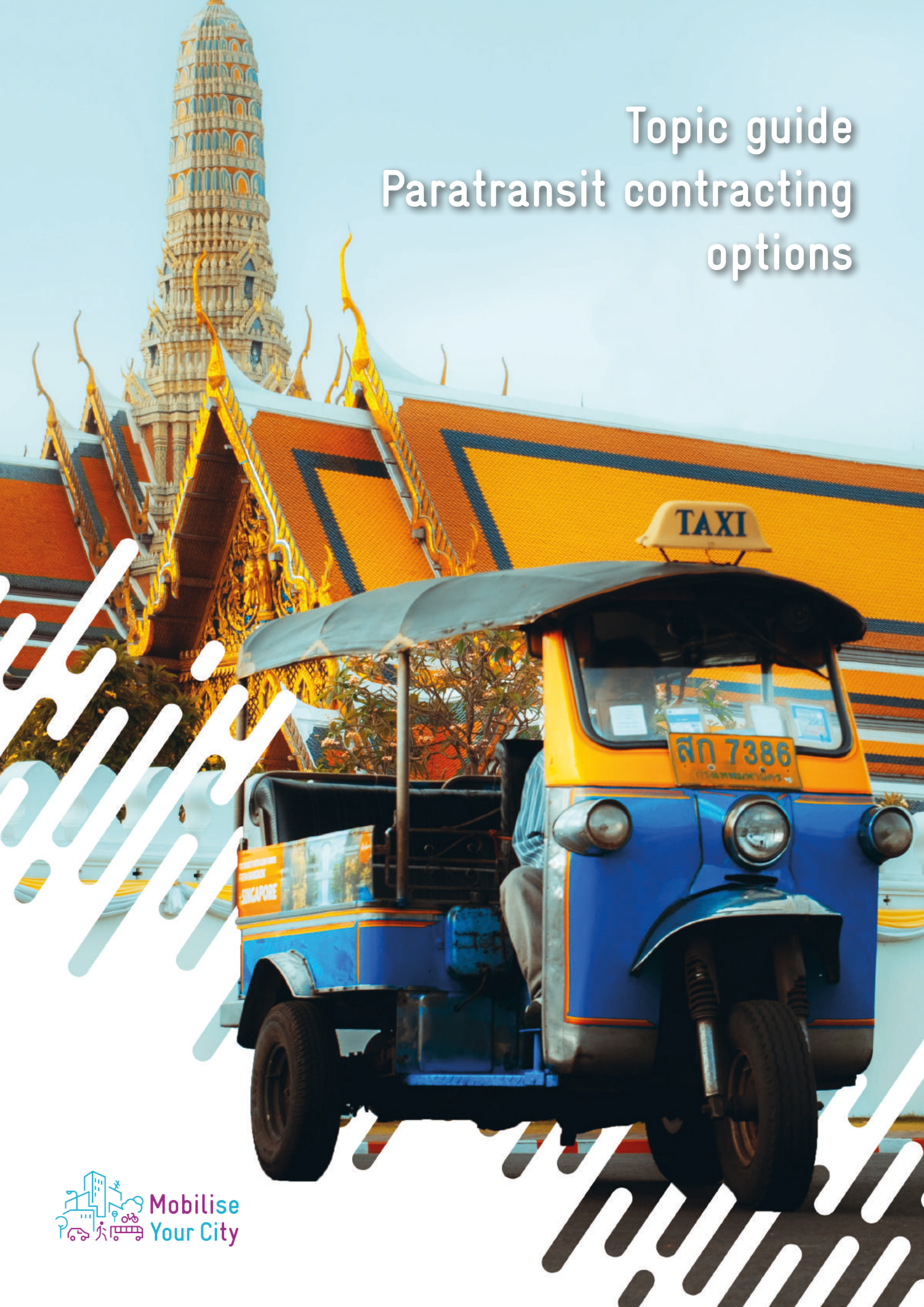


Topic guide Paratransit contracting options



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Introduction

The MobiliseYourCity Partnership

Launched at COP21 in Paris, the MobiliseYourCity Partnership is a leading global Partnership for sustainable mobility of nearly 100 partners, including 69 member cities and 15 member countries. It is jointly co-financed by the European Commission's Directorate-General for International Partnerships (DG INTPA), the German Federal Ministry for Economic Cooperation and Development (BMZ), the German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV), the Agence Française de Développement (AFD), the French Facility for Global Environment (FFEM), and the French Ministry of Ecological Transition (MTE). AFD, GIZ, ADEME, Cerema, CODATU, EBRD, KFW, and Wuppertal Institute implement the Partnership.

With 40.7 million euros to support technical assistance and project preparation in 31 cities and 9 countries, the first projects completed in 2022 have mobilised 1.7 billion euros for concrete sustainable mobility projects.

General Approach

This topic guide was produced within the scope of light technical and advisory support aimed primarily at accompanying Abidjan's mobility authorities in their current paratransit sector reform efforts. It includes several references to Abidjan's process, but its general content can be used in other contexts. The primary objective of the document is twofold: first, to describe the current characteristics of paratransit operations, often targeted for reform and second, to provide a general definition of the different contracting options (including advantages and obstacles) between transport authorities (or any other institutions in charge of managing mobility) and the paratransit sector.

The importance of context in engaging with paratransit

Contracting with the paratransit sector is a complex but essential step in professionalising the services. The choice between conducting rigid or flexible processes is the local authority's prerogative. Nevertheless, considering several cities have already resumed such functions and are thus sources of insights, it is worthwhile to draw lessons from experiences and adapt specific measures or solutions tested elsewhere to the local context.

Each city has their distinctiveness that must not be overlooked. Such contexts are primarily informed by regulatory environments in place (some being better adapted to current operations than others, with the worst cases being those with little or no robust frameworks) and different modes operating in the city (minibus, shared taxis and moto-taxis, each having different roles and operating logics). These particularities should be considered when designing a contracting arrangement. Indeed, it is likely that contracting with a city's operators will require a group of actions targeted at each mode rather than a one-size-fits-all approach.

The case for contracting with paratransit services

In most cities, if not all, current paratransit services exist where arrangements between public institutions and operators are seldom adequately structured. In general, arrangements are limited to licences or permits to operate certain types of vehicles without introducing a robust regulatory framework.

With reform processes expected to occur in cities where paratransit exists, it is necessary to cater for the evolution of these services to fit the best-concerted visions and objectives defined in strategic plans (Sustainable Urban Mobility Plans - SUMPs, in the case of MobiliseYourCity) and sectoral policies. In most cases, it is unrealistic to expect paratransit services to disappear once visions and reforms are implemented. This common mistake has led to failed attempts to formalise the sector in multiple cities worldwide. A more realistic approach is to define paratransit services' role within a more efficient public transport system. More adequate regulatory frameworks need to be developed for success.

The introduction of contracts between public authorities and paratransit operators is thus crucial in this process. It is also essential that the contract addresses the objectives and expectations of the future role of paratransit services. This document focuses on these critical issues and presents initial elements to consider how contracting arrangements can support and concretise reform processes.



General characteristics of the paratransit sector's operations

Current relations between paratransit operators and public institutions

In most cities in the Global South, public transport services comprise formal and paratransit modes that coexist but fail to develop complementary operational services. In most cases, although being remarkably dynamic and adapting quickly to changing or new demands, paratransit services have thrived in a niche that has remained somewhat stable for years, reflecting the current demand for accessible public transportation in the absence of limited or inexistent formal services. There appears to be a relative operational equilibrium – often fragile – between paratransit services' role in the city and legal, institutional services.

Yet, describing the current landscape is far more complex when looking at regulatory frameworks. While formal or institutional modes are regulated (including, when it is pertinent, contracts between private operators and institutions), the paratransit sector's framework is more volatile. Paratransit operators can either be well-regulated (in terms of (i) licences, (ii) route definition, and (iii) fares, or a mix of these three elements) or entirely unregulated, or they can sometimes operate under different regulations for each mode in the same city. The most common situation is where operators can choose hours of operation, routes and service conditions to improve their daily profitability.

Fragmentation of the sector is crucial to understanding the current status quo. A sum of many small-scale operators (each owner owning one or few vehicles) is the basis of existing operations, creating a dense network but lacking operational efficiency. Each operator, representing a substantially small percentage of the supply, individually enters into arrangements with public institutions, often through very lax licencing processes and enforcement of existent regulations. The multitude of configurations further encourages fragmentation and atomisation of operations.

