

**Development of urban public transport  
in Kazakhstan**

**POLICY OVERVIEW AND RECOMMENDATIONS**

**Guido Bruggeman**

*CAST project chief technical advisor*

**ALMATY**

**16 November 2017**



**Public Transport**  
***Improvement is not an option***



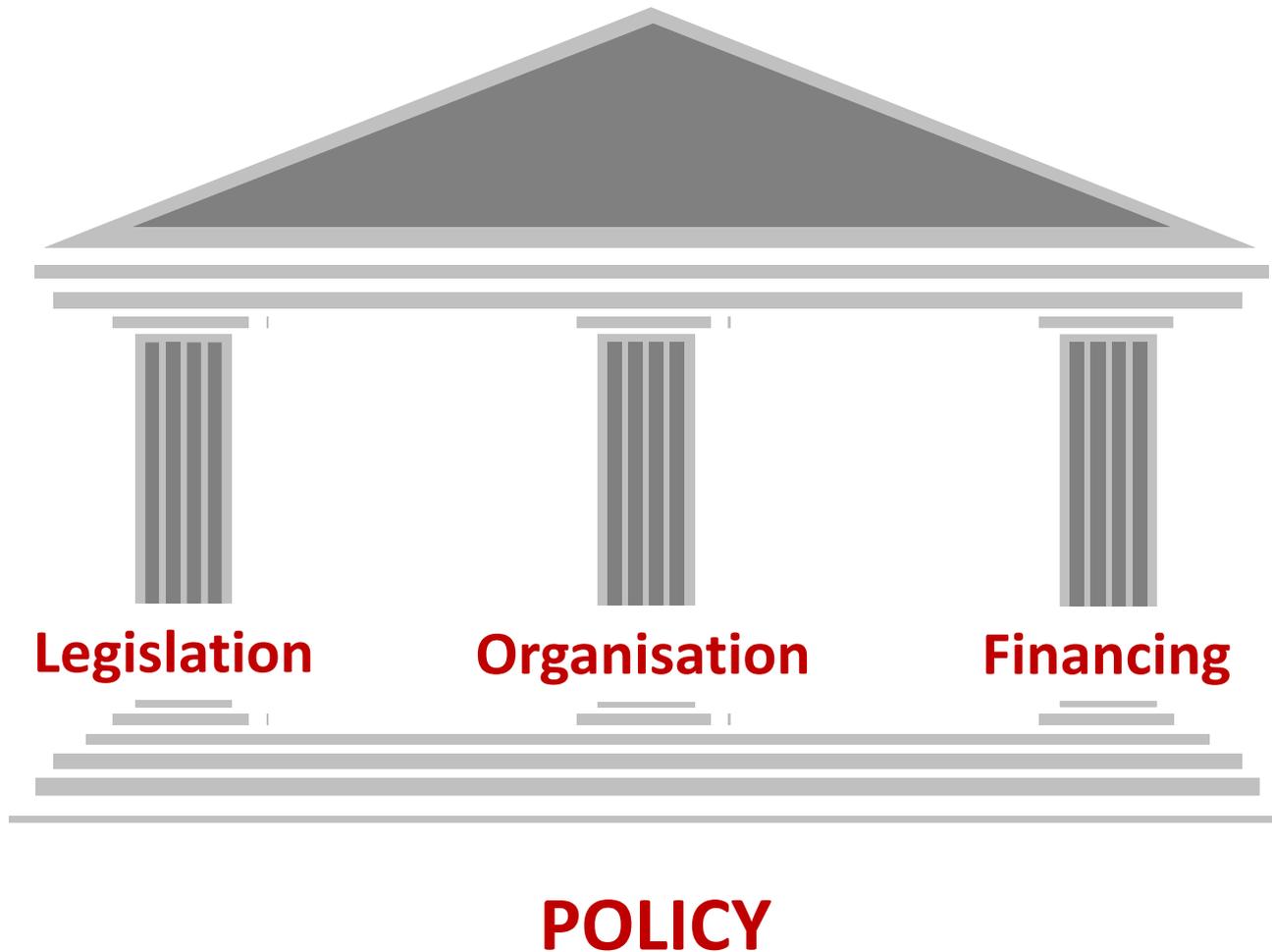
# STUDY: DEVELOPMENT PUBLIC TRANSPORT

- UNDP initiated a study on *“Policy review of the development of the Public Transport Sector in Kazakhstan”*
- Study prepared by ETC Transport Consultants (Germany) and BDC Consulting (Kazakhstan)
- Focus on Urban Transport in Kazakhstan
- Benchmark European cities
- **Review current situation and recommendations**



# THREE PILLARS

## “THE HOUSE OF PUBLIC TRANSPORT”



# REVIEW URBAN PUBLIC TRANSPORT POLICY

## THE ROLE OF THE NATIONAL KAZAKH GOVERNMENT

Contrary to most developed countries around the world, the National Government of Kazakhstan does:

- not have a national policy in place for public transport
