POLICY BRIEF

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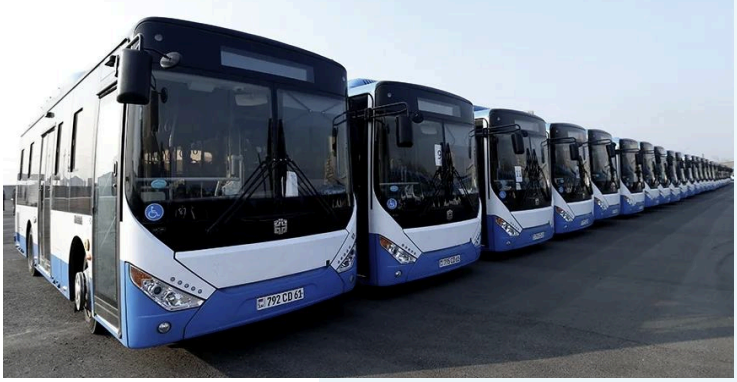
How to Organize Management of Public Transportation in Yerevan?

"In 2017, the public transport reform process in Yerevan entered its practical phase," stated a press release from Yerevan City Municipality dated December 29, 2017. It expressed confidence that the next stage, involving adoption of the network, definition of service standards and principles, and development of management and procurement frameworks, would begin in 2018. However, subsequent political developments, the COVID-19 pandemic, and the 44-day war delayed the implementation of comprehensive reforms for several years.

Although the city authorities began acquiring new rolling stock in 2019, the more sensitive aspect of the reforms- the revision of tariffs- was only brought to the Council of Elders' agenda much later, in early 2024. On March 12, the Council of Elders approved a decision to significantly increase public transport fares starting from September 1, setting the price at 300 drams for three trips within 90 minutes, which was later postponed and partially revised. However, as anticipated, the decision sparked public dissatisfaction and speculation, leading to large-scale boycott actions in the form of free rides. In response, Yerevan Municipality introduced an interim measure, setting a fare of **150 drams** per trip (up from the previous 100 drams), effective from March 1, 2025, to January 1, 2026. After some time, the spokesperson for the Mayor of Yerevan announced that, due to low fare collection by transport companies operating under the municipality (only about 6 billion drams collected over five months) the city was forced to cancel the planned purchase of 30 new trolleybuses.



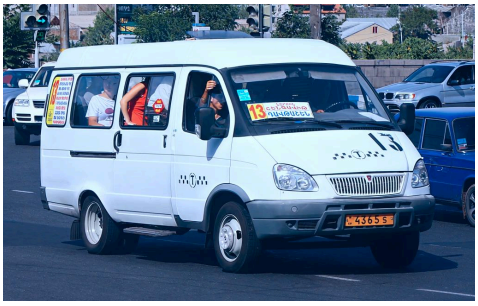
Source: Yerevan Municipality

The failure of this crucial reform has led us to address a fundamental question: **how to organize the management of public transportation**—an issue that appears to have been unjustly overlooked in the reform agenda.

The History of Transport Reforms in Armenia

Four major studies were conducted as part of the reform

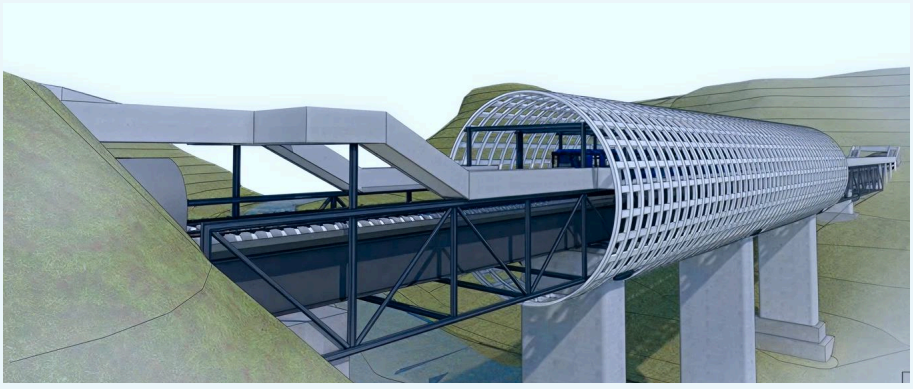
Prior to the start of the reforms, 39 bus routes operated in Yerevan, served daily by 400 buses (7.5 to 8.5 meters in length).



