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## **SUBMISSION IN RESPONSE TO THE SECOND REQUEST FOR INFORMATION RE: MARKET INQUIRY INTO LAND BASED PUBLIC BASED PASSENGER TRANSPORT**

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### **INTRODUCTION:**

On or about 26 April 2018 Metrorail Regional Offices received letters from the Commission in which they were requested to make submissions to the Commission in connection with the above mentioned Market Inquiry. These request were accompanied by requests to make oral presentations at the public hearings scheduled for June to August 2018. This was a follow up request after they had made their initial submission on the Market Inquiry on or about 16 February 2018

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After internal consultations it was decided that since the questions asked in the letters from the Commission also related to matters that are only reside within PRASA Corporate Office and Rail Head Office, that the submissions would be split into two, that is, there will be the main submission that will deal with issues that Corporate Office and Rail HO can respond to and submissions from the Regions.

This submission therefore represents the main submission from PRASA (Corporate and Rail HO) on the issues that relate to them.

## **THE RESPONSE:**

### **LICENCING, ROUTE ALLOCATION AND ENTRY REGULATION**

#### **6. What can be done to improve route allocation for Metrorail passenger services and also ensure better alignment of other modes of transport with rail, in order for commuters to start or continue using passenger rail services?**

6.1 The allocation of routes for rail must result / be included in an Integrated Public Transport Network (IPTN) plan. This ensures the role of rail in an integrated system is understood based on the transport demand model of the City.

6.2 In terms of planning of the rail lines, coordination with transport planning bodies on the role of rail, mode optimisation and agreements in terms of the Integrated Transport Plans (ITPs) and IPTNs of planning (routing of new railway lines) is ongoing. This is already happening as Transport authorities have planning responsibilities in terms of NLTA and associated regulations.

6.3 The planning process in determining route and mode allocation / determination is a now fairly well established and in line with best practise. This is briefly alluded to above and described in the original submission relating to the development of IPTNs and the Integrated Transport Plans (ITPs).

6.4 The next steps in realising the implementation of the “rail route” are however critical in ensuring “...*better alignment of other modes of transport with rail, in order for commuters to start/continue using passenger rail services?*” i.e.:

- Access to the Rail Route
  - Non-Motorised Transport infrastructure – Side-walks, bicycle lanes, lock-up facilities (well-lit and sheltered where possible)
  - Road based feeder and distribution routes and services to the rail route.
- Seamless Integration
  - Infrastructure integration through intermodal interchanges centred around key rail stations.
  - Integrated ticketing
  - Integration of services and information (timetables, routes etc.)
- Land Use
  - Densification / Infilling along the rail corridor
  - Promoting Transit Oriented Development with stations as focal points.

The above needs to be implemented in a co-ordinated manner to ensure there are no “weak links”. The issue of land use will have longer timeframes but it is nonetheless critical that it is rolled out in support of the rail route to ensure and improve sustainability of the rail service.

6.5 Furthermore, with regards to ensuring existing and future patronage, PRASA needs to deliver safe, reliable, affordable and clean services that respond to the needs of the users. PRASA needs to be in touch with customer needs and travel patterns through passenger demand analyses and operational planning, including liaison with customer and community groups. Better communication with customers in terms of service disruptions (particularly during the turnaround and modernisation phase), future services and improvements will assist in ensuring customer loyalty.

**7. How can passenger rail service be fully incorporated in the municipality’s ITP with the municipality playing a significant role in the issues such as timetables to ensure complementarity with other modes of transport.**

7.1 This is already being done through the current transport planning processes within the Cities, that is, the development of the Integrated Public Transport Networks (IPTNs) and Integrated Transport Plans (ITPs). Admittedly, some of the earlier IPTNs predominantly focussed on Bus Rapid Transit. This shortcoming has been addressed through subsequent planning cycles. Rail now forms part of the IPTNs and in most cases are confirmed as the backbone of the public transport network.

7.2 However, more can be done for municipalities to play a significant role in service delivery related issues such as timetables. In PRASA’s recent Strategic Plan, developed in conjunction with the municipalities, the future route frequencies were identified for each rail corridor in the country. PRASA has also entered into Memorandum of Agreements / Actions

with the municipalities to deal with issues of integration among other things. A next step, as stipulated in the NLTA, is for the Municipalities and PRASA to develop Service Level Agreements per corridor. This would lay the foundation for the municipalities to have greater say and input in the rail offering in its area, including integration with other modes.

