



# Operationalizing Political Economy

South Asia Political Economy and Governance Issues Note No. 1

## Urban Bus Operations in Dhaka

*Unsafe, polluting buses are allowed to operate on Dhaka's already choked roads. Yet past efforts to regulate and reform bus operations have been thwarted by the efforts of business syndicates, politicians, police and trade unions. A strategic transport plan has been prepared, but effective implementation will take actions on many fronts. The driving force for reform could come from owners of large bus companies, with support from their workers, associations, and trade unions, along with civil society groups, and the media. The Bank and other international partners can support reform efforts, but they will only succeed with sustained, determined and courageous leadership backed by a cohesive and determined Bangladeshi political coalition.*

This note summarizes the results of a political economy analysis [1] which aimed to increase the Bank's understanding about the reasons why unsafe, polluting buses continue to operate on Dhaka's already choked roads, despite efforts to regulate and reform bus operations. It addresses three sets of issues:

- 1) **What** are the systemic problems that continue to plague the bus sector in Dhaka ?
- 2) **Why** have these ailments persisted?
- 3) **How** can coalition building and a good communications strategy help to address these pathologies?

### Context

There are around 6700 buses in Dhaka, operating on about 170 kms of road space (out of around 3000 kms) that are fit for buses. The public sector entity, Bangladesh Road Transport Corporation (BRTC), operates less than 2% of the buses. The overall bus operations are regulated by a number of bodies with overlapping mandates. The Bangladesh Road Transport Authority (BRTA) is empowered to

regulate public transport vehicles. The Regional Transport Committee (RTC) is appointed by the BRTA to award route permits. The Dhaka Transport Coordination Board (DTCB) plans and coordinates public transport services. The Dhaka Metropolitan Police (DMP) is responsible for enforcing regulations. The Dhaka City Corporation (DCC) is responsible for overall municipal governance and administration. Development partners such as the World Bank have provided support to these authorities in infrastructure development, institutional strengthening and policy support. Other key stakeholders include bus owners (individuals or companies), bus workers, commuters, owners of other modes of transport, civil society, the media, and politicians.

Despite the extensive regulatory framework and work of interested stakeholders, bus transport in Dhaka leaves much to be desired. The chaos in bus operations in Dhaka includes unsafe buses that offer poor quality service, are insensitive to commuters' needs, and are grossly polluting. Most fatal pedestrian accidents in Dhaka are caused by buses, one corridor (Uttara-Motijheel-

VIP) has more than 50% of the total buses in the city using just 30% of the total allocated bus routes, and it has been well-documented under the World Bank financed Air Quality Management Project (AQMP) that urban diesel buses are the major source of air pollution. In addition, the conflict between buses and other modes of motorized and non-motorized transport has contributed to average traffic speeds in the range of 10 kph in Dhaka, further aggravating commuters and air pollution.

A careful analysis [2] of costs for four different types of Dhaka buses finds that expected costs for operations, maintenance and depreciation per kilometer are up to 42% higher than the current Government fare, even without including illegal bribes and payments made. However, it is expected that bus owners make up for this by, *inter alia*, peak hour overloading, minimal maintenance, using buses long after their recommended lifespan, and adding on unauthorized charges based on what commuters are willing to pay.

## **What are the systemic problems?**

Understanding why these conditions persist starts by analyzing the above contextual factors in more detail, and the *de facto* rules and regulations that both aggravate and take advantage of these conditions.

### Standards and quality of service

The standard of bus service is inferior in physical and service quality. In terms of physical quality, many buses fail to meet safety and comfort standards. For example, buses and an estimated 90% of mini-buses are routinely fitted with extra seats proscribed by law, leading to very little leg space. Seats are also very small and in poor condition, there are no handrails for passengers who are standing, and windows are

broken, thus allowing dust and rain to come in. Most buses are more than 20 years old, emit black smoke, are badly dented, are vulnerable to accident due to faulty brakes, and lacking signal lights and rear view mirrors. (According to the report by Bhuiyan [2], 72% of the buses are less than 6 years old based on survey data; this is probably because for imported used buses, age is counted from date of registration in Dhaka.