Source: fotobus.msk.ru

Bus services in Yerevan were provided by Yerevan Bus CJSC and 16 private companies. In addition, the city had 66 minibus routes, served by a total fleet of 1,150 vehicles operated by 35 private companies. Trolleybus services were managed by Yerevan Electric Transport CJSC, which owned 51 trolleybuses, with 40 to 42 operating daily across 5 routes. The Yerevan Metro had a total of 45 carriages, 26 of which were in active operation.

It should be noted that, as part of the broader transport reforms, a Yerevan Metro modernization project is also underway, which includes the construction of two new stations. Specifically, the design work for the "Ajapnyak" station has been fully completed, with construction scheduled to begin this year. Meanwhile, preparatory work for a feasibility study is ongoing regarding the second planned station. However, metro-related reforms fall outside the scope of this analysis and will be addressed in a separate study. In this policy brief, we will focus exclusively on reforms related to bus transport.



Ajapnyak Metro Station Project

Source: Armenpress

As part of the transport reforms, four major studies were conducted: The New Bus Network and Integrated Tariff and Ticketing System (2018), Yerevan Bus Depot Renovation Plan and Network Overview (2020), E-Bus Options for Yerevan (2020), Yerevan Sustainable Urban Transport Implementation Project Preparation Study (2022), Yerevan public transportation improvements (2024).

However, all of these studies primarily focus on the technical aspects of organizing public transport (routes, fleet size, etc.) while one of the key issues, management, is largely overlooked, which in our opinion represents the **"Achilles' heel"** of the reforms.

International Practices in Public Transport Management

Around the world, public transport services are delivered under various models that typically differ based on the degree of public and private sector participation. Moreover, the last three decades have seen a global trend toward involving the private sector in providing public transport services. In rare cases, public transport services are provided by private companies operating in a competitive market, with minimal state involvement in service-related matters. The same applies to the involvement of the public sector.

A review of international practice shows that the most common public transport management models worldwide are as follows:

Public Transport Franchising

In this model, the state defines fares and routes within the public transport system, establishes regulations, and develops service standards to ensure safety, efficiency, and fair competition. Transport services are then provided (on an exclusive basis) by private company(ies) selected through a competitive tender process.

In the franchising model, the state defines fares and routes, while transport services are provided (on an exclusive basis) by private company(ies) selected through a competitive tender process.

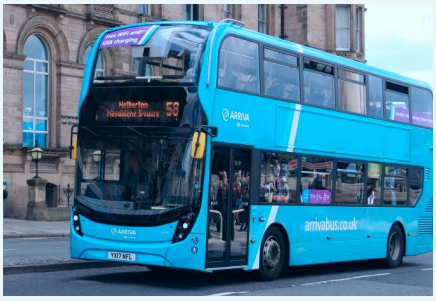
London transport
Source: Castec consulting

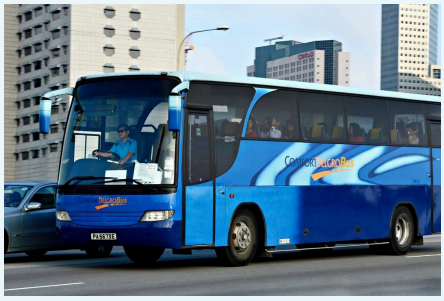
Through the franchising system, the state can delegate the operation of all modes of public transport, such as metro, trolleybus, and bus, to a private company, or it can contract a company to operate only a specific route or service. However, the scope of the contract should be large enough to achieve economies of scale. One of the advantages of this model is that, although services are provided by a private company, the state retains control over fares, routes, schedules, and operational matters. Additionally, the use of relatively short-term contracts under this model gives public authorities greater flexibility to replace underperforming operators within a short timeframe. On the other hand, if state institutional capacity is weak, the efficiency of process management may be compromised.

This model is used in London, all cities in Sweden, and many cities across Germany, Norway, Denmark, and the Netherlands, as well as in select cities in the USA, Australia, and New Zealand.

