

CHAPTER 1

INTRODUCTION

1.1 Bus passenger transport services in Sri Lanka.

Land transport sector in Sri Lanka consists of a number of modalities as shown in Figure 1.1, and it clearly shows that the major passenger transport mode is the bus services which contribute 55 % of the total land transport sector. The National Transport Commission and Road Passenger Transport Authorities of each Provincial Council serve as the regulators of bus services in Sri Lanka.

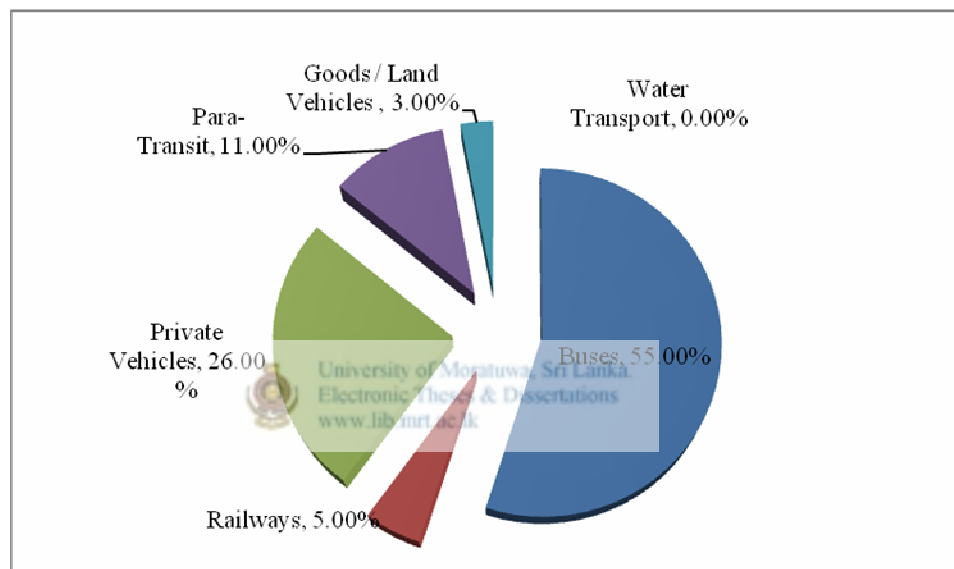


Figure 1.1: Transport Activity and Modal Shares in Sri Lanka (2011)

Source: Kumarage (2011),

Bus transport services in Sri Lanka are operated both by the government and private sector. The Sri Lanka Transport Board (SLTB) operates both short distance (intra-provincial) and long distance (inter-provincial) bus services as a government agency, and its contribution to bus operations in Sri Lanka is 34%. Long distance private bus operations are regulated by the National Transport Commission, and Road Passenger Transport Authorities of each provincial council are responsible to regulate short distance private bus services in Sri Lanka. Majority of population of developing countries depend on public transport. They need motorist transport and have to go through very difficulties in traveling. However, public transport services in Sri Lanka

play salient and important role to sustain and to improve welfare of passengers by providing access and mobility.

1.2 Background of bus transport industry in Sri Lanka.

Public transport sector in Sri Lanka has passed several eras, and now it has been recognized that there are some inefficiencies in managing the bus operations. It shows that reforms are necessary to make well efficient public transport services in the country. The first bus service was started by the Collets Company by operating a bus service from Colombo to Chilaw in 1907, and there is a history of more than 100 years of bus industry in Sri Lanka.

It can be seen different services provisions in terms of management, ownership and regulatory structure of the bus industry in Sri Lanka. The country is not successful with providing a competitive service for passengers. But long distance bus services provide better comforts than the period before 1979. The problem is that long distance bus services fail to give acceptable performance to the passenger. Further bus services are not operated by the operators in accordance with the instructions of the regulator. Under these circumstances the National Transport Commission has recognized that franchising of long distance bus services is necessary to improve quality of the service. However the following periods of omnibus transport in Sri Lanka show that the needs of a different strategy like franchising of long distance bus services.

Table 1.1: Policies and problems of bus industry in Sri Lanka.

