

Urban rail for all---Adopt PPP to achieve sustainable and inclusive Urban Rail development in China

by: Hongye Fan, Chairman Assistant of China Metro

Good Evening everyone, I am very glad to be here representing China Metro. China Metro is a private investor and operator focusing on urban rail PPP projects in China. Today I am here to share our thoughts on how adopting PPP models could help optimize urban rail as a public service, and more specifically, about how it can be more people-oriented.

Not long ago, I thought urban rail did well in serving people at all levels compared to other means of public transport, until I realized that there are about 100 million disabled people in China, and how often have I met a disabled person in the metro? Very rarely.

I looked up the issue online and an article dating back to 2007 caught my attention. Ms. Ruan, who was disabled and sat in a wheelchair, went to several metro lines in a city and found there was no way for her to enter the stations, as they provided no access for physically disabled persons. So she sued the city metro company for depriving her citizen's right of taking the metro. The charge was rejected because having accessible facilities for disabled people was not included in the regulations and contracts of that metro operator. Only after this lawsuit did the metro company start paying attention to this issue and improved the accessibility to their new stations.

This story made me reflect: Why can't we take the demand of disabled people into consideration before they sue us?

My answer: our metro companies are good at managing people, but what we lack is the sense to serve. Almost all of our metro operators in China are government subsidiaries, and they are tend to carry out orders and act only within the rules and regulations that govern their operation. They seldom take initiative to go beyond their mandated obligations, like the metro company that was sued.

To be fair, this is not entirely the metro companies' fault. When China built the first metro in 1960s, the central government assigned the metro project to the military team for the sake of national security. In the 1980s, it was converted into a city government owned company. Empowered by the city government, metro companies gained rights to invest in and operate urban rails, without competition, a model that still prevails today. The investment comes from fiscal revenue or borrowing based on the city government credit. It is the government who takes the ultimate obligation of debt repayment, not the company. It is the government who covers all operational lost, not the company.

Thus, we see a mismatch between rights and obligations, and the vague boundary between being an enterprise and a government. As a result, it is difficult to fulfill an effective contract between the government and the company. Not as effective as between a government and a private company.

This development model resulted into a huge scale of local government debt, which amounts to about 15.4 trillion RMB to the end of 2014.

Recognizing this challenge, the central government designates PPP as a tool for reform and innovation of public service supply.

Considering the market scale, population structure and developmental stage of infrastructure, PPP has a unique significance in China, which equals to a successful reform known as “Bao Chan Dao Hu”, a more international interpretation is the reform of property rights system.

Actually, the traditional state-owned metro company model completed the first step of Bao Chan Dao Hu, because the city governments contract the urban rail projects to city-owned companies. This enables an amazingly quick development of urban rail network construction, facilitating the evolvement of a highly competitive market of infrastructure construction.

PPP is the second stage of Bao Chan Dao Hu. In this stage, city government brings in competition into infrastructure investment and public service operation. And the contractors change from city-owned metro companies to private companies such as China Metro, who can invest their own money and also operate the metro by themselves.

Private companies are the union of people. Developing the private sector and protecting private companies’ rights is a conduit for maintaining people’s rights, and as such a key aspect of People-first PPP. Private companies and people share equal status in society. This makes private companies better service providers, and allows for people's effective supervision of them.

Private companies use their own capital to invest, take the ultimate obligation of a project company’s debt, get returns from good operation, will and must fulfill effective contracts with the government. Because private companies are not the governments’ children, if making any mistakes, it won't be pardoned by a paternal government. So the government can strictly hold us accountable based on contracts without any hesitation. This fundamentally solves the mismatch between obligations and rights. And private companies are motivated to save cost and continuously optimize service.

How could we strengthen the motivation by project-wide scheme design? Our company has some experience. We recommend a subsidy system, in which a city government and we agree on a cap for annual subsidy according to existing operational cash-flow imbalance data. If the real loss is more than what was agreed, we will bear the extra loss by ourselves. By improving service, we will reach a breakeven point of operational cost and revenue. That is the starting point when government pays us reasonable return as a reward of good work. In addition, we will also apply cutting-edge technologies to improve the profitability of urban rail, and use the revenue from that investment to compensate the operational loss.

China is an open-minded country. China Metro is an open-minded enterprise. China is actively sharing the experience and lessons learnt from the whole World. China Metro invites the investors and operators from all over the world, to join this round of reform together, and make a difference towards urban rail for all. I firmly believe that the application of “People first” PPP will enhance competition in urban rail development and incentivize developers and operators to provide better services for their customers, including Ms. Ruan whom I hope will enjoy metro access in all China’s cities in the future.