- not financially contribute to public transport

Kazakhstan's Strategy 2050 and its National Transport Policy primarily focus on national transportation with emphasis on freight traffic and involvement in Eurasian corridors.

# URBAN PUBLIC TRANSPORT POLICY

However good urban public transport is also of **national importance** as it:

- provides access to jobs, education and social activities
- offers an alternative to private car use and thus reducing congestion, emissions, pollution
- is effective in terms of investments and use of urban space

Therefore many national governments strongly support urban public transport.



## Example MALAYSIA - National Public Transport Master Plan

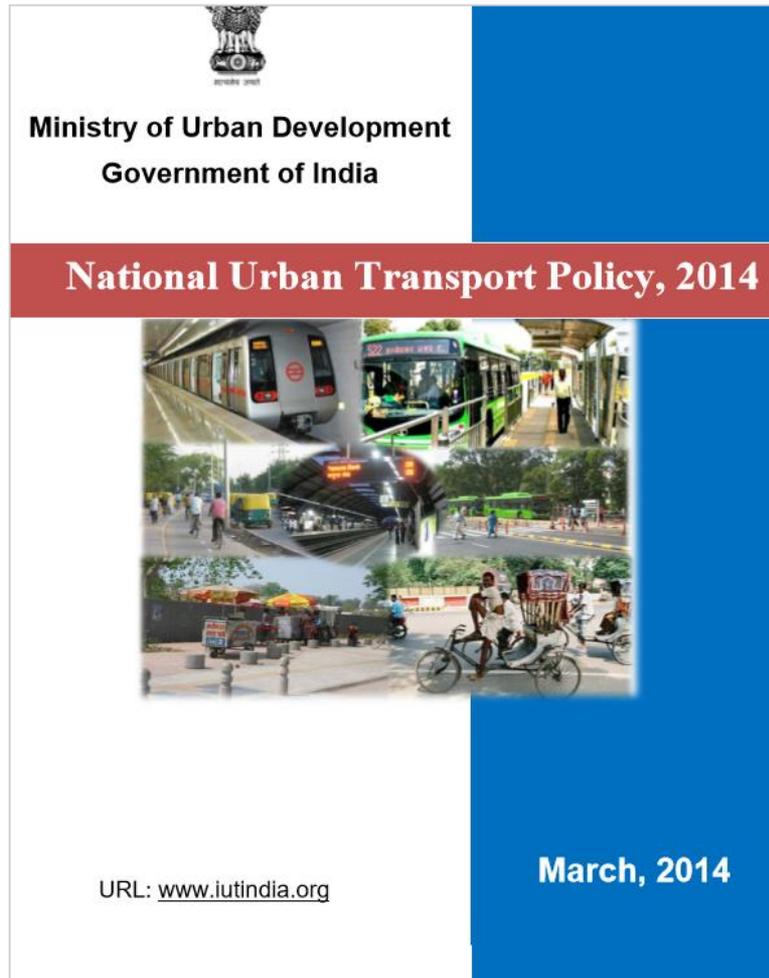


*“ As Malaysia strives to become a high-income nation by 2020, it is committed to take the challenges in providing a safe, planned, integrated, affordable and sustainable public transport system to support the country’s continued social and economic growth. “*



