# The Rise and Fall of the Love Bus (and the Ghosts of Bus Reforms Past)

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**Abstract:** In the 1970s, bus reforms became the rage among ASEAN cities. Metro Manila undertook its own bus reforms that were similar in intent and form, and yet different in substance and results, to what other Asian capital cities did. The Love Bus became its symbol – a short-lived success story on the streets of Metro Manila. This paper discusses its rise – and more importantly, the reasons for its fall as well as the waft of reforms that rippled through the public transport system. Its demise was followed by a 2<sup>nd</sup> wave of reforms that was supposed to establish a new regime but ended up as a restoration of the old. A distinctive feature of 1<sup>st</sup> wave reform - the consolidation of multiple service providers into fewer entities - is now replaying under a 3<sup>rd</sup> wave of reforms with uncertain outcomes. Breaking out of the Sisyphean fate of chaotic urban public transport (that has persisted over 40 years) will require: (i) deeper appreciation of the lessons from past reforms; (ii) constancy to a vision grounded on the local realities of competition, public-private roles, and regulatory capacity; and (iii) adding ITS into the policy mix.

*Key Words:* Bus Reforms, Love Bus, Modernization, Industry Consolidation, Transport Regulation, Transport Policy

#### 1. INTRODUCTION

Reforming the bus mode of transport in cities of the developing world is an old, albeit recurring, challenge. To those familiar with the bold reforms that swept many Asian cities in the past, the current stirrings appear  $d\acute{e}j\grave{a}$  vu – if not a ghost that refuses to go away.

This paper recounts the bus reforms instituted in Metro Manila sometime in the mid-1970s as a prelude to current discourses on improving a decrepit public transport. Epitomizing those reforms was the Love Bus. It burst into the scene in 1976, captured the hearts of jaded commuters, and then flickered out after a decade of "bright shining moments." Its secrets have not been revealed, except for occasional research papers that tried to explain its demise in unflattering terms, and in the process overlooked the "many innovations and lessons" that it engendered.

With a ringside view, this author brings out hitherto unknown facets about the rise and fall of the iconic Love Bus, and the 'radical' reforms that transpired during that period. They provide invaluable lessons - as well as a cautionary tale - to current reformers and to other third world cities attempting to modernize their urban public transport system.

## 2. AN OLD (AND CURRENT) PROBLEM

Fixing the public transport problem is nothing new. Nor unique to Metro Manila. In the mid-1970s, for some reason, bus reforms were the rage across Asia. None of the ASEAN cities then had mass transit to speak of. All were in the throes of urbanization. What passed for public

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transport were thousands of mini and micro buses – with such endearing names as *jeepneys*, *song taew*, *angkot*, *minibas*, or *selman*. They looked chaotic, an anachronism to visions of a modern city. To reformists, it had to go; to be replaced with modern vehicles, operated by an integrated organization.

Starting with 24 private and 2 public bus companies, Bangkok opted for a public transport monopoly under a Bangkok Mass Transit Authority following the recommendations of European consultants (BMTA, 2020). This reform sputtered from the get-go. Singapore took a phased approach - merging several bus operators into three, and later into one entity called Singapore Bus Services Ltd. Jakarta forced out the low-capacity *opelets* in favor of city-owned stage buses. Kuala Lumpur followed the deregulation path under a World Bank project and opened the doors to privately-owned mini-buses in competition with nine stage bus companies (Barter, 2010). Manila, in steps with Bangkok and Singapore, took the integration road by creating a state-owned bus company. However, in the case of Manila, the path morphed into something else.

### 3. FIRST WAVE OF BUS REFORMS

### 3.1 into the Business of Bus Services

Public transport in the Philippines evolved as private enterprises from the ashes of WW2. Government's failure to revive an extensive pre-war Manila tram system left a void that was filled by the jeepneys – adapted from left-over US Army jeeps - that continued to dominate Philippines transport up to the present.

Hence, the creation of Manila Transit Corporation in 1975 was a radical departure. For the first time, the public sector has entered and decided to invest public monies into the road-based public transport sector. Under its charter, the company's mandate was unequivocal: "integrate all transport operators into one corporate entity" (PD No. 492 cir 1974). In short, set up a regime akin to what prevailed in Europe and USA, and very similar to the directions that Singapore and Bangkok had taken during that period.

