

October 25, 2012

Comments from Germany on the Approval by Mail: CTF Philippines: Cebu Bus Rapid Transit Project (IBRD)

Dear colleagues,

thank you very much for submitting this Bus Rapid Transit Project proposal for Cebu as part of the PHIL investment plan. This is a very relevant and important pilot project and we very much welcome the proposal.

In order to ensure that Cebu BRT will be a success story from the very beginning and allow for further BRT development in the Philippines, we do propose to further strengthen and verify some issues we have outlined in our comments you find enclosed. We would be grateful if these comments would be taken into account in further project design and we could receive information on the questions we raise.

Thank you very much,
kind regards

Ina von Frantzius

Division Climate Policy and Climate Financing
Federal Ministry for Economic Cooperation and Development

Comments on CTF Public Sector Proposal “Philippines: Cebu Bus Rapid Transit Project”

Bus Rapid Transit (BRT) is an increasingly accepted choice of city governments to reduce the negative social, economic and ecological effects of increasing mobility needs in developing cities. Stronger public transport – here in the form of BRT – has the potential to reduce car usage and thereby emissions, road accidents and energy consumption, as well as further negative effects.

Beyond that, a BRT-system may act as a catalyst in the urban environment, both to enable and to foster densification and development along the public transport corridor and around stations. This in turn, will again create more trips suitable for public-transport and allow for an increase in walking and cycling.

Whereas BRT is quite common in many Latin American cities and also across numerous Asian cities, no BRT system has so far been established in the Philippines. In this context, the proposed BRT in Cebu will face substantial challenges, i.e. the “learning curve” will be steep and long.

Therefore, we do support the proposal as appropriate and sensible in the given context. However, in order to ensure that Cebu BRT will be a success story from the very beginning and allow for further BRT development in the Philippines, we do propose to further strengthen and verify the following issues:

M&E component: In our understanding, monitoring and evaluation should typically be a task of the implementing MDB and part of project administration. Hence it is not clear to

us why a significant part of the CTF funds should be used for M&E in this case. Furthermore, the mode of delivery is unclear (will the PEA carry out M&E, or a consulting firm or...?). → **We kindly request clarification and justification for the use of CTF funds for M&E.**

With regard to the **BRT capacity calculations** we would like to suggest to verify soundly that the calculated capacities are also able to carry future demand. Past experience with BRT systems has shown that demand can quickly outgrow capacity. Increasing capacity later can be very costly and complicated. (Also the option for moving on to rail based systems later-on could be assessed.)

When concessioning the bus lines, environmental aspects should be taken into consideration, e. g. through preference of bidders with modern low emission / low fuel consumption buses.

If an increase of property values along the BRT lines is expected, is there a possibility for siphoning these value increases for the benefit of the project?

Role of jeepney-industry: The appraisal document acknowledges the crucial role of the jeepney industry and its transformation towards BRT. However, the stakeholder process and the options how jeepney operators can be integrated into the system are not yet elaborated in detail (ref. chapter V); in particular potential costs are not clearly identified. This also refers to the question, if and how jeepneys will be integrated as feeders for BRT – in particular whether an integrated ticketing system is envisaged. The costs of such integration might be substantial and threaten the assumptions on cost coverage. Experiences in South Africa have shown that resistance from informal operators can substantially delay planning and reform processes. Therefore we propose:

- To elaborate a **comprehensive risk mitigation plan with emphasis on the existing and future role of jeepney operators (based on chapter V “Key Risks and Mitigation Measures) with clear information on stakeholder involvement** and potential financial risks as well as risks related to timely project implementation)

Cost coverage: According to para 67 in the appraisal document and para 23 in Annex 7, the system is expected to be financially sustainable over its operating life, based on fare and advertisement revenues. However, the net margin is only 3% related to overall revenues – any substantial change in fuel or labor costs, or changes in ridership may undermine this assessment. Recent experiences with BRT in South African cities show that additional funds – either from city or national sources – might be necessary to maintain the BRT system. As the specific situation in the Philippines (without any BRT experience) provides no reference, we do propose:

- the **development of a contingency plan that sets out how additional revenues could be generated within the BRT-system** itself and/or how public funds/subsidies might be used to co-finance the system. This shall also include specific provisions in case initial ridership assumptions do not materialize.

Saying this, we want to make clear that public transport doesn't necessarily need to be fully cost covering as it provides a multitude of benefits to the public and the economy.