

# Research on the strategy of improving the service capacity of district and county governments under the PPP model

Rao Wanting

*School of Public Administration, Southwest Jiaotong University, Chengdu, China*

**Abstract:** *The provision of public transport services through the PPP model is unquestionable and common. Since the implementation of the reform, the supply mode of public transport services in various places has become stable, and the clear division of labor between government and enterprises has ensured the stable and effective supply of public transport services. However, in districts and counties where the reform started late, there are still some obvious shortcomings in the process of improving the level of public transport services through the PPP model. The public transport reform in all districts and counties should also be led by the government to achieve moderate competition in the market. The government must work with enterprises to improve urban and rural public transport services. They should also unite with the masses, strengthen information disclosure and mass supervision, and ensure that the reform is in place.*

**Keywords:** *PPP mode; District and county buses; Moderate competition; Balanced development; Information disclosure*

## 1. Introduction

In the context of the advancement of urbanization and the continuous development of social economy, urban traffic congestion has become a major problem for residents, in order to alleviate residents' travel congestion, and consider environmental protection, energy and land use issues, "bus first" has become the consensus of governments across the country. Generally speaking, whether the bus is convenient, whether the riding environment is comfortable, whether the bus fare is reasonable, and whether the bus is energy-saving and environmentally friendly are important indicators to measure the quality of bus service supply. Under the traditional supply model of public transport, the government and state-owned enterprises are responsible for the provision of public transport services, but a series of problems such as rigid management system, aging public transport facilities, poor service quality, and heavy financial burden on the government have become increasingly prominent, and public transport reform has been put on the agenda.<sup>[1]</sup> In 2003, the comprehensive privatization reform of the public transport industry in Shiyan, Hubei Province led to the privatization reform of public transport in many domestic cities such as Huanggang in Hubei, Changsha in Hunan, Hefei in Anhui and Wuxi in Jiangsu, but they all ended in failure, and the public transport industry was returned to China again. However, this does not mean that marketization has taken a detour, and the new public management theory questions the inevitability of the government to provide public goods. When the government failed, there was no doubt that public transport went market, and practice has proved that this is indeed the case. In 2014, the Ministry of Finance issued the Measures for the Administration of Government Procurement of Services (Provisional), which gave specific guidance for promoting the construction of the government procurement service system, which included "public transportation" in the guiding catalogue of government procurement services, thereby establishing the basic direction of government procurement of services in the field of public transportation.<sup>[2]</sup>

The call for public transport reform has never stopped, and at present, major cities across the country have basically realized the PPP supply model of public transport services. However, compared with central cities, some districts and counties are still in the initial stage of public transport reform due to late start of reform, poor bus service foundation, insufficient financial capacity, and serious historical arrears, and the regional differences in bus service levels are large. There is still a long way to go to achieve the comprehensive improvement of bus services. Based on this, this paper attempts to clarify two questions. First, what are the main problems in the process of promoting the PPP model of district and county public transport services? Second, what lessons can be drawn from the analysis of these

issues? It is hoped that their answers will help improve the PPP supply model of district and county bus services.

## **2. Analysis of resistance factors for the application of PPP mode in district and county bus services**

### ***2.1. The absence of government***

The new public management theory advocates that in the process of providing public goods and services, the government's functions should be changed from "oaring" to "steering". This proposition has great reference significance for deepening institutional reform, and is also the functional positioning of the government in the PPP model. However, from "paddling" to "steering" is not a reduction of the government's responsibility, and the supply of bus services through the PPP model is only the marketization of the bus operation mechanism rather than the marketization of the government's responsibility. Only if the government plays an active helm, coordinator and regulator in the process of promoting the PPP model, can private enterprises that mainly aim for profit be able to protect their own interests while taking into account the public welfare of public transport services as a quasi-public good. In the process of introducing the PPP model in the field of public transport services, district and county governments are not accurate in their own responsibilities and unclear about the cooperative relationship between government and enterprises. Enterprises are only producers and providers of public transport services, and the government needs to be responsible for the overall planning of public transport reform and supervising whether the production and operation activities of enterprises are harmful to the public interest. However, whether it was attracting more capable enterprises to participate in the bidding in the early stage of reform, effectively supervising and evaluating public transport enterprises in the reform process, or making important information and decisions public, the efforts of the district and county governments were extremely limited, trying to achieve a one-and-done effect through an initial franchise authorization.

### ***2.2. The tendency of enterprises to self-interest***

Private enterprises are typical economic legal persons, and their market activities are mainly for profit. Under the assumption that the government, enterprises, and the public are all economic people, the government hopes to transfer public responsibility to enterprises through a small financial subsidy, so as to achieve public responsibility. But companies are not willing to take on public responsibility, but hope that the government will give a considerable amount of financial subsidies to maintain or expand operations, and hope to profit from the public's payment. And the public wants quality bus service for less. Governments and businesses, businesses and the public have conflicting expectations of each other. Therefore, even if a private enterprise obtains the franchise of public goods and services, it is impossible for the enterprise to assume the public responsibility that should belong to the government, and profit is still its main purpose. When a private enterprise monopolizes the otherwise small district and county bus market and the government supervision is small, the self-interest behavior of the enterprise will be more unscrupulous. Within the scope of government-subsidized projects, enterprises can still improve the quality of bus services in accordance with government requirements. Outside the scope of government financial subsidies, enterprises tend to turn a blind eye to existing problems in order to save their own costs. In this way, the public transport reform only achieved the transformation of government functions, and did not achieve the purpose of improving the quality of public transport services.