Chinese Translation:

全民的城市轨道交通：通过 PPP 实现中国城市轨道交通的可持续和包容性发展

女士们，先生们，大家好，很荣幸今天我可以代表中轨集团，在这里与各位分享有关城市轨道交通 PPP 的一些思考。中轨集团是一个民营的轨道交通投资运营商，专注于中国城市轨道交通的 PPP 项目。我们想与大家探讨一下，如何通过 PPP 模式，优化城市轨道交通的服务水平，服务城市所有居民，实现以人为本。

相较于其它的公共交通方式，城市轨道交通在服务各个居民群体方面，已经做到很不错了，但还有很多提升的空间。比如，中国的残疾人人口约一个亿，而当我向周围的朋友问起，你坐地铁的时候有没有遇见过残疾人？大家的答案都是几乎没有过。

我在网上开始查阅一些相关资料，并注意到这样一则新闻。在 2007 年，一位残疾人，阮女士，乘坐着轮椅到了几个地铁口，却发现都没有办法进去。她很无奈，于是向法院告了地铁公司，认为其剥夺了她乘坐地铁的权利。法院驳回了诉讼，理由是为残疾人提供无障碍设施，并不包含在地铁公司运营合同的范围内。不过，因为这起诉讼，地铁公司着手改善，开始为残疾人提供地铁无障碍设施。

这件事让我反思，为什么我们不能在这个残疾人士起诉地铁公司之前，就想到应该为他们提供这样的服务呢？

在中国，地铁公司是政府下属机构，并未通过任何竞争便获得了投资、建设、运营地铁的权利。地铁公司成立之初就作为管理主体而非服务主体去执行政府的指令，按照政府给它们设定的规章制度、评判标准去完成地铁的管理任务。管理和服务是立场和思维的区别，在现有地铁公司的机制安排下，是很难有所转变的。

事实上，我国城市轨道交通的管理主体从一开始就是行政单位而非企业。从 20 世纪 60 年代，中国修第一条地铁的时候，就把地铁作为战备工程，把任务交给了军队。一直到 80 年代，地铁投建运的主体，才从一个完全的政府机构，转变成了当地政府所有的企业。这对于城市轨道交通的发展无疑是一大进步。

但这一模式却产生了权责不清，政企不分的问题。因为投资地铁的钱来自于财政资金和以政府信用为基础的借款，地铁的运营由财政兜底。政府承担了地铁运营的终极债务责任和所有的运营亏损，而不是企业。这样的模式助长了地方政府债务的激增。2014 年底，中国地方政府债务已经达到了 15.4 万亿。

意识到这个问题和挑战，中央政府引入了 PPP，作为改革和创新公共服务的重要手段。在中国当前的市场规模，人口结构和基础设施发展阶段下，PPP 的意义可以与当年的包产到户相提并论。

其实，地铁公司的模式已经完成了基础设施包产到户的第一步，把基础设施和公共服务从政府公办公营交到了政府所有的地铁公司上。这显著地促进了城市轨道交通网络的快速发展。同时，地铁公司通过公开招标选择施工单位，也促进了工程建设行业的高度竞争和市场化。

PPP 是我国基础设施包产到户的第二个阶段。在这个阶段，政府更进一步，将基础设施和公共服务通过市场竞争的方式交给最有实力的投资、运营商。哪个社会资本有最好的服务水平和最高的投资效率，哪个社会资本就胜出，成为基础设施和公共服务的供给方，全面负责基础设施和公共服务的投资、建设、开发、运营和管理。为了最大化地发挥 PPP 模式的作用，让权责对等、政企分开，社会资本方应优先选择民

营企业。

民营企业是人民的集合。发展民营经济、保障民营企业的权利就是保障民众的权利，这是以人为本的重要部分。民营企业会更好的去服务民众，因为民众满意，民营企业才能获利；同时，也让民众能够更加严格地对基础设施和公共服务的提供方进行有效地监督、约束。

民营企业自主投资自主运营，承担项目债务，承担项目投资运营的终极风险。所以，民营企业只能通过优良的运营才能获取收益，并且必须严格履行与政府达成的合同、契约，因为不能履约，就会受罚，所以民营企业有充分的动机和激励来节省开支，优化服务并不断创新。

那么，在 PPP 项目层面上，应该如何通过模式设计，激励社会资本提高服务呢？

这里我介绍一下中轨的方案。城市轨道交通由于其投资量大，公共服务属性较强，通常在运营过程中都会产生运营现金缺口，需要政府补贴。而我们设计和推荐的补贴方式为补贴上限预算下的动态财政补贴机制。在这样的机制下，首先，社会资本方和政府基于既有的运营数据，设置一个运营现金流缺口补贴的上限，每年政府对轨道交通 PPP 项目的运营现金流缺口补贴不超过这个上限，超过了由社会资本自行承担。而在社会资本实现了运营现金流的收支平衡，每年没有现金流亏损的时候，政府再为民营企业提供合理回报补贴，奖励其优质的运营。建立这样一个机制的结果就是政府不兜底，不多补，而企业要获得收益的前提是为政府节省财政开支，提高运营效率。这样，才真正实现了符合中央精神、在地方又能落地的 PPP 模式的初衷。而从我们中轨的角度来讲，我们致力于轨道交通产业的集成和市场化经营，我们会引入世界领先的技术和创新手段来进一步提高地铁运营的效率，开拓轨道交通市场化经营的路径。

中国是一个开放的国家，中轨是一个开放的企业。中国改革开放以来从全世界吸取了各国在发展建设过程中的优秀经验，同时也向世界分享自己在建设过程中取得的经验和成果。中轨作为中国轨道交通行业唯一的产业资本，也非常欢迎来自世界各地优秀的专业投资者、运营商共同参与到中国的这轮 PPP 发展中，共同为中国轨道交通事业的发展做贡献。相信在我们共同努力下，我们一定能够实现以人为本的 PPP，也一定能让前面提到的阮女士和所有人一样方便、快捷、舒适地享受我们城市的公共服务。