



**Western Cape  
Government**

Transport and Public Works

**BETTER TOGETHER.**

**COMPETITION COMMISSION HEARINGS:  
MARKET INQUIRY INTO PUBLIC PASSENGER TRANSPORT**

**SUBMISSION FROM THE DEPARTMENT  
OF TRANSPORT AND PUBLIC WORKS  
(WESTERN CAPE GOVERNMENT)**

Cape Town  
Wednesday, 20 June 2018

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# 1. Background



# Background – DTPW

- The Western Cape Government Department of Transport and Public Works (DTPW) plays the following roles in public transport
  - Management of the **Golden Arrow Bus Service (GABS)** contract, which is a conventional bus service
  - Partner with George Municipality for the **George Integrated Public Transport Network (GIPTN)**, which is a municipal bus service
  - The Provincial Regulatory Entity (**PRE**) function
  - Specific focus and initiatives relating to **supporting under-capacitated municipalities** in the performance of their public transport services through the Provincial Sustainable Transport Programme
  - Full set of Provincial public transport responsibilities in terms of the NLTA

# Background – Public Transport in SA

- Public transport is a **social and economic good**
  - Generates significant economic returns, while also providing social benefits
  - Requires a strong role for government in planning, coordinating, regulating and administering subsidies

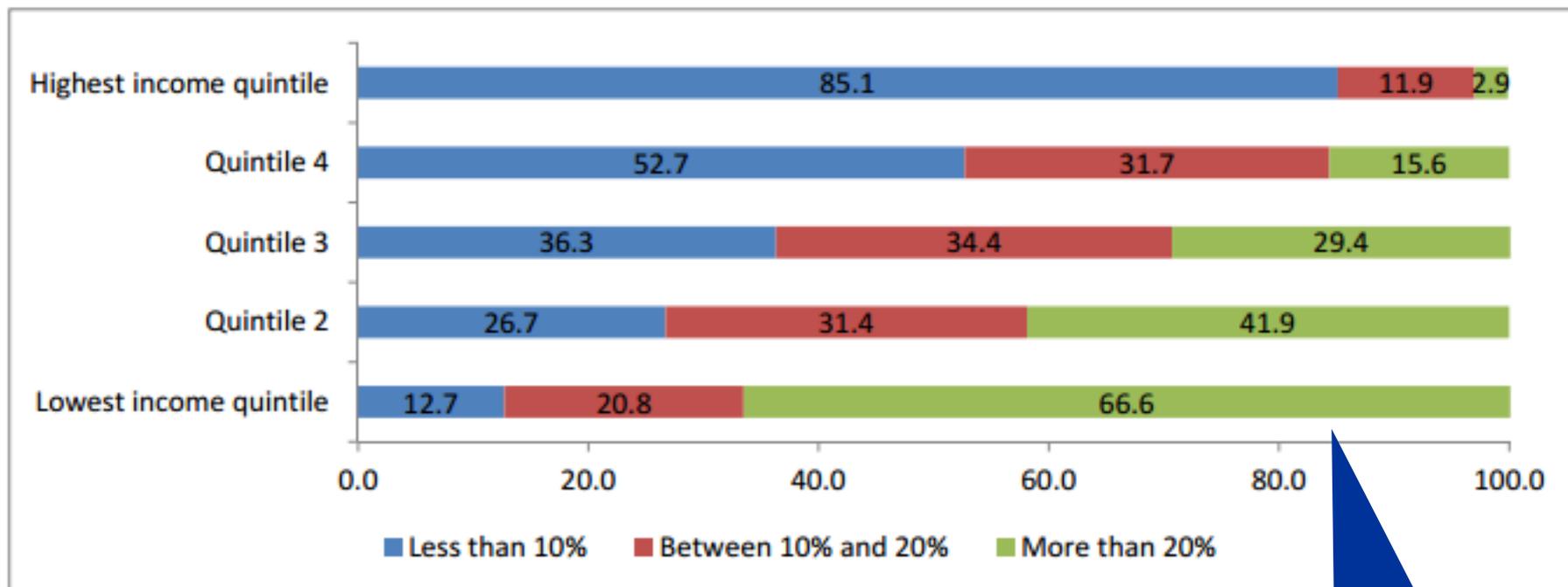
*“Governments and the public sector must take a central coordinating role to ensure sufficient and appropriate transport infrastructure and service provision”<sup>1</sup>*

- Access to affordable public transport is vital in South Africa, given rates of poverty and inequality
  - Low-income groups paying over 20% of income for public transport
  - Exacerbated by Apartheid-era spatial development patterns
    - Long distances increase travel distance, time and cost for marginalised groups
- Public transport needs improvement and investment
  - Backlog of under-investment
  - Services are unreliable, unsafe, uncomfortable, lack connectivity and expensive for low-income users



