

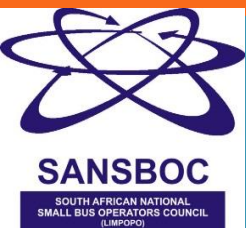
SOUTH AFRICAN NATIONAL SMALL BUS OPERATORS COUNCIL LIMPOPO

Presented to Competition Commission

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The Ranch Hotel, Polokwane, Limpopo Province



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BACKGROUND

- SANSBOC was established in 2009 by NDOT with an interim structure
- Launch of formal structure in 2012 on all provinces and National by NDOT
- District Structures established since 2012 and all five Districts have relatively functional structures in place
- SANSBOC has a membership of about 90% of the total bus Companies in the Limpopo Province
- Services operated by Limpopo Bus Operators are ranging from Subsidised, Scholar Transport, Long Distance, Charter services
- Most of the routes operated by government SOE were hostile taken over from the previously disadvantaged operators without negotiations and compensation during apartheid regime in Limpopo

SOE'S BAIL OUT AND EXEMPTIONS

- Additional grants from government allocated to SOE's, for their sustainability thus resulting in an unfair competition as all other private bus operators are faced with same challenges (same operating costs)
- Exemption from company income tax and less bank charges and other fees granted to only to SOE's, thus making the play ground uneven
- Recapitalisation of vehicles only applicable to SOE's by government and consideration is not made to private bus companies

SUBSIDISED BUS SERVICES

- The subsidized bus services are operated by private operators and SOC, and are managed by the Provincial DOT.
- Approximately 70% of the subsidised bus operations are contracted to State Owned Enterprise (GNT) and 30% operated by private bus companies
- The services are monitored by provincial DOT and non-compliance penalties are imposed to the affected operators

SUBSIDISED BUS SERVICES CONTINUED

- The subsidy increases are implemented unilaterally by the DOT on annual basis without taking into consideration of CPI and other costs increases
- Short term contracts of three years are renewed to operators with the same conditions by the provincial DOT without consultation and engagement with the affected operators, thus making difficult for operators to secure funding from financial institutions
- Kilometres are capped by provincial DOT without taking into account some socio-economic activities and population growth
- Different subsidy rates payable to operators

SUBSIDISED BUS SERVICES CONTINUED

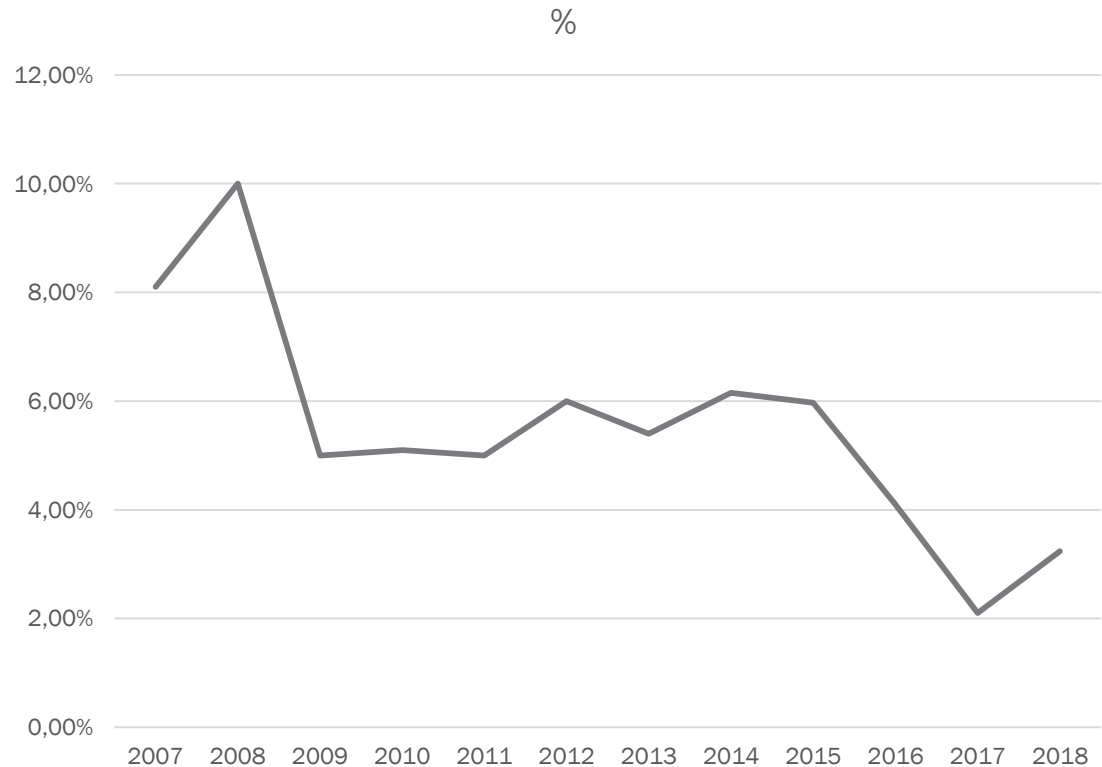
- Subsidy rates too low when compared to other provinces
- Annual subsidy increments since 2009 is very low compared to the actual cost increases for the bus industry.
- None of the CPI, Labour, Fuel or Truck Indexes are taken into account to the bus operators' monthly claims except for SOE (GNT) pertaining to negotiated contract
- Some subsidised routes which are operated by SOE are severely underserviced and some totally not operated, however private operators are restricted to participate and benefit on the subsidy portion.

