

NEF /  
search

November  
2022

The 2018  
**Amendment** in  
Transport  
Management  
Directive and  
its **Impact**



© 2022 Nepal Economic Forum

Nepal Economic Forum  
P.O. Box 7025, Krishna Galli,  
Lalitpur 3, Nepal

[www.nepaleconomicforum.org](http://www.nepaleconomicforum.org)



Nepal Economic Forum (NEF) is a not-for-profit organization aiming to be Nepal's premier private sector-led economic policy and research institution. We are an impact-driven economic and development think tank that seeks to redefine Nepal's development discourse by analyzing, facilitating and disseminating contemporary issues on society and the economy.

Please write to [info@nepaleconomicforum.org](mailto:info@nepaleconomicforum.org), if you have questions or comments with respect to the document.

### **What is a Nefsearch?**

Nefsearch is an academic research paper published by Nepal Economic Forum that aims to create a platform for cutting-edge and robust economic research. NEF has earned a worldwide reputation for conducting theoretical, high quality and evidence-based research studies with Nepal at the core. The aim of the nefsearch is to draw attention towards contemporary issues that are important and relevant for economic development and societal growth of Nepal. The collaborative nature of the research paper allows authors to explore novel methodologies and models to dissect the empirical aspects of economics, financial and developmental economics.

**Title** – The 2018 Amendment in Transport Management Directive and its Impact

**Author** – Sugam Nanda Bajracharya

Sugam Nanda Bajracharya is a Research Analyst at Nepal Economic Forum. He is part of the publication team and contributing author of NEFport and a regular contributor for other publications, blogs, articles and research. He is engaged in assignments for the private sector and development partners related to trade, sectoral studies, economic policy research, policy and strategy development, and consultations with governments and other stakeholders.

**Edited and designed by** – Sakshee Singh, Consultant at Nepal Economic Forum

# Table of Contents

	Pages
1 ..... Abbreviations and Acronyms	<b>i</b>
2 ..... Abstract	<b>1</b>
3 ..... Background	<b>2 - 3</b>
4 ..... Methodology	<b>4 - 5</b>
5 ..... Nepal's Public Transport Associations	<b>6 - 10</b>
6 ..... Amendment in the DoTM's Transport Management Directive	<b>11 - 13</b>
7 ..... Results and Findings	<b>14 - 17</b>
8 ..... Recommendations	<b>18</b>
9 ..... Conclusion	<b>19 - 20</b>
10 ..... Works Cited	<b>21 - 23</b>

# Abbreviations and Acronyms

<b>AAR</b>	Asian Development Bank
<b>BRT</b>	Bus Rapid Transit
<b>CEO</b>	Chief Executive Officer
<b>DoR</b>	Department of Roads
<b>DoTM</b>	Department of Transport Management
<b>FNTE</b>	Federation of Nepalese National Transport Entrepreneurs
<b>KIIs</b>	Key Informant Interviews
<b>KSUTP</b>	Kathmandu Sustainable Urban Transport Project
<b>LAMATA</b>	Lagos Area Metropolitan Transport Authority
<b>MoPIT</b>	Ministry of Physical Infrastructure and Transport
<b>MRT</b>	Mass Rapid Transit
<b>NEA</b>	Nepal Electricity Authority
<b>NTA</b>	Nepal Telecommunications Authority
<b>NURTW</b>	National Union of Road Transport Workers
<b>PPP</b>	Public Private Partnership
<b>RTEAN</b>	Road Transport Employers Association of Nigeria

# The 2018 Amendment in Transport Management Directive and its Impact

by Sugam Nanda Bajracharya

## Abstract

The Department of Transport Management (DoTM) revised the Transport Management Directives in 2018 in an effort to abolish the public transportation industry's syndicate system and formalize it by requiring associations and operators to register under the Companies Act. The government's attempts to abolish syndicates and improve the industry, however, appeared to be futile because there did not seem to be much of a shift in how committees, associations, and transport operators functioned. This study attempts to determine the kind of changes that have occurred in the industry as a result of government's efforts to combat syndicates. Furthermore, the paper aims to examine the obstacles standing in the way of the government and private sector stakeholders ending cartelism in Kathmandu's public transportation system.

## Key words

Public Transport, Transport Management, Syndicate, Cartelism, Transport Association

# Background

The public transport industry in Nepal was established with the government introducing local bus services between Kathmandu and Lalitpur districts in 1959 A.D. Since then, several means of mass transport such as Sajha Yatayat and electric trolley buses were introduced. Public transport in Nepal today includes large buses, micro and minibuses, taxis, tempos (electric three-wheelers) etc., largely operated by the private sector. The mass transport system introduced in the early days operated successfully but eventually suffered from poor management and political interference after 1990 (Clean Air Network Nepal, 2014). Since then, the public transport sector in the country had been operating largely under the grasp of powerful syndicate systems backed by transportation associations and transport committees (Nepal Economic Forum, 2018). As per the “Understanding the Cartel Economy” study conducted by Nepal Economic Forum (2018), such associations and committees operated freely, controlling the quality and number of public transport services in the country, disregarding laws that promoted competition and resorting to rent-seeking activities. This limited the growth and improvement within Nepal’s transport industry while further burdening commuters with sub-par services.

