

November 14, 2012

**Response to Comments from the United Kingdom on the Approval by
Mail: CTF Philippines: Cebu Bus Rapid Transit Project (IBRD)**

1. In the section on Sustainability (p17) it is stated that the project supports policies that advance broad social interests over the long term, including for example developing integrated land use and transport planning. Has a comprehensive strategy been developed that goes beyond this project? For example, the proposal makes mention of urban sprawl (p5). Is there a complementary project/programme aimed at addressing urban densities and the urban planning regulations that permit urban sprawl? Do the “Urban planning improvements” mentioned on page 22 include provisions that address urban densities too? What measures are being taken to complement the BRT system with non-motorised transport? Cycling is mentioned on page 99. The proposal makes reference to Bogota (pages 10 and 90). Bogota has some 300 km of cycle highways that link to the BRT system. Are there plans to do this in Cebu and other cities in the Philippines? Could these plans (if any) not be more ambitious? As context, it would be useful to understand the wider plans and programmes that relate to this project, in order to understand how the full complexity is being addressed.

In terms of urban development planning, the city of Cebu has an existing master plan that structures the shape of future development in the city. The first phase of the BRT corridor was designed in careful consideration of this plan, and helps to link together existing built up areas in the existing downtown core with those areas where the city is planning to add substantial amounts of new development over time. Most notably, the BRT corridor was designed with specific branches to serve the IT park, a booming new office district on the site of the city's former airport, and the South Reclamation Project (SRP) – a substantial zone of new development set to feature one of Asia's largest malls. In the case of the SRP, no public transport planning had been carried out to service the substantial volume of new trips to be generated there before the BRT feasibility study. Providing these newly emerging areas with a high quality public transport option will help limit the use of private transport for commuting purposes, making possible the higher densities envisaged for these sites. Over time, only this careful combination of high density with high quality public transport can help limit a more rapid low density expansion of the city the reviewer mentions.

At the level of transport planning, the BRT corridor is a structuring element of the comprehensive transport plan approved by DOTC in 2010 for metro Cebu. Both the first phase of the BRT system as well as future potential corridors are included in the plan.

In terms of non motorized transport, the reviewer rightly points out that a specific project component is designed to provide upgrades to the urban realm, including improvements to the pedestrian realm at stations and key

urban public spaces such as Osmeña Circle. We believe these targeted improvements, combined with the city level integration of key trip generators mentioned above, constitute a comprehensive approach to the integration of the BRT with broader transport and urban development planning Cebu. We will also continue to engage on this topic as the project progresses.

In an effort to support non-motorized transport, bike parking facilities at bus terminals and stops will be examined during detailed design. The introduction of BRT to the SRP will include a 2m wide cycleway along one side of the carriageway, which is expected to act as a precedent for more cycling infrastructure in the city. The city has plans to build on this initiative to expand infrastructure services to promote bike use.

2. The proposal notes the potential risk of resistance from current jeepney operators. This is also mentioned by the reviewer who states that their role is not clear. Given that this is a project that supports private sector participation (p102), would it be feasible to include current jeepney operators and drivers, through their associations, as shareholders in the operating company? This would reduce this risk as it would include them and ensure they derived financial benefit once the project was operational. It is unclear how the key stakeholders of other transport operators have been consulted and views taken on board.

The process with the Jeepney sector is ongoing. There has been an in-depth study of the sector and dialogue with the stakeholders during both the Prefeasibility Study and the just-completed Feasibility Study. The routes which would be impacted have been identified, along with the number and holder of the franchises on each route¹.

Extensive focus group discussions have been held with the Jeepney drivers to understand the profile of drivers, their earnings, their attitude to the job, their education level and skills, their capacity and interest in alternative jobs, and their general concerns. Similarly, focus group discussions have been held with Jeepney owners to understand such factors as how they finance their vehicles, their attitude to investment, the linkage to household income, and their interest in participating as shareholders in bus operating companies rather than as direct vehicle owners. The consistent message from the Jeepney driver sector is that they do not like the job, but it provides a source of income to their family. There is a high willingness to consider alternative types of work, either with the BRT system, or outside the sector if they can receive some retraining. The Jeepney owners are more diverse, with some willing to consider alternatives, but for others the Jeepney income is bound up with the daily household finances.

