

Notes to oral submission to Competition Commission's Public Passenger Transport Market Enquiry

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Areas covered

1. Government capabilities
2. Financial viability and subsidies
3. Supporting the minibus-taxi industry



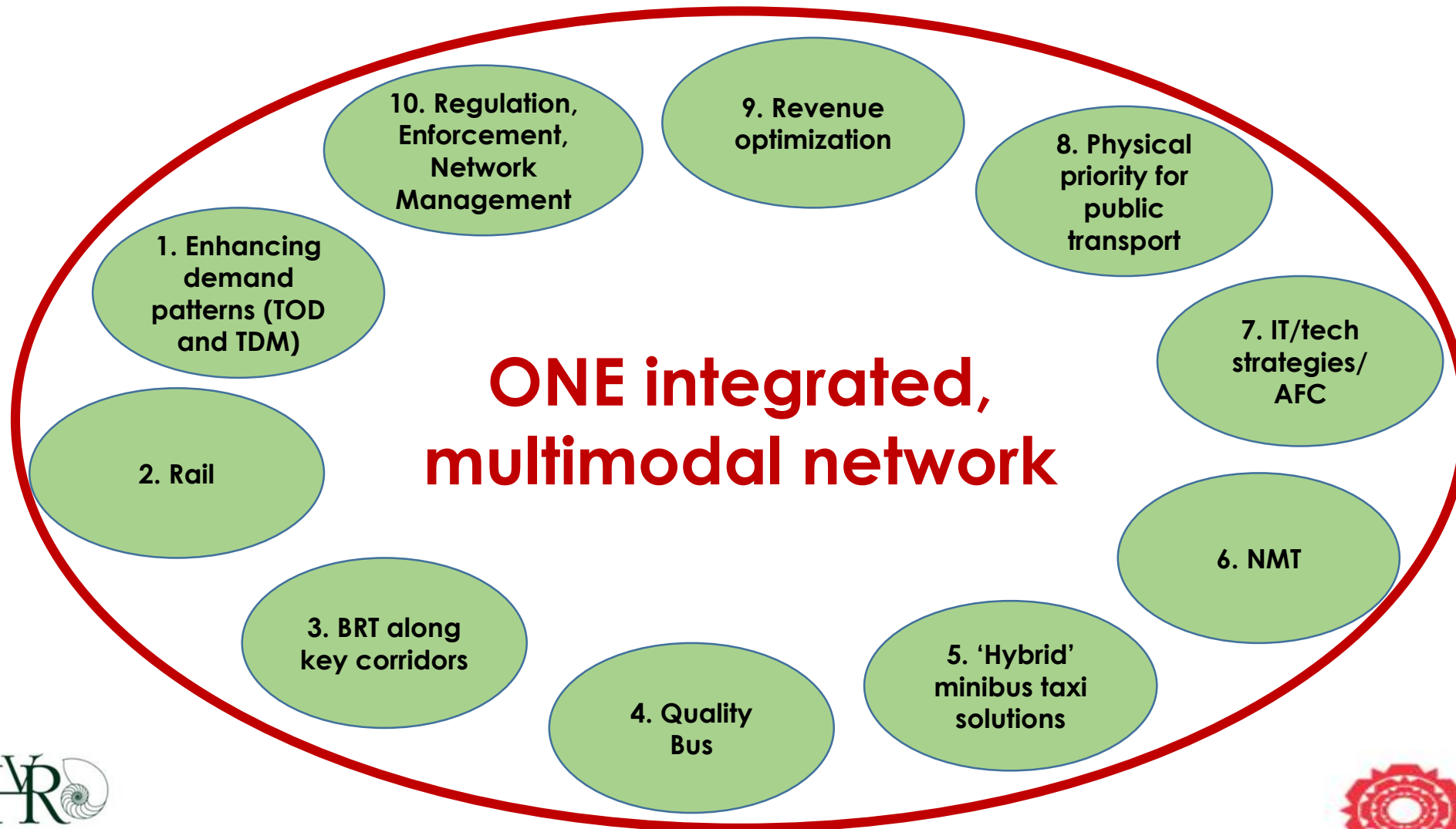
Government capabilities



Government capabilities

- Main focus of this input is on cities/metros
 - Mass daily movement of people is fundamental to urban economies
 - Underpins agglomeration economies
 - Some points relevant to rural areas but rural needs a different focus
- Needs/demand is very varied - multi-modal solutions are required
- The nature of demand is highly dependent on land use patterns
- Government has a key role to play in enabling many different service providers to collectively move large numbers of people on a daily basis across the city
 - Provision of infrastructure, regulation, creation of a sound basis for competition in service provision, contracting of services, subsidies
- A coherent approach requires there to be a clear, single locus of strategic responsibility that prioritises the interests of the community/passenger
- Responsibility should be located at the level of government that encompasses the bulk of daily passenger movement and land use responsibilities
- In most cases cities/metros
 - Gauteng requires special arrangements because of large movements across adjacent metro boundaries

