Southern African Bus Operators Association (SABOA) presentation to the Competition Commission Market Enquiry into Public Transport

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SABOA

Overview of the presentation

- Background to SABOA
- Public transport policy/strategy milestones
- Types of contracts in public transport in SA
- Types of subsidies in SA
- Current status of contracting in the DORA-funded industry
- Key contracting conditions
- Characteristics of commuter transport contracts (funded via DORA)
- Key differences between the commuter bus industry and the minibus taxi industry
- Contracts for school bus operators
- Intercity/interprovincial and international bus services
- of subsidies on competition between different modes of public transport
- Industry transformation
- General transformation impediments

Background to SABOA

- Greater purpose

"We contribute substantially to the social and economic development of our country by providing bus and coach services to transport millions of people who rely on public transport on a daily basis"

- Vision

"SABOA is the credible voice of an inclusive, efficient, sustainable and transforming bus and coach industry."

- Mission

"To play a pivotal role in representing the interests of its members in building a sustainable integrated transport system through safe, reliable and affordable bus and coach services valued by our stakeholders"

Background to SABOA

- SABOA is registered as a Non-Profit organization in terms of the Companies Act
- Membership is voluntary
- Two categories of operating membership:
  - 1-30 buses – Category A members (approximately 850 companies)
  - 31 > buses – Category B members (approximately 40 companies including non-subsidized operators)
- Council consists of 22 members of which 20 are from Category A (10) and B membership (10) respectively. Each operating member has one vote on Council irrespective of the number of buses operated
  - Other Council members include:
    - Associated members (2)
    - Executive Manager and Strategic Adviser (non-voting)
- An Executive Committee (EXCO) is appointed by the Council for day-to-day management of the Association
- Working committees are appointed by the EXCO and report on their activities to EXCO on a bi-monthly basis