7.3 The above will enable closer cooperation between transport authorities and PRASA in the future on integrated operational scheduling, timetables, service information, integrated ticketing and communications will assist in promoting the use of public transport.

## **8. Indicate all the routes serviced by Metrorail.**

8.1 Please the attached **Annexures 1 (a) and (b)** which illustrate the Metrorail corridors and MPLS routes respectively.

## **9. Provide a brief explanation of any challenges experienced by Metrorail in the provision of services on the routes currently serviced by Metrorail.**

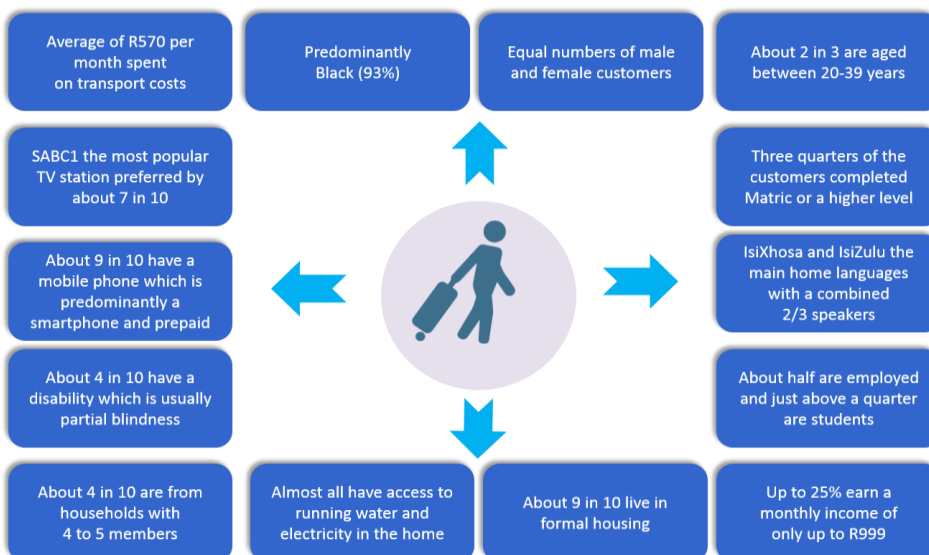
9.1 Current challenges with provision of rail services include the fact that the service levels are currently at an all-time low in terms of capacity, availability of trains and reliability of trains and infrastructure. Vandalism, specifically theft of cabling, signalling and track equipment are major challenges in restoring the services. The historic disinvestment in the rail system and challenges not being able to modernise the system quick enough on all corridors while the current system needs to be kept operating as well.

## ALLOCATION OF OPERATION SUBSIDIES

### 10. The effectiveness of subsidised modes of transport in the provision of public passenger services to the poor and the majority of South Africans.

10.1 The effectiveness of the subsidies is a function of a well-operated and modernised rail system with sufficient capacity and punctual trains serving customer needs. Rail systems are the most efficient mode of transport to move passengers on high-density corridors. Once acceptable service levels are achieved the effectiveness of subsidy will be unquestionable as rail lines are situated/positioned to serve the poor and high density corridors serving the desire lines for travel between residential areas and places of work, leisure and business.

10.2 PRASA's fares are low and from our annual customer satisfaction surveys our commuter profile shows the focus on the poor in our country. The diagram below indicates the profile of commuters served by Metrorail. Nearly a quarter of the commuters are very poor with income of less than R1000 per month.