The integration directive, however, took a path away from nationalization. The change can be attributed to two officials with innate aversion to monopoly. One was an unorthodox bus manager, who earned his spurs from the school of hard-knocks in the provincial bus operations of Bicol and was at the helm, at that time of his appointment, of the best-run urban bus company in Manila. The other was the head of the transport ministry, to which Manila Transit was attached; he was a technocrat-businessman who built his fortune in the private sector. This author provided the rationale for the apostasy, in the form of a Bus Consortia program (LOI, 1975) and the exclusion of the jeepneys from the integration coverage.

The shift altered the vision for Metro Manila Transit Corporation: to be one of several players that can set the tone for better transit service and to spearhead modernization, rather than be the sole provider of bus transit services.

## 3.2 The (Accidental) Conception of Love Bus

To make a difference, it was decided that air-conditioned monocoque buses will operate on a flat fare and a fixed schedule. Make the service attractive to car users that the commuting masses will love. The company's Board of Directors expressed initial misgivings about its viability, but nonetheless gave their grudging imprimatur.

As a kind of branding, the new bus service was dubbed the **Love Bus** (see Figure 1). The name got its inspiration from a popular Hollywood movie of that time, the "Love Bug". Appropriately, the blue buses were emblazoned with red hearts. As is normal in government

projects, the launching was to be conducted in the Presidential palace. When the then Governor of the Metro Manila Commission (and First Lady of the country) saw the buses with red hearts, she immediately co-opted the Love Bus as her project. Thus, the identification of the Love Bus as her baby.



Figure 1. Love Bus in the 1970s

To everybody's surprise, the 'adopted child' became a runaway success. Commuters lined up (again, a novel phenomenon at that time) to wait for a ride. The first route was Escolta-Makati, the two CBDs of the era. Departure times were maintained. As it expanded, it also became the most profitable product line of MMTC, such that the private bus consortia felt envious and lobbied for its discontinuance and for the company to concentrate on developing new, as well as missionary, routes.

Everybody fell in love – literally and figuratively - with the Love Bus. From 1976 to 1983, the Love Bus became the icon of what a good public transit system should be. At its peak, MMTC was operating more than 700 buses (of which 299 were Love Buses), constituting 25% of the total fleet in the market. It experimented on new routes, express with limited stops, and regular/economy lines with multiple stops - without requiring prior approval or permit from the transport regulator. MMTC also had the freedom to set its own fares. In contrast, all private bus operators in Metro Manila and in the provinces were heavily regulated. This managerial freedom sans pressure to meet a threshold ROI could account for the innovations epitomized by the Love Bus.

### 3.3 Seeds of Decline

The rapid fleet expansion over a short period created internal problems and invited external interests from salivating vehicle suppliers. The original plan was to limit the number of brands or models to three - based on performance, standardization, and exigencies of maintenance and operating efficiency. Thus, it started with three brands (Hino, Mercedes Benz, Volvo). Against the wishes of management, the fleet expansion brought into its stable untested brands (e.g., Ford, Fiat, and 4 other makes) and with it, higher operating costs per revenue-kilometer. The fall-out: the profits generated by the Love Bus got dissipated.

The MMTC was also entrusted with the mission of financing the fleet modernization of the private bus consortia. The 1<sup>st</sup> bus leasing program was followed by a 2<sup>nd</sup>, and a 3<sup>rd</sup> and a 4<sup>th</sup> tranche. While the first two were relatively successful, the 3<sup>rd</sup> (in the early 1980s) and the 4<sup>th</sup> (called the Bus Installment Procurement Program, 1989) pushed the company to the brink. The contrasting outcomes had an explanation. The first two leasing tranches (1976-1980) left the decision to the borrower on what brands and models to choose from. In the case of the 3<sup>rd</sup> and 4<sup>th</sup>, the recipients had their choses of actions circumscribed. The 3<sup>rd</sup> imposed a 3<sup>rd</sup> party contractor as maintenance provider, while the 4<sup>th</sup> tranche pre-selected 400 China-made buses unsuited for urban bus operations and untried in the Philippines and other parts of Asia. Seeing the danger, the 14 bus consortia refused to take up the units; leaving the government no option but to unload the buses to willing (and new) operators. Within 2 years, the new buses conked out which the bus lessors then used as an excuse to withhold lease payments and to return the dilapidated units. In anointing new bus players, the government effectively abandoned the bus consolidation program. It made the land transport regulator – who got sidelined by the program - happy at regaining its gatekeeper role.