Periods	policies	Problems
1907 - 1938	Formative years of unregulated competition.	Owner – operator industry. Some routes were over bused and some were neglected. Accidents and cut- throat fares.
1939 - 1957	Consolidation under a regulated private monopoly.	Management of companies failed to improve quality of service.
1958 - 1978	Expansion under a nationalized state monopoly.	Deteriorated of management. High cost, overloading and lack of reinvestment.
After 1978	Regulated mixed competition.	State operator unable to create a competition. Private sector develops without regulatory body, and owner- operator industry.

The problem is that the service shows inefficiency and low quality of the service, and the following situations are still remained in long distance private bus industry, and they show that quality of the service has to be improved. As the regulator, the National Transport Commission has to find on possible ways out improving quality of the service, and existing problems of bus industry can be mentioned as follows.

Unacceptable passenger loading level of buses in peak hours, and it makes inconvenience for passengers, and it has caused to a modal shift from public transport to private transport. This type of inefficient capacity has reduced the availability of long distance bus services. If the bus is full when arrives to the bus stop, the service is not available for passengers. Usually Sunday evening and Monday morning buses operating towards Colombo from long distance areas such as Kurunegala, Trincomalee, Katharagama, are full with passengers exceeding number of seats of the buses .There are some passengers traveling in luxury buses without having seats .Under this circumstance passengers have to wait for the next bus or to find another means to complete their trips. However this situation shows that the bus service fails to provide demand responsive service, and it is a normal situation that most of buses operating in morning and evening peak hours, are full with passengers. The regulator

has to solve this problem by ensuring seats for all the passengers to improve the quality of the service. But the situation takes place and it reduces service quality.

Low level of reliability of the service, and operators has not been prepared to provide reliable bus services, and the following situations could be recognized. Vehicle maintenance quality is not considered by bus owners, and they have not an idea of maintaining the vehicle to ensure the journey form origin to destination without having any breakdown. But the National Transport Commission has determined Specifications of buses, and conditions of buses are checked when renewing the passenger transport permit.

- When buses arrive to the destinations of urban centers, it creates delays due to mixed-traffic operations, on street parking, traffic signal delays, parking maneuvers and etc.
- There is no view of public transport priority measures such as signal priority, exclusive lane for buses and etc.
- There is no a system to monitor whether the bus is operating or not in accordance with the given scheduled time within the journey.

Bus services have failed to provide facilities for passengers to use their travel time productively. Long distance bus services still have not provided value added services such as providing facilities to use laptop, facilities to buy soft drink and foods, reading newspapers, listening to the radio while traveling in the bus. But these types of facilities are required by the passengers who involve in commercial and industrial sector, and lack of these facilities have discouraged passengers to use public transport, and it reduces passenger satisfaction level.

It is hardly to find attention to reduce journey time by mitigating waiting time for buses, travel time on-board the bus, travel time from transit stop to one's destination and time required to transfer between routes during the trip.

Higher risk level for accidents and lack of consideration of safety and security have imaged as an issue. Most of long distance buses are making competition on the road to pick up passengers, and these situations have increased probability of meeting accidents, and the following real examples show this dangerous situation.

- Accident at Yangalmora at the railway crossing at Walakumbura in 2005, and 40 passengers were killed by the accident.

Bus service fails to make good appearance and comfort levels to satisfy passengers. The bus service has not successful with having clean and attractive bus stops, bus terminals and modern buses. On the other hand lack of supporting infrastructure of the sector has created a question in the minds of passengers about the comfort and quality of the service. Long distance bus services fail to make appropriate climate control for existing conditions like heating inside the bus when it is acceptably filled with passengers. Although the Commission has taken step to determine standard levels, it could not be satisfied with seat comfort, amount of padding and leg room, acceleration and breaking pattern, noise and etc. Ride comfort should also to be increased with vehicle sway. On the other had the following facilities have to be increased to ensure the quality of the service.

- Seating facilities at bus stands and bus halts for passengers to wait for buses.
- Bus shelters with acceptable level of facilities.
- Information signings for convenience of passengers.
- Telephone facilities at bus stands for passengers to use while waiting for buses.
- Vending facilities.
- Luxury bus facilities for more bus services.
- Bus crews (drivers and conductors) have to be trained and ensuring their job security. Discipline of bus crews have to be improved.
- Removing existing activity of illegal operators.
- Training for non qualified bus crews.
- Minimizing loss of revenue of services.
- Mitigating bus operating cost by improving infrastructure.
- Removing effect of unauthorized parties.