Arriva Group

Arriva Group is a leading public transport operator in Europe. It was founded in 1938 in the United Kingdom. Today, the company has around 35,500 employees, a fleet of 12,152 buses and 634 trains, and provides approximately 1.6 billion passenger journeys each year in 11 countries, including the United Kingdom, the Netherlands, the Czech Republic, Croatia, Hungary, Italy, and Poland. For example, Arriva is the largest private bus operator in Hungary, with 465 vehicles. In 2024, the Budapest city authorities signed a 12-year contract with Arriva Group, under which the company will become the first operator to operate a fleet of zero-emission buses in Budapest.



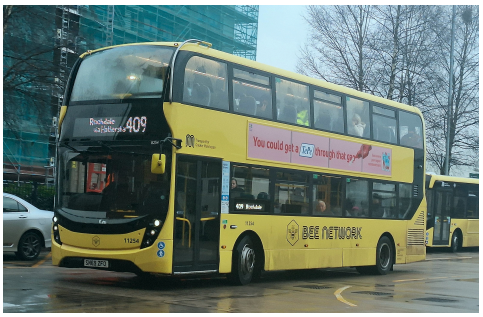


The buses of Arriva Group and ComfortDelGro
Source: Icomera and Bus Interchange

ComfortDelGro

ComfortDelGro is a Singapore-based transport company that also operates bus services. Its fleet consists of approximately 8,000 buses, with operations spanning Singapore, Australia, and the United Kingdom. The company operates 62% of Singapore's bus routes, is one of the largest bus operators in Australia, and the third-largest bus operator in London, managing around 17% of the city's bus services. In 2024, ComfortDelGro signed four major contracts with the City of Manchester, securing the operation of a significant portion of the city's bus network for a five-year period starting in 2025. The company is recognized for its strong focus on sustainable development, actively transitioning its fleet to increase the share of hybrid and electric buses. It has committed to reducing its greenhouse gas emission intensity by 55% between 2019 and 2032.

Deregulated Private Operation



Manchester transport
Source: Wikipedia

In this model, the state plays a minimal role in the provision of public transport services. Private companies operate the routes, and fares are set according to market supply and demand. These companies compete directly with each other for the operation of routes. Decisions regarding fares, routes, and service quality are made independently by private companies competing in a free market, based on their own assessment of market demand. The state can intervene here, for example, by subsidizing the fares of certain social groups.

This model is used in all cities in the United Kingdom, except London, while the city authorities of Manchester in 2023 decided to gradually transition from this model to a franchising-based public transport system over the period 2023–2025. It is worth noting that many other UK cities are also working to transition away from the deregulated market, because of relatively high fares, low service efficiency, and other issues. For example, in 2019, Manchester's bus services were operated by 30 different companies using 150 different fare types, with a single trip costing over GBP 4 compared to London, where under the franchising model fares were at GBP 1.55 per trip.

In a free, deregulated market, the state plays a minimal role in the provision of public transport services

Direct Public Operation

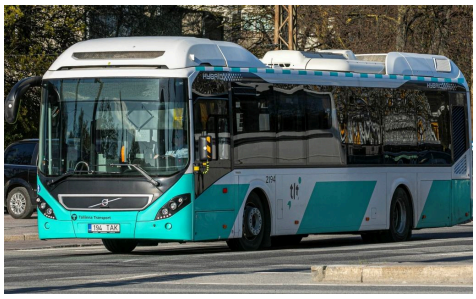
In this model, the management of the entire public transport system and the provision of transport services are fully (or largely) carried out by state-owned enterprises, without the involvement of the private sector.

The fact that all decisions related to transportation services are made by state bodies also means that the state has the ability to set low fares or even provide free transportation for all passengers. On the other hand, the absence of private sector involvement in public transport operations significantly increases the burden on state financing. When low fares (or free public transport) are introduced, subsidies from state or municipal budgets to cover passenger transport costs rise substantially. In the 1960s and 1970s, public transportation in the United States was entirely operated by the public sector, leading to significant cost increases that eventually prompted the market to open up to private companies. In many US cities today, public transportation services are still primarily operated by state-owned enterprises. For example, in Kansas City, residents pay an additional 3/8 of a cent in sales tax to fund the city's public transportation system. The duration and rate of this tax are determined by local referendums. In the most recent vote, held in 2023, the majority approved extending the tax (Bus Tax) for another ten years.

