

RESPONSES TO QUESTIONS OF CLARITY

RE: PUBLIC PASSENGER TRANSPORT MARKET INQUIRY - CASE NO 2017MAY0001

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1) What mode of transport is the DGMT targeting for the unemployed to be subsidised with?

According to the 2013 National Household Transport Survey (NHTS) the most used mode of public transport to work are mini-bus taxis, followed by buses and trains. The NHTS (2014) report also highlights that along many critical corridors, taxis are the only available mode to many passengers. This underpins the importance of mini-bus taxis in South Africa for ordinary people travelling to work. In addition, the distribution of modal options available to commuters tends to differ based on location. For example, some commuters do not have access to trains or buses in the areas where they stay, or may have to change between modes to get to work, i.e. first take a taxi to get a train station¹.

Given that passenger transport in South Africa is not integrated across all modes, and taking into account the need of some passengers to interchange from one mode to another, and also the variations in modal options available across provinces and specific corridors (StatsSA, 2014) the scheme should ideally be implemented across all three main modes that South Africans use to travel to work. This would require investigating technology options to by-pass cash transfers to beneficiaries travelling for example with mini-bus taxis and to facilitate a streamlined and unified public transport system. Drawing on technologies behind the MyConnect card based system used by the City of Cape Town's MyCiti could provide some initial ideas, as well as tapping into international experience from countries such as the UK and Australia that have implemented similar kind of schemes.

While ideally a mechanism to subsidise transport across modes would be the most desirable, in the short-to-medium term the most feasible approach would be for the phasing in of subsidies on municipality-run modes such as the Integrated Rapid Transport (IRT) bus systems.

2) Will there be time slots factored in picking up and dropping off the unemployed people? And will it also operate on a daily basis?

We do not recommend a separate transport service for jobseekers as in the case of Dial-a-Ride services used by people with disabilities. Rather, we propose that they use the mainstream modes of public transport with everyone else. There are different options for how a subsidy might work: free or highly-subsidised transport during off-peak hours (as is planned on the MyCiti Bus system in Cape Town); a sliding scale of subsidy across different traffic times; or a standard subsidy across all times. Our suggestion is that each municipal

transport authority be tasked with assessing the best mechanism to reduce the cost of public transport for job-seekers.

3) What will be the control measure in making sure that the system will operate effectively and serve its purpose especially in terms of identifying the unemployed people that will be serviced?

Below we draw on the cases of the United Kingdom and Australia to point to some control measures that can be considered in implementing the scheme in South Africa.

JobCenter Plus scheme (United Kingdom)

The Department of Transport in the United Kingdom provides a package of travel concessions for various groups. The scheme for the unemployed is implemented through the JobCentre Plusⁱⁱ, set up to assist the unemployed to find work. Only individuals who are registered clients of the Job Centre are eligible for the transport scheme. The scheme is conditional – eligible individuals can claim the travel benefit if they need to 1) travel to interviewsⁱⁱⁱ, 2) travel to attend a training course, 3) travel to a new job for the first four weeks.

In sum, from this case at least two important control measures are highlighted:

- Mechanism for setting eligibility
- Conditional subsidy based on evidence of tangible employment signals

The UK also has a less difficult to deliver mechanism which is the Youth Rail Card which gives you a 33 per cent discount if you are young.

Transport concessions in Australia

Transport concessions in Australia form part of the country's extensive social security system and target a larger grouping from the elderly, people with disabilities, students, job seekers, apprentices, asylum seekers, widows, etc.

Although there are state-based nuances in the provisions of transport concessions, there appears to be generalised control measures which set out clear criteria for eligibility:

- Defining a geographic boundary
- Limiting access to individuals that already receive social security^{iv}
- Limiting access to individuals that are registered with an employment service

What could control measures look like in the South African context?

Based on the above, parameters for control measures should give consideration to the question of eligibility and the structuring of the scheme (conditional subsidy vs. non-conditional).

Options on setting eligibility

1) Implement the scheme across the board discount/free travel in off-peak hours (as the City of Cape Town plans to do^v): Making the scheme open to everyone that is unemployed might be easier to administer, however it is an expensive option.