Transport operators in developing nations like Nepal are likely to be part of some form of association, that are often informal in nature due to the lack of regulatory control mechanisms of the governments (Sohail, Maunder, & Miles, 2004). It is also common to see smaller associations link with other associations to form influential national associations in order to lobby for reforms beneficial to them (Starkey, Hine, & TRL, 2020). However, the line separating an association from a cartel is often unclear. When associations have significant influence over the determination of the quantity, quality and routes of public transportation, and they promote anti-competitive practices while providing sub-par services to the public, they might be operating as cartels (Nepal Economic Forum, 2018).

In 2018, the DoTM, the government body in charge of the country’s transport sector amended the Transport Management Directives, removing the requirement of recommendations from transport committees for obtaining route permits and requiring transport operators to operate as companies. The government attempted to end the syndicates and formalize the public transportation sector by forcing the public transport operators and associations to register under the

Companies Act. Nevertheless, whether the government's effort to outlaw syndicates and improve the sector was a success is debatable since it is hard to tell whether the way transport operators, committees and associations operate have actually changed in the past few years.

Therefore, this study aims to identify whether the public transport sector has

been freed from the clutches of the syndicates. It also tries to identify what kind of changes have taken place in the sector after the government's crackdowns on syndicates. Furthermore, this paper looks into the challenges preventing the government and private sector stakeholders to end cartelism in the public transport sector.



# Methodology

For the purpose of this study, qualitative research methods were employed. Both primary and secondary research were carried out to obtain information on the status of cartelism in Kathmandu's public transport industry, and the impact of the DoTM's amendment of the Transport Management Directives in 2018.

## Literature Review

The review of literature covered relevant studies, publications, working papers, and statistics that were released by the government agencies. Research conducted by think tanks as well as reports from other development organizations, including the Asian Development Bank, were examined. To gather relevant information, news articles from reputable media outlets were also used. Likewise, relevant publications from academic journals were examined, including both theoretical and empirical investigations, in addition to available policy documents.

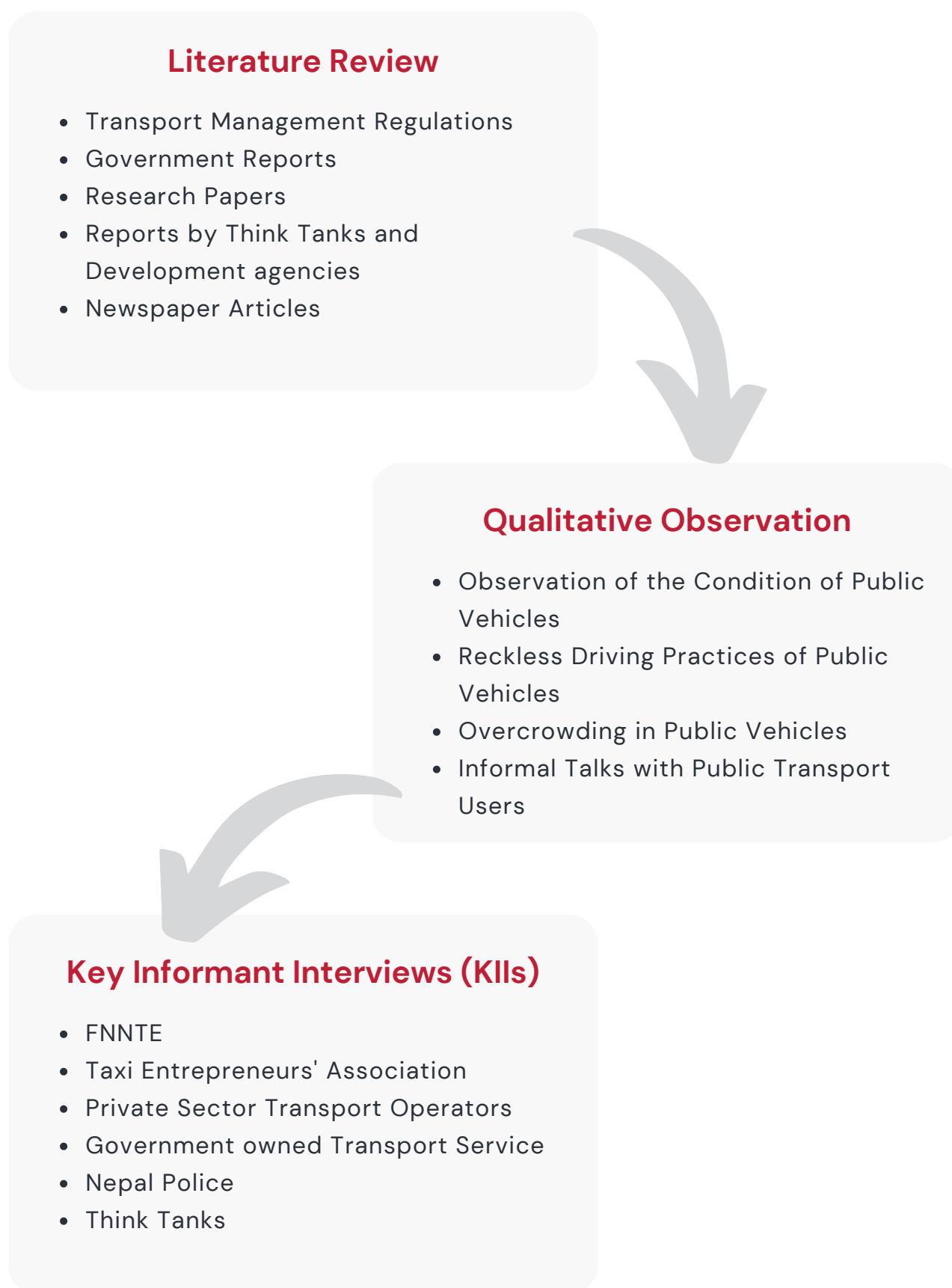
## Qualitative Observation

In qualitative observation, the everyday operation of public transportation in the Kathmandu Valley was observed, as well as the vehicles' condition, the prevalence of crowding, reckless driving, and other factors.