In the Czech capital, Prague, and

In a model based on exclusive state participation, the financial burden on the state budget increases significantly

Tallinn (Estonia) public transport is also operated by state-owned enterprises. In Tallinn, public transport is free for registered residents, with fares charged only to non-residents. It is worth noting that free public transport systems are typically implemented in small and medium-sized cities.



Transport in Estonia
Source: City of Tallinn

Public-Private Partnership (PPP)

In PPP model, private sector provides the rolling stock and the state provides infrastructure

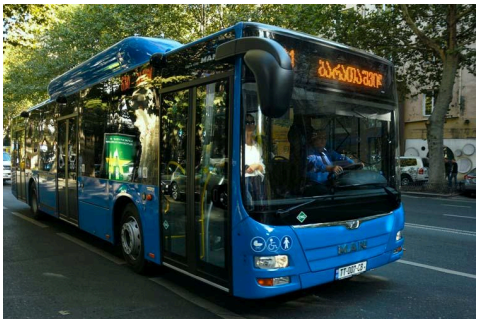
Transport in Mexico
Source: CBW magazine

In this model, state institutions and private companies cooperate under long-term service provision contracts, typically lasting 20 to 30 years. Generally, the private partner supplies the rolling stock, while the state is responsible for providing the infrastructure. Here, the private partner is responsible for the operation, maintenance, and management of the rolling stock, ensuring the regular delivery of transport services. In doing so, it undertakes significant financial investments and assumes substantial financial and operational risks. This model is often used to address gaps in the public sector's financial resources, management expertise, innovative capacity, and technological capabilities. Nevertheless, the results of implementing this model have proven to be mixed. For instance, it was successfully implemented in Bogotá and Mexico City, whereas in Santiago, Chile, the model faced numerous challenges. Only after extensive negotiations and contract revisions was the system able to improve.

As a World Bank study shows, in all cases of public-private partnerships, the state ultimately needs to subsidize the private partner's transport service costs at some stage. The key prerequisites for successful implementation of this model include the private company's access to financing and management expertise, as well as the capacity of public institutions to plan PPP projects, select effective models, negotiate favorable terms, and allocate risks efficiently.

Hybrid Model

Although the models described are the most common approaches to public transport management, in practice, state authorities often combine them based on the specific needs of a country or city. For example, a franchising model may be applied to one mode of transport, while another is operated and managed entirely by public entities. Similarly, within a single mode, such as bus transport, some routes may be operated by private companies selected through tenders, while others remain under the management of state-owned enterprises. For example, in Tbilisi, public transport services are predominantly operated by the Tbilisi Transport Company, a municipal enterprise, while certain routes are still served by private minibus operators.



Transport in Tbilisi
Source: My Sitti Vacations

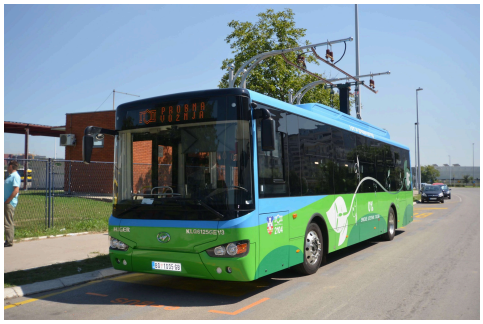
These minibuses are generally more affordable, but service quality tends to be lower, for example, due to frequent overcrowding.

In some large cities where private companies operate transport services, routes that are financially unattractive (particularly those serving remote or sparsely populated areas) may instead be operated by the public sector to ensure service coverage.

Belgrade also employs a hybrid public transport model. Bus, metro, and trolleybus services are provided by municipal enterprises, while private bus companies operate alongside them.

Prior to 2025, the city council set fares for both public and private operators, with private companies relying primarily on fare revenues. Following the introduction of free public transport on January 1, 2025, the authorities now provide compensation to private operators for their services.