1.3 Short distance bus services in Sri Lanka.

Bus services which are operated on a route where within a provincial council, are mentioned as intra-provincial bus services or short distance bus services

- Ex. Narahenpita to Colombo route (Route No.103).
Rajagriya to Colombo route (Route No.144).

The above two bus services are operated within the boundary of Western Province, and these bus services are regulated by the Western Province Road Passenger Transport Authority. The authority issues passenger transport permits and make rules and regulations to provide transport services for passengers.

1.4 Long distance bus services in Sri Lanka.

Bus services which are operated via two or more boundaries of provincial councils are recognized as long distance bus services, and these services are also mentioned as inter-provincial bus services.

- Ex. Colombo – kurunegala route (Route No. 06). Lanka
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This bus service operates via Western Province, Sabaragamuwa Province and North Western Province).

- Ex. Kurunegala – Kegalle route (Route No. 507).

This bus service operates via Sabaragamuwa Province and North Western Province.

The National Transport Commission has issued ¹3275 of passenger transport permits for 399 of long distance bus routes as mentioned in Table 1.2. The Commission issues passenger transport permits by considering passenger demand for each route to make regulations in order to serve the passenger and the operator. The Commission is responsible for making a correct path to utilize country's resources of transport sector, and it expects to attract of more and more passengers from other transport modes to bus services in order to gain macro economic benefits for the society by reducing unnecessary consumption of country's resources. Under this situation the NTC has to

¹ National Transport Commission (2012)

find on possible ways of improving quality of bus passenger transport services by using appropriate strategies.


Table 1.2: Issuing of passenger transport permits by the NTC.

Bus service	Number of issued permits	As a percentage of all passenger transport permits (%)
Super luxury	48	64
Luxury	654	20
Semi luxury	489	15
Normal	48	01
Total	3275	100

Source: National Transport Commission (2012).

The National Transport Commission conducts passenger transport related surveys to identify existing situations of bus industry, and it has done a survey to review passenger satisfaction regarding some quality factors.

Table 1.3: Passenger satisfaction of long distance bus services.

Quality factors	 University of Moratuwa, Sri Lanka Electronic Satisfaction Level of Passengers www.lib.mrt.ac.lk				
	Satisfy	Somewhat satisfy	Average	Not satisfy	Extremely not satisfy
Overall quality.	20%	37%	31%	11%	2%
Loading level.	4%	20%	33%	30%	12%
Travel time.	16%	29%	30%	19%	6%
Waiting time at bus terminal.	17%	29%	32%	15%	6%
Safety when traveling.	23%	27%	30%	14%	6%
Discipline of driver and conductors.	18%	28%	33%	16%	5%

Source: National Transport Commission (2010).

Table 1.3 shows that the main problem of long distance bus service is overcrowding, and only 4% of passengers are satisfied with loading level of buses, and others are completely not satisfied. This data shows that as a developing country, Sri Lanka has to find on possible ways of making efficient and cost effective long distance transport service in order to avoid modal shift from public transport to private transport .However decreasing of comfort level and quality of the service have caused to

increase using of private vehicles, This type of situation reduces national economic profitability, and makes the following situations.

- Increasing of consumption of fuel, and it causes to spend foreign exchange of the country.
- Creating of big traffic congestion in main cities of the country, and it causes to create the following issues.
 - Environmental effect.
 - Higher risk level for accidents.
 - Increasing travel time.
 - Increasing stress level of passengers.

Long distance private bus passenger transport service in Sri Lanka needs reforms which could be able to improve quality of service.

Long distance bus service in Sri Lanka has not successful with providing quality service for passengers who require a suitable service which can satisfy existing modern society in an increasingly competitive market. The National Transport Commission receives about ²250 of passengers' complaints per month, and in addition to these situations, passengers have to go through very difficulties themselves. Commercial and industrial sectors need more comfortable transport service than normal society, and they need more reliable service to schedule trips in order to save their valuable time, and otherwise these sectors will continue using of private vehicles. People of these sectors tend to use modern technology like GPS and GIS, and to get benefits like acceptable loading level, reducing waiting time, travel time saving, reducing risk level for accidents and well scheduled service and etc. But the existing situation has not successful in making quality bus services, and passengers have to go through very difficulties in using bus services.