Example: Cape Town's integrated, multi-modal approach



National policies and legislation have confirmed this approach

- Constitution provides/mandates this approach
 - eg. Schedules/Section 156 (4)
- 1996 White Paper on National Transport Policy:
 - sought to promote 'Integration' of land use and transport, and 'inter-modalism' based on 'passenger transport plan(s)'
 - Confirmed the principle of 'devolution of public passenger transport functions, powers and duties to the lowest appropriate level of government'
 - Envisaged metropolitan structures as transport planning authorities, taking 'full responsibility for execution and implementation in metropolitan areas'
- Broadly similar approach confirmed by
 - Moving South Africa (1999)
 - National Land Transport Transition Act (2000)
 - Public Transport Strategy and Action Plan (2007)
 - National Land Transport Act (2009)
 - Draft Rail White Paper (2017)



Yet severe fragmentation remains....

	Description of program	Responsibility
Public Transport Operating Grant (PTOG)	Legacy program of operating subsidies to provincially contracted conventional bus services (average trip length is 38.96 kms)	Province
Public Transport Network Grant (PTNG)	(Mainly) capital grant to 13 metros/emerging metros introduced into 2007 Public Transport Strategy and aimed at implementing BRT	Local
Taxi recapitalisation	+/- 20% capital subsidy to taxi operator licence holders for purchase of new minibus-taxi, requiring scrapping of old vehicle, introduced +/- 2000	National
PRASA subsidy	Subsidy to Passenger Rail Agency of South Africa consisting of:	National/ parastatal
Current subsidy	<ul style="list-style-type: none"> • Annual operating subsidy 	
Capital subsidy	<ul style="list-style-type: none"> • Major program for the recapitalization of PRASA rail services 	
Gautrain capital subsidy	Subsidy for the capital costs of the Gautrain	National/ province
Gautrain ridership guarantee	Annual subsidy paid to PPP operator based on ridership guarantee	Province

Results of fragmentation

- Initiatives are supplier driven rather than solution driven
 - Each part of government acts in the interests of the mode they are responsible for
- No single government body is able to exercise strategic responsibility/control
 - Lack of consistency in providing the basis for fair competition amongst operators
 - Fragmentation of scarce skills



Proposed amendments to NLTA address some issues but significantly worsen others

- Positive change: amendments seek to provide for a Gauteng Transport Authority
- But there are serious problems with amendments, including
 - Makes provinces the default locus of responsibility for road based contracts
 - Gives national minister unconstrained responsibility in deciding conditions for devolution to local governments and whether local governments have met them
 - Minister 'may' determine conditions – if he doesn't devolution cannot proceed
 - Removes the provision for assigning PTOG funded provincial bus contracts to local government
 - Power of Municipal Regulatory Entity (once established) to temporarily close routes is heavily constrained
 - May undermine ability to manage taxi conflict



Financial viability and subsidies



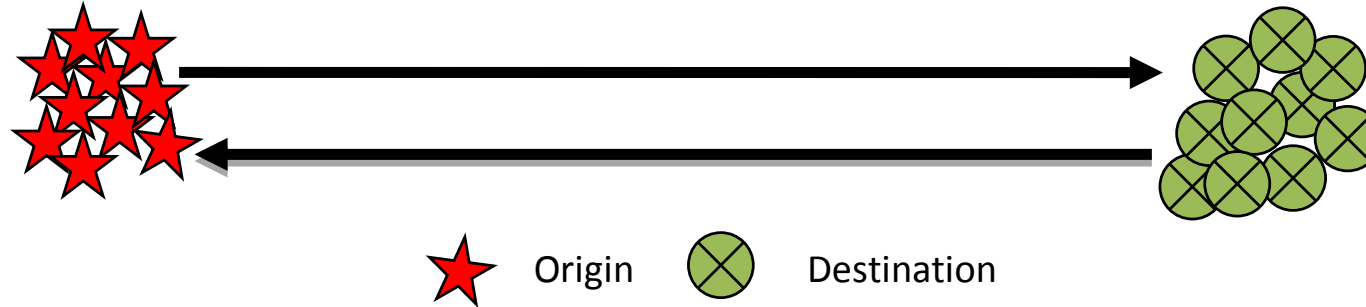
Financial viability depends on pattern of demand