## Key Informant Interviews (KIs)

To validate the results of the literature review, KIs were conducted with stakeholders from the public transportation sector, such as public transportation operators and owners, the Federation of Nepalese National Transport Entrepreneurs (FNTE), the Taxi Entrepreneurs' Association, government organizations, research organizations, and think tanks. The KIs concentrated on gathering information and stakeholder opinions on the existence of public transportation cartelism in Kathmandu, the implications of the amendment to the Transport Management Directives, the difficulties currently facing the sector's formalization, and potential solutions.

**Figure 1. Research Methodology**



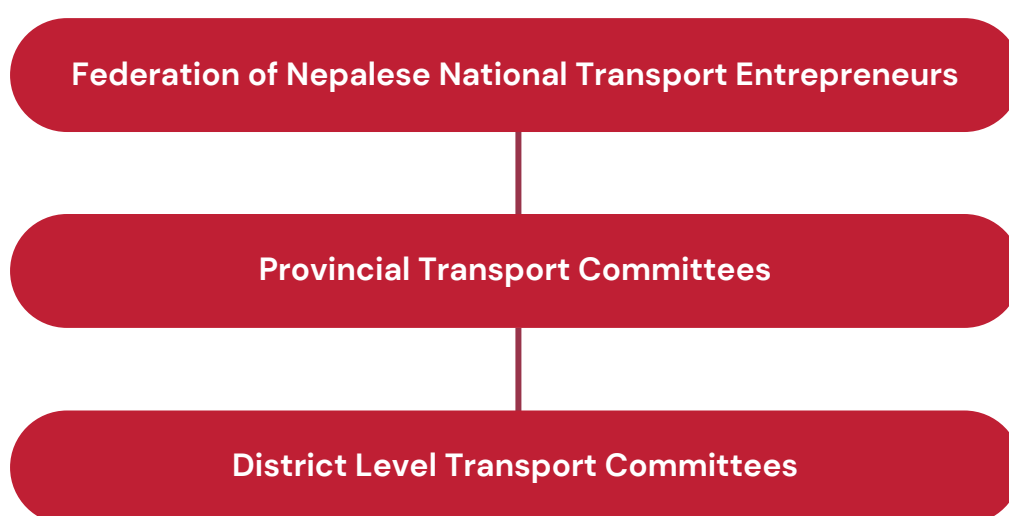
Developed by the author

# Nepal's Public Transport Associations

The government's grip on public transport in Nepal after the 1900s dwindled as it failed to provide adequate public transport services to the people owing to poor management and political interference (Clean Air Network Nepal, 2014). As a result, the private sector emerged to provide solutions and fill the gap, however, over time, it gradually took over the entire sector. Furthermore, the private transport businesses united to form associations as a collective bargaining medium that would work on promoting welfare of individual transport entrepreneurs and negotiating with the

government for their protection. The associations in 1982, came together to form the Federation of Nepalese National Transport Entrepreneurs (FNANTE), which is an umbrella organization for not only public transport business associations, but also associations of taxi operators and goods/cargo transportation operators. Consequently, this not only allowed the FNANTE to impose significant influence over the entire transport sector, but also over political negotiations, labor unions as well as the bureaucracy.

**Figure 2. Structure of the Public Transport Associations**



Developed by the author

## Presence of Cartels in the Transportation Sector in Africa

Klopp, Harber and Quarshie's (2019) studied the public transport reform in African cities such as Lagos, Nairobi, Johannesburg brought by the Bus Rapid Transit (BRT) system. As per their findings, the inability of governments to provide adequate public transport services to meet growing demand, high operating costs, regulated fares and deteriorating service quality of public buses led to public transport in most cities of Africa being dominated by minibus systems operated by private players and their associations. Although the minibuses substantially improved access to transport for the citizens, the sector required profound reforms and institutional transformation to solve problems such as lack of safety, poor labor conditions, high volatility of fares, lack of hygiene and subpar service quality.

In Lagos, Nigeria's largest city, the National Union of Road Transport Workers (NURTW) and the Road Transport Employers Association of Nigeria (RTEAN) are powerful players in the urban transport sector with affiliations to politicians, giving them an edge on negotiations in regulations and freedom to operate with minimum accountability. Such political power coupled with weak regulations has led the unions to function like cartels. The NURTW also has its officials collect excessive sums from drivers and transportation workers at bus terminals under various pretexts such as booking fees, loading fees, dropping fees, weekend fees, sanitation fees, security fees and such. In addition, they have been seen collecting money from shop owners at illegal checkpoints. The union even went as far as taking over the government's function to manage taxations (Agbiboa, 2022). To address the poor coordination and planning of all the stakeholders and bring reforms to the transportation sector, the Lagos Area Metropolitan Transport Authority (LAMATA) was established. The LAMATA was required to intervene in the sphere of influence of NURTW and RTEAN to formalize the transport sector, bring the required reforms and reinstate regulation while risking violent protests and political pressure (Cheeseman & deGramont, 2017). Nevertheless, negotiations with the transport associations allowed BRT to move ahead and offer rapid transit services in Lagos, despite the NURTW taking over the operations of the BRT system (Gorham, 2017).