² National Transport Commission (2012)

Existing problems of long distance bus industry which should be overcome from the regulator point of view.

- **Inefficient competition between individual operators.**

The existing bus operations are taken place as individual bus operating system, and this has resulted inefficient utilizing of resources, and the individual bus owner's main target is to maximize his profits by getting more and more passengers. The individual operator doesn't consider the quality of the service, safety, reliability, comfort level and etc. Under this situation the regulator has to find out possible ways of mitigating this type of inefficient "competition in the market" and it has to be converted as "competition for the market" in order to create a quality bus service.

- **It is difficult for administrating of individual bus operators.**

As the main regulatory body the National Transport Commission has faced a very difficult problem of administrating of individual bus operators. It is difficult to drive each operator towards making of quality transport system by adopting policies. But if these individual operators of a route or of a network could be considered as a whole, it makes easier for making administration as a whole for the entire route.



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- **There is no responsible of individual operator for operating buses by considering passenger's expectations.**

Individual bus operators always consider their profit and to get maximum number of passengers on the way to destination, and this type of situation is not good in passenger point of view. The considerable things are that there is no responsible for mitigating accidents, maintaining acceptable level of load factor of bus buses, managing travel time in line with the given time, establishing of reliable bus service, employing suitable and trained bus crews and etc. Under these circumstances competition at the road among buses has led to dangerous situations, and there is no clear assurance regarding quality of the service. However it is noteworthy that the existing individual bus operating system has not responsible to answer the question of neglecting safe, reliable and comfortable bus service.

- **Political intervention for issuing passenger transport permits.**

Most of individuals think that entering to the bus industry is an ideal opportunity to gain maximum profits as the whole income of the day could be collected in cash, and

there is no any risk of situations like returning of cheques. Competitors try to grab passenger transport permits by using political powers .Under this circumstance the regulator has to grant passenger transport permits as political favour. This situation makes a path where supply exceeds potential passenger demand, and this has led to dispatching of buses in strict turns which are controlled by a marshalling system. This has resulted in average daily running distance of buses has gone down, and utilization of buses to the industry is not taken place properly.

- **Illegal bus operations.**

Illegal bus operation has appeared as a considerable issue of the long distance bus industry of the country. The National Transport Commission has failed to remove these illegal bus operations which are taken place with neglecting rules and regulations of the industry. Under this situation passenger transport permit holders are got into trouble when operating buses, and on the other hand the NTC has to answer the question on how protect passengers and bus operators from illegal bus operations .

- **The NTC has failed to upgrade private investors of the industry from bus owner into reputed businessman.**

The existing individual bus operating system has not successful with upgrading social level of bus owners, and they have to remain at the industry as investors who don't have reputation as businessmen. Under this situation the regulator has neglected to make good attitude of bus owners on how to be a respectable businessmen who have managerial skills, and on the other hand this situation has led the existing bus owners to leave the industry. Bus industry has only very a little ability to attract educated and skilled investors who have global knowledge of responsible of public transport.

1.5 Introduction of franchise.

³Franchise is the practice of using another firm's successful business model. The word "franchise" is an Anglo-French derivation from France, and the word is used for both as a noun and as a verb. Franchising is used for any type of industry, and it is an agreement between a franchisor and the recipient "franchisee". The franchisor provides advice training and other incentives for the franchisee.

The first franchising effort in the United State dates back to at least 1950s. ⁴Isaac Singer wanted to increase the distribution of his sawing machines, and his efforts was unsuccessful in the long run. But it has provided a good approach for business .After this situation a good example has been provided by ⁵Dr. John Stith Pemberton's successful franchising of Coca-Cola. Modern franchising has come to prominence with the increase of franchise-based food services establishment, and this trend was started in 1921 with A &W Root Beer.

Franchise could also be recognized as an institutional mechanism that provides a good path to achieve both social and private objectives by utilizing of resources efficiently and effectively, and it makes benefits for the franchisee and franchiser at the same time.