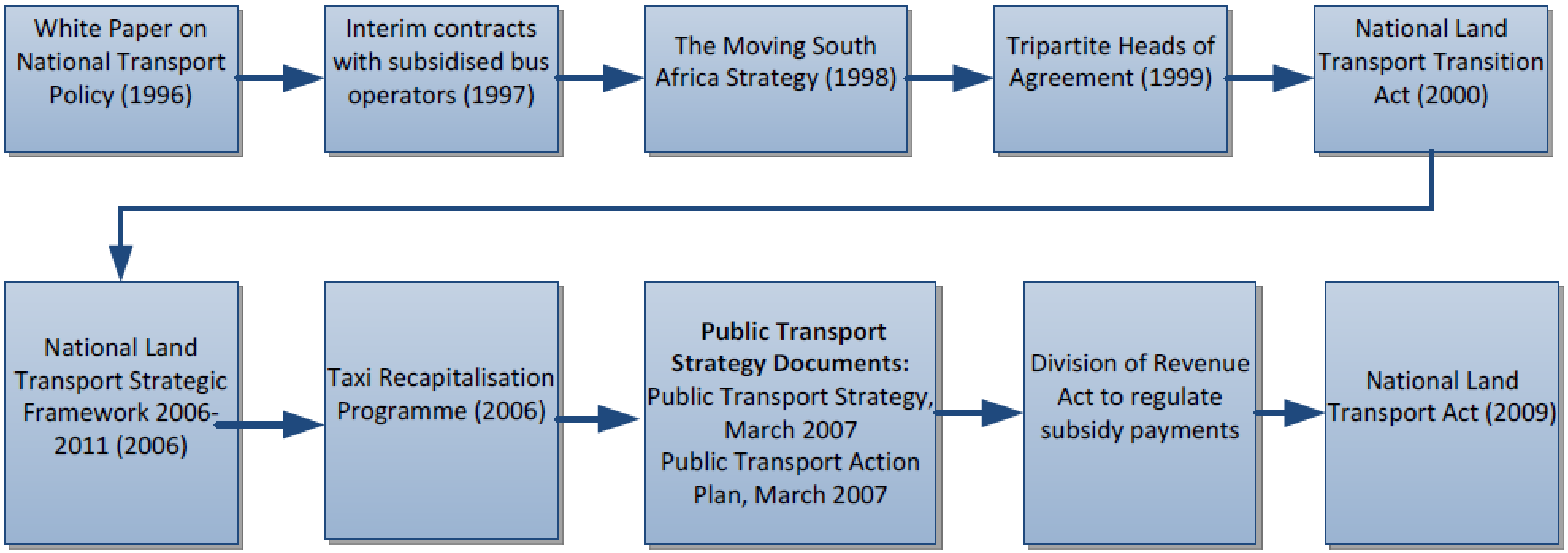
SABOA membership

- Commuter transport operators
  - Privately-owned bus operators (worker-commuter transport)
  - School bus operators (scholar transport)
  - Bus Rapid Transit operators in the main Metros
  - Municipal-owned bus operators in Johannesburg, Tshwane and Brakpan
  - Provincially-owned bus companies

- Tour/charter operators
  - Scheduled intercity coach transport services
  - Charter transport services
  - Tourist transport services
  - Cross-border transport services (international borders)
  - Shuttle transport services

- Industry Suppliers / Associate Members

Public transport policy/strategy milestones



Types of contracts in public transport in SA

Interim contracts – are contracts entered into between the government and operators, following the 1996 White Paper recommendation that subsidised passenger transport services be put out to tender. IC's were put in place pending the implementation of a tender system for these contracts and were intended to only be in place for 1-3 years

Tender service contracts – are contracts entered into between the government and operators in terms of section 43 of the NTLA, following due tender processes

Types of contracts in public transport in SA

Negotiated contracts – are contracts entered into by the government with operators in their areas once only for –

(i) the purpose of integrating services in terms of integrated transport plans,

(ii) promoting economic empowerment of small businesses or previously disadvantaged individuals, or

(iii) facilitating restructuring of parastatal or municipal operators with the aim of preventing monopolies

Types of subsidies in SA

- Commuter bus services funded by the DORA – based on **contracted kilometres** operated in the network of services (interim, tendered and negotiated contracts)
- Scholar bus services funded by provincial education departments and provincial departments of transport- operator remunerated on **contract kilometres:** scholars don't pay for services
- **Deficit subsidy** – the difference between the revenue and cost of producing the service is funded by the authority - found in commuter rail and city-owned bus transport operations such as in the Tshwane and Johannesburg metros
- **Net cost contracts** – operator carries the revenue and cost risk of producing the services – typical in the DORA-type operations
- **Gross cost contracts** – operator carries the production risk and the authority carriers the revenue risk - found in the BRT-type contracts

Current status of contracting in the DORA-funded industry

Type of contract	Number of buses	Number of contracts	Percentage of the subsidy budget	Contract characteristics	Duration
Interim contracts	+/- 3849	39	68%	Foreseen as a transition arrangement in 1997. ICs are now 21 years old	3 years originally. In practice ICs are now 17 years old. Contract extensions are between 1 and 3 months. The last round of extensions were up to 3 years ending March 2018
Tendered contracts	+/- 1834	66	28%	Based on a standard contract document. Mostly "stand alone" services in rural/urban areas	5 years originally. Contract extensions are between 1 and 3 months. The last round of extension were up to 3 years ending March 2018
Negotiated contracts	+/-1300	10	4%	Mostly applicable to state-owned and operated bus companies	5 years originally. Contract extensions are between 1 and 3 months. Last round of renewals up to 3 years ending March 2018

Key contracting conditions

	Tendered Contract Services	Interim Contracts	Negotiated Contract Services
Timetables	Prescribed	Prescribed	Prescribed
Routes/network services	Prescribed	-	Prescribed
Passenger fares	Prescribed	Prescribed	Prescribed
Vehicle ages	Prescribed	-	Prescribed
Services are monitored by a monitoring company	Yes - penalties for non-compliance	-	Yes - penalties for non-compliance
Route km-based funding	Yes	Yes	Yes
Approval needed for fare increases, route amendments, time table amendments, additional trips	Yes	Yes	Yes
Provincial oversight of services rendered	-	Yes	-