### ***2.3. The level of economic development of districts and counties***

Compared with urban areas, districts and counties have a lower level of economic development, incomplete infrastructure construction, and a wide rural area, making it more difficult to carry out public transport reform in districts and counties. In order to realize the transformation of suburban lines in districts and counties, a large amount of financial subsidies are needed to invest in highway construction and subsidies with few customers, which is a heavy burden for the government. Even an urban area that is more conducive to public transport reform is only a small area and a small passenger flow, and it is not easy to attract other capable enterprises to participate in the bidding when a relatively large private enterprise has occupied the bus market for many years.

### 3. District and county bus service level improvement strategies

#### 3.1. *The early stage of the PPP project*

Strengthen competitive purchasing of district and county bus services.<sup>[3]</sup> Competitive buying is the trend of government procurement of public services, as is public transport services. Through competitive purchase, the government can choose better enterprises to provide better services, and can enable enterprises to maintain their advantages in competition and constantly seek the improvement and innovation of public transport services. The government should give full play to its leading role, actively introduce other public transport enterprises to participate in the competition of district and county public transport markets, and select the most suitable public transport enterprises for residents. On the one hand, district and county governments should reasonably formulate the operation and subsidy mechanism of public transport enterprises in their districts and counties, and make them clear and standardized. Publish detailed documents on the entry and exit regulations of enterprises, the requirements of public transport services that enterprises should provide, and various preferential and subsidy policies on relevant websites to attract more enterprises to participate in bidding and seek suitable public transport enterprises. On the other hand, if conditions permit, district and county governments can introduce multiple bus enterprises at the same time to manage the operation of buses on different lines, and implement "sliced operation, hot and cold bundling".<sup>[4]</sup> Refine the government bidding work, implement different lines to bid separately and select different enterprises to operate, and finally form a moderate competition pattern in which several enterprises that are compatible with the scale of public transport in the district and county are each in charge of some "cold + popular" bus operation lines. The introduction of enterprises does not need to be too much, only to protect the competition during the contract period and avoid enterprises stagnating during the contract period, but at the same time, attention should be paid to avoiding vicious competition of enterprises.

Make overall planning and form a development model of "urban area leading and township coordination". The dual structure of urban and rural development is widespread throughout the country, but it is difficult to break through this unbalanced development situation. The supply of public transport services in China has not been spared in the mode of urban-rural dual development, and the basic completion of urban public transport reform is the initial stage of rural public transport reform. The public transport reform is still in progress, and the district and county public transport reform has lagged far behind the urban area, and the suburban routes that have the conditions for public transport reform should be considered as much as possible in the reform to avoid the extreme imbalance in the development of urban and rural public transport services within the district and county. District and county public transport reform should be centered on urban areas and carried out to the surrounding townships and streets, forming a pattern of "urban areas as the mainstay, taking into account urban suburbs, steadily advancing and comprehensively covering" of public transport reform. Prioritize the reform of urban public transport, solve similar problems in suburban buses, strengthen the implementation of public transport reform policies, and improve the efficiency of public transport reform. Actively promote the transformation of suburban buses, and improve the problems of suburban routes and buses one by one when the urban public transport reform is carried out smoothly, so as to realize the steady progress of district and county public transport reform and the balanced development of public transport services in the whole district.

#### 3.2. *PPP project implementation mid-term*

Establish a "multi-participatory, multi-dimensional" regulatory system. There are failures in the government, there are also failures in the market, and only by uniting the forces of all parties can we learn from each other and take up the burden of public transport reform. As an important part of the reform, the participation of multiple parties is also required in terms of supervision. First, establish a supervision mechanism for the tripartite main body to control and maintain each other. In addition to the establishment of special supervision and inspection departments within the government and enterprises, and the government's supervision of enterprises, enterprises can also supervise the government's decision-making and the behavior of government officials. Encourage the people to also participate in the supervision of the government and enterprises, and the three subjects supervise and restrict each other to jointly promote the reform of district and county public transport. Establish corresponding reward and punishment mechanisms, encourage employees and residents to supervise government decisions and behaviors by means of rewards, improve bad decisions, and punish relevant violators. Improve complaint and reporting channels, facilitate residents and enterprise employees to

report relevant personnel and adverse phenomena, ensure that the public can easily report problems, and ensure the proper handling of problems reported by the masses and the correct handling of the masses. Second, improve the form of supervision and assessment content. The government implements an assessment form that combines regular assessment and irregular assessment for enterprises to ensure the authenticity of the information obtained by the government and the effectiveness of the assessment, and encourage enterprises to be vigilant at any time to improve public transport services. The assessment involves many aspects, including specific assessment of drivers, vehicle conditions, departures, procurement and other aspects, and the government collects information through various channels such as field investigations, interviews with the public, and netizen complaints to ensure the comprehensive and accurate basis for the assessment. Quantify various indicators, publish the assessment scores of different enterprises on the official website, maintain the competitive relationship between enterprises, and urge enterprises to continuously improve and improve bus services.

