Organisational Structure, Ownership and Dynamics on Control in the Informal Local Road Passenger Transport Sector

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ABSTRACT

The “informal” sector is a major provider of local road passenger transportation in many developing countries. In many cases, especially in Africa, it is the dominant mode of urban passenger transport. In many other cases, especially in Asia and South America, it is a significant mode either in parallel or complementary to the formal modes.

The legal status, form of the service, ownership and size of vehicles used varies widely, but can roughly be categorised in three main types: large vehicles usually buses owned by individuals or small enterprises; large numbers of minibuses owned by individuals and operated as associations/collectives; and small 2-, 3- and 4-wheeler vehicles owned by individuals and operated in a common manner with very loose organisation.

There are many problems in entry, operational regulation and customer satisfaction in these services. In many countries, efforts are made to reform the sector, to improve the service/vehicle offer, or to improve their business/operational capacity. A major challenge is understanding the structure and dynamics of the sector, understanding the different and conflicting interests, and establishing an engagement framework that can bring the different interests to a common agreement. Interest groups can include national and local association officials, operational staff, vehicle owners, drivers, other employees, and sometimes background owners or beneficiaries.

This paper examines these issues in the informal sector, focusing on structure, interest groups, ownership and control. It draws from case studies in Ghana, Sri Lanka, and the Philippines, and from international experience elsewhere.

1 The Informal Road Passenger Transport Sector

The organisation and the provision of local passenger transport vary widely from country to country. In Europe, North America, Australia, China, CIS, many Asian countries and many Latin American countries, local passenger transport is generally provided by recognised
transport operators within a formally regulated structure, wherein operators, vehicles and personnel must comply with competence, safety, operational and quality standards.

By contrast, in most African countries and in many countries of Asia and Latin America, a significant amount of the local passenger transport is provided outside such formal frameworks. The sector which provides these transportation services is loosely termed “the informal sector” (sometimes also called the “paratransit sector”).

1.1 Emergence of the Informal Transport Sector

In most cases, the sector has become established due to the inability of the formal sector to provide the mobility services needed by the people. Typical scenarios include:

- Overall transport supply does not keep pace with rapid and sustained expansion of the urban area and population, leading to capacity shortages and long waiting times on key axes of demand.
- The formal transport system does not adequately serve inter-suburban and local trips, leading to a significant unmet market for travel
- The formal transport system provides minimal service in rural areas, towns, or suburban hinterlands, again leading to significant unmet market for travel
- The formal transport network does not adapt to changing activity and travel patterns
- The formal transport system becomes diminished in capacity and performance due to financial crisis, industrial unrest, etc. leading to severe service shortages
- The formal transport system has been intentionally designed to only serve specific travel needs, leaving the rest of the travel market unmet
- The formal transport services are inadequate in the evenings, weekends, etc. as they are deemed to be unprofitable, leaving a serious service gap for those need to travel

The above, and other more location-specific reasons, leave significant gaps in the travel market which urgently need to be met. In developed countries, such transportation gaps have been met by the private car, leading to auto-oriented societies. In developing countries, this option (leaving aside whether it is desirable in societal terms) is not available to the majority of the population.

When such a gap emerges in the market, it is invariably filled by the informal sector. In most cases, this commences on relatively small scale as unauthorised services. This can include registered bus operators who begin to provide services on routes or at times for which they have not been authorised; private hire minibuses offering commuter services; private cars utilized as unauthorised shared taxis, registered taxis offering unauthorised shared taxi services; motorcyclists offering paid rides.

In some cases, the authorities use their enforcement powers and succeed to suppress or at least contain such services. In other cases, the authorities tolerate or turn a blind eye to such services, quite often because they do not in any case have the enforcement capacity to do otherwise. In yet other cases, the authorities accept their presence based on a pragmatic view that the transportation demand must be met somehow, and perhaps also to gain revenues from vehicle and driver registrations and bring them inside the taxation net. It is
very rare for transport authorities to establish frameworks for such services from the outset, perhaps reflecting that they arise from system failure rather than from planned response.

Over time, when circumstances permit, a particular model of informal passenger transport is able to meet the local travel needs, is understood by the users, and becomes established. This is usually accompanied by very rapid growth in the scale of the informal sector and the number of participants. The perceived opportunity to make profit in an unregulated market encourages new entrants. The favoured models are ones with low capital investment and minimal expertise requirements. This invariably favours small vehicles, purchased second-hand, which can easily be financed by individuals from savings or small loans, and which require no business or technical knowledge. As the number of participants and number of services increases, organisational forms emerge, whereby some stakeholder group invariably gains control of the sector.

At a certain point, the informal passenger transport model has developed a substantial scale and momentum. On one hand, it has become a significant transport mode within the area, providing extensive coverage and in daily use by a large number of people. On the other, it now has a very large number of stakeholders (which we explore below) including the owners of the vehicles, the drivers and other operational staff, terminal staff, the vehicle suppliers, those who maintain the vehicles, other beneficiaries (including some who are less visible and may prefer to remain so) and, of course, the passengers themselves.

At this stage, it has tangible political significance, either through direct linkage with political parties, or through the discontent it can foment if its interests are threatened. Whether they wish to or not, the authorities must accept its presence. The issue then is the basis for engagement.

1.2 Characteristics and Diversity in the Informal Transport Sector

There is extreme diversity in form, scale and organisation of such passenger transport supply.

**Vehicle type**: Most typically, the informal sector uses smaller vehicles, but even this can range from microbuses to midibuses. In some cases, large buses are used. Cars may be used for shared taxi services, typically in the countryside and villages. Motorcycle-based 3-wheelers with covered passenger seating (e.g. tuk-tuks, auto-rickshaw) are common throughout South and South-east Asia; in some locations there are extensive non-motorised 3-wheelers, mostly pedal-powered. Motorcycle taxis are common in South-East Asia (e.g. Thailand) and in some African cities (e.g. Lagos and currently emerging in Accra).

**Service Type**: In many locations, especially in cities, the informal transit offers regular routes using small or large buses. This is usually between terminals with intermediate stops, although the stopping places may be somewhat informal and not marked. Point-to-point services with few or no intermediate stops are usually for commuter services or from residential areas to markets. Shared taxis usually offer feeder connectors from other transport hubs, or services from markets. By contrast, 3-wheelers and motorcycle-taxi are hires at the customer’s command.
**Role in the transport hierarchy:** In most African countries, the informal transit sector is the primary provider of the passenger transport services, even in the largest cities. In South American cities, the informal sector is normally complementary to the formal transport, providing services from the *barrios* and *favelas* and other places where the formal transport does not go; sometimes it is predatory, encroaching on the formal transit routes and taking as much market share as it can, and undermining the viability of the formal services ('piranha effect'). In South and South-East Asia, the main type of informal transit is 3-wheelers (motorised and non-motorised) and other on-command vehicles which provide local transportation complementary to the formal transit.