In 1950s, it could be recognized a boom of franchising connection with development of U.S. interstate highway system. A study on franchising was done by the University of Louisville in 1991-1993, and it has reviewed that franchising has helped to lead America out of its economic downturn at the time. However, franchising could be described as a unique business model which helps to create benefits for the franchisor and the franchisee. Franchising has been a good methodology for making social and economic benefits for developing and developed countries, and it provides institutional mechanism along the lines of service sectors like health and education. Franchise system of public transport sector could be shown simply as Figure 1.2

³ www.wikipedia.org/wiki/Franchising

⁴ Inventor of singer sewing machine (1811-1875)

⁵ Inventor of Coca Cola (1831-1888)

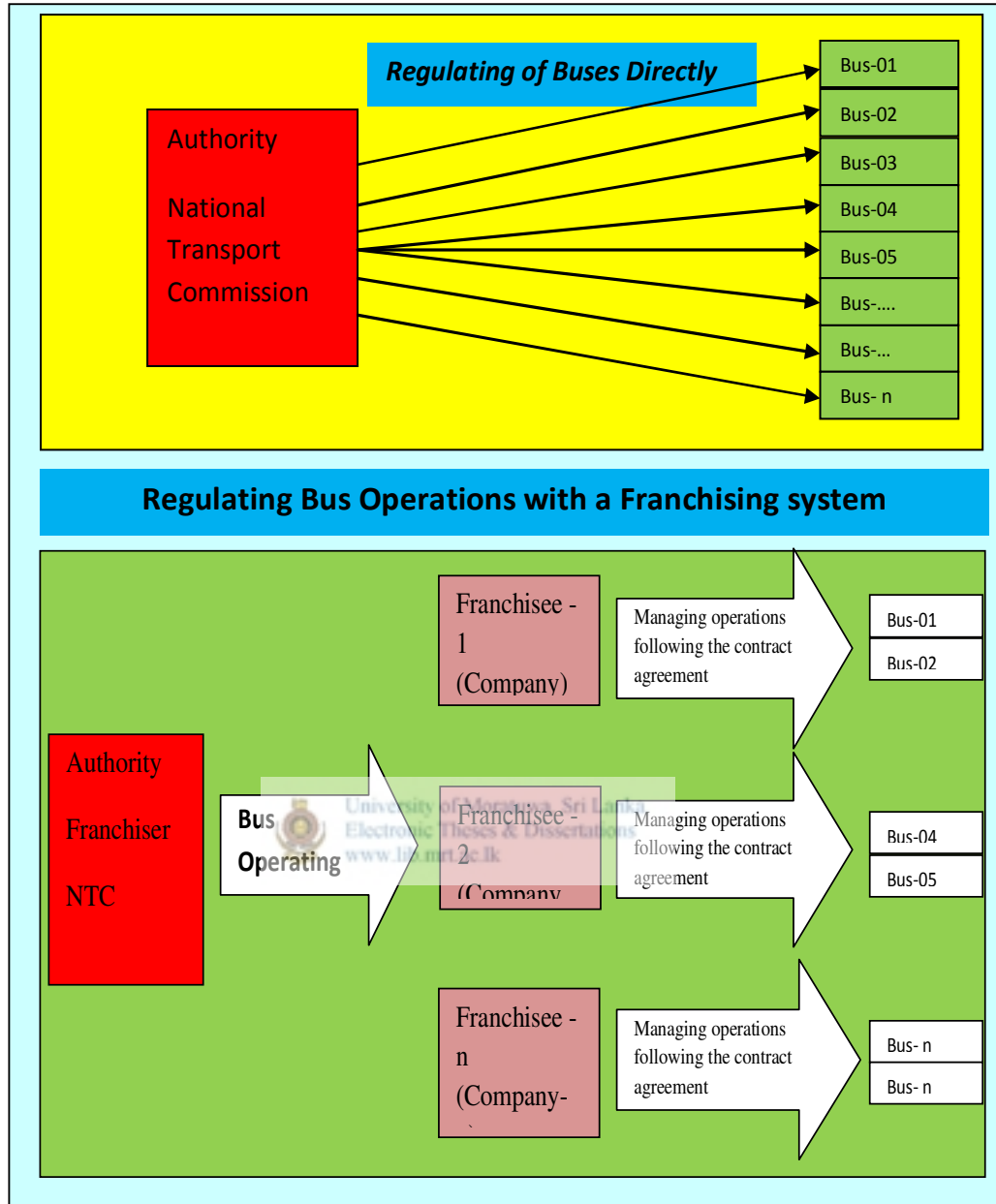


Figure 1.2: Regulating bus service directly, and with a franchising system.