Aspects of poor service quality include overloading of passengers, which contributes both to discomfort and to frequent pick-pocketing in crowded buses. Lack of adherence to time schedules occur both due to traffic jams, and to the practice of frequent stopping in unscheduled and unauthorized places to pick up passengers. To compete with other buses for passengers, there is often reckless driving. Seats reserved for women are very few, and women passengers are reportedly mistreated by the bus staff. Passengers are also pushed out by the staff while exiting.

### Fragmented Industry

The industry is fragmented in many ways, which works to hinder efficient service. First, there are many kinds of buses, including large buses (40+ seats), mini-buses (about 30 seats), and human haulers (modified small trucks that carry passengers). Second, there are varying ownership structures. Until ten years ago, most busses were individually owned. The first bus company was registered in 1997, and starting in 2004, the Government decided to encourage companies with a minimum of 20 buses. There are presently more than 60 bus companies, with ownership ranging from less than 10 buses to more than 150 buses. The bus companies are organized under umbrella organizations.

Third, the fare structure is poorly regulated. Operators reportedly charge higher than the

approved fare in many cases in the name of special services such as ‘seating service’, ‘gate lock’, and use of compressed natural gas (CNG). Conductors also reportedly demand fares for a given distance traveled in an arbitrary fashion; the resulting heated arguments and haggling are common scenes adding to the discomfort of other passengers. There are also concerns about the approved fares themselves. On the one hand, commuters feel that approved fares are too high, given the low quality of service, as is the case for the mini-bus. On the other hand, they prefer the comparatively better physical and service qualities of CNG run buses, but can’t afford to pay the higher, approved fare.

Finally, there is no system of franchised routes, with route permits issued to individual buses. This leads to a rag tag collection of vehicles on a given route with little bearing to effective route management.

### Governance and Institutional Issues

Governance problems include the practice of buses violating traffic rules with impunity such as obstructing other vehicles, making unauthorized stops, haphazard parking in bus stops, and using illegal, hydraulic horns. Many drivers are inexperienced, unlicensed, and unaware of traffic rules; one traffic sergeant estimates that only 50% of all buses have all required documents, 30% have some, and 20% have none, carrying instead counterfeit ones. The majority of the CNG run auto-rickshaws, a large number of minibuses, and more than one half million rickshaws are operating with fake licenses. In addition, traffic congestion discourages owners from introducing new buses because of the reduced daily passenger loads that buses can carry; for example, according to one owner, buses on one route that made up to 5 ½ trips per day a few years back, now make on average less than 3 trips per day.

Police reportedly demand bribes in the process of checking license and fitness documents, and to avoid requisition of vehicles for police duty. To cope, bus companies may make routine monthly payments to all the police boxes and Thana officers along their routes. Yet these payments don’t reach the street level police, who respond by stopping buses arbitrarily, and thereby adding chaos and unpredictability to their corrupt transactions. The RTC collects bribes for route permits, and bargains to raise the bribe price. The BRTA takes bribes for issuing driving licenses, blue books, registration numbers, and fitness certificates, and speed money to provide timely service. A portion of the funds collected goes to senior BRTA management, and political and transport association leaders.

In addition to these examples where bus owners, drivers and staff are the victims of corruption, these actors also engage in proactive corrupt practices themselves. Mini-bus staff are given early warnings from BRTA (for a price) about when mobile courts come into action, and the illegal, extra seats are taken out of the bus for the duration. Drivers caught with fake licenses don’t go to the trouble of appearing before the traffic section to pay the fine (200 taka or US\$3) and regain the license, but rather obtain a new fake license costing 300 taka. Drivers also bribe police to operate buses beyond their allotted routes, or to turn back in the middle of a route if they see opportunities to collect more passengers without going the full distance.

Political organizations also take their cut. Owners associations and trade unions collect not only annual membership fees, but also daily fees at key checkpoints; a portion is allocated to party leaders, and most of the rest to leaders of the associations and unions, with almost nothing left to serve the rank and file. Important party leaders dominate the bus owners associations,

and have a key role in route allocations; these are in turn given without consideration to traffic congestion, in order to accommodate powerful clients, and to maximize revenue from formal and informal fees.