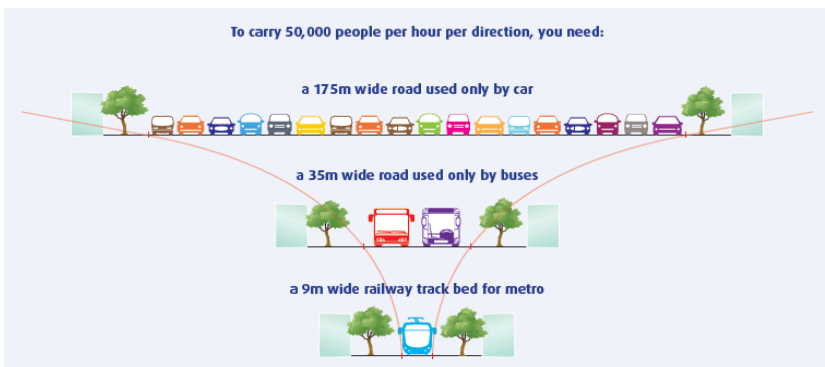


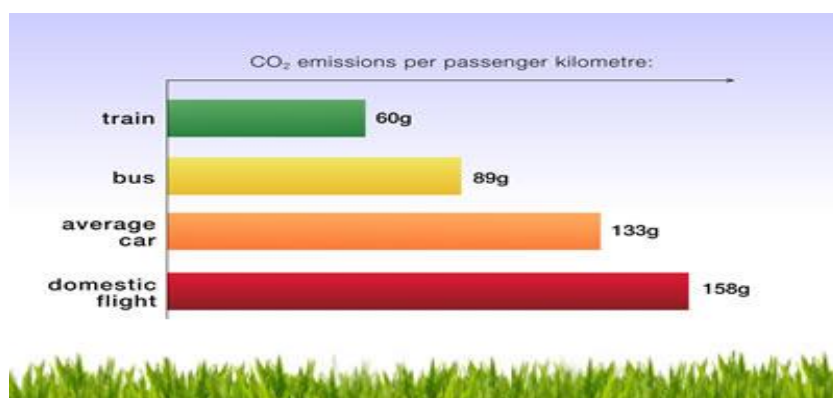
**11. Are subsidies benefiting the majority of the poor given that the subsidised service has limited accessibility compared to the minibus taxis, which is the dominant mode of transport?**

11.1 Commuter Rail is subsidised across the world and serves as environmental, economic and social benefits to the country. Rail is always a mass transport mode and cannot play in the market where there are not sufficient masses of people to be transported. Rail also do not have the flexibility to move where new areas of housing or economic development occurs and requires an integrated approach on spatial planning with Local Authorities in the areas where we currently run services or where such might develop in future with the required volumes of people that will make use of the service.

11.2 Commuter Rail in South Africa is only rendered in the Metropolitan Areas of Gauteng, Western Cape, Durban Metropolitan areas and around East London and Port Elizabeth.

11.3 Rail benefits are in terms of capacity in carrying volumes (mass transport), environmental, less land required, reduce car & fuel reliance etc.





11.4 Thus from the above pictures it is clear where rail need to play a role. Given the level of urbanisation taking place it will not be feasible to run efficient and effective cities in South Africa without mass carriers such as Rail.

## 12. What plans does PRASA and Metrorail have with regards to expanding commuter services to ensure greater geographic coverage?

12.1 PRASA has identified future rail network expansion opportunities across the country. The expansion opportunities have been identified through engagement with the various planning authorities and departments at local, provincial and national government level (Transport, Spatial Planning, Human Settlements, Economic Development, etc.) These rail opportunities are at different stages of planning, i.e. contextual, feasibility, and design.

12.2 The PRASA rail network has not expanded significantly over the last 40 years due to the underinvestment during this period. Cities have however grown fairly rapidly over this period making some of the rail network expansion plans vital. The prioritisation of these



expansion routes is agreed with the Cities and implemented based on funding availability from national government. Those currently with high priority include:

- Motherwell Rail Link in Port Elizabeth
- Blue Downs Rail Link in Cape Town, and
- Daveyton – Etwatwa Rail Extension in Ekurhuleni

#### **OTHER EMERGING ISSUES: COMMUTER EXPERIENCES**

**13. What are the underlying factors that have resulted in a decline in the number of commuters using Metrorail? And what remedial actions have been taken or likely to be taken in the future to endure that commuters continue to use passenger rail services?**

13.1 Decline in services is due to; lack of historic investment and loss of human resource capacity, instability at PRASA over past number of years affecting decision-making, procurement challenges over the past number of years and capital projects not completed fast enough to assist in stabilising the rolling stock (trains) and infrastructure.

13.2 The demise of the historic Rail Police affecting the ability and costs to protect customers, staff and assets. Improved community ownership in protecting and supporting the rail system will assist.