**Scale:** The scale of the informal sector can be quite significant, numbering tens of thousands of vehicles in some cities. For minibuses, Lagos is estimated to have about 100,000 *danfo*, Manila is estimated to have about 50,000 *jeepneys* while Accra is estimated to have about 10,000 *tro-tros*. The *collectivo* services in Rio de Janeiro can number up to 700 vehicles on one route alone, while the busiest *jeepney* route in Cebu, Philippines has more than 400 vehicles. For small vehicles, in Sri Lanka there are an estimated 400,000 3-wheelers serving a country of about 20 million people.

**Organisational Form:** Organisational form is highly variable. In Africa and South America, the informal sector is normally formed as associations, to which either the vehicle owner or the vehicle driver is affiliated. In some countries (e.g. South Africa, Ghana), the associations are highly organised in national, regional and local hierarchical fashion and use this both to provide a structure for operations and to maintain their power base. In other countries (e.g. Kenya, Brazil), the associations are of similar format but are separate, either confining themselves to their area of interest or being direct competitors for passengers and members. In yet other countries (e.g. Philippines, Sri Lanka for 3-wheelers), the form of association is weak and is concerned mostly with representation and administrative issues.

**Regulation:** Almost all informal transit begins either outside the regulatory framework, or by exceeding what they were originally permitted to do. Most informal transit becomes self-regulating. In many cases (e.g. Ghana, South Africa, Brazil), this is done through formal structures with fairly well defined allocation of areas of work – this has usually evolved to establish internal stability and avoid turf wars. In other cases, the self-regulation is more concerned about protecting territory and ranges from maintaining a reasonable degree of harmony to more forceful and intimidating tactics. In a wide range of countries, there is technical regulation (at least nominally) through annual vehicle inspection requirements. Vehicle owners and drivers may be required to pay for a permit, although this is primarily just an income generating mechanism for the authorities. In a small number of cases (e.g. the Philippines), there is authority regulation of the transport market in the form of franchises.

2 Changes to the Transportation Sector and to the Informal Transport Sector

2.1 **Approaches to Change to the Informal Transport Sector**

The informal sector is usually not accepted as a desirable means of transport by the urban or transport authorities.
In all cases, the informal transport services are seen as transient, providing a sub-optimal alternative until incomes are high enough for people to have individual private vehicles; or the formal transport system can be restored and regain the market from the informal transit.

In some cases (Ghana, Kazakhstan), the authorities recognise them as a service for the people that meets a pressing need at a particular time when the country is not in a position to provide more formal services, all the while aspiring to a better transportation system when the opportunity arises. More typically, the informal transport sector is viewed as a ‘necessary evil’ to be dispensed with as soon as possible, through transformation, marginalisation, or elimination.

The motivation for change is typically the perception of these transport services which are seen as backward, using poor quality vehicles, engaging untrained drivers barely on subsistence wages, with poor safety, lawlessness, reckless disregard for regulations, and in some cases with quite violent internal enforcement and turf wars. Many transportation planners and decision-takers consider that there is little from this sector worth keeping as they seek to improve their cities, economies and societies.

The factors cited above are real downsides, and there is no denying that they truly exist. However, on the positive side of the equation are factors that must also be recognised such as:

- The volume of passengers carried, in many cases in excess of large urban rail systems
- The ability to penetrate every corner of complex metropolitan areas
- The ability to provide service where all other forms of transit fail
- The ability to upscale and/or adapt services rapidly to changing demand
- The ability to organise thousands of untrained, poorly educated and poorly paid workers into a fairly effective and stable transportation mode
- The ability to mobilise investment, to be self-financing, to operate without subsidy and to generate profit, albeit often at the absolute margin
- Ease of entry into the market, and ability to upscale very rapidly if required

Some countries (e.g. Ghana) and cities recognise that there are positive attributes and/or capacities in the informal sector that can be leveraged, and this guides both their strategy for the sector and the basis of engagement.

2.2 International Practice in changes relevant to the Informal Transport Sector

Changes and initiatives in the passenger transport sector can be broadly clustered in three strands:

- Changes to the market structure and the role of the regulator, and the basis of the relationships between the regulator and the operator
- Changes to nature, format, ownership and structure of the transport operators and means of participation of the private sector
- Changes to type, structure, quality and scale of passenger transport services
Within each of these strands, a wide range of measures are observed, many of which are either aimed towards the informal sector, or directly impact on it (Finn and Mulley, 2011). Measures directly targeted to the informal sector can be broadly clustered on a progressive scale:

- Focus on regulation, or at least formalising what is currently provided
- Focus on safety, service quality and improving vehicle age/quality
- Focus on the internal structure, organisation, corporate form

Changes in market structure and role of the regulator or transport authority include:

- Regulation of the Passenger Transport sector is introduced or restored
- Regulation of the road passenger transport sector is transferred from national bodies to the City or Local Authority
- Regulatory capacity is developed within Local Government
- Changes are made to the rules for market entry and/or procurement of services
- Regulators develop new models for procurement of services
- Regulators develop new contractual basis for bus services, or amend existing ones
- Regulator makes direct intervention to restructure the Operator sector
- Regulator or Transport Authority makes vehicles available to the Operator sector
- Regulator or Transport Authority provides funding or financial incentives for bus purchase and/or technology upgrades
- Transport Authority finances new transport infrastructure to enhance the public transport system and to provide suitable facilities to operators

Changes in the form of the Operator include:

- Public sector bus Operators have their corporate and/or ownership basis changed
- Private Operators are given controlled access to the market
- Individual minibus operators form associations or cooperatives to gain route contracts, or to have access to facilities and finance
- The private sector participates directly in the financing of infrastructure and/or rolling stock
- Private sector investors purchase vehicles and lease them to drivers
- Operating companies or associations change their business model to gain efficiencies

Changes in transport supply include:

- Large-scale expansion of the conventional transport services to meet transport demand
- Introduce high-quality passenger transport modes
- Large-scale paratransit services are established to replace large-bus services which have failed to expand to meet the increasing travel demand from population growth
- Large-scale paratransit services (including the informal sector) emerge to replace large-bus services as they go into decline
• Shared taxis emerge to complement the large-bus transportation or to meet specific demands
• Large bus services are restored when the City/Local Authority or Operator regains financial and/or organisational capacity

Whether or not the informal sector is the direct target of the initiatives, virtually all of the above impact on the informal sector in some way or other. They may change the market and/or environment in which the informal sector operates, or they change the informal sector itself. Change – especially where it is initiated by the authorities - is rarely welcomed by the informal sector, even when it brings opportunities and benefit. In part, this is because the informal sector fears losing its freedom and advantage if it is brought within any framework.

However, a far more significant factor is that the dynamics of the informal sector are complex, with many stakeholders who exist in competitive tension with each other. There are always key stakeholders who have weathered the establishment phase and all the turmoil, and are now successful in terms of their power base and the benefits they gain from the sector. They fear that the new framework may remove their entrenched advantage, that they may have difficulty to adapt to the new playing field, and that they will not do as well as they are currently.

Failing to understand these dynamics can have serious consequences. On one hand, the desired strategy may become frustrated and the eventual outcome different to what was sought. On the other, interference in the sector may cause the various stakeholders and factions to become involved in an internal struggle, leading to strikes, intimidation, and in some cases to serious violence and even killings.