## **Why have these ailments persisted?**

The inferior standard of bus service has persisted because of a range of rent-seeking practices affecting all aspects of bus operations and regulation making new investments unprofitable. Bus owners must pay extensive formal and informal fees, bribes, and speed money, to stay in business. The following explains key aspects of why these ailments have persisted.

### Political Patronage

Key ruling party leaders dominate bus owners associations. Association leaders are, in turn, members of the RTC, and work as conduits for other politicians. The RTC, through its role in route allocations, is the hub for patronage distribution. Routes are created to accommodate many clients, resulting in too many buses and congestion. Control of buses is invaluable when the need arises to transport supporters to political rallies and demonstrations. Donor supported infrastructure, such as bus terminals, is turned over to politically connected operating companies, such as Diva Enterprise, the operator of the Gabtoli Bus Terminal. Such operators may not pay appropriate rents to the DCC, and may provide poor service, but are beyond reproach because of their political connections, and the resulting fear of stakeholders to criticize them. Control of bus terminals gives operators rent-seeking opportunities, including proceeds from illicit trade and shipment of contraband goods.

Bus companies need to generously compensate a leadership team selected mainly based on ability

to maintain good relations with key persons in authority, rather than on deep knowledge of the transport sector. For example, a Chairman might have a powerful position in a transport association, the RTC, and other relevant bodies. Board members may be retired army and police officials, or Members of Parliament. To protect their influence in the system, stakeholders bargain hard for key regulatory positions, raising funds through rent-seeking and extortion to bribe powerful political actors linked to the transport business, and relevant ministers, to work on their behalf. Companies also use media exposure to bargain hard: one company organized a press conference, among other strategies, to press BRTA to issue a route permit.

### Co-opting Industry Associations

Bus owners associations and trade unions tend to change leadership automatically with changes in regime. These changes are comprehensive, going from top leaders down to city ward level terminal and route committees. The main reason is that these organizations desire to maintain their power, rents, and control over constituencies; thus, leaders voluntarily cede power, or switch their loyalty, to the new ruling party. However, such control by the ruling party isn't absolute: opposition party actors reportedly get roughly a quarter of the rents. This system of sharing, albeit asymmetrical, helps maintain stability, and avoid wildcat strikes and other forms of agitation by bus owners, staff and commuters. In an environment of rampant rent seeking, abuse, and political patronage based route allocations, it gives market actors political access and some degree of predictability in the system.

## Colonizing Institutions of Accountability

This system persists because it serves the interest of powerful stakeholders, and because those that would have the most interest in reform have little influence. Thus, the appointment of the likes of BRTA Chairman and the RTC membership is carefully managed. In addition, the capacity of regulatory institutions is kept weak. Thus, BRTA doesn't have enough manpower to identify unfit vehicles and to take necessary actions; it has no management manual, nor does it provide adequate training to staff. Coordination within BRTA is weak, with different staff interpreting orders in different ways. Coordination between BRTA and other agencies is also lacking, with police complaining about BRTA non-cooperation regarding the drive against unfit vehicles. Further, to protect rent-seeking opportunities, BRTA allegedly has kept five vehicle inspection centers equipped with modern fitness testing technology out of operation for the last six years.

The DTCB staff has been reduced from 130 to 72, with no posts for road safety, public transport specialists, and engineers. A few mobile courts are held per year on an irregular basis. Police infrastructure is very poor, and many traffic policemen are inappropriately equipped. DTCB has no formal authority to hold

the agencies it supervises accountable. The Strategic Transport Plan for Dhaka of 2005 proposes to address these issues by increasing DTCB professionalism and expanding its authority.

## Allocation of bus routes and permits

There are problems in the allocation of routes and route permits (the number of buses that can operate on a given route), which are not based on proper estimates of demand of commuters, nor on the infrastructure needed for effective operation, but rather on the narrow business interests of bus owners and their political supporters. A related issue is the lack of good information on the actual numbers of buses in service on a given route. This allows owners to succeed in getting approval for additional route permits by taking advantage of a rule that new permits can be granted when there is a gap between the maximum number of buses needed and the actual number of buses in services. This problem is exacerbated by the practice of bus owners exhausting the maximum number of route permits without having enough buses to operate in practice. As a result, other bus companies without permits have to negotiate with permit holders to illicitly rent access to routes.