SUBSIDISED *BUS SERVICES CONTINUED*

- **The Labour Index is also not applicable and bus operators are forced to implement the SARPBAC wage agreements which is not sustainable to operators in Limpopo**

SUBSIDY INCREASES AWARDED

Year	%
2007	8.10%
2008	10.00%
2009	5.00%
2010	5.10%
2011	5.00%
2012	6.00%
2013	5.40%
2014	6.15%
2015	5.97%
2016	4.10%
2017	2.10%
2018	3.24%



PASSENGER RESISTANCE TO FARE INCREASES

- **The main intention of the subsidy is to make public transport services accessible and affordable to the poorest of the poor, but it becomes a battle between operators and passengers to increase fares to cover the shortfall from the subsidy increase paid by DOT to Operators**

MORATORIUM ON SUBSIDIES

- **Growing villages results in more kilometers travelled due to extension of routes without corresponding subsidy adjustments.**
- **Significant passenger growth was experienced which resulted in inadequate bus capacity and thus resulted in an excessive overloading occurred which posed safety and legal problems.**
- **Timetables had to be extended and amended to cater for additional passengers and trips.**

MORATORIUM ON SUBSIDIES CONTINUED

- No consideration on subsidy rates on different capacity of the sizes of buses to cater for passenger growth
- Huge capital investments were incurred by bus operators to acquire more new buses with higher carrying capacity to reduce overloading and accommodate changed travelling patterns.
- All this was done without subsidies being adjusted due to the moratorium on subsidies thus increasing cost to operators.

OPERATING STANDARDS

Since the implementation of the 'Per Kilometer Subsidy System', the Department has more effective control over bus operators. The quality of the services rendered can now be measured and monitored against the :

- Approved timetable.
- Measured and described routes.
- Safety, reliability and cleanliness of buses.
- Bus Drivers adhering to legal requirement, quality of buses in terms of the fleet return submitted.

SCHOLAR TRANSPORT

- Scholar transport is managed by Limpopo Department of Education without relevant knowledge and expertise pertaining to transport issues
- Service Providers are contracted for three years by the provincial DOE , thus making difficult for Service providers to secure funding from financial institutions
- DOE only pays service providers for only school going days(195 days of 365), which leaves operators with a burden of paying fixed operating costs such as instalments, insurances, licenses, salaries, office and bus depots rentals, sleeping grounds and many more

SCHOLAR TRANSPORT CONTINUED

- The rates are determined and imposed by the DOE to service providers irrespective of the tender rates submitted by bidders, thus making it difficult for service providers to make profit and sustain their businesses
- No annual increase and escalation during the tender contract period