Indeed, access to such services is simple, having few barriers to enter the market. Private operators manage to acquire necessary licences or permissions without substantially conceding or adapting their levels of services. The latter remain of low quality. Furthermore, the quantity of vehicles in the system is not controlled, resulting in general oversupply on most profitable routes and, in some cases, other less profitable routes. In some cases, the excess is advantageous because local authorities receive income from awarding new licences or permits to operators, a harmful incentive to address through improved contracting arrangements and planning and monitoring capacities of public authorities.

On the institutional side, urban mobility is regulated by public entities (at the national or city level) in charge of mobility. These entities overlook paratransit services, often ignoring plaguing issues and sometimes aiming for a very optimistic substitution of current operators through attempts to formalise the industry. In most contexts, transport authorities – when they exist – have unclear or contested responsibilities and contentious relationships. When transport authorities are non-existent at the local level, national-level institutions commonly take over but do not fare better when dealing with paratransit regulation.

Operations in current regulatory environments

Conditions of changing demand patterns throughout the day and the above-mentioned operational logics result in a network that is difficult to interpret and highly volatile at best. The overall paratransit network results in a sum of individual decisions (most often made by drivers) that regularly fail to be sufficiently coordinated let alone be made complementary.

As this flexibility is a relative advantage to users and drivers, it is also partly responsible for significant externalities in the transport system. First, small unroadworthy vehicles – often aged and in inadequate mechanical conditions – generate CO₂ emissions and cause levels of pollution greater than recent vehicle models. Furthermore, these aged vehicles do not support the improvement of road safety indicators, as many Global South cities often top road safety victims' rankings¹. In Bamako, the paratransit fleet increased by two between 1995 and 2011. In parallel, deadly road accidents per annum multiplied by four during the same period (from 56 to 194, with data likely underestimated)². Another critical point is that the excessive presence of vehicles on the road can lead to disproportionate competition and road-use.

Nonetheless, strengths and weaknesses are sometimes closely linked. The general oversupply in vehicles can also be interpreted (by sheer numbers) that the sector generates direct and indirect job opportunities (see below), mainly for young male adults who, otherwise, would likely be unemployed. For instance, in Cotonou, it was estimated that some 60 000 jobs were created in the moto-taxi sector in the early 2000s, broadly accounting for 15-20% of employment for young male adults in the city. Additionally, small-sized vehicles can ply routes with narrower roads connecting neighbourhoods, contributing to route flexibility.

Despite these merits, it is noteworthy that these jobs are often precarious and, in the worst cases, highly abusive. Similarly, the use of more minor, older and sometimes unroadworthy vehicles facilitates the route flexibility of the paratransit system, with narrower roads to enter neighbourhoods.

Strengths	Weaknesses
Adaptability and responsiveness to demand (inherent balance between supply and demand)	Small, old, sometimes unroadworthy vehicles that propose a lower level of service quality
	Disorganised setup in terminal stations and ranks that creates discomfort for users and operators
	Lack of efficient usage of road space

Figure 1. Strengths and weaknesses of the current paratransit operations

¹ As an example, in 2016, the rate of death linked to road safety was 26,6 deaths / 100 000 inhabitants in Africa, compared to 9,3 deaths / 100 000 inhab for Europe, or 18,2 deaths / 100 000 inhab as the global mean.

² Source: Sango H.A. (2017). Epidémiologie et surveillance des accidents corporels de la route dans un pays en développement : cas du Mali (Bamako). Santé publique et épidémiologie. Université de Bordeaux, 2014

The economic importance of paratransit operations

Paratransit operators exist in gaps or areas of operation that formal services fail to supply³. Accessing underserved regions has allowed the paratransit sector to gain economic importance in the urban mobility ecosystem. Indeed, the example of Abidjan shows that paratransit mode accounts for approximately 67% of daily trips in the city, with 'gbakas' and 'wôrô-wôrôs' providing each 1,1 million trips. Yet, there are more layers to the (socio-) economic role of the paratransit sector, which is particularly visible in African cities.

First, the sector creates diverse job opportunities, not only for drivers. Indeed, related-employment opportunities emerge in areas such as vehicle maintenance services or controlling queues at terminals. Mechanics, spare parts vendors or cleaning crews are also dependent on the existence of paratransit services. These jobs are nonetheless poorly paid, highly volatile and do not provide social benefits to the employees. Apart from these, the sector also sustains job opportunities, such as food vendors or other types of commercial businesses.

It is necessary to note that relationships between owners and drivers often face challenges. The sector has a solid hierarchical internal structure, where owners receive payment from drivers responsible for daily activities. Nevertheless, this internal hierarchy can take other forms. For instance, owners of smaller fleets can also be drivers. In other cases, the main driver could seek a second driver after an agreement with the owner. Under these conditions, clashes between owners and drivers are common, often related to delays in payment or necessary repairs to vehicles. The internal organisation structure becomes highly complex yet fragile when adding all other direct and indirect jobs in the sector.

However, the sector has repeatedly proven a level of solidarity between members that is difficult to rival. Indeed, either by way of associations or unions in some cases, solidarity mechanisms that include private loans, assistance when accidents occur or assistance when a health issue appears have been put in place in various cities. For instance, in Douala and Yaoundé, moto-taxi associations organise 'tontines', a voluntary fund where drivers contribute different amounts and used to help one participant pay for a personal event or acquire a new vehicle. The 'tontine' is restarted, and the person receiving the funds continues participating. As the sector's actors fail to secure loans or financing opportunities from the formal banking sector, the paratransit sector's organisation often provides an informal and fragile solution. This organisation includes solutions to acquire vehicles («work-and-pay» schemes where drivers gradually pay for the unit they operate) or to increase one owner's fleet with second or third-hand vehicles.

Financing the paratransit sector

Financing the paratransit sector in Sub-Saharan Africa is thus one of the most challenging aspects of the current model and one likely lever for formalisation or professionalisation. Operators struggle to obtain bank loans in their current state – the latter perceiving paratransit operators as risky investments. When seeking to recapitalise their fleets, expand the number of vehicles of an owner or a group of owners, or introduce a new car, owners must look for alternatives in second-hand markets and informal paths. This situation might result in the introduction of older vehicles, which translates into ageing fleets and cars that do not necessarily comply with set standards (e.g. in terms of road safety and emissions standards).

³ When simplifying, if accessibility is equated to territorial coverage, the case of Angkot speaks volumes. While the BRT coverage reached 28% and public buses 52%, paratransit minibuses reached 89% of territorial coverage.

One of the obstacles to obtaining funds is the high level of atomisation of vehicle ownership in the paratransit sector. With one or few vehicles owned by the same person, grouped purchases are challenging because owners prefer to avoid direct competition. From the perspective of banks or other financial institutions, atomisation is likewise an obstacle. Among the problems, the following are most common: insufficient guarantees – in the form of properties – to be used as collateral for loans asked by owners, highly fluctuating income that depends on daily operational income and that is highly sensitive to the vehicle being available during working hours, negative image of the paratransit sector, notably owners.

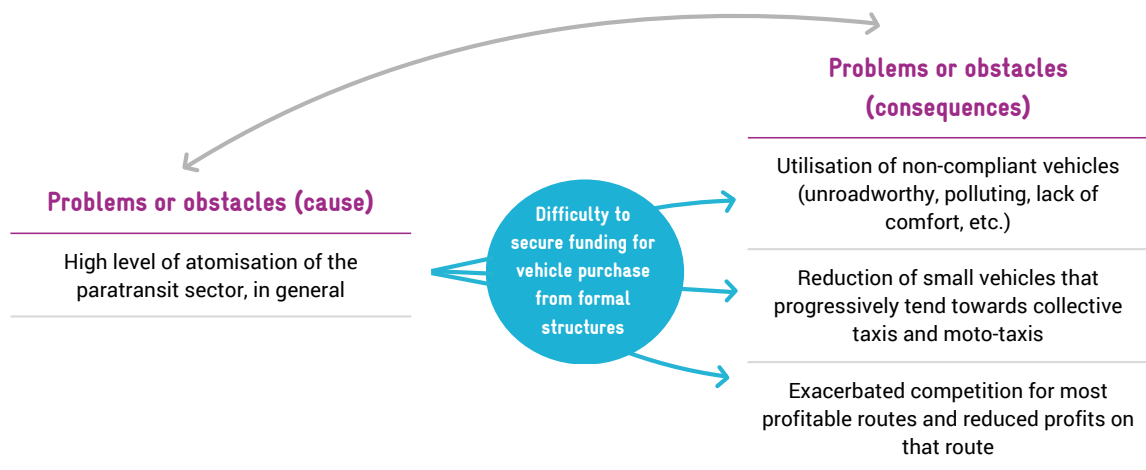


Figure 2. Causes and consequences linked to the inability to finance new vehicles purchased by paratransit operators

Financing the sector can become more attractive to financial institutions with a better-structured paratransit organisation (i.e., consolidation of operators or professionalisation). For instance, it can result in reduced (widespread) corruption practices to award permits or improved collection of undue fees from operators. Cities such as Dakar (see Box 1) have proven that there are beneficial outcomes to paratransit consolidation in terms of how to introduce capital into the system.



