



PUBLIC PASSENGER TRANSPORT MARKET INQUIRY BY
COMPETITION COMMISSION

SUBMISSION BY MANNY DE FREITAS, MP
(SHADOW MINISTER OF TRANSPORT) ON
BEHALF OF THE DEMOCRATIC ALLIANCE IN
SUPPORT OF ORAL PRESENTATION ON
STATEMENT OF ISSUES

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Contents

Introduction	3
Stabilise then modernise the current rail system	3
Amalgamation of Transnet and PRASA under the Dept of Transport	4
Towards Metropolitan integrated transport planning	5
Diversifying ownership	6
Conclusion	7

Introduction

This document serves as a brief submission to the Competition Commission into the commission's market inquiry into Public Passenger Transport. The DA commends the efforts of this commission to investigate various issues facing public transportation in South Africa. While the DA has a comprehensive transport policy¹ and a proven track record in providing quality public transport where we govern, this document focuses on key issues concentrated on rail transportation, improving metropolitan integrated transportation planning and finally strategies towards diversifying ownership in transportation systems.

The three main talking points below forms part of a sequential process where specifically rail transportation is first stabilised, then transferred towards metropolitan control to facilitate integrated transportation planning and finally opening the rail system to more competition.

Stabilise then modernise the current rail system

South African cities continue to face the legacy of apartheid spatial planning and one of the key strategies to ease and improve access to jobs and amenities for previously excluded communities is through public transportation.

The current rail system under the national government is dangerous, constantly late and not fit to solve the serious issues that face South African cities and its commuters. In 2009, Busses transported about 1,2 million people to work and today just over 1,4 million. In comparison, trains carried 2,7 million people in 2008 while trains today transport only 1,2 million people a day. In fact, PRASA lost nearly 60% of their clients in 20 years, mostly in the last five years. This, despite increasing population and millions being added to the work force.

Urgent attention is required in order stabilise the rail system, the DA has proposed a four-point plan to the then Deputy President of South Africa, Cyril Ramaphosa²:

- Stop the institutional collapse at PRASA. A lack of leadership is at the core of the crisis and carnage on the South African rail network. There has been a

¹ DA Transport Policy <https://www.da.org.za/wp-content/uploads/2014/01/Transport1.pdf>

² <https://www.timeslive.co.za/politics/2018-01-18-cyril-ramaphosa-please-fix-our-railways-heres-how-says-mp/>

complete “institutional breakdown” at PRASA with compromised executives that cannot effectively respond to the crisis. Corruption and the lack of action against those found in the Public Protector’s “Derailed” report, is causing the breakdown in service.

- Implement an emergency safety plan that includes a dedicated police service in the form of Railway Police to take over security operations, as the current private security company is not fully equipped to combat crime and vandalism;
- To order an urgent update as to the progress made in upgrading the current signal system so that no manual signal is used, to therefore avoid unnecessary incidents of crashes, derailments and security issues; and
- That PRASA cede control of Metrorail services and the allocated budget to metro councils to ensure an efficient and safe integrated transportation system is delivered to commuters (See below).

Amalgamation of Transnet and PRASA under the Dept of Transport

Currently the Public Rail Agency of South Africa (PRASA) and Transnet shares infrastructure that governed by various lease agreements, with the two entities charging each other in turn for the use of this infrastructure. The total shared infrastructure³:

- Shared infrastructure Metrorail: 400km.
- Shared infrastructure Main Line Passenger Services (Shosholoza Meyl): 6 000 – 8 000km
- PRASA owned rail infrastructure: 2 200km
- Transnet owned Freight Rail Infrastructure: 22 000 (including branch lines and heavy haul lines)

The current situation is untenable where PRASA pays Transnet nearly R500 million per year and Transnet paying PRASA R91 million for shared infrastructure and

³ <https://pmg.org.za/committee-question/7404/>

related services. Last year it was revealed that PRASA owns Transnet a net R816.5 million for access to Transnet infrastructure by end October 2017⁴

Additionally, Transnet is currently under the Department of Public Enterprises, which deals with a wide range of very different entities, while PRASA is under the ambit of the Department of Transport. This has muddled the reporting lines and accountability structures of the State-Owned Enterprises. It has created confusion in terms of mandates via shareholder compacts and allowed certain entities to justify poor performance. This makes for slow decision-making, ineffective administration and poor accountability.

All rail-related passenger and freight services should become the direct responsibility of the Minister of Transport. This will allow for more clarity and certainty in decision making, easier planning and integration and the expeditious restructuring and amalgamation of the entities.

Towards Metropolitan Integrated Transportation Planning

More people using public transport will reduce infrastructure costs, save fuel, ease urban congestion and reduce pollution. Public transport must be prioritised over private transport – with a particular focus on developing an integrated, multi-modal network in which different modes of public transport fulfils an appropriate role.

Public Transport must be driven by a Metropolitan or municipal authority as provided for in statute and must embrace BRTs, monorails, commuter rail, speed trains, electric trams and taxis, wherever appropriate and sustainable. Metropolitan Councils should take on the role of a Metropolitan Transport Authority (MTAs).

The Department is planning on devolving control of commuter rail networks to local municipalities in its National Rail Policy, but because this could take up to three years to implement, the process should be fast-tracked for Metropolitan governments to take over Metrorail functions gradually. This will ensure

⁴ <https://pmg.org.za/committee-question/7887/>

coordinated and integrated public transportation systems as major Metros such as the City of Cape Town has successfully rolled out Bus Rapid Systems.

Diversifying Ownership

While the state should retain ownership of the infrastructure, the DA would encourage the gradual privatisation of some of the operations.

While the state should retain ownership of the rail infrastructure, state-owned assets and operations should be transferred to the private sector through privatisation and concessions. Where the services of Metrorail fall under the auspices of a competent metro or municipality these concessions should first be offered to them providing that the state remains responsible for the upgrading, modernisation and maintenance of the rolling stock, perways and signal system.

A public corporation will own the physical components of the rail network (track, land lease, bridges, tunnels, signalling and communications). This corporation will:

- Be required to cover costs, not make a profit.
- Be responsible for system operation and safety.
- Fund capital investment from borrowings, retained earnings, third parties and state subsidies.
- Negotiate access agreements giving freight companies, private passenger companies, public private ventures or Local Government the right to run trains on the track, in exchange for access levies.
- Assist Local Government with the integration of rail facilities with walking, cycling, bus networks and taxis by, for example, providing of Park and Ride facilities. The Development Bank of Southern Africa (DBSA) comments that rail transport 'hardly features' in such local government planning documents as Integrated Development Plans (IDPs), Spatial Development Plans (SDPs) and Integrated Transport Plans (ITPs).⁵
- Act as a coordinating body that provides licenses for other private lead entities to deliver additional rail and other transport services.

⁵ The State of South Africa's Economic Infrastructure: Opportunities and challenges 2012 <https://www.dbsa.org/EN/About-Us/Publications/Documents/State%20of%20economic%20infrastructure%202012.pdf>

Conclusion

If Transnet and PRASA were to be amalgamated and placed under the political direction of the Minister of Transport, rail in general would benefit as planning would be done holistically thus ensuring that rail assets would be maximised for the benefit of commuters. This will provide the first step to eventually cede control to metro governments, that can then development and truly enforce integrated transportation planning dearly needed to transform the entrenched Apartheid spatial legacy. Commuters will in the end be advantaged through the introduction of more competition that can add crucial choice for commuters.

The DA will continue were we govern to provide safe and reliable transportation for South Africans and it is our hope that the above suggestions are incorporated and utilised nationally.