Characteristics of commuter transport contracts (funded via DORA)

- Volume one of the Model Contracting document specifications specifies, amongst other:

- Data and other statistical requirements
- Contracting rates
- Management of the services
- Record keeping and reporting
- Time tables
- Temporary interruption of services
- Cessions and delegations
- Sub-contracting
- Services outside the contract
- Vehicle requirements
- Information display requirements
- Depots and the lease of depots
- Staffing arrangements
- Image and marketing
- Fares
- Electronic equipment
- Monitoring and control
- Penalties
- Costing of service provision
- Escalation formula and calculation of monthly payments
- Performance monitoring
- Payment of services
- Disputes

Characteristics of commuter transport contracts (funded via DORA)

- Volume two deals with forms and schedules that have to be completed

• Forms • Specifications for rebuilt and rehabilitated buses • Vehicle specifications • Specifications for advertising on vehicles • Contract management plan, business plan, monthly and annual reports • Duties to be performed by the SMF • Penalties	• Routes, distances, services, fares, timetables, stops and additional related information • Performance monitoring • Calculation of fixed and variable contract rates • EFVE Operation • Style Guide for image and marketing • Journey Analysis Report • Occupational Health and Safety Agreement

Key differences between the commuter bus industry and the minibus taxi industry

	Commuter bus industry	Minibus taxi industry
Prescribed time tables and routes	Prescribed timetables have to be adhered to, irrespective of whether the bus is full or not	There are no prescribed timetables and operators operate only when vehicles are fully loaded
Routes	Many non-profitable routes have to be operated based on the social needs of the population	Services focus on profitable short-distance peak and off-peak services
Service periods	Services are mostly in the peak periods	Services focus on profitable short distance peak and off-peak services
Monitoring of operations	Contracted services are independently monitored for contract compliance	There is no independent monitoring of services
Fares	Fares are prescribed in contracted services. Ticket machines are prescribed	There is no independent fare control in the taxi industry
Labour conditions of service	The industry is highly unionized and labour rates and conditions of employment are determined by SARPBAC and enforced	Labour agreements e.g. working hours and minimum wages are extremely difficult to enforce, if at all

Key differences between the commuter bus industry and the minibus taxi industry

s	Commuter bus industry	Minibus taxi industry
Working hours	Working hours are governed and enforced	Labour agreements e.g. working hours and minimum wages are extremely difficult to enforce
Training	Companies spend significant amounts on training and training facilities	Government/TETA generally sponsors any training activities
Infrastructure	Companies invest in infrastructure such as office space, depots and maintenance facilities	The taxi industry does not have a large commitment to infrastructure developments relating to their operations
Vehicle maintenance	Bus maintenance and replacements are regulated by means of the contracting system	Vehicle maintenance practices are not effectively controlled and enforced by authorities
Road-worthy tests	Road-worthy tests are compulsory every six month	Road-worthy tests are required every twelve months
Effect of exchange rates	The bus industry is highly vulnerable to exchange rates as all bus chassis (engines, gearboxes and rear axles, together with electronics) are imported	Most minibuses are sourced and manufactured locally thus cushioning the industry against exchange rate volatility

Contracts for school bus operators

- All school bus operators are contracted by the relevant provincial education departments, or in the case of three provinces (MPU, NW and EC), by their departments of transport
- The majority of SABOAs SMME bus operators operate on short term school bus contracts throughout the country as well as charter services (funerals, school excursions)

Intercity/interprovincial and international bus services

- These services are non-subsidized and market-driven
- On an intercity, interprovincial and international basis, all modes are competing with each other.
- The service providers focus their product offerings on the different market sector’s travel needs, for instance:
  - luxury travel with in-service entertainment and refreshments versus basic travel requirements from one point to another
  - air conditioning versus no air conditioning
  - ability to carry freight or not
  - route specifications such as door to door versus node to node
  - time constraints of passengers (for example road versus rail transport)
  - propensity to pay for services etc.

