

# **Kwazulu-Natal**

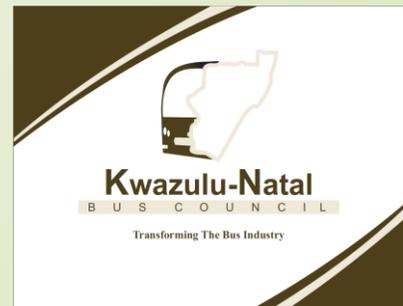
**B U S C O U N C I L**

**Transforming The Bus Industry**

# KZN BUS COUNCIL INQUIRY FOR LAND-BASED PUBLIC PASSENGER TRANSPORT INDUSTRY PRESENTATION

## ➤ BACKGROUND

- KwaZulu Natal Bus Council is a representative structure for bus operators in the Province of KwaZulu Natal.
- Organisation was established in August 2006 by KZN Department of Transport with the aim of creating a platform for bus operators where strategic issues including transformation of the bus industry would be discussed.
- KZN Bus Council is affiliated with South African National Small Bus Operators Council (SANSBOC)



# Allocation of operational subsidies

- ▶ A.1. Current allocation of subsidies is still based on routes that were subsidised during the previous government dispensation. Newly developed settlements are not catered for within these subsidies.
  - ▶ For instance; UMzimkhulu which was moved from Eastern Cape to KZN is not allocated a subsidy but there are routes that were subsidised while it was under the Eastern Cape. Furthermore, we have seen major industrial and residential areas being developed since 1994, however, there are no public transport subsidy being allocated to these areas while the need for public transport is high.
- ▶ Therefore, allocation of subsidies needs to be revised and be aligned with current residential developments.

# Cont. Allocation of operational subsidies

- ▶ The fact that the subsidized bus tendering system has been put on hold from 2002 makes the system in this regard not competitive thereby giving an impression that the government is not serious about uplifting previously disadvantaged operators but rely on a few operators that have been benefiting for the past two decades.
  - ▶ In most cases the so-called major operators 'protected' by government are owned by individuals who have never lived in rural areas or township areas where they operate.
- ▶ Subsidies have a negative impact on competition between modes of public transport since not all bus operations are subsidised while they are competing with mini bus taxis and other modes of transport.
  - ▶ For instance, most unsubsidised bus operators have stopped or minimised their operations due to difficulties in revenue since commuters resort on utilising mini bus taxis which are much cheaper than unsubsidised buses.



# Impact on competition between different modes of public transport

- ▶ Subsidies have a negative impact on competition between modes of public transport since not all bus operations are subsidised while they are competing with mini bus taxis and other modes of transport.
  - ▶ For instance, most unsubsidised bus operators have stopped or minimised their operations due to decline in revenue since commuters resort on utilising mini bus taxis which are operating without schedules.



# Measurers that can be put in place to ensure to avoid distortion in competition

- ▶ Government need to ensure that all modes of transport are catered for within the current transformation programmes.
  - ▶ For instance, in KZN taxi operators seem to be more catered for while unsubsidised bus operators were left out during negotiations for transformation.
- ▶ Furthermore, provincial Department of Transport need to motivate for increased budget for public transport subsidies with the aim of increasing the number of subsidised public transport routes.

# TRANSFORMATION

- ▶ **How best can meaningful participation of previously disadvantaged individuals be achieved in the industry?**
  - ▶ Provincial Department of Transport need to ensure that all proper application of legislative frameworks and laws relevant to provision of public transport and empowerment of previously disadvantaged individuals during implementation of public transport transformation.
  - ▶ For instance, KZN Bus Council feels that KZN Department of Transport failed to follow section 5 (1) and (2) of National Land Transport Act of 2009 during the identification of beneficiaries for transformation project.
    - ▶ KZN Department of Transport only identified taxi operators and sub-contractors and left out bus operators who are operating in the same area without any subsidy.

# CONT. TRANSFORMATION

- ▶ We have bus operators who have been operating as sub-contractors for the past two decades.
- ▶ They are still regarded as people with no expertise and no business acumen to handle an independent contract.
- ▶ This lack of transformation is one of the factors contributing to the poor getting poorer and the rich (main contractors) getting richer for almost two decades.
- ▶ Lastly; government needs to subsidise more public transport routes with the aim of increasing the number of public transport operators who are benefiting and that will further increase the number of commuters benefiting from the project.

# LONG TERM CONTRACTING BETWEEN GOVERNMENT AND BUS OPERATORS

- The current duration of 7 to 12 years for subsidised contract poses a challenge to public transport operators who are not subsidised. It is difficult to operate for a period of twelve years without a subsidy while your competitor is subsidised. This will lead to the collapse of operators who are not subsidised which will in turn be difficult for them to participate in the open tender process after the period of twelve years.
- Competitive bidding on entry and expansion of bus industry will pose a challenge on historically disadvantaged individuals, however, government need to ensure that transformation is within the law and does benefit historically disadvantaged bus operators.
- Government needs to unbundle current subsidised contracts in such a way that they are manageable to emerging bus operators. Which will further allow for an increased number of bus operators benefiting from public transport subsidies.

# Licensing

- ▶ Currently we are having challenges with Provincial Regulatory Entity (PRE) regarding application for conversion of permits to operating licenses.
  - ▶ PRE issued a notice that permits need to be converted to operating licenses, and we followed processes but PRE is yet to finalise our applications.

# CONCLUSION

- ▶ We have been meeting on numerous occasions with Department of Transport officials with the aim of ensuring that historically disadvantaged individuals have a meaningful participation in the public transport subsidies, but DOT officials fail to implement transformation of public transport industry within the confines of the law.



**Thank you**