As the loan guarantor and conduit for the bus leasing programs, MMTC's balance sheet suffered heavily. Its own bus operations became a casualty of the leasing activities.

The change in political winds (after 1986) was the 3<sup>rd</sup> seed. The Love Bus identification with the old regime became a liability. Its huge financial losses were cast as a result of bad management, even profligacy, rather than a product of bad transport policy (government chose to fund capital upgrades, instead of or in tandem with fare adjustments in recognition of market fundamentals).

By 1990, MMTC was under 'intensive care' without lifeline support. It did not help that subsequent managers held no candle to its founder. It's last asset - a prime land used for depot – got auctioned off.

### 3.4 Requiem for Unheralded Reforms

No eulogy has been made on the death of the Love Bus. A research about the bus consolidation program was later conducted, but without the benefit of insider documents (Guarino, et.al. 2001). And yet, the Love Bus is fondly remembered by old-time commuters. Its epitaph should properly include the following:

- 1<sup>st</sup> air-conditioned bus service in the country, following international standard (this triggered the issuance of a bus vehicle technical standard, for urban and provincial services);
- 1<sup>st</sup> monocoque body design (before 1975, all buses in the country were trucks mounted with wooden bodies);
- 1<sup>st</sup> to operate scheduled departures and to discipline riders into queueing at bus stops (thus, proving that Filipino commuters are not an incorrigible bunch);
- 1<sup>st</sup> to pilot test the double-decker bus (which was the standard in London, and proven to be unviable on Manila's traffic-choked road network);
- 1<sup>st</sup> to set up a maintenance workshops painted in white (meant to highlight clean working environment);
- 1<sup>st</sup> to pilot-test new bus routes, instead of staying with the safe and old markets.

The bus consortia program during the 1<sup>st</sup> wave was the first attempt at bus route rationalization and industry re-structuring in the Philippines (LOI,1977). A consortium was assigned to a set of contiguous routes along a corridor, their livery differentiated by color, and service overlaps minimized if not avoided. While this reform ended by 1989, its ghost seems to haunt the current reforms being implemented 3 decades after. Instead of 14, the latest dicta

(LTFRB, 2020) is to form 31 bus operators or associations – one each for the 31 routes. This is a number that far exceeds the ability of commuters to differentiate (Guarino, et.al, 2001).

#### 4. IDEOLOGICAL BATTLEGROUND OF TRANSPORT REFORMS

Any bus reform initiative would have to navigate the tug-of-war between competing forces along three dimensions: x, y, z, as illustrated in Figure 2. The  $1^{st}$  wave bus reforms could be visualized as a movement on the x and y axes - from a point in  $Q_2$  towards  $Q_3$  and  $Q_1$ . The situations in other countries could be situated in 1 of the 8 quadrants with porous boundaries.

For more than five decades, regulation in the Philippines has been loose on entry of new operators. This has resulted in multiplicity of private sector providers in competition with each other (somewhere in  $Q_2$ ). This starting point is important in mapping where reforms should go. Economic theory is biased towards  $Q_2$  but predicated on  $Q_6$ .

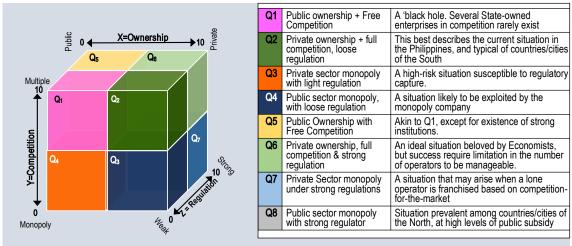


Figure 2. The 3 Axes of Public Transport Reforms

Free competition meant that the bus consortia program (and the existence of MMTC in competition with privately-owned entities) was an aberration. The driving force for free competition and small government is the perceived absence of economies-of-scale in bus transit (Kirby and Kemp, 1985). A more recent study of bus operations in Metro Manila found no correlation between profitability and fleet size (Guarino, et.al., 2001). In sanctifying full competition, foreign experts love to point to thousands of paratransit operators thriving in developing countries sans subsidy, in contrast to the deficit-ridden public transit monopolies common among European and North American cities.