Extensive discussions have been held with the LTFRB, who issue the franchises and regulate the system. It is already agreed that there is time and

¹ Approximately 22 routes will be affected by the operation of the BRT, with 1,191 franchise, 912 operators and around 2600 drivers and their relievers.

opportunity to minimize the number who would be forcibly displaced and to arrange alternatives for them.

The project effort is on minimization of economic displacement and income loss, and livelihood restoration through the development of a menu of options. The menu of options can be categorized into three sets. These three sets are not mutually exclusive.

I. Within PUJ Industry Measures:

- a) Route restructuring (shortening, change in streets traversed, extension of destination) to serve as feeders to the BRT and transferring some of the affected PUJs to unserved or underserved feeder routes; and
- b) LTFRB have indicated their willingness to prioritize displaced Jeepneys for different forms of franchise which they can grant – employee/commuter services, schools services, goods carriage for hire
- c) Moratorium on entry to the Jeepney sector so that those displaced by the BRT have first call on new franchises and driving jobs. These arise as franchises are not renewed, or in expansion areas of the city.

II. Exit PUJ Industry and Transfer to other Segments of the Transport Industry

- a) *Organization of PUJ Operators to bid and operate one or several of the eight routes for the BRT or the feeder routes.* PUJ Operators would be able to organize themselves into a cooperative or corporate entity, sell their units, secure financing to purchase buses, obtain franchises for the BRT, operate the route, and manage the entity;
- b) Opportunities for jobs in the BRT system for those wishing to exit Jeepney work; and
- c) *Move to other sectors/segments of the larger transport business such as school bus operations, garage to terminal, trucks for hire.* PUJ operators would be able to retool their existing units (into trucks or closed type vehicles), sell their units, and purchase new ones (vans)

III. Exit PUJ Industry and Business/Role Transformation

- a) *Compensation for Loss of Franchise, Income, and Units.* Through a fair and transparent procedure, government buys back the franchise and units and compensate operators for their loss of income. PUJ operators searches for new investment opportunities while the drivers and relievers look for other employment.
- b) *Retraining in other skills for those wishing to leave the transport sector completely*
- c) *Supply of Services to the BRT Operator.* PUJ Operators organize themselves into human resources corporations providing human resource services to the BRT owner and/or operator. After retraining, their drivers can constitute the pool of mechanics, security, janitorial or cleaning services, ticket dispensers, etc)

- d) *Direct Employment of the Displaced Drivers or their Immediate Relations into the BRT Entity.* First preference can be given to qualified drivers and their immediate relatives for hiring by the BRT owner or operator
- e) Gradual swapping of Jeepney vehicles and drivers so that by the time BRT commences, the PUJ lines which must be reduced or terminated are populated mostly by those willing to accept alternatives, while those wishing to continue as Jeepney owners/drivers have migrated to other routes and continue unaffected.

It is not yet clear if all who might be displaced by the BRT could be fully accommodated through the above arrangements. Nonetheless, it is clear that at least a very significant proportion can find solutions acceptable to them and which maintain their capacity to support their families.

The main point is that the three or so years to BRT launch will be used constructively, and it will be avoided that there is a 'big bang' in which large numbers of vehicles and drivers would be forcibly displaced. It must again be stressed that LTFRB have fully engaged with this issue already, and indeed have themselves come up with some of the suggested mitigation measures.

It should be noted that less than 20% of Jeepney owners or drivers belong to a union or association. While unpopular measures or failure to engage with the sector would surely bring about a negative reaction (quite understandably), there is not an entity to lead agitation or to make strong demands. Perhaps more importantly, there is not an association whose power base and financing depends on fees from an oversubscribed membership, and hence negotiation with the sector can be based on the real needs of the owners, drivers and associated workers, and not on beneficiaries who seek to protect their position.