BOX 1 Dakar's economic interest groups (EIG)

Dakar's paratransit sector in the early 2000s was fragmented, unregulated, and challenged by aging vehicles and excessively low fares, leading to financial strain for operators. Fleet renewal and industry professionalisation were deemed necessary for improving urban mobility.

In response, the World Bank in 2005 approved a \$15.9 million loan to finance fleet renewal and capacity building. The loan covered 75% of the renewal cost, with operators contributing the remaining 25%, which they struggled to pay. The Government and CETUD initiated ambitious reforms to address the industry's fragmentation and growing competition among operators.

To mitigate the difficulty in payment, the authorities adopted a two-phase approach. Initially, the General Society of Senegalese Banks agreed to loan the 25% contribution, partially guaranteed by an escrow account from the revenues of a scrapping mechanism. This approach proved unsatisfactory due to the risk exposure to public authorities.

In the second phase (2006-2007), Mectrans, a savings and credit mutual for transport operators, was established to support operators in the programme. Mectrans received a loan from the Fund for Economic Promotion (FPE), a national development bank, partially guaranteed by mutual guarantee funds and an escrow account receiving revenues from the scrapping of newer batches of vehicles.

Paratransit operators willing to participate had to join or form Economic Interest Groups (EIGs), which would be responsible for loan repayment, while the vehicle ownership remained with individual operators within the EIGs. Only operators with valid licenses were eligible. Fourteen EIGs were formed, with nine participating in the first wave of the programme (2005-2008, 505 vehicles) and all fourteen participating in the second and successive waves (2008-2016, 1,106 vehicles).



Figure 3. Minibus AFTU, TATA, first wave
Source: Transitec



Figure 4. Minibus AFTU, King Long, second wave
Source: Transitec

BOX 2 Kigali's process towards route licensing of bus and minibuses services

At the beginning of the 2000s, public transport in Kigali was dominated by paratransit, mostly fragmented among numerous individual operators. The only requirements to enter the market were paying the proper taxes and insurance and registering at the Rwanda Utilities Regulatory Authority (RURA). In return, this regulatory entity gave a permit to operate. The permits had no time limitation nor geographic assignment, and the number of licences was not regulated. Operators teamed up with an association called ATRACO⁴. ATRACO started in 1996. It was formed by individual operators who mainly had minibuses (18-seat capacity) and some buses (25-30 seat capacity).

In a parallel process, private companies had been engaged to invest in the urban public transport sector in Kigali during the 2000s. Royal Express and KBS⁵ were established as bus operation companies in 2009 by Rwandan businessmen who had not previously been involved in the sector. From the onset, direct competition from (more minor) paratransit vehicles caused operational difficulties. Due to the 'fill-and-go' system that persisted even at the bus stops, it was difficult for KBS's standard buses to find a place at the bus stops. When the boarding and alighting happened outside the bus stops, the bus operators were fined by the traffic police for not respecting the road code. Meanwhile, due to the alleged mismanagement of ATRACO, an ad hoc committee was set up to assess the allegations and develop an efficient solution. The committee proposed restructuring the association and turning it into an organised entity per the current national policies. The proposed restructuring sought to transform the association into a profit-making entity. ATRACO was dissolved in 2011 and evolved into the Rwanda Federation of Transport Cooperatives (RFTC). Owners under RFTC have equal shares and earn profits based on equity. To become members of RFTC, owners had to be active in the system (owner or owner-driver) and pay a membership fee.

Based on the *Public transport policy and strategy for Rwanda (2011-2013)*, RURA started by giving 2-year licences to public transport operators. While the expiration date of initial licences was approaching and following policy approval, RURA, in collaboration with the City of Kigali and under the supervision of the Ministry of Infrastructure, launched a route tender process in 2013 through which three companies won the right to provide public transport city services. The territory of the City of Kigali was divided into four 'zones' with a total of 42 routes. While referred to as 'zones', these elements are subsets of bus routes that serve large areas and connect them to the two main interchanges: Nyabugogo (the national and international bus station) and Central Business District. Each subset has made up of both highly viable and less viable routes. Each zone belongs to one operator who was held accountable for service delivery.

The box continues on the next page

⁴ ATRACO is an acronym for Association des Transports en Commun

⁵ Kigali Bus Services

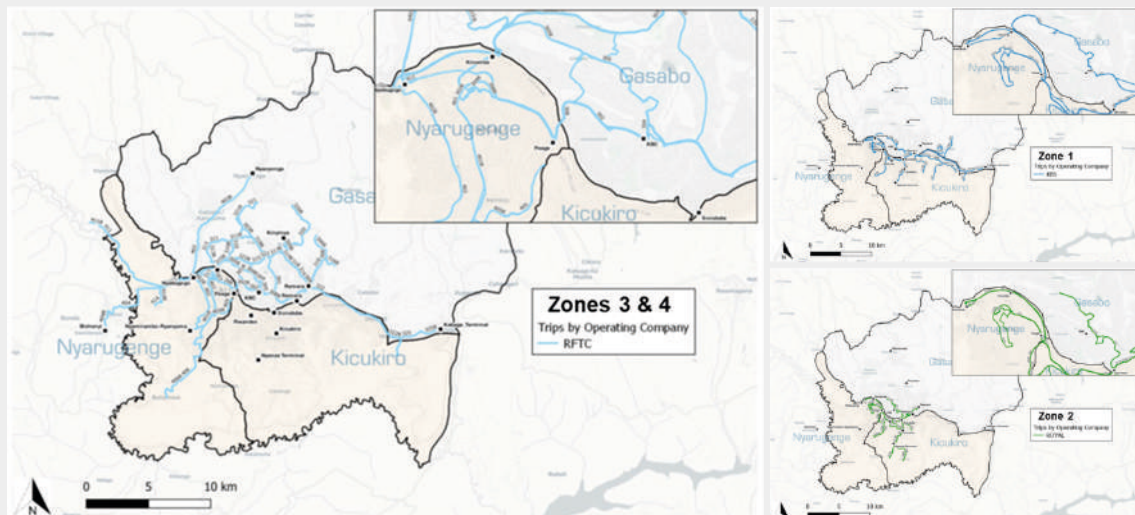


Figure 5. Routes operated by RFTC (Source: Adapted from RTDA, 2019)

On the 29th of August 2013, RURA and the three operators (Kigali Bus Service for Zone 1, Royal Express for Zone 2 and Rwanda Federation of Transport Cooperatives for Zones 3 and 4) signed contracts to operate four zones. Operators left out of these zones took responsibility for routes outside the City of Kigali. Similarly, operators who did not meet vehicle standards, most notably size/capacity, were reassigned to peri-urban operations.

Due to increased profits and improved public transport operations, initial resistance to the reforms gradually eased. Working conditions of drivers significantly enhanced. Before the reforms, drivers did not receive salaried pay. Minibus owners set the minimum returns they expected at the end of each day, and the drivers' wages depended on the remaining balance. However, under the new reforms, drivers were offered salaried contracts from 110,000 RWF to 180,000 RWF (€90 – €148) and universal medical insurance. Working hours were also drastically reduced. Each bus had two drivers, each working fifteen days a month. A driver typically worked for eighteen hours each day, every other day. In addition to having stable jobs, drivers and conductors had access to bank loans from the RTFC microfinance and additional job opportunities in stations, bus depots, and garages owned by RTFC.