Prime Minister  
of Malaysia

## Example INDIA - National Urban Transport Policy



- Promotion of public transport and non-motorised traffic
- Transit-Oriented Development
- Institutional support
- Financial support (Urban Transport Fund)
- Transport Authorities mandatory

## **Example ESTONIA - National Public Transport Law (2000)**

### **Article 3. Basis for planning and organisation of public transport**

When preparing the National Plan, the need to develop public transport through planning and organisation must be taken into account in order to:

- 1) ensure that the supply of public transport services meets the mobility needs of all residents and
- 2) promote the preferential use of public transport in comparison with automobiles to reduce traffic congestion, accidents and environmental impact of transport



## LEGISLATION

Despite the absence of a National Policy and financial support, the Kazakh government is imposing a great influence on urban public transport through legislation:

- legislation is comprehensive, overregulated and too detailed
- without granting delegated powers, it requires significant efforts from municipalities in terms of local implementation
- It hampers the development of better and efficient public transport, for example by applying a strict methodology for:
  - calculating fares
  - subsidies
  - tendering and contracting

## LEGISLATION (2)

- is rather normative and formalistic than output oriented (“what do we want to achieve?”)
- pays limited attention to:
  - quality aspects relevant for the passengers
  - environmental aspects
- does not allow for tendering on price
- does not reflect international best practice with regard to Public Service Contracts between municipalities and transport operators

The current legislation does not offer a supportive framework aiming at the development and promotion of a high quality and efficient urban public transport systems in Kazakhstan.