### **Getting a bus route permit: the *de facto* rules**

- To operate a bus, the owner needs to get a route permit
- To get a route permit he needs to be a member of the owners' association, for which there is a fee
- The associations are politically affiliated
- The RTC has sole authority for granting route permits
- RTC is chaired by the Police Commissioner
- The RTC includes representatives of the associations
- The association representative acts as the conduit between the route permit applicant and the RTC
- Rents are extracted from the applicant depending on the location of routes

## A Perverse Equilibrium

Dhaka has not seen frequent agitations by the bus owners and employees, perhaps due to the perverse consensus of key stakeholders benefiting from the *de facto* rules of the game. This perverse equilibrium does not enhance the welfare of the citizen, but ensures rents and influence for all politicians linked to the sector. This has serious negative implications in terms of generating incentives for reform among political actors, even in a seemingly competitive political setting.

## **How can these pathologies be addressed?**

While the Constitution provides a legal basis for the rule of law, equality, and respect for human rights, in practice the ruling party and its associates misuse state power and its formal structures for partisan political and personal gain. While formal institutional mechanisms for maintaining checks and balances are in place, in practice these institutions lack autonomy from the executive and are not trusted by the public [3,4]. These general problems of governance in Bangladesh apply in full measure to the bus sector, as can be seen from an analysis of the matrix below, depicting key stakeholders and their views on reforms. Most stakeholders are in one of two quadrants. Those in the upper right quadrant are those opposed to reforms, with high influence over the process. Those in the lower left quadrant are supportive of reform, but have low influence. There are only two supporters in the quadrant with high interest and influence, and none in the fourth quadrant.

Within the upper right quadrant are politicians, associations, and regulatory bodies dominated by key figures from these groups. These

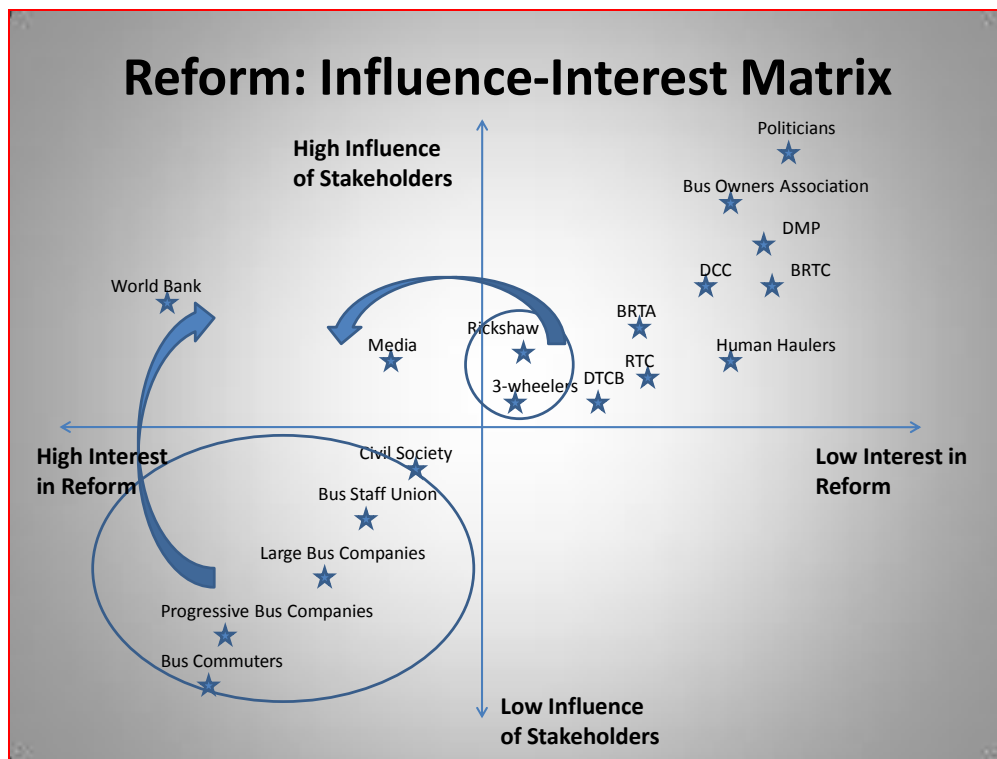
powerful elites use tools of corruption, patron-client dependency, and repression to sustain their authority, while ensuring that institutions of accountability are weak and subservient to their interest. The bus sector is an example of how these tools work in practice.