Impact of subsidies on competition between different modes of public transport

- Any subsidy has the potential to distort the market
- Subsidies have multiple objectives often related to social, economic, political and environmental goals of government
- In SA public transport subsidies have traditionally been focused on the commuter bus and rail industries to enable passengers to access public transport at an affordable cost
- Over short distances the commuter bus subsidies (DORA-funded) are very low or non-existent; over longer distances subsidies increase to make long-distance commuting more affordable
- Average commuting distances by bus (DORA-funded) is about 30-38 km
- Average commuting distances by taxi is about 8-12 km
- No recent information is available on travel distances but the NHTS (2013) sheds some light on commuting time which can be related to commuting distances
- Market share of the taxi industry has increased between 2003 and 2013

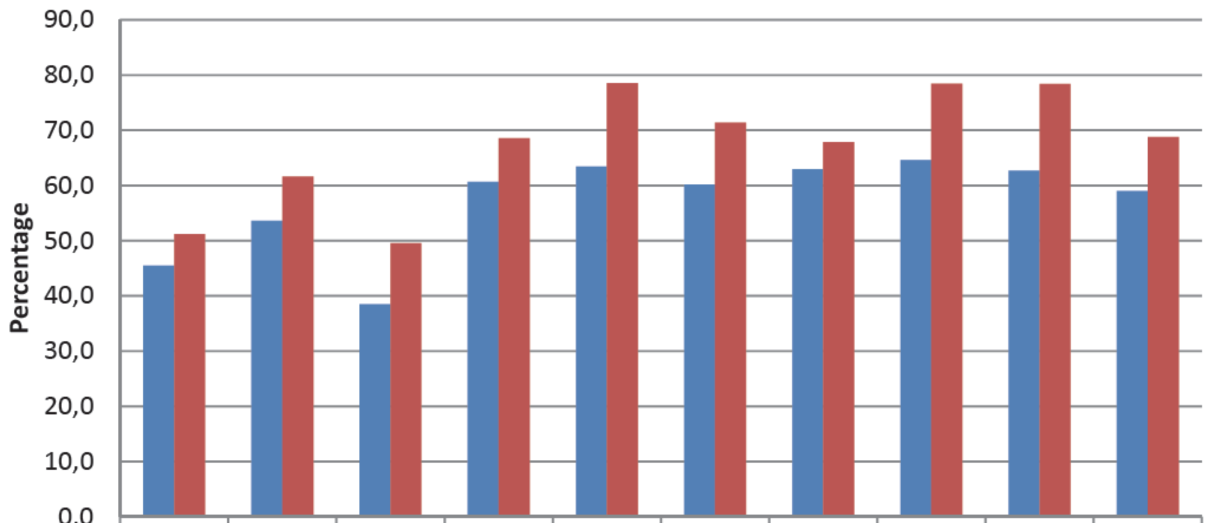
Impact of subsidies on competition between different modes of public transport

Table 3: Total time travelled to place of work by main mode and province, 2013

Main mode of travel and total time in minutes	WC	EC	NC	FS	KZN	NW	GP	MP	LP	RSA
Bus										
Mean (minutes)	70	60	56	76	69	80	92	89	78	74
1-30	21,1	22,5	26,9	9,9	14,2	14,4	9,3	11,0	21,2	14,4
31-60	30,5	46,0	56,0	35,3	45,4	36,8	23,3	32,1	29,4	32,9
61+	48,4	31,5	17,1	54,7	40,4	48,8	67,4	56,9	49,5	52,7
Total	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**
Taxi										
Mean (minutes)	49	47	41	46	59	56	64	50	51	51
1-30	39,0	43,8	60,3	41,2	29,2	34,7	23,9	43,1	36,2	31,7
31-60	41,0	41,1	32,0	40,6	43,7	42,2	42,0	40,0	45,3	42,1
61+	20,1	15,1	7,7	18,1	27,1	23,1	34,2	16,9	18,6	26,3
Total	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**

Source: NHTS, 2013:58 (Table 5.17 extract)