Contracting with paratransit operators

The need to introduce contracts with paratransit operators

Introducing contracts with the paratransit sector is not exclusive to wholesome systemic reform, even if contracting is a critical element. Indeed, there are significant advantages to improving the description of current and future operations and how authorities' and operators' set out their roles. Theoretical advantages include:

- Increased possibility to coordinate with and complete the formal or institutional service supply while, at the same time, clearly identifying each mode's role in the system.
- Improved quality of service provided by the paratransit sector from the user and the authority's standpoint.
- Reduction of external negativities, i.e., generalised congestion on main axes, greenhouse gas emissions, air pollution and road safety problems.
- More structured arrangements within the sector in terms of working conditions and employment conditions.

Paratransit operators will likely be reluctant to accept new contracting arrangements' introduction. Authorities may employ some essential tools as measures to encourage participation. Tools include the following:

- Financial advantages directly linked to daily operations include reduction of existing taxes or reduced licence payments.
- Operational advantages, e.g., a combination of profitable and less profitable routes to secure minimal income, a guarantee of exclusivity on specific routes or areas, temporary or daily utilisation of exclusive infrastructure, and access to high-demand multimodal hubs.
- Fleet renewal support schemes.
- Investment in terminal stations or ranks.

The two latter options are substantially more expensive than the former two and should be studied in detail before attempting implementation to ensure that outcomes for authorities are also positive.

Linking flexibility and operators' consolidation

Several types of contracts between private operators (formal and informal) and institutional stakeholders exist. The possibilities are multiple, from route-based or area-based licences to franchises and concessions to gross cost contracts. However, considering the current organisation of the paratransit sector, there are fewer possibilities when dealing with existing paratransit services. A broad overview of the current situation suggests that when contracts exist – even when they are not sufficiently structured – they are either route- or area-based licences that indicate a mix of quantitative and qualitative regulations.

- Qualitative regulation can be defined using four main aspects. First, operational rules that can set frequencies, schedules, expected commercial speeds, hours of operations, etc. Second, qualitative regulations can also include route types and how each vehicle operates these routes. Third, vehicle-related regulations can focus on the kind of vehicle or range of acceptable capacities, the vehicle's image (in paratransit services, this item is often essential), and comfort inside the car. And finally, the fourth element is labour-related regulations.
- Quantitative regulation primarily focuses on defining the number of vehicles, licences or routes that make up a network or a part of a network.

When no contract exists, paratransit services operate in an open market that exacerbates 'penny wars'⁶ and excessive competition that hampers formal or institutional public transportation when they exist. Indeed, as paratransit operators weave on the roads where legal options exist, they can arrive to passengers earlier than the latter. With fewer passengers, institutional or formal buses do not have sufficient demand, and operational income is lower, subsequently reducing financial viability and, at the same time, increasing the need for subsidies.

There is a direct link between the type of contract in place and the level of operator consolidation. More structured contracts, such as concessions or franchises, require substantial levels of operator consolidation that, in their current form, are difficult to attain for the paratransit sector. Open market situations or licence-based arrangements are possible with an atomised paratransit sector. Moving away from these options necessitates efforts to group and consolidate paratransit operators and, likely, to reduce their numbers.

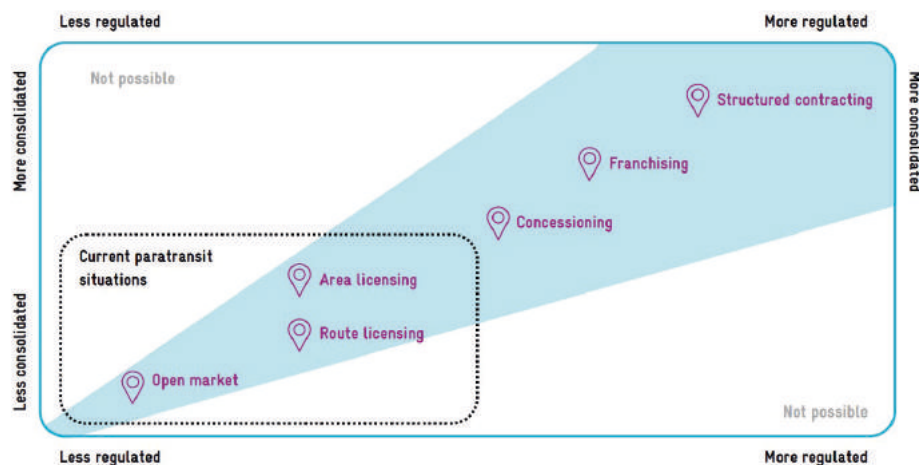


Figure 6. Link between operator consolidation and service provision regulation
(Source: Adapted from Jennings & Behrens, 2017)

⁶ From Behrens (2007), penny wars are explained as follows: "In most cases [in the paratransit sector] in the owner-employer and driver-employee/ driver-renter category, vehicles are rented to drivers for a fixed daily fee with all revenues after rent and operating costs determining driver income. This incentivises drivers to work long hours and [aggressively] compete for passengers [...]".

The regulatory framework must be more robust as the sector moves towards more structured contracts. Accordingly, a link exists between the operator consolidation level and the regulation level for provided services. Indeed, the more regulated the public transport is, the more operator consolidation is needed⁷. It translates into the necessity to consolidate operators when seeking to introduce more structured contracting schemes in current paratransit sectors. However, consolidation and the introduction of regulation can occur in parallel.

The structured contracting option includes net-cost and gross-cost contracting alternatives. They are contracting schemes that are theoretically possible when conducting a very ambitious consolidation campaign. However, they also require substantial development and robustness of transport authorities or other institutions managing urban mobility.

BOX 3 Net cost and gross cost contracting

EBRD's 'Driving Change: reforming urban bus services (2019) defines net cost and gross cost contracting as follows:

"A **gross-cost contract** is where an operator receives payment to operate a specified service, and **the city retains all the fare revenue collected (...)**

In a net-cost contract, the operator is granted an exclusive right to provide services on a route and is **allowed to retain the revenue. The operator thus includes the revenue risk** and is exposed to fluctuations which would render this insufficient to cover costs.

These contractual models are two ends of a continuum; several cities have adopted a **hybrid model for public transport services**. The **gross-cost contract model** would comprise some of the operators' revenues depending on the success in attracting passengers and collecting fares. Gross-cost contracts typically provide for bonuses and penalties related to contractual performance and customer satisfaction and, more recently, bonuses related to passenger numbers (...). In these circumstances, the operator usually has more significant input to route planning or changes to service patterns to respond to market demands.

Likewise, for **net-cost contracts**, transport authorities may supplement fare-box revenue with additional payments based on the level of service provided. This situation often occurs for routes considered socially beneficial but with insufficient fare-box revenues, where charges may be based on a defined level of service, for example, bus-kilometre.»

⁷ Alternatives for consolidation and what it entails is presented in [Consolidation and contracting process](#)

Contracting typologies

Area and route licensing

Besides the open market, area- and route licensing are often the foundations of paratransit operators' and institutions' arrangements. In both cases, the main objective is to define qualitative and quantitative criteria for service provision by the paratransit sector. It can be a mix of qualitative and quantitative elements or focus on one of the two.

Route licensing is most common on paratransit services that use mid-capacity vehicles, often various minibuses⁸. Generally, regulatory frameworks in cities that have adapted this model often fail adequate implementation. Cities that have seen paratransit modes evolve from their initial forms seldom adopt such arrangements. In Dakar, for instance, 'Ndiaga Ndiaye' midibuses and 'Car Rapide' minibuses operate under this type of route-based licensing arrangements. Similarly, in Abidjan, both route-based ('Gbaka' network) and area-based ('wôrô-wôrô' network) coexist. Such frameworks are thus often inadequate to regulate the sector.

Area or route licensing approaches present interesting characteristics to consider. Indeed, when consolidation of paratransit operators is difficult to achieve, licensing options are key as stepping stones to progressively improving service quality. It aligns with less radical paratransit reforms, including consolidation, while introducing a more adapted regulatory framework to the incumbent system.

Licensing options (area- or route-based) fall within situations of competition in the market, as opposed to competition for the market. From concession contracts onwards, the move towards competition for the market (segments or its entirety) needs to be implemented in the system.