3 Sector structure and dynamics – need to understand it

3.1 Differences between the Formal and Informal Transport Sectors

The informal sector is fundamentally different from the formalised transport sector in a number of key aspects. At the risk of generalisation and over-simplification, the following key differences are identified compared to the formal transport operators and services:

1) The sector has originated in unauthorised or even illegal operations. Unless the regulatory framework evolves to specifically recognise and accept the informal transport services, they remain outside and at variance with the formal transport.
2) The informal sector has emerged due to major gaps or failures of the transportation market. The sector perceives (rightly or wrongly) that their advantage lies in maintaining, and even entrenching, any dysfunctional conditions that allowed them to emerge and become established.
3) The market position and market share of the informal sector is unprotected, other than by their own force of will and their numbers. This often leads to highly adversarial positions.
4) The informal sector is not considered desirable by decision-takers and transportation planners, and often even by their customer base. The typical policy position is to transform it, to replace it, or to eliminate it.
5) The informal sector rarely takes corporate form, and instead consists of various types of affiliation of thousands of individuals who each own small numbers of vehicles. A fundamental consequence is that these players are focussed on their individual advantage, unlike corporate operators who seek to optimise resources and inputs.

6) The informal sector – both at affiliated/association level and at individual level – is based on entrepreneurial spirit, and is typically averse to any perceived effort to control or constrain them. (This can be rather ironic, as their form of association typically severely constrains the individual and heavily exploits both the owner and the driver).

7) The informal sector consists of multiple discrete stakeholders, including the association officials, the vehicle owners, the drivers and other operating staff, and terminal/support staff. It may also include background stakeholders, some of whom do not wish to be visible.

8) The various stakeholder groups usually exist in a state of competitive tension, in which one stakeholder group has succeeded in leveraging advantage and gaining control. Framework or context changes may alter this balance of power, leading the incumbents to resist any change.

3.2 Stakeholders in the Informal Transport Sector

The stakeholders within the informal sector consist of many or all of the following:

- Association officials at national, regional and local level
- Organisers at terminals and stops, and other service managers or enforcers
- Vehicle owners
- Vehicle financiers – which may be family, banks or other sources of finance
- Vehicle suppliers, who may also provide the vehicles under some form of lease scheme
- Drivers
- Conductors, where used
- Vehicle maintenance and spare part providers
- Fuel providers
- Declared franchise/permit holders
- Background franchise beneficiaries and true owners of vehicles and routes
- Other beneficiaries who extract finance from the sector, including those who do so by intimidation or force
- Political beneficiaries

3.3 Ownership and Control within the Informal Transport Sector

In general, these stakeholder groups are more or less mutually exclusive. Of course, there are exceptions. For example, an association official may own a number of vehicles (vehicle ownership may be a prerequisite to association membership), or the driver of the vehicle may also be the owner. In a few cases, such as the 3-wheeler sector in Sri Lanka (see section 6 below), it is supply driven as large numbers of youth enter the sector due to high unemployment among school-leavers, and owner-drivers are the majority.
Observation indicates that, in general, vehicles in the informal sector are owned by private individuals who invest available funds (savings or borrowings) in the expectation of making reasonable profit over several years. These individuals are often civil servants, police, army or other people with steady income and some surplus; or they are people who have earned some money overseas and invest the money rather like an annuity. Individuals may own several vehicles, but observation is that large holdings are extremely rare and in almost all cases the vast majority of vehicles in the informal sector are owned by people with less than five vehicles. In some countries, it is speculated that there are background persons who have effective control and ownership of quite large fleets, but this is not visible from official records.

The vast majority of the vehicles in the informal sector are owned by individuals who invest in the sector but have little transportation business expertise, and are not full-time involved in the transportation activities. This has three significant implications. First, it creates a space for full-time officials to organise the informal transport sector. Second, the owners are extremely fragmented as there may be thousands of owners each with just a few vehicles, and with no basis to interact with each other. Third, the owners need to make arrangements with drivers to hire their vehicles from them, and have little option but to follow the prevailing practice and rates.

In practice, a controlling cadre emerges who may or may not also be vehicle owners. In essence, they gain control over the providers of finance (many thousands of vehicle owners) and the providers of labour (many thousands of drivers and other staff). On the positive side, they may provide organisational and operational management capacity that enables this fragmented sector to function coherently and collectively make profit. They may also be effective in maintaining the market conditions in which the sector can make return on investment, offer gainful employment, and meet mobility needs that were previously neglected. On the less positive side, they are extractive and may hinder the development of the sector to protect their own interests. As previously noted, this is a state of competitive tension that needs to reach an equilibrium in order to provide stable transport services, but could easily destabilise if disturbed.

3.4 Lack of Corporate Entities in the Informal Transport Sector

Corporate form is not observed in the informal transport sector. In all cases where the informal transport sector has become established, there is a substantial business sector in which thousands of vehicles and tens of thousands of persons are engaged. The turnover is substantial and sustained. Some form of collective or association structure has emerged.

Given such conditions, one would expect that the more dynamic and entrepreneurial clusters would transform themselves into companies that could attract the capital and capacity for expansion, innovation, cost efficiencies and market dominance. However, observation in various case studies is that this has not happened. Based on case studies and discussions with local stakeholders, a number of explanations have been suggested for this apparent anomaly (Finn, 2007):
• In many cases, the sector operates as much as possible outside the tax and excise framework. By remaining fragmented and with only loose association to the route permit holder, the revenues of the owners and drivers are not visible to the tax authorities.

• In many countries (e.g. China, Russian Federation) small companies – defined by number of employees or annual turnover – receive more favourable tax treatment or exemption from certain charges and levies. This causes a strong disincentive to form large corporate units even when they could benefit from efficiency of scale or access to finance.

• The route association officials or permit-holder may find it to their personal advantage to keep the owners fragmented and to prevent the formation of any corporate structure, board or other stake that would allow the owners control the company.

• In both Tbilisi and Samarkandit was stated that owners were distrustful of legally committing their assets to companies, in case the management would find a way to leverage them out and dilute or even cheat them of their assets and stake.

• Private companies and entrepreneurs typically do not have access to medium- to long-term capital finance at reasonable rates. When companies cannot access finance for vehicle purchase, there is little incentive to move away from the owner/driver model.

3.5 Change and implications for the Informal Transport Sector

When decision-takers and transport authorities seek to implement change in a location where there are informal services, they and their advisers need to take care to understand the stakeholders and their internal dynamics.

The stakeholders can broadly be classified as:

• Providers of finance, used to mobilise operating resource and capacity (i.e. vehicles, facilities, working capital). These are productive and transferrable, and while they may have preferences about the form of transport in which they invest, as long as there are open opportunities to invest in transportation supply, they can participate in the sector and make reasonable returns.

• Providers of labour services (i.e. drivers, conductors, terminal staff, maintenance workers etc.). These are also productive and transferrable. Subject to skill development and suitability, they will be required in any transportation regime.