Addressing these pathologies will require actions on many fronts. Over the course of decades, Bangladesh may develop institutions where it is broadly in the interests of politicians and other elites to observe laws and constitutional rules, in the manner one finds in developed countries [5]. However, long before the emergence of impersonal institutions and the rule of law, it is possible for the country's political leadership to subdue various patronage networks and mafias in the interests of better services for citizens where it has sufficiently strong political will (in the CTG's case, this political will derived from its resolve to break up the major political parties, but such will can also be generated by a strongly articulated demand from citizens). Indeed, for a short time during the previous, military-backed caretaker government ruling from January 2007-December 2008, prominent political actors, mafia bosses, ward commissioners and terminal committee leaders who had engaged in extortion and rent seeking went into hiding (or were imprisoned), and large-scale mafia-type extortions abated. However, with the release from detention of prominent political figures prior to the December 2008 elections and the coming to power of a political government, these practices have reappeared.

To address the current situation, steps could be taken to promote the collective action capability of stakeholders in the lower left quadrant in the matrix, and to link them up in a pro-reform coalition with receptive and potentially receptive

stakeholders in the upper left quadrant. The driving force could come from owners of large bus companies (40+ buses, mostly large and CNG equipped), who would welcome the increased revenue coming from reforms leading to less congestion, and would benefit from fair route allocations, while feeling confident that they could survive and prosper in a post-reform situation. Among other groups in the lower left quadrant, bus workers are expected to endorse reforms, particularly those from large companies. Both reform-oriented owners and workers may in turn urge their associations/trade unions to promote integrity, non-partisanship in association activities, and more transparency in their functions and accountability to general members. They could lobby for laws to de-link

these organizations from political parties and to set standard criteria for eligibility of their leadership. They could also push for effective implementation of the recommendations of the STP. Pro-reform members of associations/trade unions may be able to expand their coalition if they see visible reform gains, say from a few pilot initiatives, supported by an information-education-communication drive. They might also promote new associations like the Association of Bus Companies (ABC), which aim to represent non-mobilized constituencies in the transport sector such as bus riders; this might, in turn, generate pressure on the traditional associations to change their anti-reform stance.



Civil society organizations linked to urban environmental issues could also be encouraged to play a greater role in voicing citizens' concerns related to traffic congestion. They could critically observe the process of reform

(e.g. transparency in bidding, determination of bus fare, and actual quality of services on offer). They could also monitor the economic rehabilitation of stakeholders who might suffer from reforms, such as rickshaw and human

hauler pullers, and staff of small bus companies, to keep these stakeholders supportive or at least neutral towards reforms by countering inevitable false rumors with credible information. Likewise, investigative reporters in media organizations can be urged to master basic technical knowledge of transport issues so they can keep citizens better informed on transport governance constraints discussed above and related reforms. Both civil society and media organizations could benefit from technical and financial support from international partners such as the Bank to support these efforts.

One should not underestimate the difficulty of getting effective reform underway. Large bus owners and staff will be highly constrained in supporting reform by their current links to corruption networks of politicians, police, and leaders of associations, RTC, BRTA, DCC and BRTC. Powerful elites that feel threatened could fight back by orchestrating street battles, terror attacks, and extrajudicial killings. The Bank and other partners can support reform efforts, but they will only succeed with sustained, determined and courageous leadership backed by a cohesive, Bangladeshi political force [6].

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