Concessioning

In concession-based options, authorities award operators the exclusive rights to operate a market segment for a fixed period. In such arrangements, operators carry the financial risk of operations. Authorities are thus required to supervise operations, mainly focusing on regulating vehicle standards and options seeking to reduce externalities, such as deteriorating road safety or worsening quality of service. Concessions have a well-defined time duration that can be used to adapt regulations, including adding qualitative or quantitative rules to meet user demand best.

This arrangement is often preferred when the Transport Authority (or the authority responsible for public transport services) lack sufficient technical, financial or human resources. Indeed, as the arrangement requires a less involving role from the regulatory authority, it allows the public entity to develop and acquire the resources needed to introduce different contracting arrangements with private operators later.

⁸ The term 'minibuses' is used as a generic term to include various sizes of vehicles from microbuses to midi-buses.

On the operators' side, they require a lower level of consolidation. Grouping of individual operators is needed, but various forms of groups are possible with concessions, including economic interest groups (EIGs), cooperatives and operational companies (see the chapter below for a more detailed description of what different forms exist).

Franchising

Franchises are, in many ways, similar to concessions. However, the involvement of the institutional set-up is more important in the case of franchises. In this arrangement, the Transport Authority – or the entity managing public transport services – must define service levels, including schedules or frequencies, routes and fare-setting mechanisms.

Considering that the Transport Authority is substantially involved, institutions must have sufficient human, technical and financial resources to enact the regulatory framework defined for the franchise. Thus, It is preferable to use this arrangement in cities or urban areas where institutions in charge of public transport service provision are sufficiently robust and have proven capable of enacting and upholding regulations. Capacities to do so often come from having a historically strong institution that has carried out various reforms and built its abilities when working with the paratransit sector.

Paratransit operators are also required to make substantial efforts in terms of consolidation. Access to service provision will be more complex and require operators to guarantee sufficient tools to provide what services are defined and meet set criteria, meaning grouping and likely sharing assets, i.e., vehicles.

	Main strenghts	Main weaknesses
Area or route licenses	<ul style="list-style-type: none"> • Sufficiently flexible to adapt to incumbent services • Steppingstone towards professionalisation 	<ul style="list-style-type: none"> • Not overly adapted to more consolidated operators • High complexity when seeking integration
Concessions	<ul style="list-style-type: none"> • Possibility for authorities to gradually develop capacity • Several forms of consolidation are possible 	<ul style="list-style-type: none"> • Operators are sole responsible for risk taking • Few examples for paratransit sector operators
Franchises	<ul style="list-style-type: none"> • High involvement of local institutions • Better control to access service provision 	<ul style="list-style-type: none"> • Need for robust regulatory entity • Few examples for paratransit sector operators

Figure 7. Licences, concessions, and franchises - strenghts and weaknesses

Structured contracting

Structured contracts, gross-cost or net-cost, require private operators to be highly consolidated and professionalised. In most cases, current paratransit services would require time and substantial efforts to achieve this type of consolidation. It is unlikely that incumbent paratransit organisation will, on its own, result in one such level of consolidation. The same applies to public institutions requiring sufficient resources for this contractual arrangement.

Risk sharing will define what the contractual arrangement entails. The choice between gross-cost or net-cost contracting will depend primarily on the main objectives. Net-cost contracting will seek optimised service provision. Gross-cost contracting is particularly interesting when aiming for improved service integration.

Authorities usually award structured contracts through competitive or negotiated tenders. In the case of a reform process of the paratransit sector, the public administration can use this instrument as a positive incentive in negotiations, encouraging incumbent operators to consolidate and form companies that will get the contract to exclusively operate the defined segment of the market (route or area).

The current situation and likely next steps

Current licensing arrangements between public institutions and the paratransit sector are characteristic of a model that requires change. Because most systems utilise more or less robust licensing arrangements in a situation that reflects competition in the market without few entry barriers to new operators, the move towards competition for the market is seldom encouraged.

One of the objectives of introducing new contracting arrangements with paratransit operators is to move towards a model based on competition for the market. Two non-exclusive paths or strategies can move from a situation of competition in the market to one of competition for the market. These paths mix efforts about operator consolidation and the introduction of new regulations.



Figure 8. From competition in the market toward competition for the market

First, it is necessary to reduce competition and, in most cases, oversupply in the system. The current paratransit model does not cater for fleet reduction. Instead, its base is an increasing number of vehicles and a likely decrease in their unitary size (from midi-buses to minibuses to shared taxis to maximise profits for each car). By progressively introducing regulations through licensing schemes, the initial aim is to optimise fleet sizes for the entire system or, in some cases, for an area or a corridor.

And second, by way of efforts in operator professionalisation and consolidation, new forms of private operational entities emerge, be it economic interest groups or cooperatives. It is essential to clearly distinguish between unions – legitimate to defend their members' interests – and operational entities that will directly deal with daily operations and should become the Transport Authority's primary respondents. Once these new operating entities start, authorities can implement quantitative regulations, as operator quantities must ideally have optimised its own.

As operators are progressively consolidated and professionalised, new contracting arrangements become available, and the move towards competition for the market also becomes possible.



The consolidation and contracting process

Steps to contracting with paratransit operators

Schematically, there are five main steps towards contracting with paratransit operators. The figure below summarises this process:

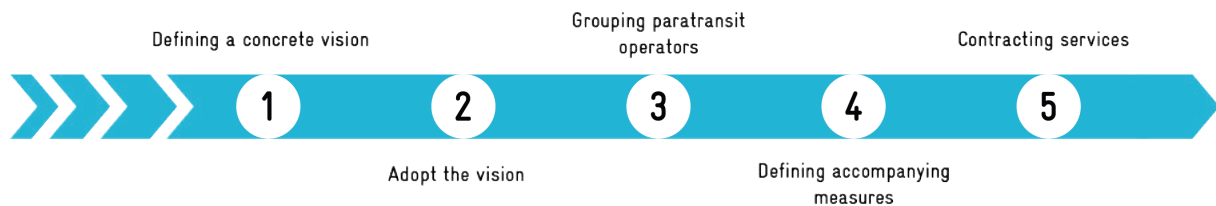


Figure 9. Steps towards introducing contracts with paratransit operators

1. Defining a concrete vision

The initial step in the process is to define what role paratransit operators will have in the transport system. It ideally includes seeking multimodality in the public transport system. The role might consist of (i) specific operational areas or corridors for paratransit services; (ii) evolution of the service provision; (iii) relationships with other existing operators, primarily notably institutional or formal services; or (iv) rank or station management practices.

Defining the vision for paratransit operators depends on the robustness of existing public institutions. As transport authorities develop and grow in their scope, they are best placed to propose adapted options to paratransit operators. It is preferable to define distinct roles for each paratransit mode (distinguishing between minibus and shared taxi operations) and seek progressive sector professionalisation. By including these elements from the onset, authorities have better options to achieve operator buy-in.

Furthermore, seeking a consensual vision between public institutions, private operators, and other relevant stakeholders is essential. About the former, one of the key stakeholders will be the transport authority (when available) or the entity in charge of managing urban mobility (often a National or State-level ministry in African cities). Other relevant participants from the institutional side should include National ministries in charge of transport and urban planning, implementing infrastructure agencies, bus companies when they exist, and entities in charge of enforcing the regulatory framework. On the paratransit side, both representatives of owners and drivers (usually associations) will need to be encouraged to participate. Unions should also have a place in the process (with the initial explanation of their role in current cities).

Similarly, when user associations exist, they must be included in the process. Every actor should be welcome to express their understanding of the problem. Negotiations will be vital in constructing a shared vision accepted by the majority.

2. Adopting the vision

This step refers to translating the vision into binding legal, policy and regulatory instruments that support future reform implementation.

On the regulatory side, the objective is to introduce a reformed and more adapted framework for paratransit services. The regulatory framework should cater for progressivity in implementing the vision and allow for minor adaptations as the process moves forward. For instance, the regulatory framework should include indicators and milestones to monitor the progress of the reform process. Similarly, the framework should integrate changes in the service provision that will occur during the reform process. When the framework is excessively rigid, it will likely become outdated quicker than more flexible frameworks.