In a hybrid model, different public transport modes are managed under different models



Transport in Belgrade
Source: Chariot Motors

Yerevan's Public Transport Today: What's in Place?

According to the new Yerevan public transport program, the city needed to purchase 845 new buses of various sizes and 101 trolleybuses to fully service its bus network. Preliminary estimates indicate that this will require an investment of approximately 120 to 150 million euros.

As part of the capital's transport system reforms, 719 buses and 30 trolleybuses of various sizes were purchased between 2020 and 2024. In 2025, the city planned to acquire approximately 250 electric buses (18 meters long) and an additional 15 trolleybuses.

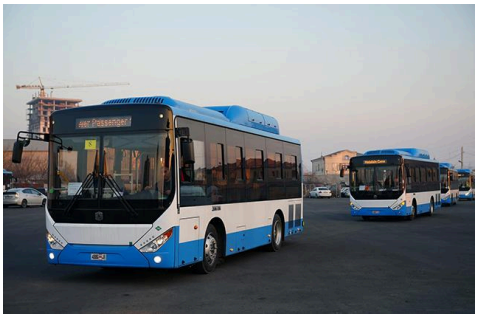
Table 1. Annual Number of Buses and Trolleybuses Purchased to Service the New Yerevan City Bus Network

	2020	2021	2022	2023	2024	2025 (plan)
Total	**100**	**211**	**252**	-	**186**	**265**
Buses of various sizes	100	211	231	-	171	250*
Trolleybuses			15	-	15	15

*electric buses
Source: Yerevan City Annual Budgets and Annual Budget Execution Reports

Most of the buses were purchased using community funds, except for 87 large-class buses acquired in 2022 through a EUR 25 million loan from the European Bank for Reconstruction and Development (EBRD), which included a EUR 5 million grant from the Eastern Europe Energy Efficiency and Environment Partnership (E5P) Regional Fund. Currently, 752 buses operate on Yerevan's intra-community routes, covering 64 different lines.

Additionally, there are currently 11 minibus routes operating in the capital, serviced by a fleet of 94 "GAZEL City" minibuses.



Transport in Yerevan
Source: Yerevan Municipality

Both the bus and minibus routes are operated on a contractual basis by Yerevan Bus CJSC.

Yerevan currently has five trolleybus routes served by a fleet of 60 trolleybuses, operated by Yerevan Electric Transport CJSC. Alongside renewing the urban transport rolling stock, improvements to the transport network also include the construction and renovation of bus depots, as well as the building and upgrading of roads. These initiatives were planned to be implemented with co-financing from the Asian Development Bank (ADB).

In particular, the ADB was supposed to finance the reconstruction of the Nor Nork (Jrvezh) depot and the construction of a new Arshakunyats depot. However, the construction and reconstruction works have not yet begun.

Organizations providing public transport services under the Yerevan Municipality continue to operate at a loss, with the exception Yerevan Electric Transport CJSC

Table 2. Financial Performance (Profit/Loss) of Organizations Providing Public Transport Services in Yerevan, 2022-2024

AMD thousand

	2022	2023	2024
Yerevan Bus	(1,939,923)	(5,791,570)	
Yerevan Metro	1,514,677	(783,226)	(1,939,923)
Yerevan Electric Transport	72,318	440	
Total	**(352,928)**	**(6,574,356)**	

*Only the report of Yerevan Metro CSJC was published
Source: financial reports

Despite the large-scale reforms implemented in recent years in Yerevan, organizations providing public transport services under the Yerevan Municipality continue to operate at a loss, with the exception Yerevan Electric Transport CJSC.

This is likely due to low fares and managerial inefficiencies, forcing the Yerevan Municipality to subsidize these organizations from the community budget to ensure the continuity of transport services.

Conclusions and recommendations

- ✓ Although significant reforms have been implemented in Yerevan's public transport sector in recent years, system management efficiency remains problematic, and transport organizations continue to report losses.
- ✓ The fully community-owned nature of public transportation services makes them politically vulnerable, which was clearly demonstrated by the example of the tariff revision.