• Organisers and beneficiaries: (i.e. officials, facilitators, background controllers and beneficiaries). These do not bring resource, and are often highly dependent on the continuation of the status quo. Some do provide essential value-added services which enabled the informal sector to establish or to continue as a viable and effective mode of transportation. By contrast, others are purely extractive or exploitive, especially those in the background without official or visible role. In either case, these are the most vulnerable stakeholders as they may not be required (or in some cases may not be tolerated) in a different transport environment. Not surprisingly, this is the layer that is most likely to react negatively. In such circumstances, observations indicate that this layer often mobilise reaction among the vehicle owners and/or drivers by playing on their fears. In part, this cadre uses the mass for political effect; in part it aims to deflect attention from those whose interests are actually being protected.
In summary:

- Within the informal sector, there are multiple stakeholders
- These stakeholders are different in role and nature
- They have different interests, which are often not well aligned. In many cases, their interests are not mutually compatible and depend on exploitative relationships.
- The business model and means of generating income varies greatly among the stakeholder groups. Some are productive whereas others are extractive.
- Some stakeholders in the informal sector are transferrable to the formalised sector, just as long as the opportunities are open to them; other stakeholders are highly dependent on the continuation of the status quo and may struggle to survive in a different environment.
- The balance of power varies from location to location. Nonetheless, observation indicates that the balance of power in the informal sector tends to be held by the extractive stakeholders – i.e. those who are most vulnerable to any framework or organisation change

This has significant implications for practitioners and decision-takers who seek to implement strategies that impact on the informal sector - this applies both to strategies that seek to transform the informal sector itself, and to strategies that impact on their business (e.g. restoring large-bus capacity or implementing BRT).

In essence, those who control the informal sector are also those who are most threatened by change. This raises questions about who to negotiate with within the sector when change is desired, how to engage with the productive layers if the leaders are obstructive, and what incentives can be offered to the different stakeholder groups.

This paper does not attempt to provide such answers or guidance on how to deal with the informal sector. Instead, it presents the informal sector and stakeholders in three diverse locations, with the objective of providing insights into the informal sector that can aid strategy formation and consequent negotiation. The examples are:

- Ghana – minibuses (tro-tros) with strong organisation, self-developed network
- Philippines – minibuses (jeepneys) with loose organisation, regulated network
- Sri Lanka – 3-wheelers with loose organisation, no visible network
4 Minibuses (tro-tros) in Ghana

4.1 Minibus services in Ghana

During the colonial era and in the subsequent civilian and military governments through to the early 1970’s, the core urban public transport in Ghanaian cities was provided by the city enterprises, and in the late 1960’s consolidated into a single state-owned enterprise known as OSA (Omnibus Services Authority) through the Omnibus Services Authority decree which nationalised all City, Municipal, Urban and Local Council bus activities within one body. OSA provided large and mid-sized bus services in the main cities such as Accra, Kumasi, Tamale, and also operated services in smaller cities as well as inter-city bus operations. By the mid-1970’s, OSA entered a period of financial difficulty during which the Government decided to privatize its passenger transport activities and refused to renew the rolling stock, and then entered a classic spiral of deterioration, loss of business, and collapse of both capacity and market. By 2000, OSA was bankrupt and had effectively ceased operations, although it did have some residual facilities.

Minibuses and shared-taxis took over the market vacated by OSA, and became firmly established throughout the country. A Ghanaian minibus is referred to as a tro-tro, and is typically a 14-18 seater vehicle. Vehicles are invariably imported second-hand and old, although mostly in better condition than in some other West African countries. The tro-tro is the typical mode of transport in the larger urban areas, whereas the shared-taxis are more prevalent in the villages and small towns.

Tro-tro routes operate between pairs of terminals, and serve a fixed route. Vehicles depart only when they are full, which is functional at the busy times, but can lead to very long intervals in the off-peak times. Passengers may have to sit in the vehicle in hot conditions for up to an hour waiting for the departure. Other buses park in the terminal area waiting for their turn, and cause congestion not only in the terminal, but also out into the approach roads. Because buses only depart when full, it is usually not possible to board a vehicle for the first 2-3 km along the route, so many passengers walk back to the terminal to get on a vehicle. This presents organisational advantages for the unions and the terminal staff, but are strong disadvantages for both the customers and for the individual drivers.

The number of registered minibuses in vehicles Greater Accra in 2005 was about 12,000. It is believed that about 6,000 vehicles operate daily in the tro-tro market, with the remainder being either tro-tros who are scheduled not to work, or buses working for private hire (e.g. employee buses, tours,).

The Terminals (or lorry parks as they are popularly known) operate a number of fixed routes with each terminal managed by a station manager(s), depending on the number of operator groups using the lorry park. There are also other officials like the security guards and attendants, (mainly drivers who are temporarily without vehicles or apprentice drivers affiliated with the unions).

4.2 Internal Organisation of the Tro-tro sector
Vehicles are invariably imported second-hand. They are typically owned by individuals as a personal investment. There is no evidence of concentration of ownership, either by individuals or by companies.

By contrast, there is a very strong concentration of organisation and operation. Over time, a common organisational and operational model has emerged, so that there is a quite consistent and coherent service provision in urban areas throughout Ghana.

The dominant entity is the Ghana Private Road Transport Union (GPRTU) which organises more than 80% of the tro-tro sector, as well as being very active in taxi and shared taxi provision. Due to alignment with the prevailing political faction in the 1980’s, GPRTU were granted permissions in organising terminals and services and also leasing public procured buses to its members.

The GPRTU is structured like a union having three main levels: Local, Branch and National. Individual routes are established by a Local, which affiliates the individual bus owners and drivers. They organise their operations, departures from terminals, internal discipline, levying of fees etc. Groups of locals are affiliated to Branches according to geographical area. In the larger urban areas such as Accra and Kumasi, there are many Branches. The National executive co-ordinates the activity throughout Ghana, established common rules, lobbies on behalf of the sector, and represents the members to Government.

The balance of the sector consists of a mix of associations (Co-operative, PROTOA) and some bus companies (e.g. Agate) who are affiliated under the Ghana Road Transport Coordinating Council (GRTCC). In many ways their organisational and operational model is similar to that of GPRTU, but on a smaller scale.

A key characteristic of the tro-tro services in Ghana is that they are stable, and quite well known by the population. The sector is peaceful, and there is not a history of turf wars or heavy and violent intimidation, although in cases of encroachment the incumbents may take matters into their own hands to resolve it.

4.3 Regulation of Tro-Tros in Accra

Since 1983 until now, the sector has effectively been self-regulating, and recognised to be so by the authorities. The Unions, and in particular GPRTU have very effectively established their position as ‘gatekeepers’. In one sense, they have a quite effective framework within which new routes can be formed – a new Local is established with operators who are willing to work the new route, and the Local affiliates to the relevant Branch and are granted a “charter” to operate the route (The ‘charter’ is effectively a route operating licence granted by the union and not the City Authorities). Nonetheless, the Unions also very effectively control the system through their control of the terminals.

Bus fares have been deregulated since 1990, but in practice are negotiated between the Government and the operators represented by GPRTU and GRTCC. The Driver and Vehicle Licencing Authority (DVLA) issues licences for both drivers and vehicles for commercial operations as well as roadworthiness certificates for vehicles. During 2006-7, mandatory
inspections for commercial vehicles were re-introduced. This has had a visible positive impact on the external bodywork condition of both tro-tros and taxis.