3. Grouping paratransit operators

The third step in the process is critical: it restructures the organisation of paratransit operators. It allows generating relationships generated between new operational forms and public institutions in charge of managing mobility. Reducing the number of sector representatives during negotiations (from a myriad of individuals to more organised groups of stakeholders) is necessary to introduce more effective participatory and consultation mechanisms.

Grouping paratransit does not come without difficulties for all parties. Firstly, a radical change in how the system is organised: atomised, non-grouped operators make up the system based on individual decisions. Once grouped, such small-scale operators lose autonomy in favour of group-agreed decisions. Authorities will likely need to support this shift and open communication channels with operators participating. Second, by becoming visible, new operational forms are likely to increase taxes, probably producing some hesitancy by involved operators to participate in the process. Administrative processes are likely to become more time-consuming. A third possible difficulty is related to the timely loan repayment in case paratransit operators access any. Operators are not necessarily used to this type of rigidity, and this could eventually hamper the reform process.

Nevertheless, several arguments explain what benefits might come from grouping paratransit operators. Advantages are linked to possible economies of scale (sharing, for instance, fuel purchases or mechanical assistance). Furthermore, the possibility of accessing operational subsidies and more equitable risk-sharing solutions appears depending on how the process and the vision are defined.

The following subchapter introduces different forms of paratransit operators' grouping: Paratransit operators' consolidation alternatives.

4. Defining accompanying measures

Paratransit operators concede certain advantages of the current system by accepting a new – and likely more constraining – regulatory framework. It is necessary, thus, to propose accompanying measures to mitigate possible negative impacts of, and opposition to, the process. Measures can range from assistance in setting-up new operational forms to financial support:

- ➔ Measures to assist in setting-up operational forms: (i) legal assistance; and (ii) tax rebates.
- ➔ Measures linked to obtaining necessary operational documents: (i) assistance or ease of access to driving permits for public transport vehicles; and (ii) licence attributions.
- ➔ Measures to renew the fleet: (i) assistance in the choice of adapted vehicle; (ii) standardisation of the chosen vehicle; (iii) financial assistance to purchase new vehicles; and (iv) provision of necessary guarantees to obtain loans.
- ➔ Agreement by the transport authority to directly award contracts to the newly established organisations.

5. Contracting services

The final step should conclude the process first defined in the vision. While some adaptations are likely to occur, authorities would have determined the contract form and, especially, the role given to paratransit operators earlier in the process. Contracting documents often take the form of conventions signed between the new operating firms and the transport authority. The next chapter delves into what these documents include.



BOX 4 Cape Town's vehicle operating companies

Cape Town implemented a high-capacity bus corridor that would act as an initial step in a broader reform strategy. Both formal and paratransit operators existed in this corridor, and as such, it was essential to engage with them. Ultimately, the choice was to structure new operational companies from incumbent affected operators.

Across all its phases, the initial large-scale Bus Rapid Transit (BRT) project proposed to incorporate existing directly affected road-based public transport operators, i.e. scheduled, subsidised bus operators and the owners of unscheduled, unsubsidised minibus-taxi businesses. Directly affected operators were:

- whose services would be replaced by a particular phase of the programme;
- whose legal rights as defined in their provincially issued operating licenses would be impacted;
- who agreed to surrender such operating licenses and the vehicles linked to these active licenses.

In return, these operators would qualify for financial compensation for cancelling their existing licenses or becoming IRT vehicle operating companies (VOCs) shareholders. The payment amount was calculated as the legitimate profit (revenue less costs) that such businesses would have generated if they were to continue offering their existing minibus-taxi services for seven years, a duration equivalent to the validity of a standard minibus-taxi operating license.

Choices for paratransit operators

Drivers and other employees in affected minibus-taxi businesses could ask to be part of an IRT employment register for preferential placement. Drivers could qualify as IRT bus drivers, with training funded by the IRT project, and they - as well as other employees - could be placed in line for positions in IRT stations and service contracts. However, there were no guarantees of employment and no financial compensation paid to minibus-taxi employees. Ultimately, since the cost component of the compensation calculation included driver remuneration, it effectively became the responsibility of owners and associations receiving compensation to determine the future role of drivers and other employees once they became part of the IRT system.

Affected operators would have one of three options once IRT operations were running, and the VOCs were formally constituted. The first option was that, in return for compensation, they would give up their existing operating rights in the IRT Phase 1 area and convert the value of such compensation into shares in the VOCs. The second option was that operators convert only a portion of the payment into shares in the VOC and take the remainder of the compensation as a cash payout. The third option was to take the entire compensation amount as a cash payout and relinquish the right to operate public transport services in the Cape Town municipality in perpetuity. Operators who were only partially affected (existing routes only partially overlapped with proposed IRT routes) were treated proportionally to the extent of such overlap. Somewhat affected operators would get the cash value of the portion of the routes that they surrendered, the value of which was based only on the fare revenue, and not profitability, of the affected route portions.

The box continues on the next page

Defining contracting options

Authorities also proposed a new competitive regulation regime for IRT operations. Affected operators who opted into becoming part of new operating companies would enter a gross cost contract between the city (City of Cape Town – CCT –) and the VOC to run MyCiTi services for 12 years. CCT would collect all fares and remunerate the new operators on an agreed per-kilometre rate. The NLTA governed these contracts⁹. In terms of that act, a VOC contract's length would be a maximum of 12 years, and such contracts could only enter into at the start of the first 12-year cycle. After that, new operating agreements must follow an open and competitive tender. A key motivation for the 12-year timespan written into the NLTA was that it would allow sufficient time, especially for minibus-taxi operators, to establish themselves as viable companies in what, to most of them, would be an unfamiliar, scheduled bus operating environment. Once the tender was open at the start of the second contracting cycle, these companies would then be able to compete against international bidders. A further motivation for such an extended contract duration was that municipalities were legally limited to contracting service providers for transport or other functions for up to three years. Extending such contracts was an onerous matter, requiring - amongst others - consultation with the National Treasury, local public participation, and municipal council approval.

Consolidation alternatives of paratransit operators

Forms of consolidation are manifold and may vary across contexts. The following paragraphs will introduce general characteristics that depict certain elements to consider when choosing the most adapted form to each context. For each type, a concrete example based on the context of Dakar is also presented. The case of the individual operator offers the baseline for comparison.

We will focus on the following forms:

- **Anonymous societies**, where one or more operators create an entity where each is responsible for the amount they invested in. Risk is thus limited to the capital of the society.
- **Economic interest groups (EIGs)**, where operators agree to group while maintaining ownership of their vehicles, notably their choices on staffing. No initial capital investment is needed, but the EIG can be held accountable beyond the amounts used to establish it.
- **Cooperatives**, where operators decide to enter into an arrangement with similar operators and share income created from the service provided.

⁹ National Land Transport Act.

Internal organisation





	 Individual operators	 Anonymous society	 Economic Interest Group	 Cooperative
Minimum number of associates	1	1	2	2
Necessary initial capital investment	No	Yes	No	Yes
Example case: Dakar, Senegal	0 CFA ¹⁰	1M CFA (or 1 520 €) To be available when society is created	0 CFA	(unavailable)
Associate responsibility	Unlimited	Limited to investment	Unlimited and solidary	Unlimited and solidary
Director	Not needed	Needed	Needed President	Needed President

Table 1. Internal organisation comparison

In broad terms, anonymous societies require substantial initial investment because it will protect members from future risks that might become an obstacle to incumbent operators. EIGs do not require an initial investment in setting-up new operational forms. However, they do include the need to share responsibilities. Vehicle ownership remains unchanged in both cases, as individual owners can retain their vehicles. Cooperatives are often the form that is most active in reorganising and structuring existing operators; hence, it requires substantial efforts in terms of consolidation. Still, it also presents the advantage of most resembling formal operational companies without needing complete transformation.

Anonymous societies and EIGs are the easiest to create. The former comes with the caveat of not necessarily changing the initial negative image of the paratransit sector, and thus, accessing loans appears more complex. EIGs and cooperatives are likely able to modify this image and improve the credibility of operators.

¹⁰ The exchange rate for Euros (€) to CFA is 1 to 656, approximately. Amounts presented in € in tables in this document were rounded-up to the closest tens.