When regulating bus service without a franchising system, the regulator has to control each bus owner, and this type of situation requires direct control system to improve quality of the service, and it makes difficulties for regulating large number of bus owners who operate buses on different routes. Usually this system makes a competition on the road to pick up more passengers. Policy makers of public transport sector have recognized that this kind of regulating system makes inefficiency, and it

has been a block to improve the quality of the service. This process causes to create competition among buses on the road (competition at the market) to pick up more and more passengers to increase daily income for each bus, and the following situations are made by the operators due to minimum consideration of passengers' requirements.

- Unacceptable loading level and inconvenience to the passenger.
- High speed and very low speed of operating buses.
- Poor interior conditions and poor comfort level of buses.
- Higher risk level for accidents.
- Buses are operating without considering time tables.

It is hardly to find reliable bus services with large number of bus operators within a country, and bus industry of Sri Lanka has proved it. It has recognized that controlling and regulating of large number of individual bus operators is very difficult, and it has been the main barrier to improve the quality of bus services in countries such as Sri Lanka. Improving accessibility to health, education, employment, recreational and other types of urban services have been a compulsory component in both developed and developing countries. Considering welfare of low-income household is necessary with increasing rate of motorization in developing countries. The National Transport Commission has recognized that the time has come to make a regulatory reform of bus industry in order to establish well efficient, reliable, well safe and courteous bus services to serve passengers. But regulating of bus services under a franchising system, converts “the competition at the market” into “ the competition for the market” to grab market with acceptable behavior, and operating of bus is taken place under a bus company. The company expects to increase its income while managing the service conditions given by the contract. The main role of the company is operating buses on a given route by following the instructions given by the National Transport Commission, and this system helps to achieve both private and social requirements of public transport industry.

It has witnessed that developing countries are finding out possible ways of improving quality of public transport services with various types of strategies, and examples show that most of countries have involved in franchising of bus services and train services in order to get better performance. Examples could be found from developed

and developing countries to prove that franchising is used to improve quality of bus service with business environment.

Franchisee always tries to maximize profits with efficient utilization of resources, and he has to find out possible ways of mitigating inefficient situations of the industry in order to make satisfy the franchiser. On the other hand the franchiser always tries to drive the franchisee on path which is given by the contract and the agreement .Under this condition it is noteworthy that franchising provides a better institutional framework than privately bus operating system and operating under the control of a regulatory body to improve quality of bus services.

1.5 Franchising of long distance bus services in Sri Lanka.

National Transport Commission has decided to create omnibus management companies (OMC) in 2008 in order to ⁶streamline the bus industry from present condition of individual entrepreneurs who are loosely regulated, to one that is regulated through an institutional mechanism along the lines of service sectors such as health and education. These companies are the franchisees of this process. The NTC is the franchisor .Under this process the omnibus management companies have to be responsible to achieve targeted performance that are expected by the National Transport Commission. The companies will have to work under the contract that is made by the Commission. Initially the commission creates omnibus operating companies by providing financial facilities, and then the companies should be able to operate buses on given routes by following rules and regulations given by the NTC with the omnibus operating agreement. Under the re-organization, the National Transport Commission expects to enhance the quality of long distance bus services by making suitable institutional framework for the operator, passenger, and the regulator.

⁶ www.ntc.gov.lk

1.6 Objective.

The main objective of this study is to propose a suitable franchise system for long distance bus service in Sri Lanka in order to improve quality of the service. The National Transport Commission has recognized that the need of reform of the sector to improve the quality of the service and franchising of bus services has been initiated in 2008 as a strategy. Under this background the Commission is making bus companies and tries to establish an applicable franchise system which is able to address to improve the quality of the service.

1.7 Scope of the study

This study is entirely based on the long distance private bus passenger transport services, and it doesn't consider CTB bus services or short distance private bus services that are regulated by each Road Passenger Transport Authorities (RPTAs) of each province in the country. Long distance private bus services are regulated by the National Transport Commission, and franchising of bus services is also handling by the commission. Under this process the study mainly consider franchising of the bus services and improving the quality of the service. Usually quality of the service is measured by the passenger point of view, and this study mainly focuses passengers' perception and problems of the regulator of long distance private bus services in order to make suitable ideas to propose a suitable franchising system.