By the 1990s, the free-market school became ascendant and lit a candle to the death of the Love Bus and MMTC. Liberalization and deregulation were the buzzwords of the  $2^{nd}$  wave bus reforms as set out under a government administrative order (DOTC, 1992). Focusing solely on the z-axis, it assumed implicitly that the Philippine case was in  $Q_6$  or even  $Q_7$ , rather than  $Q_2$  on the z-axis. A more recent study addressing the competition and regulation (PIDS, 2013) axes also started with the premise of lack of competition but ended up with the opposite: cutthroat competition (Llanto et.al., 2017).

The wrong predicate for the 2<sup>nd</sup> wave bus reforms could be ascribed to an oversight – about the systemic weakness of the public transport regulator, the externalities and network character of road transport. A bus route is not an island, especially in large urban areas, where interconnectivity of multiple routes lead to better service. Left on its own, the streets become

the arena of competition – against other public transport modes as well as against private carswith traffic congestion as an externality. Operators would choose the most lucrative routes and ignore areas with low volumes, leading to poor transit coverage. With thousands of indistinguishable transit providers on the road, commuters are unable to differentiate the good from the bad. A free-rider problem arises as no one would invest in the common infrastructure (e.g., bus stops, interchange facilities). The 1<sup>st</sup> wave and 3<sup>rd</sup> wave reforms were supposed to address these negative aspects.

At the turn of the 21<sup>st</sup> century, the ideological wind has (again) shifted – downward along the y-axis. Limited competition (Estache et al, 2005), if not monopoly, is now seen as the way to improve mass transit systems. BRT can be considered the mascot – if not the battering ram of the 3<sup>rd</sup> wave bus reforms. Thus, in the last 15 years, the promotion and funding of BRT has jumped the queue in the World Bank's (and ADB's) urban transport lending window. What was heretical in the 1970s has become orthodoxy 30 years later. In ASEAN, several projects come to mind: TransJakarta in 2004, Bangkok BRT in 2005, Hanoi BRT in 2008, and Cebu BRT in 2010.

Figure 2 is also useful in evaluating two recent proposals on Metro Manila's public transport: (i) service contracting, or  $S_c$ ; and (ii) competition for-the-market. The first scheme inherently favors the big-players and makes the government a de-facto transit operator assuming market risks; thus, a change on the x-axis. On the z-axis,  $S_c$  makes the contract as the franchise and renders the existing regulator irrelevant. In a way, service contracting is no different from the maintenance service contracts adopted for MRT-3, LRT-2 and to LRT-1 (which lasted from 2008 to 2016). If the outcomes from the three railway lines is any indication, then this scheme is dicey at best. At worse, it leads to nationalization. On the other hand, the second scheme leans toward a private-sector monopoly earned through competitive tender, its success is tied to the existence of an independent and strong regulatory body (hence, a move in 2 axes from  $Q_2$  to  $Q_7$ ) as well as a change to an anachronistic law governing the franchising of public land transport (CA, 1936).

For other countries of the South, Figure 2 offers a 3-dimensional framework for evaluating any bus reform proposals – especially those emanating from the more developed world that assumes, implicitly, that a Norwegian salmon could thrive in temperate oceans.

### 5. PAST FORWARD: BUS REFORMS REDUX

In the last four decades, the Philippines has undergone three waves of bus reforms. The torchbearer for the  $1^{st}$  wave was the Love Bus. The  $2^{nd}$  wave rolled back the clock.

On the other hand, the current 3<sup>rd</sup> wave bus reforms appear as a ghost from the past - a resurrection of the 1<sup>st</sup> kind, albeit garbed in a different clothe. The 1<sup>st</sup> triggered a change in bus vehicle standards, while the 3<sup>rd</sup> aims to change the vehicle standards for the more numerous jeepneys.