HUMAN RESOURCES EXPECTATIONS

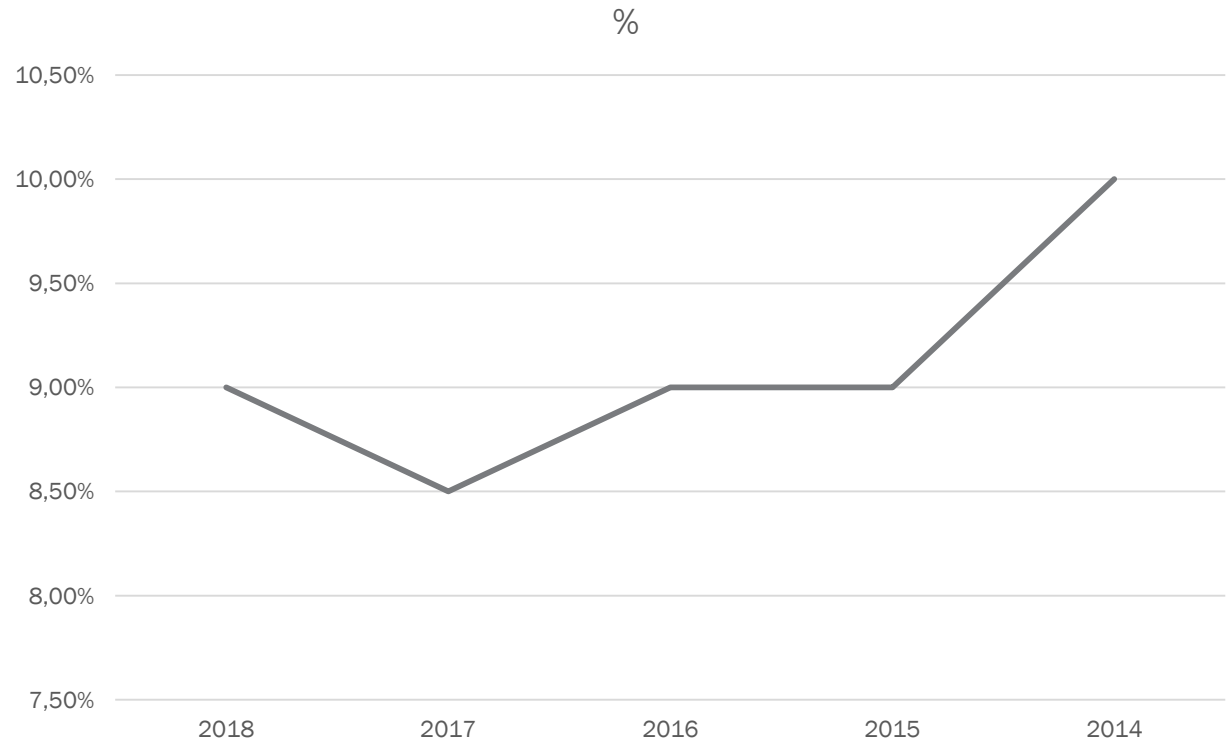
- From April 2012 SARPBAC, through the Minister of Labour, extended the Wage Agreement to non-parties.
- Small and emerging Bus operators are obliged to adjust wages and salaries to be inline with the salary/wage scales as prescribed by the SARPBAC agreement irrespective of profit margin for each operator.
- For the past four years bus operators had to implement the SARPBAC minimum wages as well as increases of an average of 10% which is totally unaffordable and unsustainable thus leading to retrenchment

COST ESCALATION IN THE BUS INDUSTRY

The following few slides will highlight the cost escalation experienced over a number of years depicting the major increases:

SALARIES AND WAGES

Year	%
2007	17.30%
2008	15.00%
2009	19.00%
2010	17.80%
2011	22.30%
2012	13.90%
2013	13.60%
2014	10.00%
2015	9.00%
2016	9.00%
2017	8.50%
2018	9.00%