**14. What are the potential solutions to the inefficiencies resulting from the provision of passenger rail services, issues relating to long waiting times, unreliability of the service, to mention but a few.**

14.1 Various solutions are currently being explored to resolve some of the inefficiencies in the provision of rail services. Some of these solutions are short term, while others are long term. As a short term solution, PRASA is currently implementing an Accelerated Turn-around Plan that is focusing on restoring the basics to stabilise and restore services over the next 6, 12 and 18 months. The Accelerated Turn-around Plan is focusing on restoring the integrity of our operations and improving the customer experience in the total value chain.

14.2 A number of coaches and infrastructure reliability has been lost as a result of vandalism and service delivery protests that spill out in the rail environment. The Plan is meant to restore the lost capacity and reliability, supported by security interventions to protect the assets from daily vandalism. Once the system has stabilised, more trains at regular frequencies can be scheduled with improved customer communication to commuters. The interventions include managing stations within a customer centric approach and improving customer facing staff visibility and real time information. New technologies and automated systems will also improve convenience in ticketing and customer care.

14.3 Medium to long term solutions require that the PRASA Modernisation Program to look at a Roll-out of new technology trains on a corridor by corridor basis, together with modernising signalling system, infrastructure and stations. The modernisation roll-out is currently in planning phases for the other regions but already implemented in Gauteng. In Gauteng it has been implemented in the Pienaarspoort – Pretoria corridor. The new trains manufactured in South Africa will first be received in January 2019 in Gauteng, 2020 for Western Cape and KZN and the Eastern Cape is planned for 2021.

**15. Indicate the total number of commuters using Metrorail and Mainline Passenger Services on a monthly basis for the period 2014 to 2017.**

see Table below.

Passengers per month

MLPS	YEAR	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
	2014/15	78,203	69,791	84,328	87,790	68,046	81,794	64,110	66,363	116,569	101,508	55,858	56,521	930,881
	2015/16	86,126	62,457	74,078	93,919	67,121	63,854	88,483	60,625	104,622	61,385	41,897	49,597	854,164
	2016/17	55,747	48,929	52,836	80,043	41,863	38,216	42,089	41,817	95,218	74,753	32,737	53,852	658,100
	2017/18	44,424	36,077	47,541	65,265	33,232	52,510	37,367	35,036	90,053	64,998	26,697	32,214	565,414

Metrorail Passenger trips per month (Paying)

Western Cape	YEAR	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
	2014/15	15 479 763	15 556 094	14 377 810	14 590 945	14 319 130	14 974 448	16 176 075	14 947 865	11 491 246	12 342 728	15 061 328	15 617 500	174 934 932
	2015/16	14 363 834	14 504 632	13 580 721	13 938 585	13 893 901	14 397 712	15 430 060	14 389 553	10 764 723	10 903 640	13 203 652	13 631 984	163 002 997
	2016/17	11 906 436	11 142 690	11 696 253	10 992 843	11 375 834	11 741 030	10 919 383	11 025 533	7 390 079	8 282 368	10 310 531	10 962 314	127 745 294
	2017/18	8 480 157	8 623 028	8 123 334	6 713 823	7 385 682	6 497 946	7 207 583	5 191 372	3 908 334	5 032 269	4 774 458	4 695 989	76 633 977

Gauteng	YEAR	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
	2014/15	22 081 915	22 807 738	21 816 903	21 255 577	21 857 276	22 232 175	23 461 573	21 610 547	14 573 958	18 098 089	21 302 331	21 709 149	252 807 231
	2015/16	18 196 276	19 401 443	18 470 768	18 753 953	18 129 018	17 841 059	18 405 233	16 759 481	10 477 956	12 944 109	15 543 842	12 819 902	197 743 040
	2016/17	12 539 792	12 807 463	12 722 095	13 072 449	14 404 781	17 724 579	16 742 289	15 577 457	9 673 042	11 547 104	13 734 172	14 325 971	164 871 194
	2017/18	11 271 335	12 423 194	12 218 246	10 302 753	10 860 547	10 366 911	11 075 780	10 788 719	6 723 583	8 251 994	8 981 477	9 346 856	122 611 395