Taxation





	 Individual operators	 Anonymous society	 Economic Interest Group	 Cooperative
Income taxation	Individual person taxes	Societal taxes	Individual person taxes	Societal taxes
Example case: Dakar, Senegal	Up to 25M CFA (or 38 110 €)	25% of revenue	Up to 25M CFA (or 38 110 €)	(unavailable)
Minimum tax	No	Yes	No	Yes
Example case: Dakar, Senegal	0 CFA	500k - 1M CFA (or 760 € to 1 520 €) Depending on net income	0 CFA	(unavailable)
Accounting	Not needed	Not mandatory	Not needed	Mandatory

Table 2. Taxation impact on each organisational form

Taxation highly depends on each city's context. Some substantial differences exist between tax rules for each country.

In broadest terms, consolidation efforts must be progressive, starting with the more amenable forms that allow operators to participate in reform processes from the onset. Furthermore, some conditions presented above are only viable when public institutions are robust enough, when operators have acquired some experience and when they fully establish their internal set-up.

Paratransit minibus in Abidjan



Contracts with the paratransit sector

Reconciling different interests

Contractual arrangements are the main instruments available to transport authorities to regulate public transport operations. By introducing new and adapted contracts, it is possible to align objectives from various stakeholders, most notably those of public authorities and operators. Such arrangements should also be informed by, and respond to, public transport demand and users' needs and service expectations.

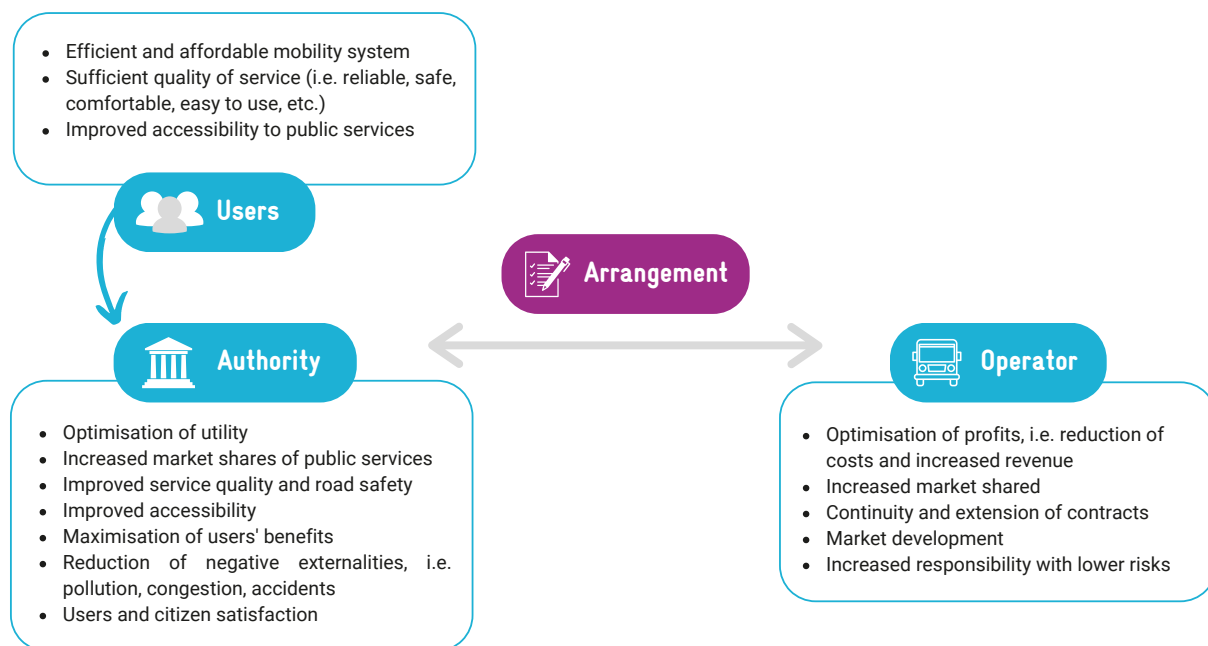


Figure 10. Objectives for users, authorities, and operators

Direct management by the public authority is preferred in most cases for paratransit reform, even though this decision is the object of criticism due to high costs stemming from inefficient operational practices. Complementarily, recourse to private operators is crucial. This case is present when dealing with small and medium size vehicles, where the paratransit sector reform does not seek to replace incumbent operators. Instead, it aims to improve their efficiency and restructure their management system.

Ideally, introducing contracts with paratransit operators should improve the system's financial sustainability. However, the discussion remains open. In most cases, current paratransit operations are described as only marginally profitable, although operators conduct few economic analyses on their operations. Oversupply is also problematic as larger fleets must distribute profits amongst all operators, even if unevenly. Paratransit reform approaches often seek to reduce the number of vehicles in the system, thus theoretically increasing profitability for the remaining operators while seeking compensation for those who surrender their services. It is also essential to consider that increased regulation will likely augment capital and operational costs (for instance, by asking operators to provide services during off-peak hours consistently or introducing stricter vehicle standards).

Forms of contracting

The contracting process could occur using two or, in exceptional cases, three sets of documents: contractual agreement, technical specifications and the quality charter.

- A **contractual agreement** composed of (i) general conditions; (ii) terms of operation; (iii) financial terms; and (iv) termination conditions. These different elements are further detailed below. The agreement sets out a general framework common to all operators with the same type of public transport service. It sets out the granting authority's commitments, stating the clear vision and the legislative or regulatory texts that consolidate it.
- **Technical specifications** which define the outline and terms of the services granted. They might refer to routes or networks and include a particular urban transport perimeter, all in line with the agreement. It most notably lists the obligations of the operator concerning users and the granting authority.
- A **quality charter** complements the provisions of the arrangement and the technical specifications. It focuses on the operator's obligations concerning improving the quality of service offered to customers.

The paragraphs below depict the contents of these documents in detail.

Contractual agreement

In the context of a partnership between the licensing authority and the operator of public transport services, the agreement contains (i) general conditions; (ii) the terms of operation; (iii) the financial terms of the concession; (iv) the terms of termination and forfeiture of the partnership; (v) its terms of expiry and renewal; and (vi) miscellaneous clauses.

These different components identify the terms of the agreement. The four main elements can be defined as follows.

→ General conditions

The general conditions indicate the subject of the arrangement. The granting authority suggests the scope of the concession, its duration and the role it assigns itself. The administration also outlines the services' consistency, possible exclusivities and circulation, and the management mode, assignments, and transfer conditions.

However, these provisions are not precisely described, particularly regarding the operator.

→ Terms of operation

The terms of operation, defining the responsibilities the operator will have, are also outlined. They include:

- The scope of the operator's mission, the means of operation it must deploy, and the quality of service expected by the granting authority.
- The system of assets necessary for operation. Those assets that the operator will have to mobilise, from the point of view of their possible return and recovery at the end of the arrangement period, particularly for rolling stock (i.e., vehicles to provide the service), need special attention.
- Indication of the assistance of the police, particularly in terms of traffic. Responsibilities relating to infrastructure (roads in particular) and equipment (network covering, stops, terminus, stations, etc.). It stipulates the required insurance.
- The terms and conditions for providing services outside the arrangements (transportation of staff or students, rental, etc.).
- Finally, issues relating to information, consultation and control of the implementation of the arrangement.

→ Financial terms

The financial conditions of the arrangement mention the financial contributions that the granting authority may be willing to make to achieve its objectives and the revenues that the operator is authorised to collect. Fares and fare-setting mechanisms, one of the primary sources of income, need particular attention.

- Definition of financial compensation for possible operating constraints (for example, social fares for categories of users: students, defence and security forces, civil servants, etc.).
- Specifications on the tax regime and the impact of operating results.

Finally, to adequately transmit financial information to the granting authority, the document outlines the correct administrative information to present. The set includes a balance sheet, operating account, statistics, and activity report.

→ Termination conditions

The contract termination conditions determine the action to take when the operator can no longer meet its commitments.

Indeed, except in force majeure¹¹ or strikes, the operator must ensure the continuity of the services granted, whatever the circumstances. Thus, in the case of failure to start or interruption established of the services granted, regardless of the cause, the granting authority has the right to provide the service it sees fit by direct management if a formal notice has remained without effect.

¹¹ Major unforeseen circumstances.

The causes of a possible termination of the agreement, with or without compensation, are also agreed at this level. Similarly, the reasons that may lead to forfeiture are explained and detailed.

Various clauses (domiciliation, registration, arbitration in the event of disputes, entry into force, etc.) complete the agreement.