Impact of subsidies on competition between different modes of public transport



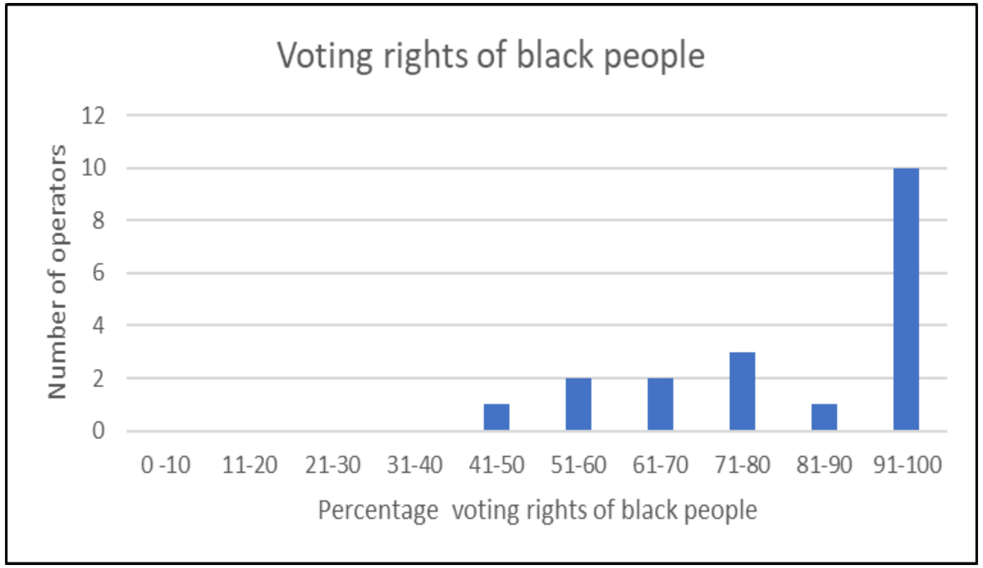
	WC	EC	NC	FS	KZN	NW	GP	MP	LP	RSA
2003	45,5	53,6	38,5	60,7	63,4	60,2	62,9	64,6	62,7	59,0
2013	51,2	61,6	49,6	68,6	78,6	71,4	67,9	78,4	78,4	68,8

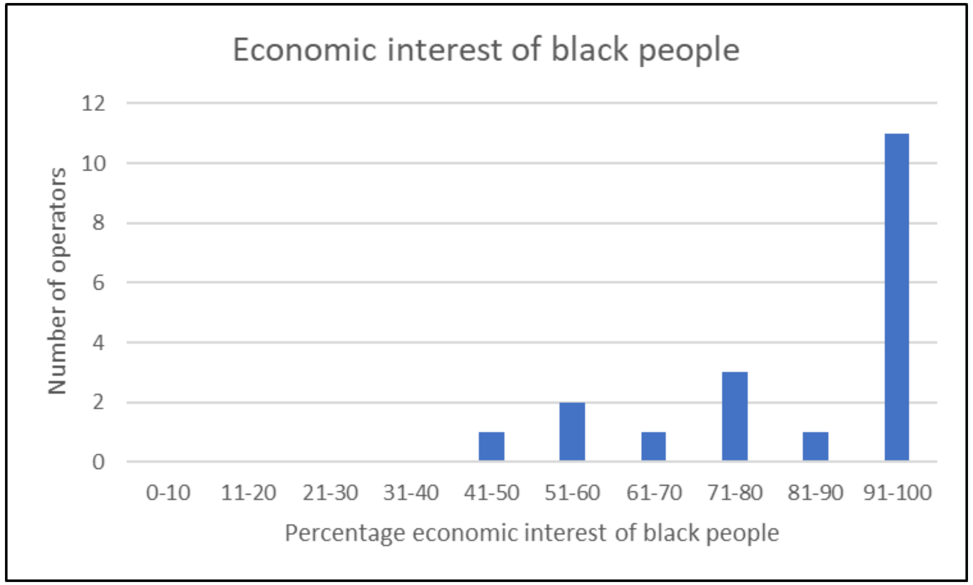
Provincial comparisons have to be done with care due to boundary changes that took place between 2003 and 2013.