KZN	YEAR	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
	2014/15	6 467 416	6 477 743	6 359 961	6 579 845	6 755 004	6 843 137	7 269 104	6 790 031	5 436 490	5 948 123	6 799 139	7 084 663	78 810 656
	2015/16	6 582 113	6 763 335	6 557 987	6 687 720	6 695 127	6 884 803	7 255 520	6 663 630	5 497 951	5 786 902	6 709 086	6 699 419	78 783 593
	2016/17	6 355 280	6 253 570	6 320 516	5 720 550	5 716 373	6 393 844	6 123 402	6 076 892	5 007 033	5 108 228	6 051 048	6 409 400	71 536 136
	2017/18	5 220 064	5 659 756	5 657 238	5 168 294	5 992 767	5 767 041	5 339 409	5 264 910	3 677 575	4 244 420	5 496 100	5 955 809	63 443 383

Eastern Cape	YEAR	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
	2014/15	791 020	842 856	774 481	781 006	838 157	833 480	841 020	774 931	530 888	684 248	865 685	899 214	9 456 986
	2015/16	778 477	836 531	736 149	726 290	783 127	770 096	807 968	723 075	499 349	644 117	794 482	750 214	8 849 875
	2016/17	741 771	735 100	659 448	620 365	678 887	725 257	672 303	647 015	440 433	566 016	687 831	696 529	7 870 955
	2017/18	516 910	648 869	596 765	508 644	635 643	606 137	597 653	560 948	357 426	483 742	621 450	637 093	6 771 280

Total Metrorail	YEAR	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL
	2014/15	44 820 114	45 684 431	43 329 155	43 207 373	43 769 567	44 883 240	47 747 772	44 123 374	32 032 582	37 073 188	44 028 483	45 310 526	516 009 805
	2015/16	39 920 700	41 505 941	39 345 625	40 106 548	39 501 173	39 893 670	41 898 781	38 535 739	27 239 979	30 278 768	36 251 062	33 901 519	448 379 505
	2016/17	31 543 279	30 938 823	31 398 312	30 406 207	32 175 875	36 584 710	34 457 377	33 326 897	22 510 587	25 503 716	30 783 582	32 394 214	372 023 579
	2017/18	25 488 466	27 354 847	26 595 583	22 693 514	24 874 639	23 238 035	24 220 425	21 805 949	14 666 918	18 012 425	19 873 485	20 635 748	269 460 035

\*\* Values in Yellow are estimates due to problems with Ticketing System.

**16. Indicate the proportion of subsidy per passenger allocated to a commuter for the use of Metrorail. This information should be provided per annum and should cover the period from January 2014 to December 2017.**

16.1 The section below is an analysis done by Prof R Del Mistro.

**Distribution of national passenger transport operating subsidy**

The following table shows that Commuter buses used 55% (i.e. 43%+8%+4%), PRASA used 36% and Gautrain 9% of the national public transport operating subsidy in 2014/15.

**Table 1 Analysis of public transport operating subsidies (2014/15) (National values)**

Operating subsidy	Amount Rbn p.a.	Percentage of total
Commuter bus subsidies – Public Transport Operations Grants (PTOG)	4.8	43%
Commuter rail subsidies - PRASA	4.0	36%
Support for new urban public transport systems / BRTs – Public Transport Network Operations Grants (PTNOG)	0.9	8%
Gautrain ridership guarantee - Bombela	1.0	9%
City subsidies of metropolitan bus services	0.5	4%
	<b>R11.2bn</b>	

Ex GMA, July 2016.<sup>1</sup> Pg 14

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<sup>1</sup> Gautrain Management Agency (GMA, 2016). Feasibility Study For The Possible Rapid Rail Extensions to the Gauteng Network Extension. Section 10: A Case for Rail in Gauteng. July 2016.

Source: From Table 45, p 149 of State of City Finances 2015 (see footnote 6) - with metropolitan bus subsidies added in. (Footnote 6: Based on stakeholder discussions around the Green Paper on South Africa's National Rail Policy, at SA Transport Conference, 04 July 2016 [with DOT, Transnet, PRASA and GMA participating])

### National passenger transport operating subsidy per passenger trip

The table below provides information on the annual operating subsidies paid to each of the four public transport modes in South Africa. From this table it can be seen that PRASA/Metro rail receives more than four times less operating subsidy per passenger than both buses and Gautrain. This difference is even greater when one questions the value of R4 billion allocated to PRASA as annual operating subsidy

