



***competition*commission**
south africa

PUBLIC PASSENGER TRANSPORT INQUIRY

CALL FOR SUBMISSIONS

13 JULY 2017

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1. The Competition Commission (“**the Commission**”) has initiated a market inquiry into land based public passenger transport in South Africa. The initiation was done in terms of Chapter 4A of the Competition Act No. 89 of 1998 (as amended) (“**the Act**”). The Terms of Reference (“**ToR**”) for the Inquiry were published in the Government Gazette No. 40837 on 10 May 2017. The ToR is available on the Commission’s website (www.compcom.co.za).
2. The Commission is now inviting all stakeholders who wish to participate in the Public Passenger Transport Inquiry to make formal submissions. All the submissions must be accompanied by a signed PPT1 form, and should be in accordance with the requirements set out in the Public Passenger Transport Inquiry Stakeholder Participation Guidelines which are available on the Commission’s website.
3. Submissions should not be limited to the issues identified in the ToR and may be extended to other issues which may be relevant to the Inquiry and the manner in which the identified issues impact on the state of competition in the land based public passenger transport industry. They may also cover all modes of transport identified in the ToR (i.e.: taxis, long distance and commuter buses and rail). The broad issues identified in the ToR as the scope of the Inquiry are summarized as:
 - 3.1. Price setting mechanisms
 - 3.1.1. The Inquiry will analyse different price setting mechanisms used in different markets within the land based public passenger transport industry to understand their impact on competition.
 - 3.2. Price regulation
 - 3.2.1. The Inquiry will analyse price regulations applicable in different markets within the land based public passenger transport industry to understand their impact on competition.
 - 3.3. Route allocation, licensing and entry regulations

- 3.3.1. Inquiry will assess the impact of regulation, including route allocation, licensing and entry requirements on intermodal and intramodal competition.
 - 3.4. Allocation of operational subsidies
 - 3.4.1. The Inquiry will assess the impact of operational subsidies granted to commuter buses, Metrorail and Gautrain on barriers of entry, intermodal and intramodal competition.
 - 3.5. Transport Planning
 - 3.5.1. The Inquiry will examine the impact of government's transport plans on dynamism, efficiency and competition in the land based passenger public transport industry and the economy.
 - 3.6. Transformation in the land based public passenger transport industry
 - 3.6.1. The Inquiry will examine transformation issues, including ownership patterns in the land based public passenger transport industry.
- 4. In addition, the Commission is providing a list of questions that may guide the submissions by stakeholders in respect of the issues identified above. These questions are not intended to limit the extent of the submissions by stakeholders but rather to guide stakeholders in thinking about the issues to be covered by the Inquiry. Where possible, the Commission encourages stakeholders to make reference to comparable international experiences.
- 5. Submissions should be as detailed as possible and any views or opinions expressed should be substantiated, as far as possible, by evidence or studies conducted by third parties. The Commission is requesting you to provide detailed responses to the questions below. In addition, you are also invited to provide further data and/or information that is relevant in assessing the state of competition in the land based public passenger transport industry. Where possible, you are requested to use examples to illustrate/substantiate your responses.

Guideline Questions

Understanding the Value Chain

6. Describe the entire value chain for each mode of the land based public passenger transport. Include the following in your description:
 - 6.1. Sources of finance and the number of financiers in the financing market including names and contact details where possible.
 - 6.2. Sources all critical inputs e.g. imported or locally sourced and provide contact details for the identified suppliers. Inputs in this case may include actual taxis, buses, or rail wagons
 - 6.3. Sources for the procurement of intermediate inputs, spares and maintenance services – this can include procurement of fuel (diesel or petrol), aftersales service etc. Provide some contact details for such service providers.
 - 6.4. Describe the procurement practices for such inputs and its impact on competition. Do such practices create distortions in the market e.g. bulk procurement of fuel by buses as opposed to taxis that gets fuel from a service station?
7. For each of the identified activities across the value chain above, provide information and evidence of the challenges faced that impede growth and competitiveness for your business. In your discussion include some of the regulatory and compliance challenges linked to financing and procurement of key inputs and services among others.

Non-Price Regulation

8. Describe the role played by government in the public passenger transport? In your answer, specify which roles are a responsibility of national, provincial and local government.
9. With respect to buses and taxis (mini-bus taxis, long distance buses, metered taxis, app-based taxis), provide how government (i.e. national or provincial or local government) undertakes the following functions:
 - 9.1. Licensing (e.g. the granting of permits);
 - 9.2. The allocation of routes to buses and taxis; and
 - 9.3. The granting of subsidies and other incentives.

10. In addition to the above, are there any other regulatory functions performed by the national, provincial and/or local spheres of government?
11. What impact do regulations relating to the above-mentioned functions (and any other regulatory function) have on intermodal competition (i.e. competition between different modes of land based public passenger transport)?
12. What impact do regulations relating to the above-mentioned functions (and any other regulatory function) have on intra-modal competition (i.e. competition within the same mode of land based public passenger transport)?

Price Regulation and Determination

13. Describe how are prices determined for each mode of land based public passenger transport? In your answer, please refer to all factors taken into account in this process?
14. Describe the role players in the process of price determination for each mode of land based public passenger transport? Please describe the role of each player in detail.

Transport planning

15. Are you aware of any government plans that are yet to be implemented which might affect or have an impact on competition, innovation and or efficiency in land based public passenger transport? If so, provide details of:
 - 15.1. The relevant government plan/s;
 - 15.2. The mode/s affected by the plan/s identified above; and
 - 15.3. The potential impact of such plans

Competitive dynamics in the industry

16. What is the state of competition between the three modes of land based public passenger transport (i.e. taxis, buses and rail)? In your view, do these three modes of transport compete?

17. How would you perceive the state of competition to be within the same mode of transport (e.g. buses competing against each other)?
18. In your view, what factors contribute to the lack of competition (if any) between the three modes of land based public passenger transport and/ or within the same mode of land based public passenger transport?

Transformation

19. What has South Africa achieved, thus far, with regard to transformation and broad-based black economic empowerment in the land based public passenger transport industry? Your answer should include, but not be limited to, the following:
 - 19.1. Ownership patterns in the industry at the different levels of the value chain including;
 - 19.1.1. Upstream market for the financing of buses, taxis and rail infrastructure
 - 19.1.2. Market for the provision of inputs (e.g. fuel), maintenance services (after-sales service etc)
 - 19.1.3. Ownership of different modes of transport (taxis, rail and buses)
20. What are the impediments to transformation (if any)? Make reference to each level of the value chain per transport mode identified above?
21. In instances where transformation has been achieved, what are the barriers to entry for new players and expansion for existing players across the value chain per each mode of transport?
22. Provide your views how transformation can be achieved or enhanced (where applicable) across the entire value chain.
23. Kindly provide submissions on other issues (not referred to in the ToR) that you view as relevant in assessing the state of competition in the land based public passenger transport industry. Please detail these issues and provide verifiable evidence in support of your submission.
24. The deadline for all submissions, as indicated above, is **24 August 2017**. All submissions should be directed to:

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