- Distance
- Reverse flow
- Seat renewal
- Peak to base ratio

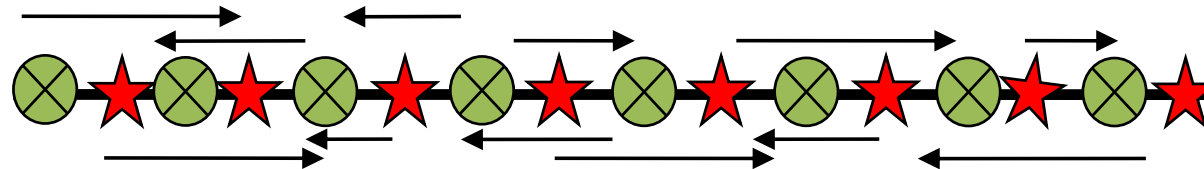


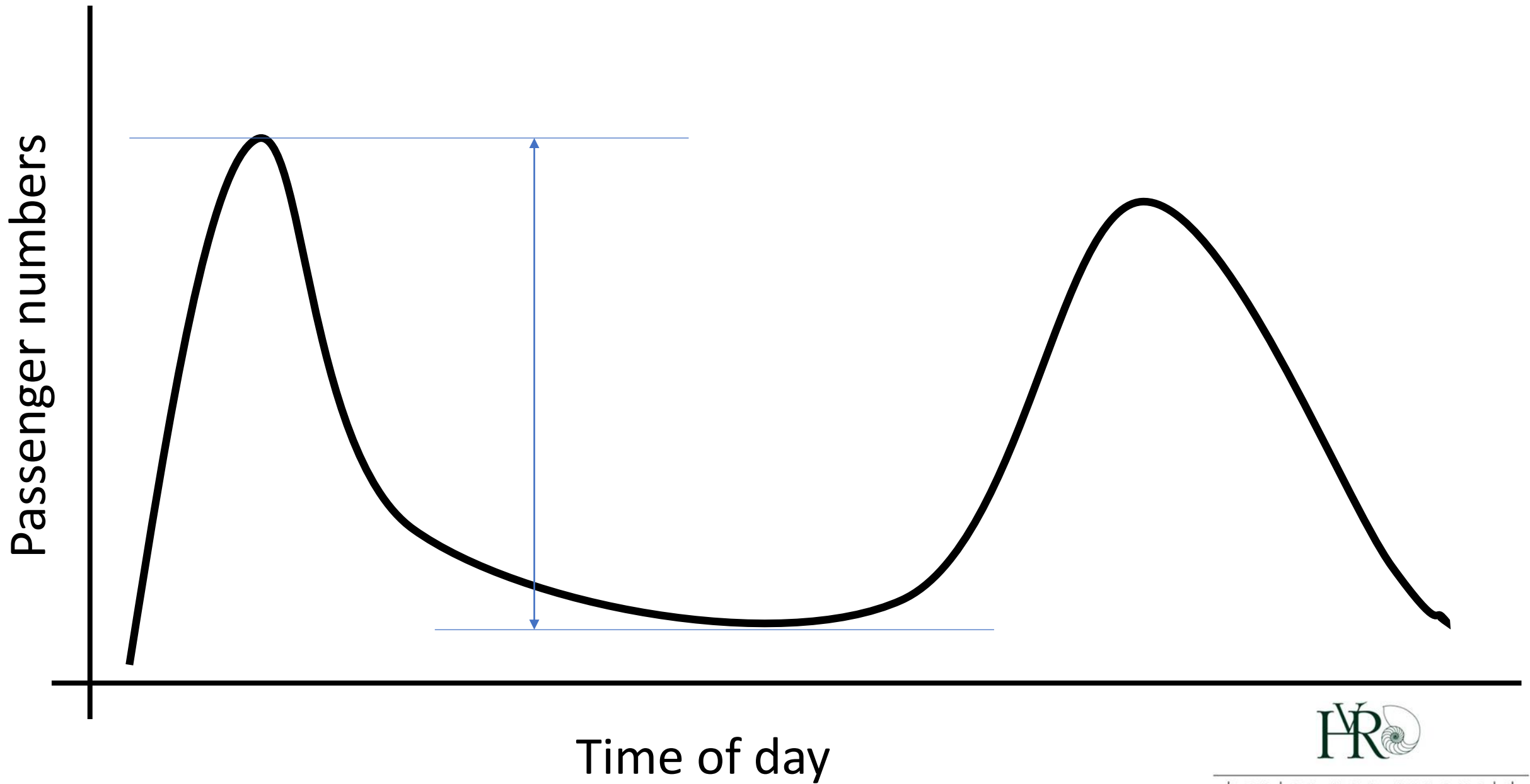
Public transport costs and urban form

All passengers travel long distances, in the morning peak, from residential areas