During 2010, the local governments (Assemblies) in the greater Accra and Kumasi areas passed Bye-Laws which established the Assemblies as the regulators of the local passenger transport in their areas. A new system of Permits is being implemented which establishes the Route as the basic unit of regulation. Permits are granted to the organiser of the Route, which is accountable for the performance of its members who operate on the route under the authority of the permit. The basic permit (Permit Type A) is for tro-tro services, are valid for one year and are renewable. The more advanced permits (Permit Type B are for large vehicles, are valid for three years and are also renewable.

Implementation of the new means of regulation has commenced, but is progressing slowly. To date, the approach has been to gain the voluntary co-operation of the tro-tro sector. The GPRTU has been quite resistant and its members have generally not yet registered their routes (a prerequisite for issuing of permits).

4.4 Stakeholders and Internal dynamics of the tro-tro sector

The principal stakeholders within the tro-tro sector are:

- The Unions/Associations
- The vehicle owners
- The drivers and conductors (‘mates’)
- Vehicle suppliers and vehicle maintenance sector

The Unions are not a homogeneous group. First, there are multiple Unions, with the GPRTU seeking to maintain its dominant position and control of terminals over the other smaller Unions and associations. Within the Unions – especially the GPRTU which effectively defines the sector - it consists of three layers, who jockey for position and have their own power struggles:

- National officials, who control the overall Union/Association and seek to protect their position and influence with the various Branches
- Branch officials, who control the Locals, have an active role in the organisation of operations within their area through the provision and renewal of “charters”, and interact in various ways with National layer
- Locals, who organise the operators on the route and the daily operations and are responsible for the collection of monthly dues from its members as well as daily tolls from each departure recorded at the lorry parks.

A large aspect of power within the sector (as in informal transport sector everywhere) is the ability to levy fees from the sector, and a large part of the power struggle is about control of these income streams. This includes fees to join the sector, membership fees, and daily or departure fees. Much of the organisation of the operations is based on an effective means of ensuring that only paying members can use the terminals, and that the daily/departure fees are efficiently extracted from the operators.
The Union officials have successfully gained and retained control of the tro-tro sector. Membership of the GPRTU consists of the drivers (as GPRTU is a Union of the Trades Union Congress) and not of the owners. The owners are fragmented and have little effective say in the business. Their role is reduced to financing and providing the vehicles.

Vehicles are owned and financed by individuals, and leased to drivers for payment of a daily rental. The driver is expected to remit to the owner each day’s rental after the payments for fuel, daily tolls for both the authorities and affiliated unions, tips to fellow drivers without vehicles at the lorry parks, and for minor vehicle repairs. Owner-drivers are in the minority. There is no available analysis of the ownership base. Local knowledge suggests that many of the vehicles are owned by salaried individuals in the police, armed forces, and officials in the public service, who see investment in tro-tros as a relative secure return for their accumulated funds. It is believed that there is very little concentration of ownership, typically a person would own just a few vehicles.

4.5 External pressures on the tro-tro sector

There are three external pressures that are impacting on the tro-tro sector:

- The new regulatory regime, which will fundamentally alter the ability of the Unions to control entry to the sector
- The Bus Rapid Transit project for Accra, which will attract a significant share of the public transport market in west Accra, leading to closure or reduction of tro-tro routes, displacement of owners and drivers, and potential transfers of capital and workers to the BRT
- Expansion of the big bus market, both through any expansion of Metro Mass Transit (MMT) and the new Permit Type B routes. The latter will have far greater impact, as they will be formed from existing tro-tro routes.

Because Greater Accra continues to grow both in population (currently at c.4% annually) and spatially, expansion of MMT and even the BRT might not have a major impact on the scale or structure of the tro-tro sector. Operators can move to the growing parts of the city to either augment existing routes where patronage is growing, or to establish new routes.

By contrast, the Permit Type B routes may lead to internal transformation within the sector. To finance larger vehicles, the operating entities will need to restructure to a form that can mobilise capital. On one hand, the entity is likely to be more self-contained and independent of the Union structure (even if must remain a member). On the other, the vehicle owners and/or providers of finance must work together in capital mobilisation and risk management, and as a result will no longer be fragmented and marginalised. Further, issues of owner, vehicle and driver displacement are likely to occur, and these will need to be managed.

It remains to be seen what the implications are for the Unions, both in terms of their controlling position and their nature. If they are no longer gatekeepers, they may need to attract voluntary members rather than be able to impose membership. If so, it is likely that they will need to offer a different ‘value-proposition’ to retain their membership, influence and financial flows.
What is currently being discussed in the roll out of the reforms is for the unions to be gradually transformed into ‘trade associations’ with the responsibility of ensuring and maintaining high standards in the professional activities of its members.

5  Minibuses (jeepneys) in Philippines

5.1 The Jeepney sector in the Philippines

Jeepneys are a minibus style of service which operate on defined routes. The vehicle is constructed on a small vehicle base with two benches lengthwise along the vehicle, and passengers board and alight from the rear. Jeepneys were originally built on an extended version of the American Jeep, hence the name. While some jeepneys are still built in this tradition, most new jeepneys are built using a van base. Jeepneys typically seat about 18 passengers, each vehicle is rated for capacity and this is displayed externally.

Jeepneys are the primary form of urban passenger transportation in the Philippines, other than in the Manila metropolitan area where they operate complementary services to the Metro/Light Rail and the city buses. In all other cities and urban areas of the Philippines, jeepneys are the only fixed-route transportation while taxis and 3-wheelers (motor and pedal powered) provided services on command of the user. Other than in Manila, big buses are only used for the extensive provincial and long-distance passenger transport services.

In terms of scale, there are some 50,000 jeepneys authorised to operate in the metropolitan area of Manila (c. 16 million people), which is also served by Metro, light rail and about 5,000 urban buses. In Cebu, there are about 7,300 vehicles authorised to serve the metropolitan area of greater Cebu (c. 2 million people).

5.2 Regulation of road passenger transport services in the Philippines

All route-based bus and jeepney services in the Philippines are regulated. The national Department of Transport and Communications (DOTC) is the principal passenger transport authority, with responsibility for planning and development of public transport, among other functions. DOTC defines and authorises all passenger transport routes, determines whether they are to be operated by bus or by jeepney, and determines the upper number of vehicles which may be assigned to the individual route (‘Route Measured Capacity’, based on estimated demand).

The Land Transport Franchising and Regulatory Board (LTFRB) is a line agency of DOTC, and is the entity with allocates route operating franchises to interested Operators. The basic mechanism is that Operators apply to LTFRB for permission to operate buses or jeepneys on specific routes or in specific areas. As long as the upper limit set by DOTC is not exceeded, LTFRB may grant franchises (a “Certificate of Public Convenience”) which specify the route, the number and registration details of the vehicles covered by the franchise, and the period of validity of the franchise (standard is for 5 years, reflecting the vehicle investment). LTFRB has regional offices throughout the Philippines, where operators can make applications and payments, and deal with administrative matters. In turn, this gives LTFRB stronger local
knowledge, better enforcement capability, and a local interface to understanding the interests and concerns of the various stakeholders.

