Chapter 12
Managing Public Service Innovation in Emerging Countries: Experiences and Lessons from China Railway

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ABSTRACT

The very nature of the monopoly of public services in most emerging countries leads to the complex drivers and results in public service innovation, as well as a series of social ethnic problems, such as universal access and equity. The chapter presents the nature of public services, public services innovation, and the main drivers of public services innovations. By using the field survey research, the chapter explores the innovation process and effects of the ticketing system innovation of China Railways. This study makes an attempt to understand how common interests of the less affluent neglected consumers can be addressed during the public service innovation process. The chapter presents contributing experiences and learning for other emerging countries based on insights from the ticketing system innovation of China Railways.

INTRODUCTION

Since the reforms and opening to the outside world, the Chinese economy has witnessed a rapid expansion. The data collected by National Bureau of Statistics of China (2012a) confirmed that the GDP of China surpassed Japan in 2010, and became the second largest economic body in the world. However, China has its unique development model, i.e., the government, instead of using the market power, dominating the development; and presently the situation is one which results in the imbalanced economic and social development, such as the imbalanced development among primary, secondary and tertiary industry. According to the Bulletin of Verified GDP of 2011 of National
Bureau of Statistics of China (2012b), the GDP of China reached 47 trillion, and the three industries account for 10%, 46.6%, and 43.4% respectively. The tertiary industry’s ratio is lower than any new emerging countries, even lower than the world average number (NBSC, 2012b).

The low ratio of service sector is only one aspect of all the problems, the real problem lies in the imbalanced investment and the structures of development among different sectors, i.e., the government tends to invest more money in those areas which will likely to increase the GDP growth, such as the high-speed railways and subways. The imbalanced service structure has been shaped owe to the malformed investment and development model (Almanac of China Economic, 2012). Furthermore, private investments cannot solve the problem for the shortage of supply of the public service sector because of the monopoly in these areas. The innovations of all these sectors have even worsen the situation, especially in terms of equity, access and availability of public services.

A huge difference exists between urban and rural areas, although the number of farmers decreases fast year by year, but the number of migrant workers is increasing (The Household Registration System of China, 2011). They are not urban residents, and they have no land to farm at home, so they have to travel to and fro between cities and rural areas. According to the Investigation Monitoring Report of Migrant Workers of China (National Bureau of Statistics of China, 2011), up to the end of 2011, the number is as high as 250 million, and 150 million people have to leave their hometown, accounting for 62.75% of the total number.

Considering the Chinese Railways, Figure 1 presents the use of railways services in China. Before 2011, the Chinese had only one choice when they wanted to book tickets before traveling by train, i.e. buying tickets from the ticket-window, and sometimes it might mean one hour, two hours or even one night waiting for tickets. In 2010, the Ministry of Railways (The General Knowledge of Railway, 2013) launched a series of innovation for ticketing system, including the Internet Ticketing System, Tele Ticketing System and Self-service Ticketing system, and thus offering multiple ticketing choices for Chinese passengers to travel by train.

In light of the above, this chapter answers the following objectives based on secondary and primary research:

1. What’s the very nature of public services and public services innovation?
2. What are the main drivers of public service innovation?
3. Is there any relationship between the new ticketing methods and demographics of consumers purchasing tickets through different methods?

Figure 1. Numbers of passengers travelled in China railway from 2005 to 2011 (unit: ten thousand)