Terms of operation

While the agreement very precisely sets out the obligations of the licensing authority, those of the operator are defined above all through the terms of operation.

Such specifications are an appendix to the agreement and an integral part of it. They specifically focus on (i) the consistency of the service; (ii) the terms of operation and the operator's obligations; (iii) the financial provisions; (iv) the terms of control of the services expected from the operator; and (v) annexes.

→ Consistency of service

The consistency of the service falls within the perimeter of the arrangement. At this level, it is a question of clarifying the roles between the licensing authority and the operator throughout a public urban passenger transport service production, marketing and promotion chain. In the case of a net cost contract, for instance, the operator focuses only on revenue and production: unprofitable lines can be closed, and the service cancelled. The operator is not in charge of the market if it is a gross cost contract. The implications of each option must be identified, particularly by the licensing authority. In the case of a controlled net cost contract, the parties share risks (routes, planning, fares).

The authority announces guarantees of possible exclusivity of services against potential competitors. Likewise, it includes the means of operating the services, particularly from the point of view of the minimum technical specifications of the rolling stock.

→ Operations and obligations

The terms of operation and the operator's obligations precisely describe the services expected from the operator (the details are often in the appendix). Obligations include:

- Methods of fulfilling the obligations towards users (transport conditions, emergency equipment, information, etc.).
- Commercial provisions (tickets, fares, sale, validation and control).
- Sources of ancillary revenue (advertising space) and their specifications.
- Legislative and regulatory provisions (existing codes, health and safety regulations, etc.).
- Procedures for noting violations.
- Requirements on operators' staff include, for instance, how to present their permits/licences when inside the vehicle, calculate working hours, or how drivers should dress (when dress codes exist).

While recognising the right of workers to strike, it is possible to foresee the means of alerting the granting authority to react and warranty the service provision for citizens. The solutions that the parties, individually or collectively, can take in the event of a strike should also be determined. Solutions might take the form of minimal services to be supplied by the operator when in strike conditions or modifications of schedules or working hours.

→ **Financial provisions**

The financial provisions mainly describe the expectations in terms of fare-setting. The details are often referred to in the appendices to the broader technical specifications.

→ **Service supervision/control**

The granting authority or another institution can supervise or control. The document sets out operating conditions, rules, and penalties for non-compliance.

→ **Annexes**

The annexes or appendices elaborate further upon the stipulations identified in the contract agreement. Annexes may include the following specifications:

- Consistency of the service, defining the total length of the service lines included in the arrangement, the areas of operation and the routes of each line with the origin and destination, and the precise location of the intermediate stops.
- Exclusivity of operations guaranteed by the public authority within the area specified in the contract for the duration of the arrangement.
- Identification of shared lines when they exist. For example, the lines or the perimeter of the urban area where the operator does not have exclusivity of operations.
- Basic fares indicate whether the network fare can be a single flat fare or by section. Fare-setting can be the operator's initiative, which suggests amounts that the granting authority must approve.
- Finally, authorities can establish an incentive system to encourage the operator to improve the quality of service and production or management. A bonus/malus scheme is advisable. This regime allows the granting authority to allocate advantages or, conversely, to impose sanctions (most often financial), for example, the performance achieved in the production, reliability, punctuality of the service or the behaviour of the driver.

Quality charter

Implementing the provisions of an agreement and specifications requires an organisation which is sometimes not in place in African cities. The granting authority or the operator might encounter difficulties when implementing criteria considering often insufficient resources.

For the granting authority, monitoring the agreement may be out of reach. Often, the lack of capacities or insufficient human and financial resources of the entity responsible for managing urban mobility constitutes the main barrier to the organisation and regulation of the sector.

There is an interest by all parties to establish a feasible agreement based on a relationship of trust and contractual documents that are not very restrictive and difficult to implement and that are thus reflective of the local circumstances. The quality criteria document can be this document. It makes it possible to agree on a few points such as (i) the conditions of employment of the staff; (ii) the conditions and maintenance of the vehicles; (iii) relations with customers and law enforcement; (iv) fare setting; (v) penalties for non-compliance with these principles; and (vi) displays in/on the vehicle. In this sense, the organising authority and the paratransit operators can sign the document.

In more detail, the quality criteria document could include:

→ **Employment conditions**

The conditions of employment of staff make it possible to agree on compliance or non-compliance (by derogation) with legal and contractual provisions in terms of jobs and social protection. The staff recruitment criteria are indicated, especially for drivers who must have, at the very least, a driving license valid for POS¹² terminals. Their behaviour vis-à-vis users and their responsibilities regarding vehicles are established.

→ **Maintenance**

Authorities can establish vehicle conditions and maintenance requirements. Thus, it may be required to: (i) have the primary safety devices checked, following the manufacturer's instructions: brakes, tyres, door closures, etc.; (ii) carry out any other necessary technical revisions and controls; (iii) submit the vehicle to a periodic inspection at a technical inspection centre; and (iv) keep the interior of the vehicle clean and functional.

The documents (car registration license, technical visit, sticker, valid insurance, etc.) that must be available in any circulating vehicle can be listed.

→ **Relations with users and law enforcement**

Detailing and presenting rules to adhere to in vehicles, often by way of posters, help establish trust between users, operators, and law enforcement agencies. Users will have transparency about the expected behaviour of operators. Similarly, all should be able to see the vehicle capacity, thus compelling operators to adhere to it.

Furthermore, indicating in an adequate manner route details such as the origin and destination will help avoid unwanted changes in the itinerary chosen by the driver or previously agreed upon. It is necessary to include pause periods ('downtime'), deadheading and other similar aspects.

Respect towards law enforcement officials and the proscriptions of active or passive corruption is critical. The penalties incurred by personnel who contravene these requirements should be defined.

¹² Point of sale.

→ **Fare setting**

Regarding fare setting, the operator must comply with the legal and regulatory provisions on fares for public passenger transport.

Operators must display official fares inside the vehicles. At the end of their service, the driver must co-sign the trip card (or route sheet) with the receiver, including the number of passengers, the sums collected, incidents during the trip, etc.).

→ **Penalties**

Including penalties or sanctions in the event of non-compliance with the quality criteria document by the operator.

→ **Displays**

On user information, except from the quality criteria document, particularly concerning relations with customers and the police, maybe visibly displayed inside the vehicle.



Conclusion

Paratransit contracting in many cities in the Global South is challenging. The paratransit system, influenced by several individual decision-makers (primarily drivers), lacks coordination and organisation. It is, therefore, useful to gradually establish a contractual framework suitable for adequately managing the transport demand. Rather than demand unachievable performances and behaviours that are difficult to respect and, above all, impossible to control by the granting authority, it is necessary first to establish a solid partnership based on a relationship of trust and contractual documents that are not very restrictive and difficult to implement. The grouping and consolidation of small-scale carriers into professional organisations is an essential prerequisite for the success of improved contractual arrangements and regulations and, thus, imperative in every paratransit reform process.

While acknowledging that every situation is different and proposed solutions should consider local conditions and path dependencies, the process towards contracting with the paratransit sector is driven by a quest for improved quality of service and efficiencies. In this document, the presented approach recommends maintaining some advantageous aspects of the current system, namely its flexibility and coverage, while introducing more structured service provisions aligning with the existing and forthcoming high-capacity formalised bus services. By analysing the options provided by different contract alternatives, it is possible to choose the most pertinent alternative depending on the level of paratransit consolidation sought in the process.

While licensing alternatives – qualitative and quantitative – provide the needed structure to the current system and maintain flexibility of operations, they fail at introducing competition for the market, effectively eliminating the same and contributing to an oversupply of operators. In this sense, concessions or franchising appear as a viable alternative to have consolidation levels acceptable by operators and improved quality of service expected by authorities. Further options, those requiring more consolidation efforts such as net cost or gross cost contracts, require substantial buy-in from incumbent operators and more resources than most granting authorities nowadays have.

In any case, the contractual arrangement between authorities and operators should help reconcile often diverging objectives. Such contracts set out clear rules and conditions that express an agreement and a concerted decision between the granting authority and operators, combined with technical terms of operation. Its contents should be sufficiently clear and as equitable as possible while providing enough flexibility to adapt to ever-evolving conditions or unforeseen occurrences. This arrangement will likely garner support and buy-in from all or most stakeholders.

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