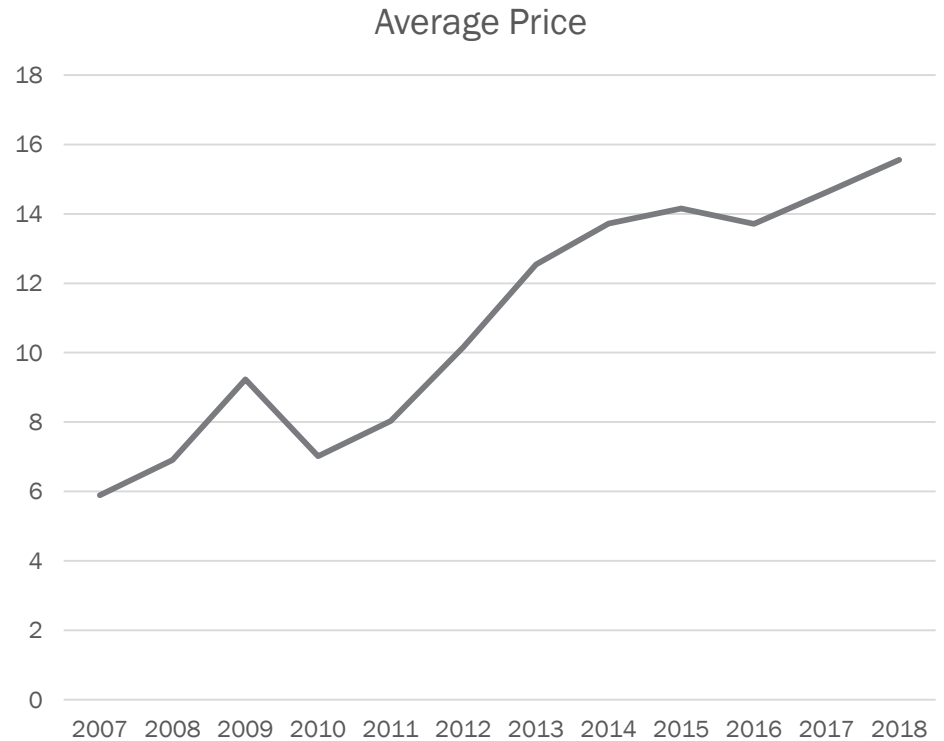


SANSBOC

SOUTH AFRICAN NATIONAL
SMALL BUS OPERATORS COUNCIL
(LIMPOPO)

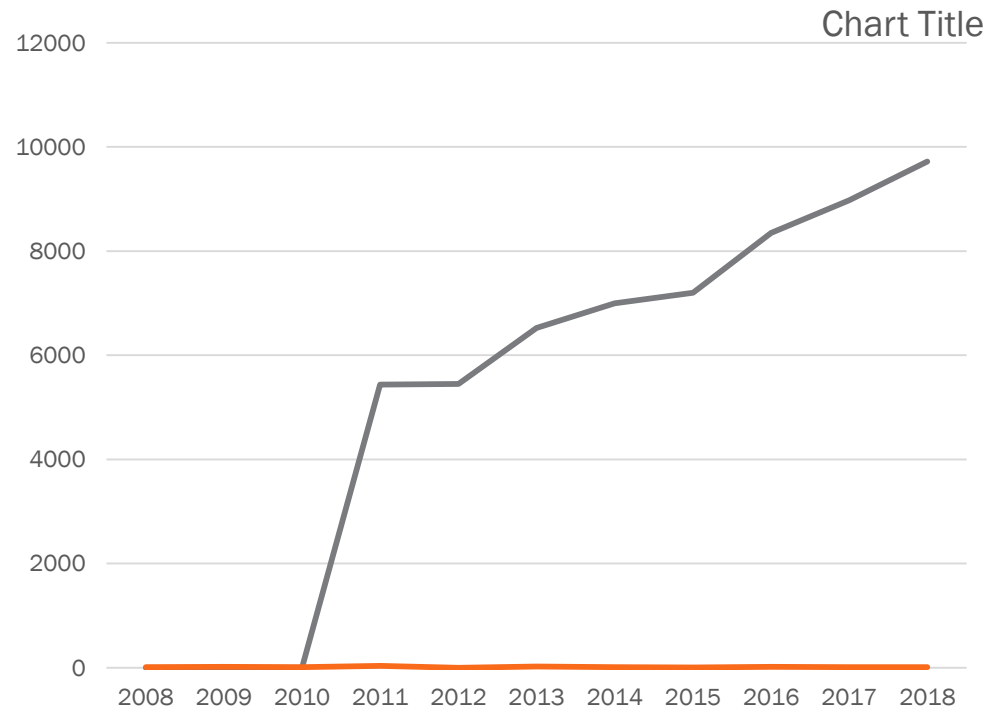
DIESEL

Year	Average Price
2007	5.89
2008	6.91
2009	9.23
2010	7.02
2011	8.03
2012	10.16
2013	12.54
2014	13.72
2015	14.15
2016	13.71
2017	14.62
2018	15.55