The existence of groups and associations that assert their control over the transport sector acting like cartels in developing countries including Nepal cannot be denied. Governments have been negotiating with such groups to formalize the industry and have them provide better services.

Although the primary motivation for the development of such organizations was to self-regulate the sector, however, the transport operators growingly were concerned about issues related to accidents, as the number of accidents was on the rise. To some extent, this can be attributed to driver's incompetence and, to some extent to the poor road conditions. Due to the lack of Third-Party Insurance, which was only added to the law in February 2009 A.D, these organizations collected minor fees to develop a fund that would cover responsibilities in the event of a road accident. This benefit became the primary reason for truckers to join an association or committee (Nepal Economic Forum, 2011). However, they resorted to collusive activities, forming syndicates and promoting anti-competitive practices by controlling the number of vehicles plying on the roads, the frequency of public transport services, the quality of service and fares in attempts to keep the profits of their members up and discourage the threat of competition. This resulted in overcrowding, adding extreme discomfort to commuters. Furthermore, the restricted supply of buses in routes give transport operators little to no incentive to improve the substandard

condition of their buses which are almost always smelly, dirty, and have damaged seats. People are forced to use their services despite the bad conditions of the buses. The poor condition of buses and overloading along with reckless driving has been seen as a major cause of accidents as well (Nepal Economic Forum, 2018).

The DoTM, the authority responsible for issuing route permits, only provided road permits on the recommendation of the syndicates under the guise of transport management committees as per the Motor Vehicles and Transport Management Act 1993 (First Amendment). Despite fulfilling all legal requirements, public transport operators could not obtain route permits without the consent of transport committees (Katahira & Engineers International & Full Bright Consultancy, 2015). The associations and transport committees only allowed their members to ply on the local routes while also limiting the full-scale operations of the transport operators, controlling the frequency of the trips, barring expansion of services and fixing prices. Moreover, it was observed that they charged exorbitant fees for permit recommendations (Gyanwali, 2011).

As per the Nepal Police, public buses in many cases have been seen to operate without route permits. The drivers do not seem to feel accountable for breaking traffic violations. Likewise, while regulation requires operators to discard vehicles older than 20 years as a means to decrease pollution, such vehicles can still be seen running. More and more cases of police being unable to control such practices has been coming to the fore. The issue has been exacerbating since the committees and associations follow their own protocols to settle such cases. In fact, it has been seen that these organizations have a number of employees just to look over the settlement of traffic rule violations. The staff take an active role when the time comes to rescue the drivers when police take action against them. The committees and associations safeguard the drivers who enter such conflicts, which completely takes away accountability from the drivers who take little to no responsibility for the traffic violations. With regard to accountability of drivers, the FNTE states that it is their responsibility to protect their employees despite the violations that they commit, and that the operators

have to also be mindful of labor unions pressuring them for the protection of the employees.

In May of 2000, the DoTM halted the registration of new taxis in Kathmandu valley citing the rise in the number of taxis exceeding the capacity of the roads. However, the ban was not supported by any study or policy, but simply a notice from the department (Shrestha, 2015). Despite the expansion of roads and the rise in Kathmandu valley's population, the ban on new taxis lasted for 15 years, creating an impermeable barrier for aspiring entrepreneurs to enter the transportation industry. Many entrepreneurs also claimed that the halt on registration of new taxis was kept in place due to pressure from the Taxi Entrepreneur's Association to limit competition (Nepal, Rijal, & Sapkota, 2013). When the DoTM finally decided to accept applications for new taxis in the valley from August 2015, taxi operators staged protests and strikes demanding the government to withdraw the decision to add new cabs (The Himalayan Times, 2015).

### **Digitization in the transport sector and its impact on transport cartels**

The introduction of ride sharing apps like Tootle and Pathao revolutionized urban commute in Kathmandu valley. These companies provided the people relief against the inadequate public transportation services in the valley, resulting from the anti-competitive and indifferent behavior of

transport operators and associations that the daily commuters put up with for years. After the fuel crisis induced by the Indian blockade in 2015, public transport in the country became further inaccessible and expensive. Carpooling and ride sharing became normalized, which boosted people's confidence in Nepal's ride sharing startup, Tootle that first came into operation in 2016. The success of Tootle brought Bangladeshi company, Pathao into the country in 2018, further expanding the market for ride sharing services. Currently, there are several new entrants in the ride sharing business besides Tootle and Pathao providing hassle free alternatives for public transportation to commuters. Moreover, these innovative alternatives for the neglected public transport of the country have also helped in generating employment for people. As per Tootle CEO, Sixit Bhatta, around 60,000 people are registered as riders for Tootle as of April 2021. Similarly, Pathao had as many as 80,000 registered riders with around 15,000 of them actively engaged in the service as of April 2021 as per the Country Director, Asheem Man Singh Bansyat (Subedi, 2021).