to centres of employment and return in the evening; densification on this basis is not efficient



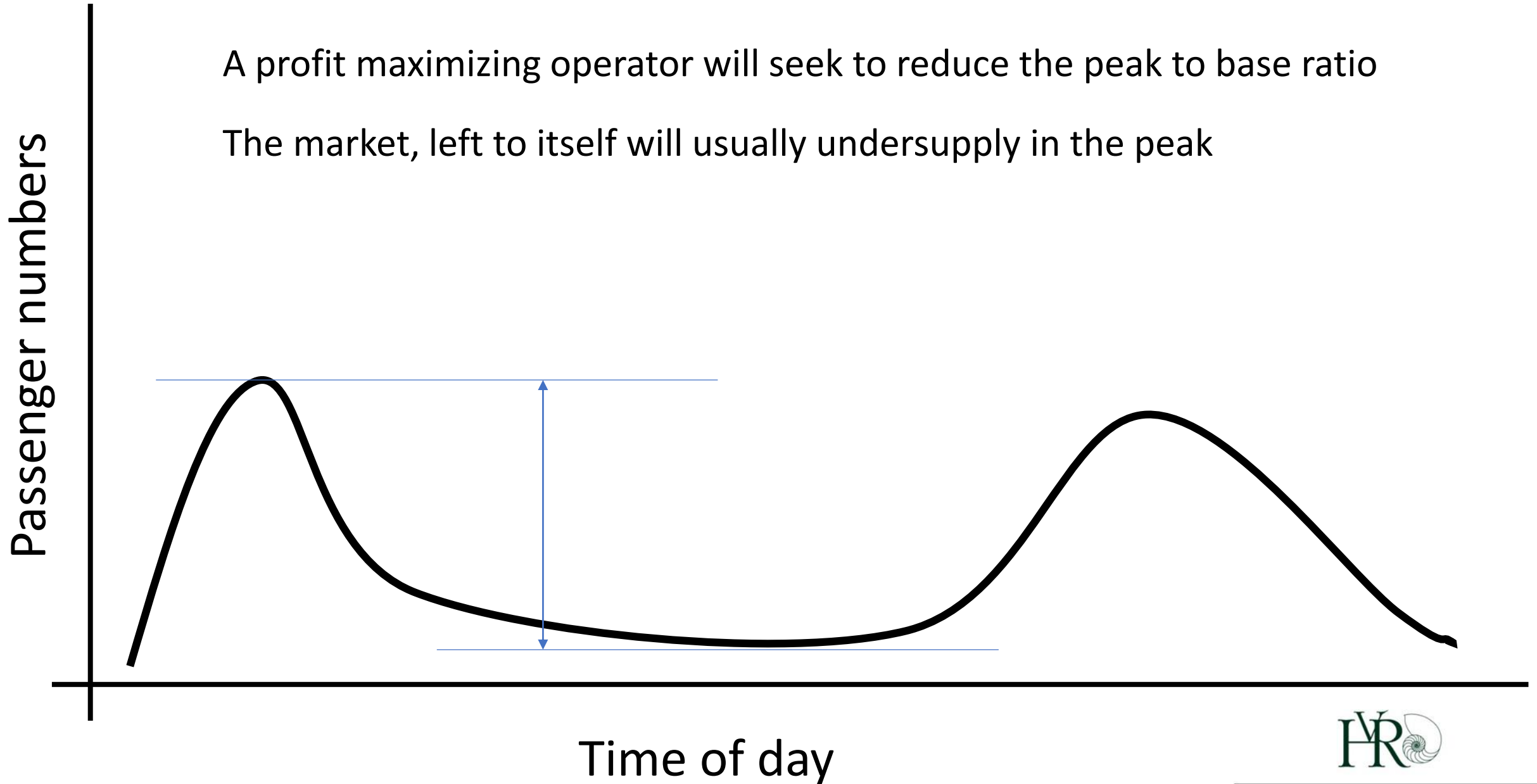
Passengers make short trips – some in the forward direction and others the reverse – along a corridor throughout the day





