make available its extensive sector work containing all studies, analysis and educational programs done in this field in Russia. Future programs and projects whether they will be implemented by various organizations can -or actually should- make use of this very valuable analytical and implementation effort. Let’s make use of our joint resources and knowledge.