# FINANCIAL SUPPORT

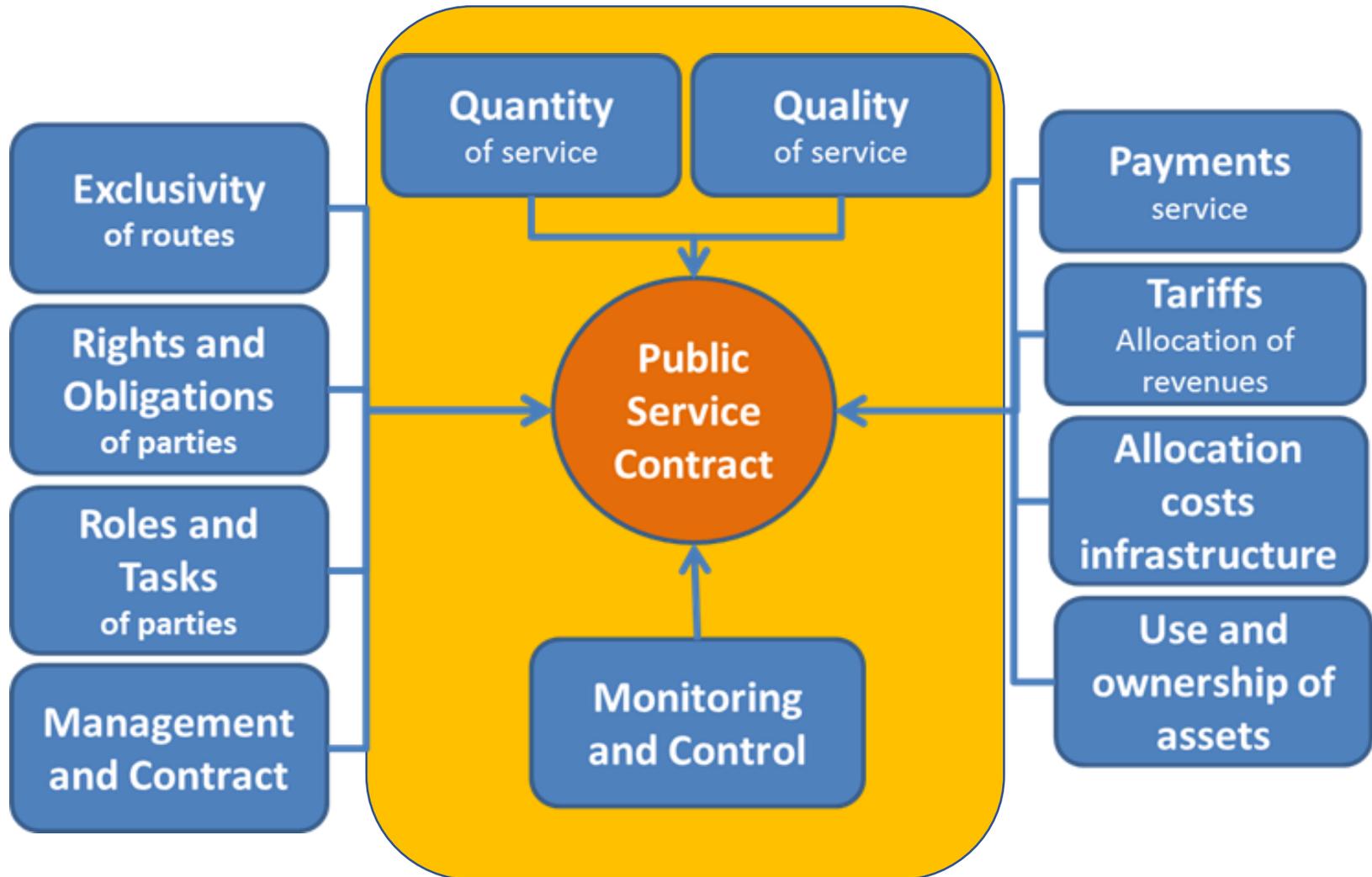
## CURRENT (KAZAKHSTAN)

- Subsidies are calculated on the basis of a complex methodology specified in national law open to many discussions (what is the difference between costs and revenues)

## SIMPLE SOLUTION (REST OF THE WORLD)

- Tender for a price (subsidy) and automatically the correct subsidy is known

# PUBLIC SERVICES CONTRACT



# PUBLIC SERVICES CONTRACT

Where many countries around the world have introduced Public Service Contracts (PSC's), Kazakhstan is lacking behind.

- **QUALITY**

PSC's describe in detail the quality to be delivered by transport operators, the targets to be met and monitoring of the performance

- **COSTS**

PSC's define – after a tender - how much the government pays to the transport operator to deliver the agreed service quality

Mostly payment is based on price per bus kilometre

## TENDERING

- despite tendering of public transport services is mandatory it does not result in better quality
- evaluation of tenders is based on “soft” and rather non-relevant criteria and is not very transparent
- quality and environmental aspects are mostly insufficiently addressed in tenders
- legislation does not allow for “price” (operation costs) taking into account in the tender evaluation



## TENDERING

- contracts with operators are in general of poor quality
- Key Performance Indicators are mostly not specified
- monitoring of the performance of the operators – if any – is poorly addressed
- requirements in the tender and contracts are rarely enforced
- tenders and contracts do not follow international best practice

In general tenders and contracts for PT services do mostly not result in better quality and more efficient service provision

## FINANCIAL ISSUES

- stakeholders say: “need for specific public transport financing policies in Kazakhstan”
- no financial support national government
- fleet renewal for private operators remains a problem
- cities have to pay subsidies based on methodology invented by national government
- tariffs are not annually reviewed
- tariff systems are often not customer oriented

A clear financial support model for public transport is missing. Without such model it becomes difficult to improve.