# Background - Public Transport in SA

## Household income per capita spend on public transport



Source: NHTS 2013

Low-income PT users spend a greater portion of income on PT

# Background - Public Transport in SA

- South African Government is working to improve public transport
  - Left to the market, services will not improve in a way that is affordable to the passenger
  - Government's approach is informed by Constitution, National Land Transport Act (NLTA, No. 5 of 2009), Public Transport Strategy and Action Plan (PTS, 2007)
- Key focus has been on the development of Integrated Public Transport Networks (IPTNs), as required by the NLTA and the PTS
  - Original focus of IPTNs was on the BRT component
- Intention for existing operators to be integrated into IPTNs
  - Consolidate public transport operators and build capacitated Vehicle Operating Companies (VOCs) that can deliver high-quality services to Government through a negotiated contract
  - Effectively a mechanism for extending subsidy to existing operators, whilst improving service quality
  - In the long term, existing operators would become capacitated companies that would tender for future contracts

# Background - Public Transport in SA

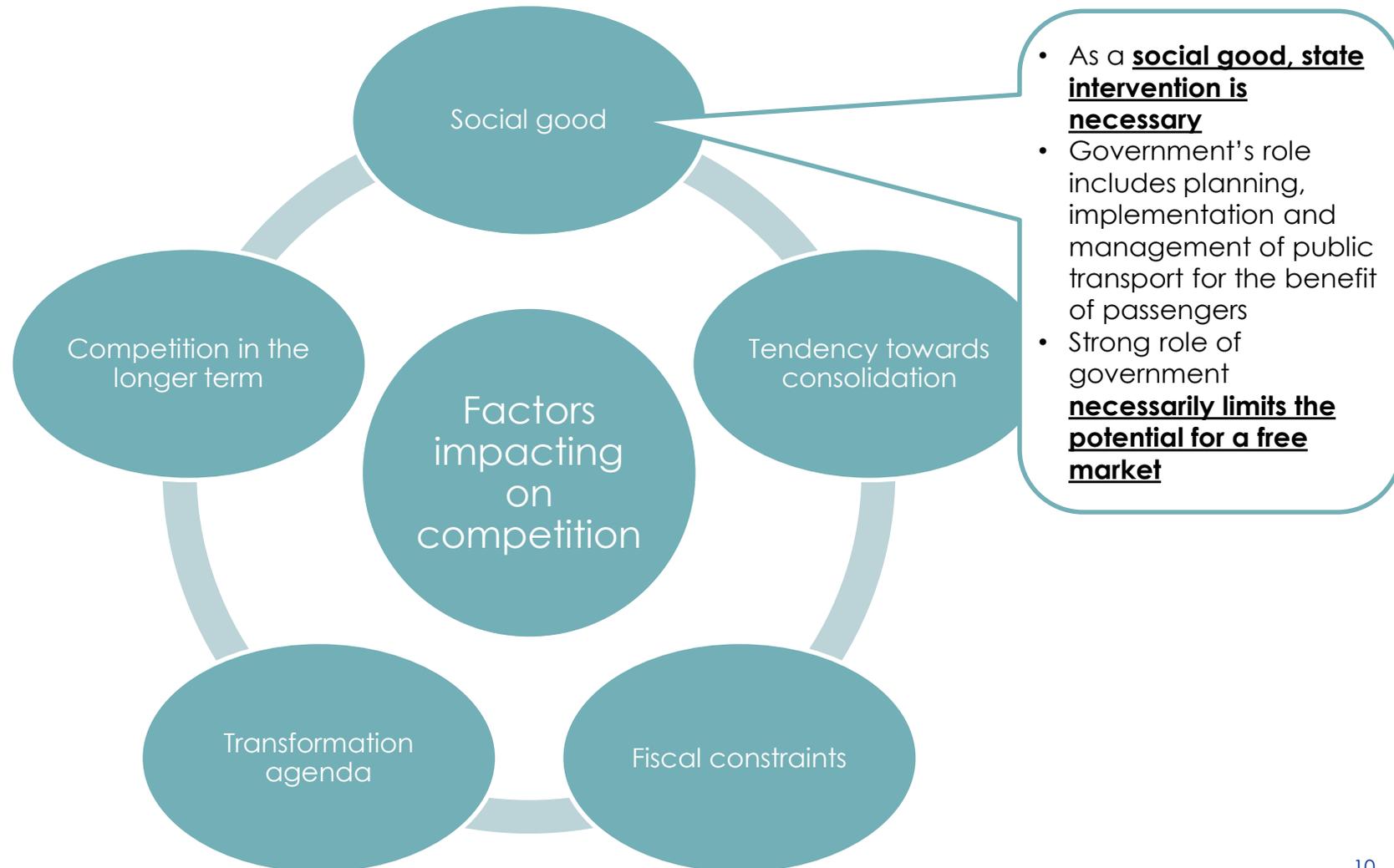
- Since 2007, there has been a shift from thinking about mainly BRT to thinking about the full IPTN
  - An IPTN includes the full multi-modal integrated system: Rail, BRT, conventional bus, minibus taxi, non-motorised transport
  - In order to most cost-effectively provide public transport services, the appropriate mode must be used
    - Modes serve different purposes, and are not necessarily interchangeable
    - The current modal mix in South Africa is not optimal
    - It is part of government's role to improve the modal mix to better support passengers and cities
- Progress has been made with IPTNs, but improving public transport is a long-term programme
  - More complex and costly than expected

