



Fuente: transcaribe.gov.co

# RESTRUCTURING AND DEVELOPMENT OF PUBLIC TRANSPORTATION: Colombia's experience

Cartagena's TransCaribe Integrated Mass Transit (SITM) System has confronted important challenges over the past few years in Colombia that have recently compromised its viability due to discrepancies between the system's initial projections and the actual results.

The TransCaribe SITM System constitutes a basic axis of the urban mobility infrastructure of the district of Cartagena and plays an essential role in the promotion of the socioeconomic development and connectivity of that Colombian region. During the implementation of the SITM, TransCaribe confronted multiple challenges that impacted its continuity and sustainability. For example, the expected passenger demand did not arise as projected, a situation

that only worsened during the COVID-19 pandemic, with the result that occupation levels dropped drastically.

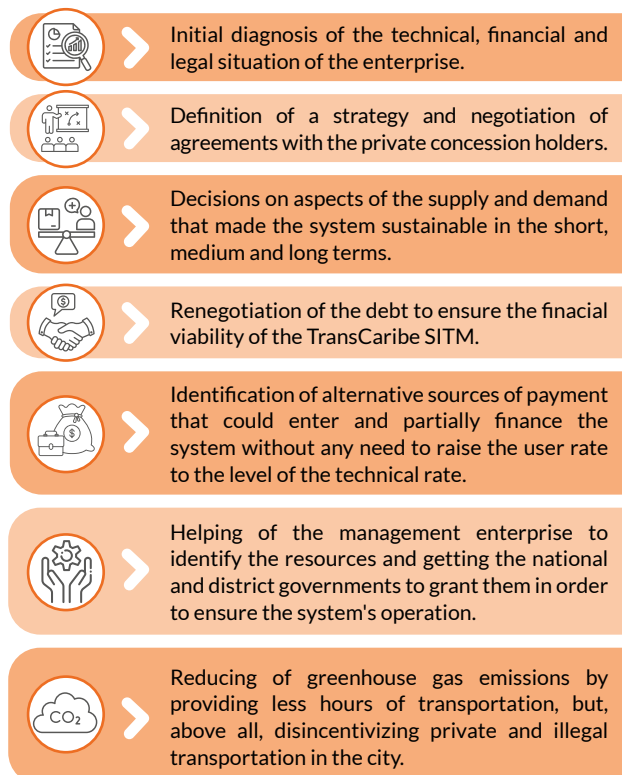
Between the years 2020 and 2022, the concession contracts signed by TransCaribe were at an intermediate stage of regular operation, without reaching the SITM referential demand and without fully separating the Collective Public Transportation (CPT) vehicles, which led to a reduction in the system's income. These conditions resulted in the

## Sustainable transportation

financial collapse of the operation of the TransCaribe SITM, creating problems that affected the continuous provision of the public transportation service in the city of Cartagena. These problems involved risks due to multiple operational, financial and economic contingencies, as well as legal challenges with a negative economic impact.

In this context, the city of Cartagena, the city's private professional groups and the TransCaribe enterprise requested technical assistance from Financiera de Desarrollo Nacional's (FDN) Structuring and Investment Banking area for the system's technical, legal and financial restructuring. This FDN program was executed in order to reach agreements with the concession holders so as to avoid decisions contrary to the public interest in the arbitration courts, restructure financial obligations, recommend technical and operational aspects of the demand for and supply of the service, and analyze and propose alternative sources of payment. FDN took charge of structuring this program in line with the Sustainable Development Goals, a basic pillar of this Colombian development bank. Within this line of endeavor, the technical assistance project centered on boosting inclusion, equality and diversity in the areas of work, as well as on promoting environmental sustainability. All of this was done, in order

**Figure n.º 1: CONTRIBUTIONS TO THE FDN TECHNICAL ASSISTANCE PROGRAM**



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to ensure the continuity of the service and, above all, the system's viability in the medium term.