# RECOMMENDATIONS



## LEGAL FRAMEWORK

- Develop new national legislation for public transport: “**Law on Public Transport**”

### Starting points for new legislation

- Content limited to setting out a **framework** for the organisation, contracting and financing of public transport
- Delegation to local Governments of responsibilities and tasks to a very large extent
- Designed around **Public Service Contracts (PSC)**, being the main contractual document between the local Governments and the transport operators

## LEGAL FRAMEWORK

### Starting points for new legislation

- Allow for tendering on “price” in combination with well-defined quality aspects
- Tender price can be overall cost of services or cost of subsidy
- Defining minimum requirements where needed and useful
- Recognising the interests of passengers
- Delegate all aspects of tariffs and tickets to local Governments
- Include the possibility for subsidies and financial contributions for public transport at National Level

## TENDERING AND CONTRACTING

- Strengthen competitive tendering aiming at better service quality and efficiency
- Legislation should allow for different tendering and contracting models (with only minimum requirements)
- Include performance targets for transport operators in Public Service Contracts and monitor strictly and systematically
- Apply bonuses and penalties for performance
- Define criteria for termination of contracts if operators do not fulfil their contractual obligations
- Publication of upcoming tenders at an early stage (1 year)
- Define in detail the requirements for buses (quality, comfort, environment)

## FUNDING AND FINANCING

- The national government should recognise the importance of good public transport and hence provide financial support. Funding could be arranged through:
  - Fuel tax (example: Germany)
  - Employers tax (example: France)
  - Tax exemptions
  - Targeted subsidies (e.g environmental friendly buses)
  - Budget allocation



## FUNDING AND FINANCING

- Allow for a differentiated subsidy and compensation models
- Tariff setting and ticket products delegated to local government
- Adjust of tariffs annually for inflation, wages and energy costs
- Methodology for calculating subsidies should be abolished and replaced by tenders on price
- Financial support should allow operators to invest in good quality buses
- PPP: how difficult can it be?



**Do we know how we perform?**

# The importance of data collection and analysis

For improvement of public transport we need data to act on:

- improvement > product
- development > customers
- companies > performance
- comparison > benchmarking

Data can help to monitor the development of public transport

Indicators at national, local and company level

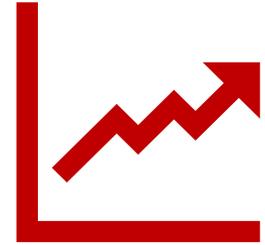
## Indicators for PT performance and reform

- Define Indicators to monitor:
  - overall development and reform of public transport sector
- Development of a national database and setting up a KPI Task Force for implementation
- Better collection and analysis of data
- Improve reporting by transport companies and municipalities
- Monitor customer satisfaction nationwide annually through a standard methodology
- Consider linking up with national and existing international benchmarking groups
- Establish a national knowledge centre for public transport

# Performance indicators public transport

## EXAMPLES

- Modal split
- Number of buses per 1,000 inhabitants
- Number of passenger trips per 1,000 inhabitants
- Bus kilometres
- Average speed
- On-time performance
- Planned trips/actual performed trips
- Quality of bus fleet (age and environmental performance)
- Subsidy per inhabitant (comparison road system)
- Customer satisfaction index (country wide)



## FINAL REMARKS

- Considerable effort remains needed towards a significant improvement of public transport in Kazakhstan
- A supportive national vision and a strategy for reform of the public transport sector would be helpful
- A supportive legal and financial framework are a key condition for improvement of public transport
- Introduce new legislation that (1) is simple and effective, (2) delegate responsibilities and tasks, (3) based around Public Service Contracts and (4) set minimum requirements
- Performance indicators to monitor the development of the public transport sector
- Kazakhstan can learn from international legal and funding models for public transport

Good example of Public Transport Law:

ESTONIA

<https://www.riigiteataja.ee/en/eli/526032015005/consolide#para24>