Enrich the content of information disclosure and improve information disclosure channels. Open government affairs has become a development requirement for modern government offices, making the government's work content public, making the operation of power more confident and open, facilitating the supervision and accountability of the masses, and increasing the credibility of the government and the sense of gain of the masses. As an important part of the government's work, public transport reform should also implement extensive information disclosure, not only the government, including enterprises need to publish the necessary information in the reform to facilitate the public to participate in the public transport reform. First, enrich the content of information disclosure. Information disclosure is not summarized by the phrase "using a single bidding method" on the official website, but should also clearly announce the bidding enterprise standards, bidding process, and advantages of the selected enterprise. It is not only necessary to tell the masses what the government and enterprises have done, but also to explain why and how to do these work, and take the initiative to disclose all necessary information to the masses, and decide whether to disclose unnecessary information according to the application of the masses and in light of the actual situation. The process of government-enterprise cooperation to promote public transport reform will be made as transparent as possible, so as to dispel the doubts and suspicions of the masses, so that the people can conveniently supervise the work of government and enterprises and freely provide suggestions for public transport reform. Second, improve information disclosure channels. Information disclosure is divided into two paths: online and offline, including official websites, broadcasts and news from district and county TV stations, and offline including newspapers and periodicals, press conferences, public reading rooms, data request points, information bulletin boards, electronic information screens, etc. In the process of public transport reform in districts and counties, governments and enterprises should make full use of existing resources and equipment to ensure the transparency of information, and when existing channels cannot meet the requirements of information disclosure, governments and enterprises should jointly develop channels.

### ***3.3. Later stages of the PPP project***

Refine and execute the exit process for the business. In the early stage of the PPP project, the district and county governments have established a complete mechanism for entering and exiting the public transport market. During the implementation of the project, the government and enterprises may make minor adjustments to this regulation on the basis of consultation according to the actual situation and needs. At the later stage of the PPP project, the government should urge the enterprise to strictly implement the exit regulations of the enterprise and start preparing for the bidding of the PPP project in the next cycle. It is necessary to break the monopoly of enterprises in the bus market, start a new round of enterprise competitive bidding after each contract expires, clarify the handover of work of each enterprise during the transition period of the contract cycle, and establish a moderately competitive bus market.

Summarize experience and prepare for a new round of PPP projects. At the end of a franchise cycle, the gap between the actual results of the project and its expectations should be evaluated, the problems encountered by both partners in the current cycle and their respective performances should be evaluated, and lessons should be learned and lessons should be summarized. Apply the lessons learned to the planning of the PPP project in the next cycle, so as to avoid the impact of the same problems on the quality of public transport services and continuously improve the quality of district and county public transport services.

#### 4. Conclusions

The use of PPP to provide bus services has become the norm. Whether bus services are mainly provided by private enterprises or state-owned enterprises, the lack of competitiveness in the bus market is widespread. The government should actively play a leading role and strive to introduce public transport enterprises to participate in market competition, so as to obtain the advantages of benign competition in the public transport market, enhance the motivation of enterprises to improve public transport services, and work together with enterprises to achieve the "Pareto optimal" of public transport services. In terms of regional development, just as the public transport reform of cities is divided into "urban and rural two steps", there is also a clear "urban-rural dualization" of bus service levels within districts and counties. In order to improve the overall level of district and county public transport services, district and county governments and enterprises need to focus on the development of urban public transport while taking into account the public transport transformation of suburban buses, so as to achieve balanced development of districts and counties. Information disclosure and mass participation supervision are the preservatives and important driving forces of public transport reform, and all necessary activities related to public transport reform implemented by government purchases and enterprises are exposed to the sun. In this way, we can ensure that there is no "black box operation" in public transport reform, enhance the people's confidence and participation, and effectively improve the quality of public transport services and improve the efficiency of public transport reform from all aspects.

Through the above discussion, it is found that to improve the level of district and county public transport services, the government and enterprises should discuss and jointly build, and jointly realize the appropriate competition in the public transport market, the balanced development of the public transport service level, and the full disclosure of information and the general participation of the public under the leadership of the government and the provision of enterprises. Based on their own development characteristics and regional differences, each district and county has different focuses and specific measures in public transport reform, and has its own unique development characteristics. All districts and counties should strengthen learning and exchanges between each other on the application of PPP models, so as to improve each other's public transport service level.

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