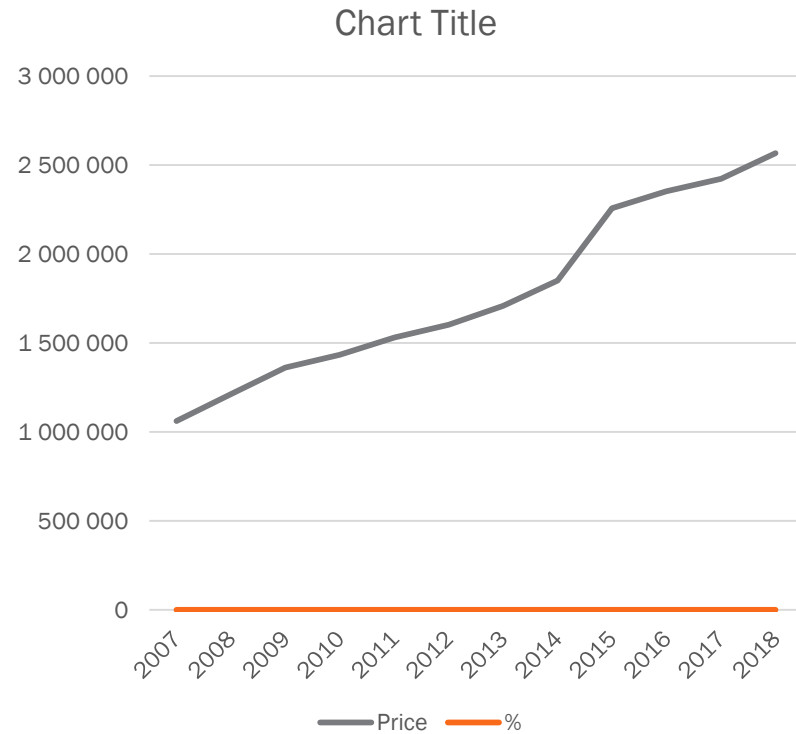
TYRE PRICES

Year	Price	%
2008	3, 176	10
2009	3, 595	13.2
2010	4 ,000	11.3
2011	5437	35.9
2012	5450	0.2
2013	6525	19.7
2014	6995	7.2
2015	7200	2.9
2016	8352	16
2017	8978	7.5
2018	9719	8.25



BUS PRICES

Year	Price	%
2007	1,061,616	-
2008	1,211,875	14.2
2009	1,362,623	12.4
2010	1,433,944	5.2
2011	1,530,291	6.7
2012	1,602,152	4.7
2013	1,709,330	6.7
2014	1,850,000	8.2
2015	2,256,154	22
2016	2,353,002	4.3
2017	2,423,011	3.2
2018	2,565,794	6.3