To address these challenges, the following solutions are recommended:

- ✓ For optimal management of Yerevan's transport system, three organizational units should be distinguished: surface transport, metro, and a unified ticketing system operator. The latter would be responsible for fare collection (including inspection and enforcement), passenger journey tracking, and service quality control. This separation between transport operators and the ticketing system operator is common practice in several European cities, including Zurich, Vienna, and Budapest, though implemented under different organizational and ownership structures.
- ✓ Engage international consulting companies to develop public transport service standards and establish procedures for fare setting and tariff revisions, applying the principle of minimal municipal involvement. This approach will help reduce the system's vulnerability to political speculations.
- ✓ When examining tariff review applications, involve specialized organizations, based on whose conclusions only the Yerevan City Council can make fact-based decisions.
- ✓ Engage reputable auditing firms (from the Big Six) to conduct an independent evaluation of the technical and financial status of "Yerevan Electric Transport" and "Yerevan Bus" CJSCs, including comprehensive asset valuation.
- ✓ Organize an international tender to select a surface transportation service operator, with the condition that the chosen participant will acquire the assets of "Yerevan Electric Transport" and "Yerevan Bus" CJSCs through installment payments incorporated into the fare tariff.
- ✓ A similar procedure should be applied to involve the unified ticketing system operator, which must have mandatory international experience.
- ✓ Conduct an independent assessment of the technical and financial condition of Yerevan Metro CJSC with the involvement of reputable auditing firms (Big Six), and organize a competition to select a concession manager with international experience. A similar model has been successfully implemented in cities like Stockholm, Porto, and others.

ACSES Analytical Center
Address: 48/1 Nalbandyan st., 0001, Yerevan, RA
Phone: (+374 33) 200 882
E-mail: info@acses.am
Website: www.acses.am

Friedrich Naumann Foundation for Freedom
Address: Office 11, 41 Abovyan St., 0009, Yerevan, RA
Website: www.freiheit.org

Model	Characteristics	Advantages	Disadvantages	Example Cities
Public Transport Franchising	• The process is organized through contracts between state institutions and private companies • The state authority determines routes, fares, and service quality requirements • Routes are operated by private companies, typically selected through competitive public procurement procedures, with exclusive operating rights granted for each route	• The state oversees ongoing operations and and service quality • Greater flexibility (due to relatively short-term contracts)	• Risk of inefficient procurement due to an underdeveloped public procurement system • Service quality deterioration in the absence of effective oversight and control	London, all cities in Sweden, many cities in Germany, Norway, Denmark and the Netherlands, and some cities in the USA, Australia and New Zealand
Public Management and Operation	• The state is responsible for the entire process of regulation, management, and operation, without involving private companies • Public authorities set fare levels, which are typically subsidized through state funding	• Since profit is not the primary objective, the bus network covers the entire city, including districts that are less commercially viable • Fares are set by the state and are often kept low	• Increased financial burden on the public sector • In the absence of competition, there is little incentive to improve service quality • The state may be slow to respond to changing population needs, often prioritizing political considerations, particularly in decisions related to route planning	Tallinn, Prague, many cities in Germany, Austria, Switzerland, Spain

Model	Characteristics	Advantages	Disadvantages	Example Cities
Free, deregulated market	• The state has minimal involvement in provision of public transport services • The companies operating the routes themselves set the fare, determine the route and the level of service quality, assessing the needs of the market • State bodies can subsidize the fares of individual social groups	• The presence of multiple competitors prompts operators to improve service quality and enhance the efficiency of their operations • Minimum public expenditures • The market responds quickly to changing needs	• There are risks that private companies will decide not to operate unprofitable routes • Frequent changes in fares • Insufficient integration of transport networks	Cities in the United Kingdom other than London and Manchester
Public-private partnership	• Public authorities and private companies cooperate under long-term service contracts, mainly 20 to 30 years in duration • Typically, the private party supplies the rolling stock and assumes responsibility for its operation, maintenance, and management • The state provides the infrastructure	• Risk sharing between public and private parties • Leveraging private sector management expertise, innovative solutions, and technological capabilities • Utilization of private sector financial resources	• In the absence of sufficient capacity within state bodies to negotiate favorable PPP terms, risks may be allocated inefficiently, etc. • Frequent requirement for state subsidies to cover the operator's costs	Bogota, Mexico City, Seoul, Sao Paulo