In practice, for both bus and jeepney routes, there are multiple operators on each route, operators with several buses may have franchises on different routes. Operators may even have more than one franchise on the same route, reflecting when they purchased additional vehicles.

For both bus and jeepney, the bus is strictly allocated to the specific route. The details of the terminal points and the key intermediate points are written distinctly on the exterior of the vehicle, and key franchise details (route, franchise-holder name and address, LTFRB case number) are also displayed clearly.

The franchise authorises the holder to operate the listed buses on the route. However, it does not specify when or how often the vehicle is actually fielded on the route, and this is entirely the decision of the franchise-holder. Since the buses actually exist and may not be used on any other route, the presumption is that the operator has sufficient incentive to operate the vehicles often enough to recover their investment and other costs, while retaining the freedom to use his own judgement on when to not operate. The principal restrictions are that only the vehicles listed on the franchise may be fielded, they must stick to the named route, and once they commence a trip they must complete the trip to the end point. Turning the bus short is strictly enforced – to avoid vehicles going in one direction with few passengers ejecting them and taking advantage of greater numbers of passengers waiting to travel in the opposite direction. Operators found to be “trip-cutting” face quite heavy penalties, as do operators who ply for business off-route. This helps to maintain order among the operators.

As discussed below in the example from Cebu, there are multiple operators on each route and minimal organisational structure. Vehicles are fielded on the days and times that the operator sees fit, and they essentially sort themselves out at the terminal points and along the route. On the jeepney routes, this can lead to several hundred vehicles whose owners and drivers have no affiliation to each other, and nothing in common other than that they have been assigned to the same route and all seek to earn sufficient revenue from it to at least meet their expenses and be able to feed their families at the end of the day.

5.3 Jeepneys in Cebu – Stakeholders

Cebu is a city of about 800,000 inhabitants. The broader metropolitan area, which includes the adjacent cities of Mandaue, Lapu-Lapu and Mactan, has a population of about 2 million inhabitants. Cebu is the capital and primary city of the island of Cebu, and of Region VII of the Philippines.

Jeepneys are the sole mode of fixed-route transport within the greater Cebu metropolitan area. Large and medium-sized buses provide transport services to elsewhere on the island of Cebu and to other parts of the Philippines (by ferry connection) but do not participate in the intracity transport services of Cebu. There is extensive taxi service throughout Cebu, with over 6,000 vehicles involved. There is extensive provision of 3-wheeler services, but these are confined to the local areas – they may not operate on the national roads, although they
are permitted to cross the national roads to go from one local area to another. Motorcycle taxis are known to operate, but this is illegal.

The relevant authority stakeholders in Cebu are:

- **LTFRB**, through its Region VII office. LTFRB issues franchises, monitors operations, and enforces franchise compliance. LTFRB is the tariff-setting authority.
- Local Government Units, including Cebu City Government, who are responsible, *inter alia*, for the roads and traffic management, traffic regulations. They issue franchises to and regulate the 3-wheeler sector.
- **CITOM**, the Cebu City Traffic Operations Management department which deals with all traffic management and engineering aspects, parking regulation, traffic enforcement and traffic matters relating to public transport. In particular, CITOM has by City Ordinance and in conjunction with LTFRB defined the specific streets jeepneys should use (‘travel lines’) and initiated a route numbering system in addition to the existing route naming system.
- Cebu City Government, which is planning a Bus Rapid Transit scheme for Cebu. This will impact on the jeepney sector.

The known jeepney sector stakeholders are:

- The registered franchise holders
- The owners of the vehicles
- The financiers of the vehicles
- Vehicle suppliers
- Vehicle maintenance providers
- Drivers
- Conductors
- Operator associations (CITRASCO, VUDTRASCO)
- Driver associations (NADSU, ANDAR)

### 5.4 Structure and scale of the Jeepney sector in Cebu

The scale and structure of the jeepney sector can be summarised as follows:

- The jeepney sector serving Cebu consists of about 250 routes
- There are about 5,750 franchises and about 7,350 authorised vehicles
- There are more than 400 franchises associated with the most populated route, with 324 named individual franchise holders
- There are 17 routes with more than 100 franchises each, accounting for almost half of all franchises. On these routes, the average number of units per franchise is 1.07 and the average number of units on the route per named franchise holder is 1.46
- Over 90% of all franchises are for a single unit, and only 2% of all franchises are for more than 2 units. This creates major administrative, communication and organisation burdens
- The two main associations CITRASCO and VUDTRASCO are the registered entity for about 1,000 units on 830 franchises, accounting for about 14% of the total supply.
• For the remaining 85% of the supply, there is very little concentration of ownership or organisation within or across routes. The 17 individuals with 10 or more franchises have on average 2-3 franchises and 2-4 units per route.

• This is an extremely fragmented sector in terms of ownership, operating rights and route assignment. There is no visible concentration of ownership or organisation. This is in sharp contrast to the taxi sector, where 12 operators control more than half of the sector.

• As always with the informal sector, the possibility cannot be completely discounted of background persons who have concealed ownership or control of substantial market share, but nothing has been observed to indicate that it is so in Cebu.

• Discussions with the sector have verified that there is no formal or informal organisation of the services, supply, departures or operations management.

5.5 Ownership and Financing of Jeepneys in Cebu

The normal model in the jeepney sector is that private individuals purchase vehicles and obtain a franchise from LTFRB. The owner then leases the vehicle on a daily basis to a driver who pays an agreed daily fee (‘boundary’) to the owner. The driver is responsible for all operating costs (e.g. fuel, payment to conductor) and any damage attributable to daily operations beyond wear and tear. The owner is responsible for the vehicle maintenance, parts, registration and insurance costs. The driver reaches a personal arrangement with the conductor.

There is a significant minority number of owner-drivers. There are also arrangements where one family member is the registered franchise holder and vehicle owner, while another family vehicle is the full-time driver.

Vehicles are financed from personal resources, and to a lesser extent through banks or other loans. Some owners get lease finance, in which they pay a deposit and acquire the vehicle through the lease payments. The source of personal funds typically comes from savings or family surplus; from people who have come home from overseas with money and seek an investment or business in which to engage; and from family members who are working overseas and purchase the vehicle as a source of daily income for their family in Cebu.

For many vehicle owners, the daily income is integrated with the household income and forms part of their cashflow – both daily receipts and any expenditures that must be made for the vehicle. In many cases, the owners do not have other jobs and the income from the vehicle is the only regular income for the household. This has implications for any transformation of the sector that either seeks to corporatise the existing individual owners, or that seeks to migrate to a smaller number of larger vehicles. Similarly, it has implications for any project such as BRT if it leads to a reduction in number of jeepneys in Cebu, whereas if it is just a matter of displacement and relocation, this can be absorbed.

Vehicles owners and the vehicle associations are more interested in development of their current format without any transformation. This would include some bigger vehicles (minibuses), improved engines with greater fuel efficiency, better terminals and support facilities. They have little interest in migrating to midibuses or large buses, which would be more capital intensive with higher risk, require less members, and probably require them to
change their current structures. It would require them to move away from the business model in which they are successful, and compete as new entrants on a business model where other competitors are already experienced.