2) Targeted based on unemployment insurance fund (UIF) benefits: The scheme could target the segment of the unemployed who are not currently receiving UIF benefits.

3) Targeted based on age^{vi}: The scheme could set a specific subsidy level based on age, applied when first buying the travel card – this would translate into different types of travel cards, i.e. young person's travel card. This would provide tighter control and may be a cheaper option in that it is a discounted option (requires some payment by the traveller). The cons is that the subsidy may not be large enough to affect access to opportunities and could be used by any traveller and therefore difficult to control.

4) Youth subsidy: The majority of young people are unemployed or studying, and therefore a focused youth subsidy would be efficient and less difficult to administer than a job-seeker based strategy.

5) Targeted subsidies for work-seekers: The scheme could be implemented by partnering with specific job-seeker support agencies (e.g. labour centres, Harambee, NYDA, etc.) who can issue limited transport cards based on the controls described below. The pros are it's highly targeted, requires evidence of job search. The cons relate to high administrative burden and the difficulty of implementing across a number of players.

Options for structuring the scheme

If choosing to institute a conditional subsidy, then the following considerations would be worth exploring.

Setting conditions such as evidence of tangible employment signals (as in the UK case) might not be appropriate for the South African context. Although it is a cost effective strategy, the reality is that job seekers from low-income households, in particular young people, lack information about job openings before they can even secure an interview. Even though job postings are increasingly moving to online portals, expensive data costs limit access to job information for the poor.

In the same vein, the lack of occupational social networks to gain access to job opportunities significantly limits the unemployed poor from accessing the labour market. A 2000 study by Schöer and Leibbrandt (2006) on the job search behaviour of the unemployed in the Western Cape (magisterial district of Mitchell's plan) points out that at least one third of the respondents got work through active search methods, i.e. directly contacting employers whereas two-thirds got work through connections.

Given these dynamics in labour market access, considerations should be given to what the appropriate mechanism would be to respond to the different search behaviour of the unemployed in South Africa. Schöer and Leibbrandt (2006, p.26) draw attention to the fact that the “the choice of the [job] search method is complicated and is always a constrained decision with individuals often having to choose search options that they know to be inferior...[the choices are often constrained or facilitated by] characteristics of the household and the social environment of the unemployed”.

Therefore the following options are worth considering for supporting job search activities of the unemployed – a subsidy could be offered to:

- 1) Access a job centre where they can be given information about job openings
- 2) Actively look for work look by approaching employers directly
- 3) Attend an interview.

Options 1 and 3 could be facilitated through employers and or service providers.

Given the high likelihood of misuse associated with option 2, this option could be:

- Limited to travel to high-employment density areas to search for work^{vii}
- Limited to fewer days, e.g. issue four vouchers for an individual to use either once a week for a month or one week in month, depending how they want to structure their job search trips.

Labour economist Professor Haroon Borat (2012) has also suggested similar design options (see paper attached). Essentially he proposes that the scheme should be responsive to the different permutations of search behaviour used by the unemployed who do not have networks to rely on (they should be able to access job information centres and also use it to travel to look for work). Furthermore, he proposes that unemployed young people who want to explore self-employment in urban centres should benefit from the scheme.

Some considerations in devising a scheme such as this would also include:

Setting parameters for job categories

As in the UK case^{viii}, it might be useful to outline a category of jobs that would be considered in the scheme if for example, the above job search options are adopted. This is particularly important in the South African context given the existence of the informal sector and its diverse nature. What jobs would be considered under the scheme (e.g. spaza shops) is an important consideration. Although this option is likely to create an administrative burden.

4) In your view what competition dynamics will the subsidy bring in the land based public passenger transport industry?

Generally, a subsidy to business will lead to increased profits. High profits encourage more people to start businesses, which in turn increases competition. Increased competition forces market prices to decrease, which reduces profits. The scheme would therefore likely create the following competitive dynamics in the medium to long term:

MyCiTi Perspective: Assuming that the scheme first draws insights on the City of Cape Town's MyCiti, it is likely that MyCiti and other municipality run IRT bus systems would be the first to see the financial benefits from the scheme. The scheme would lead to a temporary increase in profits for these bus operators. This would allow for example MyCiTi to expand its routes and improve its service offering. An improved service offering and access to new routes would expand MyCiTi's customer base at a cost of shifting market share away from other transport service providers - this is an unintended but foreseeable consequence.