Traditional public transportation services like taxis and buses instead of upping their service quality and moving ahead with incorporation of technology to compete with ride sharing platforms, resorted to boycotting the alternative transport services. The FNTE and the Nepal Meter Taxi Entrepreneurs' Association that were infuriated as the ride sharing services hampered the business of taxi operators filed complaints against Tootle and Pathao deeming their services illegal as per the country's Transport Management Act. The associations challenged the government and authorities to take action against the companies, after which the DoTM issued a notice stating that such services were illegal and the Metropolitan Traffic Police started detaining Tootle and Pathao Riders (Poudel, 2019). Time and again, the public transport operators and associations tried moving against ride sharing services, pressuring the DoTM to take action based on the outdated 28-year-old laws. However, following widespread criticism from the public, and a court order from the Patan High Court directing the government to introduce required regulatory changes, the DoTM allowed the services to resume. Nevertheless, the lack of initiation from the government to draft new laws to facilitate and regulate innovative alternative transport services along with interruptions from the existing transport operators and associations to curb competition has limited the innovation and improvement in Nepal's transport sector.



# Amendment in the DoTM's Transport Management Directive

## Role of Transport Committees in Route Permit Issuance

Pushing to end the clutch of the transport committees functioning like cartels in the industry, the DoTM unveiled a new Transport Management Directive in April 2018. The new directive amended the clause that required new entrants to receive approval from the transport committees for route permits. Likewise, a new route recommendation committee under the government was formed to provide recommendations for route permits (DoTM, 2018). This new committee comprised of two Chief District Engineers from the Department of Roads (DoR), one mechanical engineer from the DoTM, one officer from the Traffic Police, one officer from the DoR, and one engineer from the Road Safety Department of the DoTM.

## Formalizing the Public Transport Sector

As per the Federation of Nepalese National Transport Entrepreneurs, the public transport industry in Nepal is worth over NPR 1 trillion (USD 7.81 billion). However, the sector has largely been

running informally, costing the government huge amounts in tax revenues. Since public transport operators had been operating under various "transport entrepreneurs' committees", that are registered as non-profit organizations, they are exempt from paying income taxes (Pangeni, 2018). The DoTM data show that the import of buses has been increasing over the years, and commercial vehicle financing loans have also been surging – indicating that operating public transport services is a lucrative business in Nepal. Meanwhile, the government had only been able to collect vehicle taxes from these operators once a year, but had not been able to tax their incomes since they were not required to be registered as companies until now.

The new directives required public transport committees, that were registered under the Association Registration Act 1977 and the Social Welfare Act 1992, to register themselves under the Companies Act 2006 and operate as a company. Subsequently, the FNTE, accusing the government of intending to harm the transport business



by means of unnecessary control in the false pretext of the transport operators avoiding taxes, committees extorting new entrants on route permits and running syndicates, warned of retaliation, and announced nationwide strikes and protests against the government (MyRepublica, 2018).

### **Crackdowns on Transport Committees and Associations**

The government, however, took a strong stance on its efforts to end cartelism in the transport sector, coming down hard on the agitating transport operators. About 93 transport operators were booked under the Essential Services Operation Act 1957 and the government also threatened to cancel their route permits. Likewise, the Nepal Rastra Bank (NRB), Nepal's central bank directed all banking and financial institutions to freeze the accounts of the transport operators. Subsequently, the transport entrepreneurs were forced to comply with the government's efforts to formalize the sector and put an end to all syndicate associated activities (Dhungana, 2018).

Following the government's crackdown on transport syndicates, the FNTE, on 19 May 2019 directed its member associations and committees to register themselves as companies within five days. They made it clear that the umbrella organization would not be responsible for the members that did not register their firms accordingly. Data

from the DoTM showed that out of over 200,000 public vehicles both passenger and goods transports, only around 6,000 had registered at the department as companies. Despite this, the Ministry of Physical Infrastructure and Transport (MoPIT) failed to take any action against the operators and associations (The Himalayan Times, 2019). The flexibility shown by the government regarding the extension allows observers to speculate that the transport associations still have a deep grasp in the market with the power to undermine government decisions (The Himalayan Times, 2018). Moreover, not long after the DoTM was commended for breaking the syndicate system, the MoPIT transferred erstwhile DoTM Director General Rupnarayan Bhattarai, the individual behind the initiation to scrap the syndicate enforced by the transport associations and committees, to the MoPIT. This move, by the government, as per consumer rights activists, hinted that the associations and/or cartels were powerful enough to have influence within the government (Dhungana, 2018). As per an article in national daily MyRepublica, the then Minister, Raghubir Mahaseth allegedly colluded with the transport entrepreneurs in 2018 to call back Bhattarai, and allowed vehicles beyond the capacity of the BP highway to ply on the highway, increasing risk of accidents (MyRepublica, 2018).

The question on whether registering transport operators and associations as companies would solve the cartel like

patterns, continues to stay. Contradicting its “no-tolerance” policy against transport cartels, the government extended the deadline for the

associations to come under the Companies Act by almost a year till June 2019.

# Results and Findings

## Change in the Syndicate System

The amendment in the Transport Management Directive did see some impact in the syndicate system in the country. As per long distance public transport operators, the government's initiative to end the syndicate system has increased competition in various long routes. This has made it more convenient for the general public, but the local transport operators expressed that they had been facing huge losses due to the increased competition. These committees were also responsible for setting fares as they deemed fit, but this responsibility has now been handed over to the government. For instance, transport operators in Jomsom, which is a popular tourism destination, enjoyed a monopoly on passengers travelling to the region before 2018. Passengers traveling to Jomsom from across Nepal were required to change two to three vehicles to reach their destination as local transport committees barred public vehicles from other districts to operate in the area. Buses under these committees now have to compete with buses from all around the country that take passengers to Jomsom.

