The Economics of TransMilenio, a Mass Transit System for Bogotá

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Latin America has implemented a variety of urban public transportation systems featuring both public and private provision, as well as different types of market regulation ranging from almost total liberalization to intervention in fares, route allocation, bus size and service quality, and exclusive road lanes. This paper analyzes the experience of Bogotá, Colombia, where a new hybrid system of urban public transportation, called TransMilenio, was implemented at the beginning of this century. The new transit system combines public planning of the network structure, route tendering conditions, regulation, and supervision, as well as separate private operation of revenue collection and transport service. This model emerged from long, failure-ridden experiences with fully public provision, as well as private ownership, liberalization, and market competition. Its adoption seeks to resolve market and policy failures that characterize mass transportation systems in many developing countries. We conduct a cost-benefit analysis of the first phase of the system. The new organization has had a sizeable impact on TransMilenio users by improving traveling conditions significantly. In addition, congestion, pollution, and traffic accidents have plummeted in TransMilenio corridors. However, the type of transition adopted for the transport corridors not yet covered by TransMilenio has caused unforeseen negative spillovers, as a result of slow scrapping rates and bus and route relocation. Political economy considerations partly explain the particular transition implemented. Consequently, although the cost-benefit analysis for the first phase of the corridors covered by TransMilenio is positive, the net effect after including these additional measures is found to be negative, primarily as a result of increases in travel time for passengers using the traditional transport system. To minimize the negative spillovers during the full implementation of TransMilenio, which is expected to last until 2015, the traditional and the new system should be integrated, and strict regulation of the traditional public transport system should be crafted. These recommendations apply for other Latin American and Asian cities that might attempt reforms of their urban public transportation systems.