5.6 Operator and Driver Associations in Cebu

The Operator Associations have a much lower role than in typical informal sector transport in other countries. Operators are not under any obligation or pressure to belong to an Association or other collective entity. Unlike informal transit in other countries, the Associations do not control entry either to the sector or to the routes, and have not become the ‘gatekeepers’. About 20% of the jeepney in Cebu are affiliated to the two main Associations, being the 14% who are registered under the Association names, and other members whose franchises are registered in their own name.

The Associations are local to Cebu and are not part of a broader national structure. They are of cooperative form. Their membership is drawn primarily from the jeepney vehicle owners, although not exclusively so. There are both taxi owners and some driver and allied workers among their membership. VUDTRASCO (c. 1000 members) and CITRASCO (c. 600 members) cater primarily for the jeepney sector in Cebu. A third association, LUTRAMSCO, caters for jeepney operators in the hinterland and elsewhere on Cebu Island, but has few Cebu-based members.

The Associations’ main roles relate to interface with the authorities. On one hand, they play a representative role on behalf of the vehicle owners. On the other, they assist the vehicle owners with the administrative aspects of dealing with LTFRB, including lodging applications for new franchises and franchise renewals. As over 90% of the franchise holders have just one vehicle, they are often unfamiliar with the procedures and paperwork. The Association can handle this for them, assist in queries that arise, smooth bureaucratic difficulties, etc.

Drivers become members of two associations that cater to them. NADSU and ANDAR are locally-based, but NADSU is affiliated to PISTON, a national association. It is believed that about half of all drivers are affiliated to an association, and as with the Operators, there is no obligation on them to join any entity. The drivers’ associations do not interact or engage with the authorities in the same way as Operator Associations, although there are communication channels and discussions. The drivers associations are considered to be militant, at least when their interests are threatened, and are liable to call strikes.

The primary concerns of the drivers are continuity of work and an ability to have an acceptable surplus at the end of the day after paying the daily rental to the operator and operating expenses. In the event of transformation within the sector that could displace them, they are concerned to either find work on other routes/services, or to have access to retraining for alternative livelihoods.

Neither the vehicle owners nor the Associations take any role in the operations, which is left to the drivers. As elsewhere in Philippines, there is no formal organisation or operations management structure for the jeepney routes. There are no formal terminals – although there are recognised halting and waiting areas at the route ends – and there are no dispatchers. The drivers sort themselves out both departing from the route ends and along the routes.
The owners of the two main shopping malls in Cebu (SM, Ayala Mall) have privately built terminals for the jeepneys serving the malls as they are major attractors and terminal points. These are organised and managed by the Mall owners, who charge the jeepneys for use. The terminals are well organised, in particular the terminal at Ayala Mall.

5.7 **Observed dynamics and tensions within the Jeepney sector in Cebu**

The principal tensions within the jeepney sector are:

- Between the owners and the drivers. Owners consider that the drivers actually make a significant surplus and that they should be able to gain higher rentals from them. Not surprisingly, drivers and conductors feel that they are at the margin and are paying excessive rentals. Nonetheless, drivers tend to stay in the job for a relative long time.
- Between the regulator and the owners and drivers. Drivers in particular feel that there is an excessive number of franchised units, leading to lower take-home pay after paying the owner and operating expenses.
- Between the traffic enforcers and drivers. Drivers feel that they are targeted for traffic violations and that the penalties are excessive and significantly diminish their income.
- Among drivers, as they compete on the road for passengers

Somewhat unusually, there is no visible struggle for control of the sector. Also somewhat unusually, there is no obvious layer which can speak for and make decisions on behalf of the sector. This is likely to have two significant consequences for any strategy for either sector transformation or for projects to reorganise the passenger transport such as the BRT project:

- There is not a coherent mechanism to work and negotiate with the sector, nor to reach implementable, binding and enforceable agreements
- There is no organisational basis for reliable, high quality services to interface with the BRT system.

6 **3-wheelers in Sri Lanka**

6.1 **Introduction to Three-wheelers**

The most common and visible mode of Informal Passenger Transport in Sri Lanka is the Three-Wheeler (TW). Three wheelers are low horse-powered 2 or 4 stroke machines, which are approved to carry two adults in addition to the driver. They have a frame covered by canvas with a rear mounted engine and a motorcycle type of control.

This section follows a study of Three Wheelers in Sri Lanka (Kumarage, Bandara and Munasinghe, 2010) accounts for around 15% of the active motor vehicle fleet (Central Bank, 2009) which currently translates to around 400,000 vehicles. It was also estimated that TWs also accounts for around 6% of the passenger kilometres in the country a significant contribution considering that scheduled modes of public transport, namely buses and trains, carry 68% of the passenger kilometres (Kumarage and Jayaratne, 2009). The annual
registration of new TWs has averaged at 20% during the last two decades reaching a high of 31%, in 2006 before dropping partly due to the oversupply in the market.

Even though TWs have become a significant part of the vehicle fleet over the past 3 decades, some sections of Sri Lankan society consider it as a nuisance. Its contribution to traffic congestion, noise and air pollution, frequent association with illegal activities and price irregularities are the primary negative public perceptions. On the other hand they are becoming a popular mode of paratransit due to their availability, provision of door-to-door service, ease in contacting and a perception of being “affordable”.

6.2 Ownership and Drivers

The inadequate employment alternatives for school dropouts makes operating a TW a viable option as vehicles could be hired for a daily rate, leased on monthly basis or even purchased outright for around USD 1,500.

It was also observed that 72% of TWs were owned by the driver and the other 28% owned by another party. The hiring charge of a TW per day averages around Rs 300 (USD 3). Many drivers who do not own TWs consider owning a TW an achievement and attainment of a social goal. Such TWs are often seen to be highly decorated and personalized. In addition, owning a TW also guarantees a steady income which provides an alternate mode of income for them even if they choose not to drive it themselves. The study also shows that 47% of owners had financed the ownership themselves while the balance had either leased or obtained loans for the purchase.

The surveys also found that in most cases, the stereotypical TW driver is perceived as a thug or gangster who plays loud music, smuggles drugs, and even dresses like a thug. These perceptions have created a barrier for a typical TW driver to fully participate in day-to-day social activities.

6.3 Regulation

Since TWs are mostly unregulated, this has led to the unrestrained entry of large numbers of individual operators to the market. However the TW operation in Sri Lanka demonstrates characteristics of a cartelized service provision featuring oligopolistic market behaviour. TW drivers are seen as a unified sub-cultural unit of the mass culture demonstrated by their own fashion, vehicle design, music selections and speech.

The industry is mostly unregulated with vehicle registration, driving license and vehicle insurance being the only instruments of government regulation. However, most operators belong to unions which are loose collections of operators found in a given locality. There are informal barriers and external elements that control parking places of TWs for hire in a given locality, unless permission from these unions is obtained.