## Issuance of Route Permits

Although the government had been trying to control syndication of the transportation sector for a several years, and while it officially declared an end to the syndicate in 2018, the unofficial cartelling in the sector still continues as per the Nepal Police.<sup>1</sup> While the transport committees have converted into Pvt. Ltd. Companies, following the DoTM directive, they have not changed their modes of operations. Individual operators with small fleets of buses still prefer to be part of committees, since registering a separate company tends to add to their costs and legal hassles. The buses are still run and are owned by individual owners and not by committees turned companies. Furthermore, the department's full control over issuance of route permits has not made any difference as small operators still face problems when acquiring permits. Officials from the Nepal Police argue that the associations and samitis might have informal ties with DoTM officials, making it easy for big businesses with huge capital and good relations with the associations to get route permits. Similarly, operators seeking new route

[1] As per consultations with officials of the Nepal Police.

permits still have a harder time applying and receiving the permits on their own compared to those under the committees. Since the committees and associations already have resources or

contacts within the transport authorities, transport entrepreneurs who are members of such groups are easily facilitated.

**Figure 3. Process of obtaining route permits before and after the issuance of Transport Management Directive 2018**

Before	2018	After
<b>Amendment in Transport Management Directive</b>		
<ul style="list-style-type: none"> <li>• Receive recommendation from transport committees/associations to obtain route permit.</li> <li>• Apply for route permits at the DoTM with required documents (Insurance, renewed vehicle registration, road test).</li> </ul>		<ul style="list-style-type: none"> <li>• Register company at the Office of the Company Registrar. (Recommendation of transport committees/ association not required)</li> <li>• Apply for route permits at the DoTM with the required documents (Insurance, renewed vehicle registration, road test).</li> </ul>

Developed by the author

### **Strong Hold of Transport Associations in the Public Transport Sector**

The FNTE argue that the 2018 Route Permit Directive was issued without prior research. As per the federation, it was only a populist move that failed to study the impact that the decision would have on the transport sector. In fact, it was observed to have made no improvements, but instead damaged the already existing management ecosystem. Before the committees were forced to turn into companies, they had a system of pooling money from individual operators for the purpose of providing

compensation if road accidents occurred. But now, they have stopped compensating the victims of road accidents, probably as retaliation against the government's attempt to regulate them.

As per the FNTE, it is the transport associations and committees that have been looking over the development of the public transport industry when it should have been the government's responsibility. They argue that the MoPIT allocates billions of rupees for construction of transport infrastructure, but hardly any for the management and

improvement of the public transport sector. Some of the key reasons for the private sector taking control of the industry is the lack of government control mechanism, absence of a proper public transport management policy, inability of the DoTM to spread its jurisdiction and exert power over associations and the absence of public transport planning. The DoTM also lacks the required manpower as well as technologies to manage public transportation.

The FNNTE perceive the opening up of the transport sector to new entrants as a move that would only benefit banks and big business houses that import the vehicles. The government also collects billions in revenue from import of vehicles. The umbrella association accused the DoTM of failing to study the requirements, and the demand and supply of public transport services in the various routes before announcing its decision to provide route permits to any new entrant. They are bent on the belief that adding new buses and companies to

the routes would not ensure better service. The federation argues that the DoTM should first study if route permits for certain routes need to be given based on demand and supply, have companies apply for route permits based on the requirement of each route, and then allow import of vehicles that would operate on the routes.

According to Jyoti Baniya, Chair of the Forum for Protection of Consumer Rights Nepal (The Kathmandu Post, 2018), many members of the transport associations can be seen actively engaging in politics and seen to contribute money to political parties. Therefore, the inaction of the DoTM to control and manage syndicates can be said to be politically influenced. This leaves the police with very little power to enforce accountability. Moreover, political leaders are also rumored to have stakes in the transport industry. Investment of political persons in transport businesses make it difficult for improvements and implementation of regulations that would free the sector from cartel like behavior.

### **Failure to Implement the KSUTP**

The Kathmandu Sustainable Urban Transport Project, a project supported by the Asian Development Bank (ADB) envisioned a sustainable, efficient and safe transport system in Kathmandu. The project had recommended dividing the valley's routes into three categories: (i) eight primary routes that would only allow large vehicles, (ii) 16 secondary routes that would facilitate transit of mini buses and (iii) 42 tertiary routes that would allow access of three wheelers and Tempos (Nepali Sansar, 2018). However, the

the project failed to materialize and only one bus route (Sinamangal New Bus Park) came into operation under the project. The transport associations also refused to facilitate the KSUTP. As per the project completion report, while the MoPIT and other implementing agencies lacked coordination and ownership of the project, the private bus operators and the FNTE also could not be convinced to operate through a formal institutionalized mechanism (ADB, 2020).

### **Lack of Political Will and Implementation of Policies**

As per public transport stakeholders, the DoTM has not shown enough interest in implementing strict rules to improve the public transport sector or in managing the sector. Similarly, the inefficiency of the Kathmandu Valley Public Transportation Authority as well as lack of coordination among the different agencies of the provincial and central government including the DoTM, MoPIT and local governments has resulted in the mismanagement of the public transport sector in Kathmandu valley. The government has set certain standards and rules for the efficiency of the public transportation system and avoidance of syndicates, but there seems to be little being done on the implementation and monitoring part.