# Background - Public Transport in SA

- Key lessons learnt to date
  - **Public transport interventions must be context-appropriate**
    - Bus Rapid Transit (BRT) isn't suitable everywhere
  - **Significant fiscal constraints**
    - Limit to how much subsidy can be made available, and the currently available levels of subsidy cannot support rollout of envisaged bus services across the country
  - **Institutional limitations**
    - Government experiences severe capacity constraints and has limited capacity to plan, implement, manage, regulate and enforce land transport
  - **Complexity of transformation**
    - Integration and alignment with existing operators has been complex
- **Government-led initiatives to improve public transport must continue**, informed by lessons learnt
  - In line with international best practice, where government plays a key role in the provision of public transport
  - Must be context-appropriate, within funding constraints and addressing institutional and transformational challenges
  - Alternative approaches to integrating MBT industry should be explored

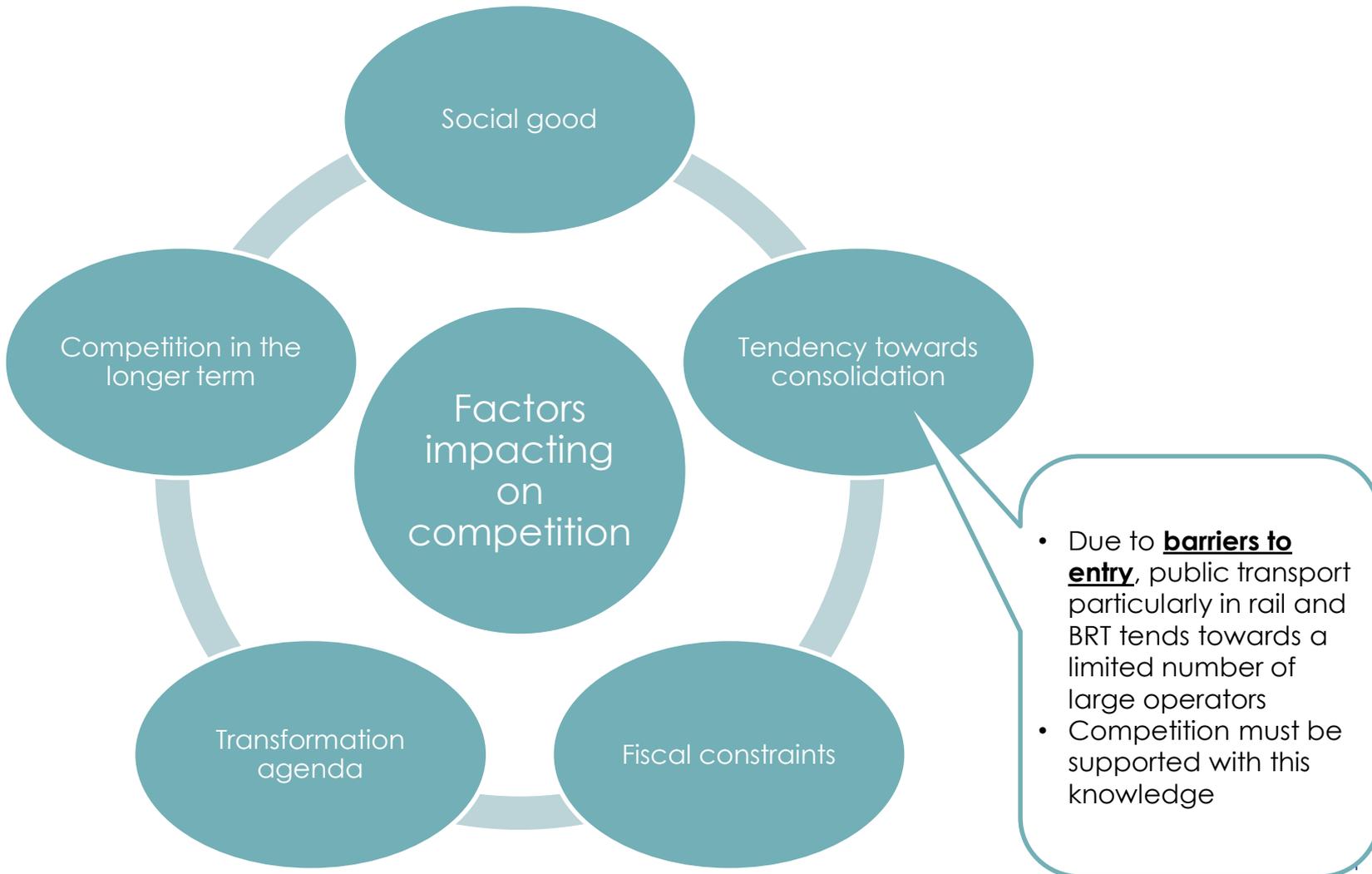
# Background – Competition in relation to Public Transport