Currently the local governments such as municipalities that are authorized by statute to regulate parking and other matters have not stipulated much control. The mid level of government namely Provincial Councils that have the authority to regulate transport within a province have promulgated regulations that have yet not taken effect in the face of the political sensitivities since TW drivers and owners are politically a considerable force, nationally or at local level and are a primary source of income to around 5% of all households in Sri Lanka.
6.4 Market Structure

It was revealed from the surveys that 74% of TW operators are registered at a TW park having an informal unionized operation, while the rest park their vehicles at different locations and are not among the unionized TWs. Overall the TW operation in Sri Lanka demonstrates characteristics of a cartelized service provision featuring oligopolistic market behaviour.

However even though there are cartels, the fact that there is no formal barrier for entry has caused the constant increase of TWs in an area thereby creating an oversupply and the consequent reduction of revenues which results in overall inefficiencies and subsequent increases in fares to maintain minimum revenues if operators are not willing to exit the industry. The study found that 63% of operators were in favour of limiting the number of TWs in a particular area, while the others were not in favour.

It was also found that when a new TW driver, who is not a native of the given locality, attempts to enter a particular parking location, he faces threats, arguments, and sometimes political influences. They usually have to:

- pay the union a compulsory fee
- obtain membership in the union
- cope with influences imposed by other operators
- make a payment to a third person who is often not a member of the union, but someone who exerts some form of legal, forceful or political control of the parking lot.

As an alternative to this and limited availability of parking, drivers are now opting to register their vehicles with a Call Up Company which on payment of a monthly fee will provide hires depending on their locality.

6.5 Operations and Fare

TWs are mostly unregulated, and this has led to the entry of large numbers of individual operators to the market. In order to meet local concerns, operators of a given locality have formed into loose associations or in some instances, into organized associations which have a constitution, representation of district membership and office bearers.

One aspect of this arrangement is that a TW from another locality is not allowed to wait for hires in another locality. However hailed hires while travelling are allowed. This causes high empty return trips, lower vehicle utilization and higher fares.

In general, TW fares have been negotiated for each trip. With electronic meters being available, TWs opting to provide metered fare are becoming more popular. Currently, there are several companies registering 3Ws with meters for a monthly fee to provide call up taxi hires. There charge is Rs 50 (USD 0.50) for 1st km and Rs 30 (USD 0.30) per km thereafter.

The average fare of TWs is comparatively high compared to bus fares as well as use of motorcycles. This is due to low kilometerage, high proportion of empty runs, high informal cost of parking stands etc. TWs operators usually increase fares at night time, when raining, when there are no other TWs available or when the passenger requests mid journey stops.
6.6 Change and Development

As there are several unions each jockeying for political power there is no clear leadership in the TW industry. Thus authorities also have problems in dealing with development issues such as regulatory reforms, qualitative improvements etc. The recent most development of call centres and metered taxis was implemented through external players who provided this value addition for a fee. There has been no regulatory intervention to facilitate this development. In fact an attempt by the provincial regulator to introduce meters did not succeed due to lack of progressive leadership in the industry.

The arrival of nano-taxis that are priced at fares not much higher than TW but are much more comfortable will be a challenge to the industry. There is evidence that the industry is now abandoning some of the early identity and drivers are getting in to uniform and getting the support of call centres to provide a competitive service.

7 Discussion, issues arising

The informal passenger transport sector is extensive, although this varies greatly from country to country. In most African countries, the informal sector provides most or all of local passenger transport, even in the cities. In many Asian and some South American countries, the informal sector provides a vital supplement to the formal transport services, either in complementary or in competitive/extractive fashion. By contrast, in most of Europe, North America, China and other developed countries, informal transport is either non-existent or marginalised to very specific markets.

General observation of the informal passenger transport sector indicates three key facets:

- The informal transport sector is very different from the formal transport sector. Key factors include organisational and operational structures, vehicle and service type, ownership, and financing of vehicles.
- In almost all cases, the authorities view the sector as sub-optimal and transient, and seek to change the sector in a variety of ways ranging from transformation to improvement to elimination.
- The informal transport sector consists of multiple stakeholders whose interests are usually at variance, and who exist in a state of competitive tension in which some status quo has been reached. Any intervention disturbs this balance.

The key observations from the three case study sites are summarised as follow:

Tro-tros in Ghana

- Very strong hierarchical association structure, organised at national level
- One association (GPRTU) has succeeded to dominate the industry sector
- The sector succeeded to be recognised by Government as self-regulating, although a formal regulatory structure under the local authorities is now being established
- The sector is strongly controlled by the Association officials
• The Associations have succeeded to make themselves the ‘gatekeepers’ to participation in the sector
• Vehicle owners remain fragmented and have minimal strategic input or control
• The Association manage the daily operations through the terminals, and provide a quite effective and stable transportation service
• It is possible to negotiate with the entire sector through the associations (that does not mean they will agree to what is proposed!)
• The political dimension is sensitive, and cannot be taken lightly.

Jeepneys in Philippines

• Participation in the sector is regulated through the franchise system
• Weak association structure, only about 20% of the sector are members
• Vehicle owners are the strongest stakeholder, but they are fragmented
• Vehicles are financed primarily through personal cash or savings. Income is received through daily rental to drivers.
• Significant minority of owner-drivers, or other household members as drivers
• For very many vehicle owners, daily rental incomes are fully integrated with household income. Any change must recognise this.
• Job security is extremely important to drivers, but they would be willing to work in any other job or sector. Training for alternative livelihoods is acceptable to them.
• Neither the associations nor the vehicle owners get involved in the daily operations. It is up to the drivers to sort themselves out, resulting in weak organisation of routes.
• There is not a coherent framework through which the authorities can negotiate with and reach binding agreements with the sector. That said, a lot can be achieved unilaterally through the franchise system.

Three-wheelers in Sri Lanka

• The majority of the vehicles are owned by the drivers
• For many driving a three-wheeler is a lifestyle choice with an associated culture. It is attractive to young people when employment opportunities are scarce.
• Loose unions control access to territories, seek to drive off non-members. It is estimated that 74% of three-wheelers are members.
• Unions have little involvement in operations, other than control of parking areas.
• Some drivers participate in call-based hiring to avoid territorial problems
• The sheer scale of three-wheelers means that about 5% of all households in Sri Lanka are directly involved. This makes it politically sensitive.
• Change seems to be happening with call-centres branding the services and providing a more regulated service.

This is not a sector to be taken lightly. The interests and the dynamics of the stakeholders are complex, and they are not always visible. In most informal transport, there are key beneficiaries whose position depends on the status quo, who will perceive any change as a threat, and will resist it. The informal transport sector has usually emerged through a tough process, is used to having to battle for survival, and is well versed in protecting its interests. The extensive scale of people engaged in the sector – drivers and other employees, vehicle
owners may reach directly into the daily incomes of a large number of households – allows
the sector to exercise substantial political clout.

Any type of intervention in the informal passenger transport sector confronts the interests
and balance of these stakeholders. Change will always lead to losers within the sector. It
should not be assumed that what is optimal for the transportation sector as a whole is
optimal for the individual stakeholder groups.

Before embarking on change, it is essential to understand the sector, its interests and its
dynamics, and the potential impacts of the planned change. The three case studies
examined in this paper are intended to be illustrative of specific circumstances. They are
intended to add to what is currently a quite limited knowledge base, and do not purport to
provide universal insights.

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