Public transport operators also argue that the government's plan to bring the transport sector into the income tax bracket is flawed, as it would have a negative impact on small self-employed transport operators that make up 65% of the sector.<sup>2</sup>

Self-employed transportation operators like tempo drivers and taxi drivers having to manage a separate company would put a heavy burden to their costs. The associations are also against the government fixing different fares for different regions of the country despite all the operating costs like fuel, wages, prices of vehicles, maintenance costs and taxes being the same across the country. Under pressure from the association, the government increased fares by up to 28% in September 2021.

Operators and other stakeholders in the public transportation industry have complained that there is no dedicated government agency that specifically looks after the public transport ecosystem as a whole. The FNTE contends that the DoTM's poor handling of the transportation industry created space for transportation platforms such as Pathao and Tootle to enter the market. However, with no laws to govern these ride sharing apps, the line between public and private transport has been blurred, which has further fractured the power dynamics within the transport ecosystem.

[2] As per stakeholder consultations with the FNTE.

# Recommendations

Based on the findings of the study, the following recommendations have been made in order to regulate and improve the operations of the public transport sector of Kathmandu valley.

The recommendations would help improve accountability of public transport operators and associations, while addressing their concerns as well.

- Officials at the Nepal Police believe that more authority should be given to the police in order to regulate stricter regulations that impose higher fines for violations. They believe that doing so would allow DoTM to hold the transport sector more accountable.
- Incorporate newer technologies, such as enabling digital payments, tap-and-go cards, GPS tracking systems, etc. to regulate and enhance public transportation.
- Establishing a vocational/technical education package, including moral education for those aspiring to work in the transport sector would help increase a sense of responsibility and accountability among drivers and employees.
- Institutionalizing such education in a PPP model with proper monitoring from the regulator would help improve and further develop the transport sector.
- The government should investigate the possibility of taxing operators based on the number of seats in the vehicles in order to formalize the public transport industry as opposed to applying the same income tax and customs duty to all transport companies.
- Restructuring individual owners that operate the buses under the committees turned companies as shareholders would also solve the problem of formalizing the sector.
- A strong regulatory body is needed to govern the transport ecosystem as the public transport industry is one of the biggest employer in some way or the other. The public transport operators have also suggested to create an autonomous body/unit under the DoTM for management of public transport alone, similar to the Nepal Telecommunications Authority (NTA) or the Nepal Electricity Authority (NEA).
- Likewise, the separate body could also study the possibility of mass transit systems like BRT and MRT and look into integration of the various transport networks available.



# Conclusion

It can be concluded that the government's attempt to formalize the public transport sector and end the practice of syndicates has been ineffective. The lack of implementation and monitoring from the government's side has allowed the private sector to continue working around cartels. Stakeholders believe that cartel like phenomenon in the transportation sector is not alarming as other sectors in Nepal also tend to operate similarly, so, it is just a matter of managing it effectively since it cannot be completely eradicated. Public transport operators believe that an all-out competition is not desirable in the public transport industry as it compromises the safety and comfort of passengers.

Evidently, the FNTE always lobby on behalf of its members and hope for better earnings of its members just like any other association. The government expects the private sector to provide the best of services at cheap prices while it has failed to provide even the basic transport infrastructures like bus parks/stations. The operators argue that the public transport sector is not as profitable as it seems due to high initial costs, high fuel prices, and the government setting prices. However, operators still find loopholes around the system to earn money. As per stakeholders from the public transport industry, one cannot expect the private

sector to finance public transport sector as a whole and expect them to not earn profits. This results in what is being currently seen, bad service, use of old vehicles and overcrowding. The FNTE mention that they are keen on working with the government to improve the public transport sector if the government initiates programs to facilitate the improvements, but it can be seen that they themselves have not facilitated such initiations.

Stakeholders believe that neither total competition nor a totally government-controlled transport system is desirable, therefore, a hybrid system is what the government should aspire for. A PPP model or a cooperative model that would allow stakeholders to work collaboratively would be necessary for an efficient transport system. A strategy that can be introduced to improve the transport system in Nepal would be to encourage transport operators to compete for route permits through tenders instead of competing for passengers. For a system like this to function, strict monitoring is required to keep a check. Additionally, politicians play a critical role in bringing about change and ending cartelism as the DoTM cannot enforce any regulations effectively unless political leaders take active role in it. Ultimately, accountability and responsibility of ending syndicates and cartelism in the public transport



sector needs be taken up by the public. It is the public that are the end consumers of the services, therefore, the public should be made aware of their road rights and how they can file complaints to have their concerns about public transportation addressed by the government. Similarly, consumer rights protection groups and civil society

groups need to actively advocate for the end of syndicates and cartelism in the public transport sector. Likewise, stakeholders also highlight that if any autonomous body is formed for the regulation of the sector, it should be chaired by the representative of the people.

# Works Cited

ADB. (2020). Nepal: Kathmandu Sustainable Urban Transport Project (Project Validation Report). Asian Development Bank.

Agbibo, E. D. (2022 ). How Informal Transport Systems Drive African Cities. *Current History*, 119(817), 175–181.