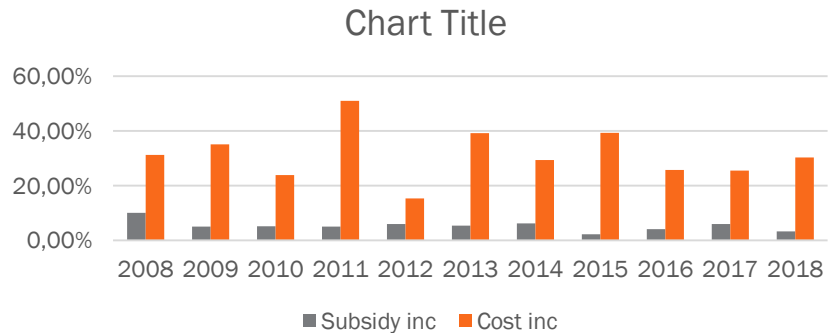
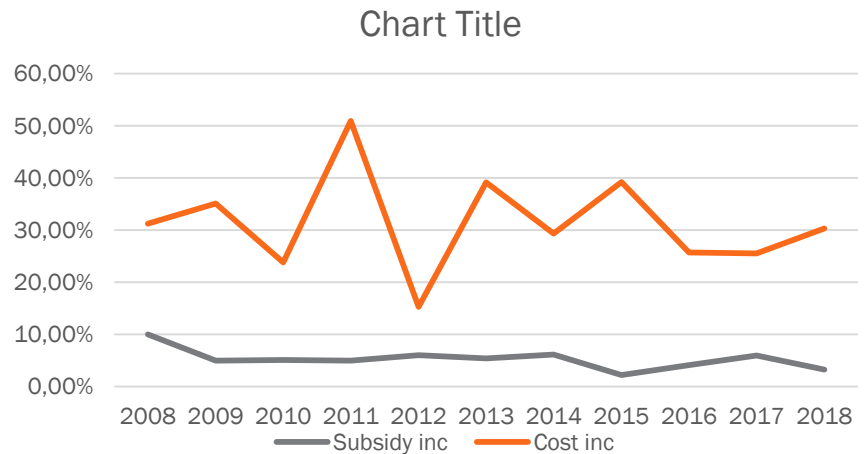


SANSBOC

SOUTH AFRICAN NATIONAL
SMALL BUS OPERATORS COUNCIL
(LIMPOPO)

SUBSIDY VERSUS COST INCREASES

Year	Subsidy inc	Cost inc
2008	10.00%	31%
2009	5.00%	35%
2010	5.10%	24%
2011	5.00%	51%
2012	6.00%	15%
2013	5.40%	39%
2014	6.15%	29%
2015	2.21%	39%
2016	4.10%	26%
2017	5.97%	26%
2018	3.24%	30%



LICENSES

OPERATING LICENSES (PERMITS)

- Scholar Transport Operating Licenses are not issued in line with the contract period
- Up to three years delay on issuing Operating licenses even for over the counter transactions

COF's

- Duplication of annual vehicle license fees impacts negatively on bus operators

LONG DISTANCE & CROSS BORDER OPERATIONS

- Unfair competition between SOE (PRASA) and private bus operators in that they saturate the market with excess buses due to their over capacity from 2010 world cup

BRT

- Polokwane BRT only considered SOE to participate and no other small bus operators was afforded an empowerment opportunity
- Only affected stake holders are engagement and there is no consideration of SMME's
- High costs of implementing Leeto La Polokwane, maintenance and subsidy that the government is going to incur can be utilized to sustain the current bus operations of the province

ROAD CONDITIONS

The current deterioration in road conditions impacts on:

- **Complying to the operating standards set by LDOT.**
- **Impacts severely on the maintenance cost of buses especially the suspension and tyre cost.**
- **Causes latent structural damage to the bus body and chassis which only manifest much later and shortens the lifespan of the bus.**
- **A general decline in bus and passenger safety and effects the expected quality standards.**

OTHER CHALLENGES

- Lack of financial support to the Industry by LDOT
- Lack of dedicated personnel to coordinate activities of SANSBOC which continues on Adhoc arrangements
- Divisions within Government Subsidy beneficiaries and non subsidized operators
- Challenges within Scholar Transport programme coupled with the fact that it still resides within DOE
- Sporadic conflicts between Small Bus Operators and Taxi Operators in some of the routes and corridors
- Ongoing pressure and sustained blame for preserving monopolies and benefiting a few operators through the subsidy scheme

CONCLUSION

- Companies are trying their level best to render the best possible service to the commuters, comply with the operational requirements of the Department of Transport, adhere to the laws of our country, but not coping with increased operational costs.
- From the slides presented it is clear that the play ground is not levelled and operational costs do not correlate with income thus impacting severely on the sustainability of bus operators in Limpopo. Should this challenges not be addressed soonest, it will result in the total collapse of the industry.

THANK YOU