A profit maximizing operator will seek to reduce the peak to base ratio

The market, left to itself will usually undersupply in the peak



Purpose of subsidies

Subsidy for equity	to lower the cost of travel for poor people
Subsidy for efficiency	to address market failure

Who should the subsidy be given to (ideally)?

Subsidy for equity	to the passenger (demand side)
Subsidy for efficiency	to the service provider (supply side)

Administering subsidies

- Demand side subsidies are theoretically the right approach for addressing equity concerns
 - User chooses the service that suits them best
- But very difficult to administer
- Currently the equity objective and the efficiency objective are both combined in a single subsidy to the operator
- Demand side subsidies may become possible if delivered by means of an integrated, multi-modal fare system
 - BUT this requires the consolidation of public transport responsibilities/authority



National resource allocation to PT 2006/07 to 2016/17

KEY NATIONAL SUBSIDIES (R billion)	2006/07 to 2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Public Transport Operating Grant (PTOG)	16.53	4.15	4.32	4.55	4.83	4.94	5.40
Public Transport Network Grant (PTNG)	10.91	4.61	4.88	5.55	5.87	5.95	5.59
Taxi recapitalisation	2.10	0.45	0.41	0.23	0.30	0.25	0.35
PRASA subsidy	30.06	9.47	10.23	10.51	14.95	18.23	18.89
Current subsidy	14.40	3.34	3.53	4.33	3.89	4.07	4.28
Capital subsidy	15.66	6.13	6.70	6.83	11.06	14.16	14.61
Gautrain capital subsidy	25.90	0.01	0.00	0.00	0.00	0.00	0.00
Gautrain ridership guarantee	0.00	0.60	0.83	1.04	0.99	0.98	0.97
TOTALS	85.50	19.29	20.67	22.12	27.06	30.89	32.83

Providing priority lanes through congested areas is arguably the single best way of improving public transport services and lowering costs

Efficiency of BMT lane

Surveyed on 12th April 2016

Lane Type	Buses	Taxi	Cars	Other	Total
BMT Lane	198	774	441	19	1 432
Occupancy	70	15	1.5	0	
Passengers	13 860	11 610	662	0	26 132
% Pax Modal Split	53%	44%	3%	0%	100%

- A normal traffic lane gives a total of only 2 700 people per hour – carried by 1800 cars.
- This is only 11% of the number of people transported in the BMT lane in one hour, illustrating the **overwhelming advantage of a BMT lane in transporting people.**



Supporting the minibus-taxi industry



Challenges in supporting the minibus-taxi industry

- Cost – R5 subsidy per trip would cost govt approx R30 bn per year (16m trips per day x R5 x 365 days)
 - Excludes administration costs
- Danger of government interfering in ways that undermine the key comparative advantages of the industry
 - Relationship between operator and driver
 - Much of the current efficiency of the industry is based on the skill/desire of the driver to maximize passengers
 - Cost of formalization
- Formalisation should be driven by industry innovating in pursuit of more efficient use of resources – not by government
 - Interesting work being done by industry in this regard



Feasible ways of supporting minibus-taxi industry

- Scope for increase in capital subsidy
 - Link subsidy to mechanisms to a) provide government with better understanding of services (tracking) and b) compliance
- Improvement in facilities – ranks and interchanges
- Priority lanes and other measures in congested areas
 - Eg queue-jump lanes at intersections
- Government transport planners to plan for minibus-taxis as a key part of public transport industry
- Improvements in operating licence management



New opportunities for the minibus-taxi industry

- Flexible, demand responsive nature of industry places it in a good position to capitalize on new mobile technologies
- Scope for serving higher end markets in face of high fuel prices
- In combination with dedicated lanes (including BMT lanes on freeways) could be the key to addressing rising congestion problems