Cheeseman, N., & deGramont, D. (2017). Managing a mega-city: learning the lessons from Lagos. *Oxford Review of Economic Policy*, 33 (3) 457 – 477.

Clean Air Network Nepal. (2014). Public Transportation in Kathmandu Valley: Restructuring and Reforming the System. Kathmandu: Clean Energy Nepal.

Dhungana, S. (2018, May). Man who crushed transport syndicate transferred. Retrieved from The Himalayan Times: <https://thehimalayantimes.com/business/man-who-crushed-transport-syndicate-transferred>

Dhungana, S. (2018, May). Transport entrepreneurs pen five-point pact. Retrieved from The Himalayan Times: <https://thehimalayantimes.com/nepal/transport-entrepreneurs-pen-five-point-pact>

DoTM. (2018). Route Permit Directive 2018. Department of Transport Management.

Gorham, R. (2017). *The Urban Transport Crisis in Emerging Economies*. Springer.

Gyanwali, K. (2011, October 18). Rajdhanimai Syndicate (in Nepali). Retrieved from E-Kantipur: [http://www.ekantipur.com/kantipur/news/news-detail.php?news\\_id=254343](http://www.ekantipur.com/kantipur/news/news-detail.php?news_id=254343)

Katahira & Engineers International & Full Bright Consultancy. (2015). Road Transport Safety and Axle Load Control Study in Nepal: TASK A-4/Route Approval and Permit Procedures. Kathmandu: Department of Transport Management.

Klopp, J. M., Harber, J., & Quarshie, M. (2019). A Review of BRT as Public Transport Reform in African Cities.

MoPIT. (n.d.). Motor Vehicles and Transport Management Act 1993 (First Amendment). Retrieved from <http://www.ccwb.gov.np/uploads/Resource/Lawpolicies/Act/motor-vehicles-and-transport-management-act.pdf>

My Republica. (2018, April). Transport entrepreneurs accuse of intending to damage transport business. Retrieved from My Republica: <https://myrepublica.nagariknetwork.com/news/transport-entrepreneurs-accuse-of-intending-to-damage-transport-business/>

My Republica. (2018, June). What Does He Want? Retrieved from My Republica: <https://myrepublica.nagariknetwork.com/news/42815/>

Nepal Economic Forum. (2011). Study on Impact of Transportation Monopoly: Report on the Roads Goods Transport Industry of Nepal. Kathmandu: USAID.

Nepal Economic Forum. (2018). Understanding the Cartel Economy. Lalitpur: Nepal Economic Forum.

Nepal, A., Rijal, P., & Sapkota, S. (2013). Competition Watch in Key Growth Sectors of Nepalese Economy. Samriddhi Foundation.

Nepali Sansar. (2018, October). New Transport System to Address Traffic Woes in Kathmandu Valley. Retrieved from Nepali Sansar: <https://www.nepalisansar.com/news/new-transport-system-to-address-traffic-woes-in-kathmandu-valley/>

Pangeni, R. (2018, May ). Rs 1 trillion public transport industry doesn't pay income tax. Retrieved from My Republica: <https://myrepublica.nagariknetwork.com/news/rs-1-trillion-public-transport-industry-doesnt-pay-income-tax/>

Poudel, U. (2019, November). Govt steps up crackdown on Tootle, Pathao. Retrieved from The Himalayan Times: <https://thehimalayantimes.com/kathmandu/govt-steps-up-crackdown-on-tootle-pathao>

Shrestha, A. (2015). Regulatory Reform in Transportation Services: Revisiting taxi licensing in Bagmati zone. Samriddhi Foundation.

Sohail, M., Maunder, D., & Miles, D. (2004). Managing public transport in developing countries: Stakeholder perspectives in Dar es Salaam and Faisalabad. International Journal of Transport Management, 2. 149-160.

Starkey, P., Hine, J., & TRL. (2020). Rural transport services: operational characteristics and options for improvements. Phase 3 Report. Interactions: Maintenance and Provision of Access for Rural Transport Services (IMPARTS) Project. London: ReCAP for DFID: ReCAP GEN2136A.

Subedi, K. (2021, April). Ride-sharing platforms offer relief to Nepal's urban population. Retrieved from My Republica: <https://myrepublica.nagariknetwork.com/news/ride-sharing-platforms-offer-relief-to-nepal-s-urban-population/>

The Himalayan Times. (2015, August). Govt receives over 4,000 applications to register 1,850 taxis. Retrieved from The Himalayan Times: <https://thehimalayantimes.com/business/govt-receives-over-4000-applications-to-register-1850-taxis>

The Himalayan Times. (2018, July). Govt shows flexibility to transport bodies. Retrieved from The Himalayan Times: <https://thehimalayantimes.com/business/govt-shows-flexibility-to-transport-bodies>

The Himalayan Times. (2019, May). FNTE urges members to register as company within five days. Retrieved from The Himalayan Times: <https://thehimalayantimes.com/business/federation-of-nepali-national-transport-entrepreneurs-urges-members-to-register-as-company-within-five-days>

# NEPAL ECONOMIC FORUM

---

P.O.Box 7025, Krishna Galli, Lalitpur - 3, Nepal  
Phone: +977 1 5548400 [info@nepaleconomicforum.org](mailto:info@nepaleconomicforum.org)  
[www.nepaleconomicforum.org](http://www.nepaleconomicforum.org)