Taxi Industry Perspective: The subsidy could escalate fears of competitors like MyCiTi driving prices down and taking a share of the market away from the taxi industry. In reality, the scheme is meant to support people who have no financial means to travel during their search for work, so on paper the individuals using the card based service would be people currently not frequently served by the taxi industry. Nevertheless, the taxi industry could perceive the scheme as incentivising indirect competition.

Metrorail Perspective: Metrorail is currently under a lot of pressure with many customers complaining of delays, safety issues and unreliable service. The subsidy would bring about a form of relief to the public rail system.

The Bus Industry Perspective: In Cape Town, Golden Arrow Buses had filed legal action against the City of Cape Town in the past over the introduction of extended MyCiti bus services. As MyCiti expands its service offering and routes, feelings of resentment from competition in the bus industry is likely to grow.

The positive and negative effects of the scheme/subsidy should cancel out and their combined effect should be small. However, this is only possible if subsidies are distributed to all operators equally. If the subsidy only benefits one provider, then there would be misallocation of resources – this will most likely be the case at the start of the program. Perhaps the card based system is not the best solution as it would take time for all operators to get to the point where they are all willing to adopt it. A system that is fair and equitable to all operators, based on a sound financial formula, based on negotiated routes and a fairly distributed market share is possibly the best solution.

5) In your submission in page 6 you have stated that the DGMT is in partnership with Uber to launch Uber Access, please provide which class of households will the initiative be in favour of?

The UberACCESS platform is specifically designed for transport users with permanent or temporary physical disabilities. These disabilities can range from hearing impairments, visual impairments, or mobility impairments. This pilot was designed specifically to increase the range of transport options available to people with disabilities, who are usually left out of transport planning processes. While at this stage the Uber platform is primarily used by people in the wealthier LSMs, our ultimate aim is to use the experience of the pilot phase, and the usage data gathered, to make the case for specific subsidies for the use of such services by people with disabilities in the bottom three income quintiles.

One mechanism of subsidy would be for municipalities that allocate budget to transport for people with disabilities (such as the Dial-a-Ride system) to issue digital vouchers for the use of services such as UberACCESS. Most existing public transport services for people with disabilities focus solely on transport to-and-from work, and reach a small sub-set of people with disabilities. They are also not accessible to people who are temporarily disabled through injury.

The aim of our work with UberACCESS is to model options for including people with disabilities in mainstream transport systems, rather than creating costly alternatives. This is just one mechanism for doing so. Other types of interventions in public transport systems that would support people with disabilities would include:

- Visual signage of transport routes and stops;
- Audio guiding for people with visual disabilities (such as calling out the names of stops on train lines, and the direction trains are heading);
- Training drivers and public transport staff on basic support for people with a variety of disabilities.

Concluding remarks

The responses provided here point to options for consideration and by no means suggest a definitive model for South Africa. We have demonstrated what is possible, a further investigation is necessary towards designing an appropriate model for South Africa.

ⁱ According to StatsSA (2014) this is prevalent in the provinces of Gauteng, Western Cape, Free State, and North West.

ⁱⁱ JobCentre Plus is a quasi-autonomous non-governmental organisation used by the UK Department for Work and Pensions for its working-age support services in the UK (Wikipedia, n.d.)

ⁱⁱⁱ Conditions for claiming a benefit to travel to a job interview, i.e. the interview must be with an employer who has confirmed an interview, and must be beyond daily travelling distance of one's home area, and within a specified geographical area

^{iv} In the state of New South Wales to be eligible a job seekers must receive the maximum rate of the Centrelink benefit. In Queensland a job seekers must be receiving at least one of the Commonwealth social security benefits for specific categories

^v MyCiti bus services for the unemployed will be made available during off-peak times from 10am to 15:00

^{vi} The age parameter could be limited to the working age population (15 – 64)

^{vii} Haroon (2012)

^{viii} In the UK case there is a set criteria for a job prospect in issuing a free travel ticket for an interview – not every job prospect with an interview invitation is approved for a free travel ticket.

REFERENCES

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