Mode	Ann. Operating Subsidy (R billion)(p14)	Annual Passengers (million) (p15)	Operating Subsidy/ passenger (R)	Fares as % of OPEX (p15)	Mode/ PRASA Operating subsidy/pass
Minibus-Taxis	0	1417	0.00	100	
Buses	6.2	194	31.96	20-35	<b>4.15</b>
Gautrain	1	17	58.82 <sup>2</sup>	57	7.65 ( <b>4.59<sup>2</sup></b> )
PRASA	4 <sup>1</sup>	520	7.69	39	<b>1.00</b>

Ex GMA2016

- 1: The amount of R4 billion as annual operating subsidy for PRASA is questioned (HvR,2014,p7); a value of R1 940 million is given on page79 (HvR,2014) and PRASA's internal accounting provides a value of R1 billion.
- 2: This is too high "*because its patronage guarantee subsidy system includes elements of capital repayment, preventative maintenance, refurbishment and replacement of capital assets, whereas the operating subsidies of other formal public transport operators are for operations only.*" A value of R35 is given for Operating Subsidy/ passenger in GMA, 2016, 15).

16.2 Other values are also posited in the (same) literature. The table below (ex HvR, 2014, 8) indicates that in 2013/14:

- a) Gautrain passengers received the highest operating subsidy of R60.03 (this should be corrected to  $\pm$ R35 per trip); followed by bus passengers between R11.40 and R16.90, PRASA passengers at R3.73; while Minibus-taxi passengers did not receive any operating subsidy.
- b) Also shown in the table is that Minibus-Taxis, Gautrain, commuter rail and buses recovered 100%, 57%, 39%, and between 13% and 44% of operating costs respectively; with municipal buses recovering the least and conventional buses performing better than BRTs.

**Table 2: Operating subsidies for public transport in South African cities**

Mode	Operating subsidy per passenger trip	Fare box recovery rates as % of operating costs	Comment
Municipal bus services	R 16.75 – R 24.36	13% - 31%	These figures are reasonably reliable
Conventional bus services	R11.40 – R 16.89	31% - 44%	These figures are reasonably reliable
Bus rapid transport	R11.76 –R15.12	28% to 44%	Based on initial Rea Vaya and MyCITI services only and thus not yet representative or stable <sup>1</sup>
Minibus taxis	R 0.00	0%	Taxi recapitalisation is a capital subsidy only
Gautrain	R60.03	57%	Based on ridership guarantee paid to operator <sup>2</sup> assumptions made on operating costs to calculate recovery rate may be inaccurate
PRASA Metrorail	R3.73	39%	Figures annualised from a small sample provided by PRASA; may be misrepresentative

Source: Modelling and calculations by the authors for this project. See Section 4.

- 1 Includes the costs of vehicle operators, fare systems, control centre and station services, but excludes institutional overheads marketing, and the capital cost of vehicles.
- 2 Excludes the costs of the Gautrain Management Agency.

## **17. Indicate trends on capital and operations subsidies between 2014 to 2017.**

17.1 The table below illustrates the trends on subsidies for the period under review.

Description	2013/14	2014/15	2015/16	2016/17	Total
	000	000	000	000	
Operating Subsidy	4 328 003	3 887 342	4 866 160	5 081 666	<b>18 163 171</b>
Capital Subsidy	6 843 110	11 058 958	13 355 887	13 814 060	<b>45 072 015</b>
<b>Total</b>	<b>11 171 113</b>	<b>14 946 300</b>	<b>18 222 047</b>	<b>18 895 726</b>	<b>63 235 186</b>

17.2 For the period under consideration, beyond inflation operating subsidy adjustments were mainly due to transfers from capital subsidy to operational subsidy. This was to fund the unfunded mandate of MLPS. An amount of R650 million was reclassified from Capex to Opex in the 2013/14, R800 million transferred in 2015/16 and 2016/17 respectively. Operating subsidy requirements in PRASA Rail operations have since been on the rise due to an increasing number of commuters unwilling to pay for commuter rail services.

17.3 Capital subsidy are utilised to modernise and refurbish rail assets with significant amount invested in new rolling stock, rolling stock refurbishment, signalling, rail network and facilities.



## **CONCLUSION**

PRASA would like to thank the Commission for granting it the opportunity to participate in this Market Inquiry. PRASA Corporate and Regional Offices are looking forward to making oral presentations at the scheduled public hearings in order to substantiate on the submissions already made to the Commission

Yours faithfully

**Jennifer Joni**

**PRASA Group Legal**