The vanguard for the 3<sup>rd</sup> wave bus reforms in the Philippines is the Public Utility Vehicle Modernization (PUVM) which is focused on jeepneys (DoTR, 2017). It has a smaller sibling: a bus route rationalization for Metro Manila buses (LTFRB, 2020). Both initiatives revolve on industry consolidation - or the process of modernization and incorporation (Rimmer, 1983). One route one operator, in the case of buses. Cooperatives with minimum size of 15 units, in the case of jeepneys.

Bus operators are not averse to consolidation. Most of them are organized as corporation to begin with. A few may still be survivors of the 1<sup>st</sup> wave. In terms of scale, their number is about 1/40<sup>th</sup> that of the jeepneys. Jeepneys has the biggest slice of the commuter market in Metro Manila (and near monopoly in other large urban centers outside the capital region); they

are small-scale 'mom-and-pop" operations that has been resilient on its six-decade of low-performance orbit – no different from Jakarta's minibus (Desmouliere, R. 2018). Consolidating this sub-sector (about 25,000+ in Metro Manila, 8,000 in Davao and 10,000 in Metro Cebu) is almost impossible – if limited to the toolkit of the 1<sup>st</sup> wave reform. A re-thinking of the consolidation strategy – from organizational to virtual merger – has become feasible and practical with the advent of Intelligent Transport System, a tool not available in the 1<sup>st</sup> and 2<sup>nd</sup> waves (Santiago, 2018). With ITS, it is easy to imagine a swarm of paratransit bees operating as one under the virtual equivalent of a Queen Bee.

Intentionally or not, the torchbearer of the 3<sup>rd</sup> wave bus reform is the EDSA Busway, not unlike the Love bus of the 1<sup>st</sup> wave. The busway was launched by the government in May 2020. Whether the envisaged industry re-structuring would eventually play out or not may well depend on the fate of the busway. Symbolism in transport do matter (Ashmore, D., et.al., 2019), which may explain the enduring appeal of the flamboyant jeepney. As a trojan horse for the 3<sup>rd</sup> wave bus reforms, the EDSA Busway was fast-tracked with complete disregard of the lessons from the success stories of Curitiba and Bogota (ITDP, 2017) and the red flags coming out from 'failed' busway projects (Minh & Pojani, 2018).

Sisyphus looms large in Philippines development. The 3<sup>rd</sup> wave has started where the 1<sup>st</sup> wave began, rather than at the end. As George Santayana said; "Those who cannot remember the past are condemned to repeat it."

### 6. CONCLUSIONS

Once, there was a Love Bus that made commuters of Metro Manila swoon about bus transit.

The burden of non-transit mission (i.e., financing private bus companies) hobbled the Love Bus. The deadweights of non-transit tasks and the rough seas of competing policy regimes doomed its short-lived journey.

The Love Bus pushed the bus service envelope to a level that is still unmatched 3 decades after its fall. Its closest re-incarnation is the current P2P buses (Francisco, 2017) that debuted in 2015. In pioneering several "firsts", the Love Bus showed that innovation could spring from the public sector. Both the Love Bus and P2P proved that commuters are willing to pay for better service. Unfortunately, the 3 waves of bus reforms were silent about pricing – fares that reflect economic fundamentals and value to commuters.

The 1<sup>st</sup> wave bus reforms ran from 1975 to 1990. It was followed by a 2<sup>nd</sup> wave that focused on the regulatory aspect, from 1990 to 2010; and a 3<sup>rd</sup> wave from 2010 to present. The current wave is a replay of the 1<sup>st</sup> in terms of relying on the same toolkit of consolidation to reshape the competitive landscape for transport services. The overarching objective is to make the various modes of public transport work collaboratively. Consolidation is a means to that end; the same tool resorted to during the 1<sup>st</sup> wave, but not the only viable one during the 3<sup>rd</sup> wave. ITS has entered the equation. By leveraging the lessons of the past with the potentials of ITS, Metro Manila may yet break out of its Sisyphean fate.

Lastly, reforming the urban transport sector should be seen as a marathon race and not a sprint. Cities of the South need to chart its own destiny along the three axes of ownership, competition, and regulation; but must be cognizant of its factor conditions and not be seduced by the Lorelei of the North.

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