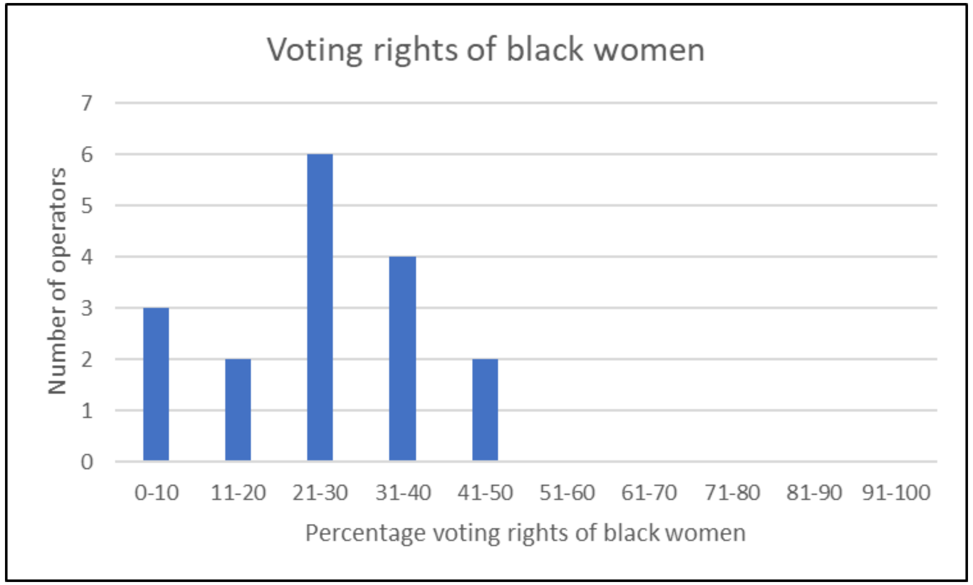
Figure: 1 Use of minibus taxis during the calendar month preceding the survey by province, 2003 and 2013

Source: NHTS 2013: 94

Subsidised commuter bus industry transformation







Source: SABOA survey amongst its Category B membership. June/July 2017

Note: The information in the figures represent responses of 19 of the 32 bus companies that operate more than 30 buses. In this number (32), there are also municipal and provincially-owned bus companies – six of these participated in the survey but were not included in the calculations

General transformation impediments

- Lack of detailed transportation plans at the local level that can be used for public transport contracting
- Lack of coordinated planning (structures) at the local level amongst different local government departments that ought to result in integration between transport and land use planning
- Lack of progress with implementing the contracting system since 2002. This impedes economic transformation of the industry and SMME involvement
- SMME operator limitations in participating in formal subsidized public transport systems
  - Significant financial and operational challenges
  - Complex governmental reporting and legal requirements
  - The lack of skills
  - Poor credit records and lack of appropriate record keeping
  - Cost of acquisition and operation of buses

Transformation impediments

- Funding
  - Uncoordinated “silo- based” funding arrangements is not conducive to integrated transportation planning
    - Commuter rail
    - School bus services
    - Commuter bus transport – DORA funded
    - Municipality-funded commuter bus transport
    - Provincially-funded commuter bus transport
    - Gautrain and its commuter bus feeder system, and
    - The taxi recapitalization programme

Transformation impediments

- Institutional structures
  - Uncoordinated institutional structures involved in commuter transport
    - DOT-policy regarding public transport
    - Nine provincial departments of transport managing DORA-funded bus contracts
    - The national education department - policy regarding scholar transport services
    - Provincial education departments that are managing school bus contracts
    - Local/metro governments operating municipal bus companies as well as BRTs in many of the main metros
    - PRASA operating commuter rail services in the main metros, and
    - Gautrain via its concession company Bombella, also operating an extensive bus feeder system

Thank you