3. Table 3 (p82) indicates a 15% loss of revenue related to fare collection and leakage. This seems high. What measures will be taken to mitigate this loss?

The 15% fare leakage noted by the reviewer is an assumption used in the financial analysis, but not intended as a realistic depiction of the future course of events. The analysis assumes a relatively substantial leakage rate to provide a margin on the revenue assumptions in the financial forecast. We adopt this conservative approach to help ensure that results are as robust as possible.

In practice – fare leakage will be addressed through the deployment of modern, in-station fare collection gates. In addition, as described elsewhere – fare collection will also not be the responsibility of the bus operators – but will be overseen by the joint venture company and managed under a separate contract. We believe this approach will also help ensure that fares are collected reliably and efficiently.

4. We note that the Results Framework does not include any developmental indicators. We suggest that jobs created, disaggregated by gender, be included as an indicator.

The reviewer is right that no indicator focuses directly on the number of jobs created by the project. In general, the approach taken on indicators is to stay focused on measurements directly related to project implementation that are also relatively straightforward to measure. Given the often informal nature of employment in Cebu, combined with the wide variety of factors (well beyond the scope of the project) that can affect job creation, we elected not to include a measurement of the type mentioned by the reviewer.

However, a broad package of indicators was developed and will be monitored, including a set of indicators not included in the formal results framework contained in the PAD. These indicators include several which seek to measure the economic development impacts of improved transport in Cebu, including a measure of the affordability of daily commuting (the share of income spent on public transport for low income residents), the number of residents within an easy commuting distance of several key job centers, and change in property values along the corridor. We believe these developmental indicators are relatively straightforward to measure, capture the ability of enhanced public transport to provide greater access to employment opportunity, and provide an indicator of the development impacts of the project, as highlighted by the reviewer.

5. It is unclear how effective the intervention will be at inducing a modal shift from private cars and motorbikes, given private transport use is related to cultural factors as well. Are emission savings from modal shift included in the emission saving estimates?

Yes, but the analysis adopts a very conservative approach in this regard. In the opening years of BRT, the overwhelming share of BRT passengers (>95%) are assumed to be existing public transport (jeepney) riders. The emissions calculations contained in the PAD are based on this conservative assumption.

As the reviewer points out, mode shift from private to public transport is hard to achieve in practice, in the short term. We strongly believe, however, that as the BRT system demonstrates its ability to offer a step change in the service quality of public transport, over time, it will begin to attract 'choice' riders who may well have access to private vehicles. In other words, we maintain conservative assumptions in our GHG analysis, but the focus on delivering an upgraded public transport experience is designed to capture and retain the private car users mentioned by the reviewer.

6. Is there any evidence to support the assumptions used for the emissions savings estimates?

A rigorous program of data collection on the ground in Cebu supports all the assumptions used in the analysis. A full report on the collection of baseline

data, future forecast for the Business as Usual scenario, and analysis of project impact on GHG are available in an accompanying report dedicated to GHG analysis that can be provided on request.

7. The project could be replicated and there is a budget for promotion but the proposal is unclear on how this will be achieved and measured.

As the reviewer mentions, a component designed specifically for concept dissemination and promotion is included in the project. Two concrete actions are planned. First, the component will finance studies, training, and capacity building to build support and capacity for the BRT concept in the Philippines. Second, the project will directly support the detailed design of the proposed Metro Manila BRT application, including infrastructure, facilities, systems, traffic control and management. Project preparation for the Manila BRT is in fact already beginning, and is tied explicitly to the successful preparation of the Cebu BRT project, providing a built in mechanism for the further promotion of the BRT concept in Manila's largest urban agglomeration.

8. Will the project be seeking carbon market co-financing?

Not at this stage. The additional hurdle of creating verified carbon credits for sale on the carbon market was perceived to be greater than the possible financial return on the market. As the carbon market continues to develop, the project is open to pursuing this option at a later date either for this project or future BRT extensions if conditions are favourable.