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MAYIBUYE TRANSPORT CORPORATION WRITTEN SUBMISSION ON THE PUBLIC PASSENGER TRANSPORT MARKET INQUIRY CONDUCTED BY COMPETITION COMMISSION

The Competition Commission initiated a market inquiry into land based public passenger transport in South Africa, including the provision of passenger bus services. 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 for the Inquiry were published in the Government Gazette No. 40837 on 10 May 2017.

Mayibuye Transport Corporation's ("MTC") duly participated in the information gathering phase of the inquiry and made a submission to the Commission dated 09 November 2017.

MTC take note of the invitation to participate in the oral public hearings and the guidelines thereto dated 03 May 2018. Our submission will attempt to address the issues relating to bus operations and will not comment on other modes of land transport. We do note that the Inquiry is not solely focused on bus operations however our input in other modes will not be from a position of in-depth knowhow hence it will be prudent to limit the comments. Our input to the issues listed in the Terms of Reference and in the Statement of Issues will be limited to those that are relevant to MTC only.

Non commentary on the other areas does not mean we agree nor disagree with what is there, or should it be construed as such. It means we either don't have a view or opt not to share our view as it will be an opinion and not a fact or will not be valuable contribution to the proceedings.

BACKGROUND

Mayibuye Transport Corporation (MTC) is a Schedule 3D provincial public entity in terms of the Public Finance Management Act (Act 1 of 1999) (PFMA), which is funded from the Provincial Equity Fund in the form of an operational and capital grant-in-aid.

The CTC Bus Company Limited (CTC) was established as a subsidized bus company in 1978 and the former Ciskei government owned 100% of its share capital. At its peak, the company operated 350

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buses. During the 1990 military coup in Ciskei, violence in the area resulted in the majority of the company's buses being burnt and as a result the company was liquidated.

Between May 1990 and November 1990 a limited bus service was operated by the Ciskei Department of Transport. The bus service operated using the remaining CTC buses. During this time the formation of Mayibuye Transport Corporation (MTC) was investigated and on 26 October 1990 MTC was formally established to provide bus passenger transport services to the rural areas of the former Ciskei and Border areas.

MTC is registered as a Corporation in terms of the Ciskei Corporations Act 16 of 1981 by Government decree Number 89 Of 1990. MTC is now considered as a parastatal corporation of the Eastern Cape Provincial Government and its sole shareholder being the provincial government.

MTC currently provides public passenger transport services through its bus depots at Zwelitsha, Reeston (East London), Queenstown and Alice. It does so in terms of the shareholder agreement entered into between the Department of Transport (Shareholder) and MTC. In order to deliver the services MTC has invested in infrastructure in the form of Depots, workshops and equipment. Presently MTC has employed just over 250 members of staff and has a fleet of 94 buses to operate 84 routes mandated by the Shareholder department.

Allocation of operational subsidies

- A. 1 *The effectiveness of subsidised modes of public passenger transport on the provision of public passenger services to the poor and the majority of South Africans;*
- A. 2 *Are subsidies benefiting the majority of the poor given that the subsidised services have limited accessibility compared to minibus taxis?*
- A. 3 *What is the impact of subsidies on competition between different modes of public transport?*

Provision of affordable, safe and reliable public transport is a constitutional obligation of the state. To ensure that this is achieved, there is a need to invest in infrastructure, fleet, competent human capital, quality workshops and machinery. The financial investment required to run a reliable bus system that is affordable to the poor requires financial subsidy from the state. Subsidies remain vital in ensuring financial sustainability of a public transport business model that is providing affordable service on behalf of the state. Even with the subsidy, bus companies still require to have other financial arrangements and sources to be able to fund and maintain the infrastructure and the running costs. Provision of affordable public transport without financial backing will completely collapse.

Almost 90% of areas where MTC operates are in the rural areas with gravel roads which are in bad conditions. Major part of the areas where buses operate cannot be serviced by any other legal mode of transport designed to carry passengers.

Passengers from poor communities, who are the beneficiaries of the subsidised services, would not be able to afford the bus fares without the subsidies. Benefits are relished predominantly by the passengers who travel during peak times since the off peak operations is very limited as a result of the vehicle capacity, distance covered and cost of operation.

Some areas are not serviced through subsidised public transport modes and the finalisation of the Provincial Integrated Public Transport Networks will make provision for the travel needs in these areas.

The impact of subsidies on competitiveness in the transport sector is dependent on various variables which requires a holistic approach when is reviewed. Amongst other things that will have to be considered are; the nature of the roads, the density of the area of operation, the distance to be travelled, availability of alternative mode of transport, etc.

B Transformation

B. 1 *How best can meaningful participation of historically disadvantaged individuals be achieved in the industry?*

MTC as a state owned entity; we have a commitment and an obligation towards transformation when conducting business. We have policies that support the transformation agenda of the state in the areas of procurement and other operational areas of the business. However our view in this matter is that the industry value chain is not transformed as majority of the suppliers are still white, especially in the key components e.g. engineering and parts service providers. For a structured transformation to be effective, our view is that there need to be formalization of the entire industry so as to be able to monitor and drive compliance.

The Integrated Public Transport Networks (IPTN) contracts should be designed in such a way that when put on tender or negotiated with operators, in terms of sections 41 to 46 of the National Land Transport Act of 2009, a provision is made in the contract, to enforce the inclusion of historically disadvantaged individuals as subcontractors or partners in the operation. This will enable these companies to gain experience in the operation of public transport and to build operational capacity. Government contribution for the funding should also be increased to an economically viable rate to ensure that the market is attractive.

C Long term contracting between government and bus operators

- C. 1 What are the impediments to the competitive bidding process by government?*
- C. 2 The impact of the lack of competitive bidding on entry and expansion of bus operators.*
- C. 3 What measures can be put in place to ensure that government's contracting system is effective and promotes competition between bus operators?*

MTC does not participate in the long term contract bidding as it is an entity of the state, however our view is that, due to the large capital outlay required to operate a bus system and offer reliable affordable service it is impossible to do that without the backing of a long term contract.

Even though the bidding process has a potential to attract new players in the market, there is a risk that the existing players may be pushed out of business when bidders with financial muscle from other areas submit interests. This might create unintended pandemonium due local operators being marginalised and forced out of business. Our proposal is that Government as the authority should ensure that locality is preferred at all times.

D Licensing

- D. 1 MTC's experience in relation to applications for operating licenses.*

As stated above MTC is mandated by the Department through the shareholder compact to deliver services and as such the operating licenses are linked to the mandate.

E Price Setting Mechanisms

- E. 1 What is the impact of pricing on competition between the different modes of public transport on the routes where these modes of transport compete?*

In the areas where MTC operates there are no other bus operators where this matter will be relevant. This is because the service offering of our operation versus that mini bus taxis is different and as such it will be unfair to compare the pricing methods of the two.