This effort enjoyed the support of the British government under the «Prosperity Programme». This program's resources permitted the hiring of technical consultants, experts in urban mobility systems and demand models based in Spain, together with top-level legal advisors in Colombia. The analysis and formulation of alternative proposals by FDN was also financed and this institution assumed responsibility for integrating all of these elements and accomplishing the established objectives.

The British government also facilitated the inclusion of the highest standards of gender equality, inclusion and diversity, using methods tested and proven in Great Britain and other countries. This ensured that the project not only complied with its technical and financial objectives, but also promoted basic principles of social justice and environmental sustainability.

In this sense, the technical assistance produced important benefits for the city of Cartagena. Agreements were reached with the concession holders that avoided unfavorable decisions in the courts of arbitration, thereby ensuring continuity of the service and avoiding the liquidation of TransCaribe. These measures were complemented by negotiations with the national government and the district of Cartagena to resolve the financial crisis and restructure the debt.

As part of the measures taken, the Cartagena mayor's office restricted the use of motorcycles on specific avenues to

fight illegal transportation. Plans have also been made to transform the TPC into a TransCaribe feeder system that would later transfer control of the service to the two private concession holders and broaden the offer in areas with a greater demand. Important alternative sources of payment have been introduced to keep the system sustainable, thus reducing the gap between the technical rate and the user rate and avoiding unsustainable increases for the users.

FDN's implementation of this program leaves valuable lessons learned. The situation as it stands is that despite the difficulties faced by the mass transportation systems in both Colombia and the region for many reasons, it is crucial to restructure those systems in order to avoid setbacks and difficulties that mainly affect the most vulnerable population sectors. Cartagena's case can serve as a model for other intermediate cities and FDN is already at work on possible systems for cities in the country, like Pereira, Bucaramanga, Cali and Pasto.

To order to execute a similar program, several key aspects must be considered. First, a thorough diagnosis must be made of the financial and operational system. Then recommendations and adjustments are needed in both the service offering --in other words, in the routes and frequency of the trips-- and the promotion of the demand, in an effort to reduce illegal transportation and unfair competition. The initial restructuring of the financial situation should contain contributions from the city and the country, accompanied by rate adjustments in keeping with the economic situation of the most vulnerable population. Also of basic importance is the identification and formulation of alternative sources of income for the system, ensuring its sustainability and viability in order to allow for the fleet to be expanded with the addition of electric vehicles.

Social and environmental aspects must also be included. This means prioritizing the operation for the most vulnerable population and the most marginal neighborhoods, reducing travel time by adopting efficient routes, and designing and including aspects of gender equality. The reduction of emissions by the existing fleet and the creation of favorable conditions for the future reduction with zero emission vehicles are equally important. These measures not only seek to improve the efficiency and sustainability of the mass transportation system, but also to ensure a positive impact on the quality of life of the most needy population and on environmental conservation.

## Figure n.º 2: BENEFITS OF THE FDN TECHNICAL ASSISTANCE PROGRAM

Agreements were reached with the concession holders to avoid adverse decisions in the courts of arbitration; this permitted service to continue and avoided the enterprise's liquidation.

Agreements were reached with the district of Cartagena and a negotiation was conducted with the national government to resolve the financial crisis and be able to agree upon some debt restructuring.

In operational terms: (a) in 2022, the Cartagena mayor's office issued a decree restricting motorcycle use on the city's principal avenue (Pedro Heredia Avenue), thereby limiting illegal transportation by mototaxis; (b) the TPC restructuring proposal is under review with the new city administration to make it operate as a feeder and not compete with the TransCaribe; (c) TransCaribe's role as operator will be eliminated as of mid 2024 and the service will be handed over equitably to the two private concession holders, and (d) the service offering will be increased in areas with a greater demand and need.

Important alternative sources of payment were established that make it possible to reduce the gap between the technical rate and the user rate without having to resort to increases beyond the users' means.



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