- Considering public transport as a social good, and the background in South Africa, there are factors that impact the level and timing of competition



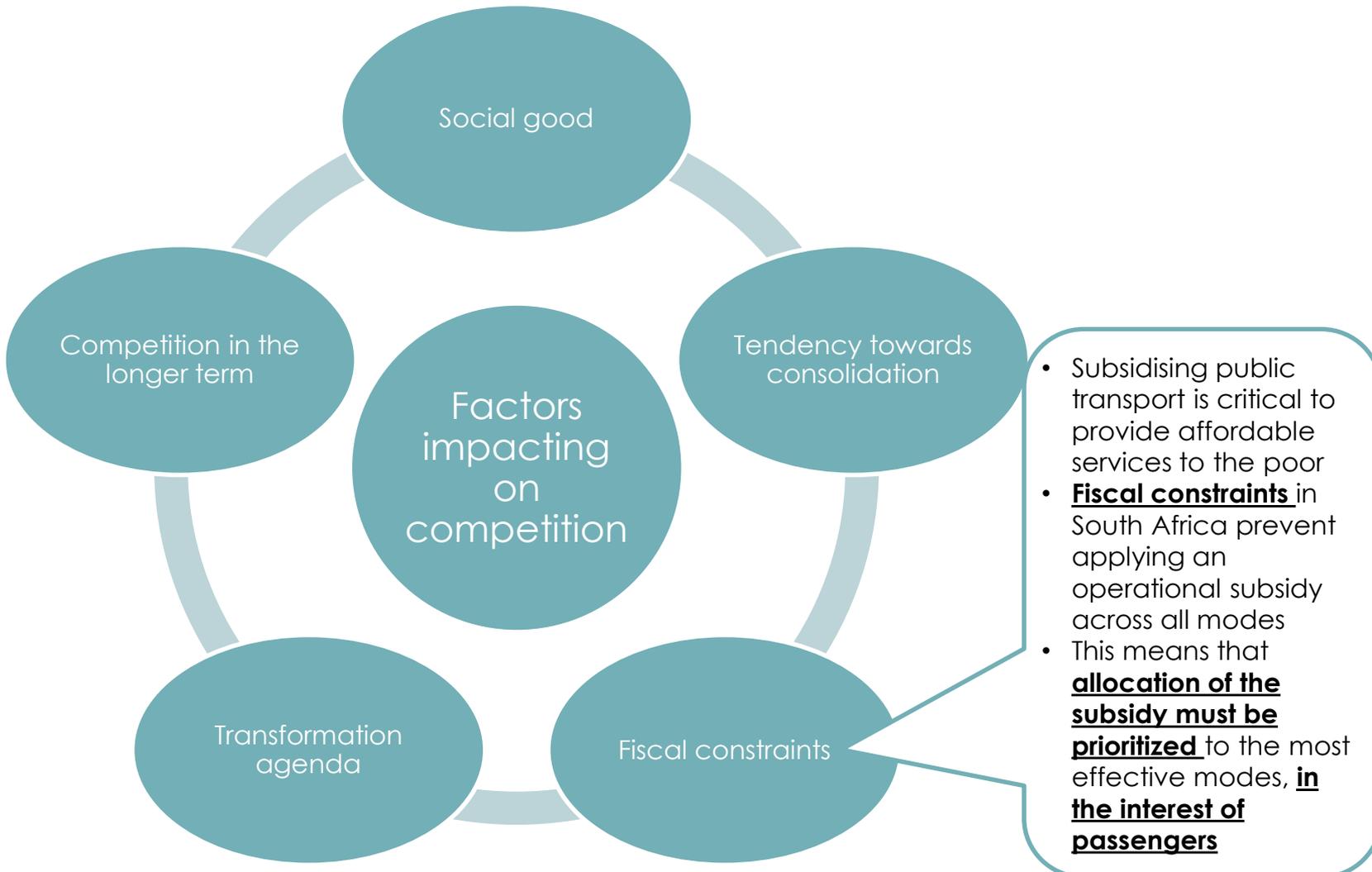
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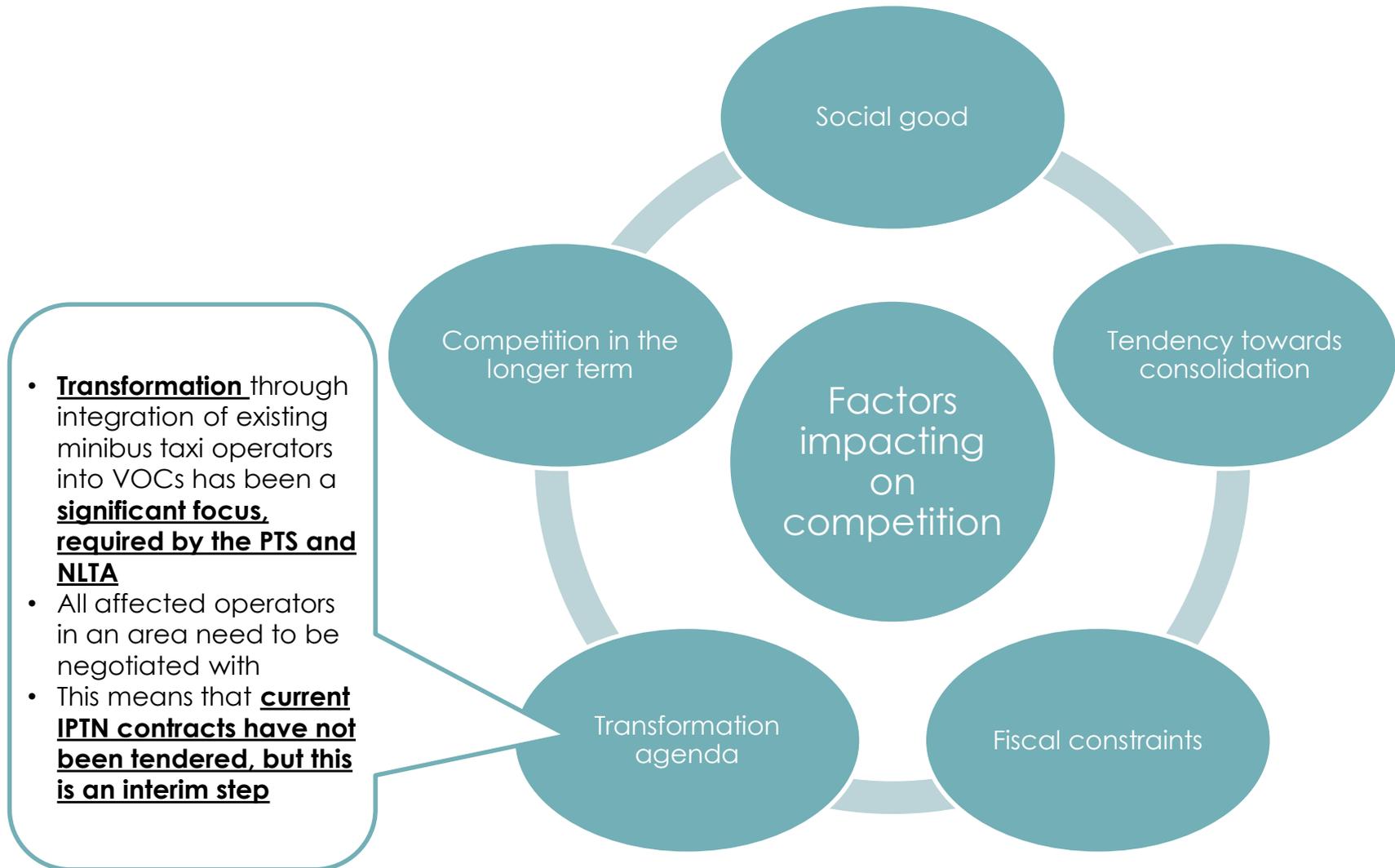
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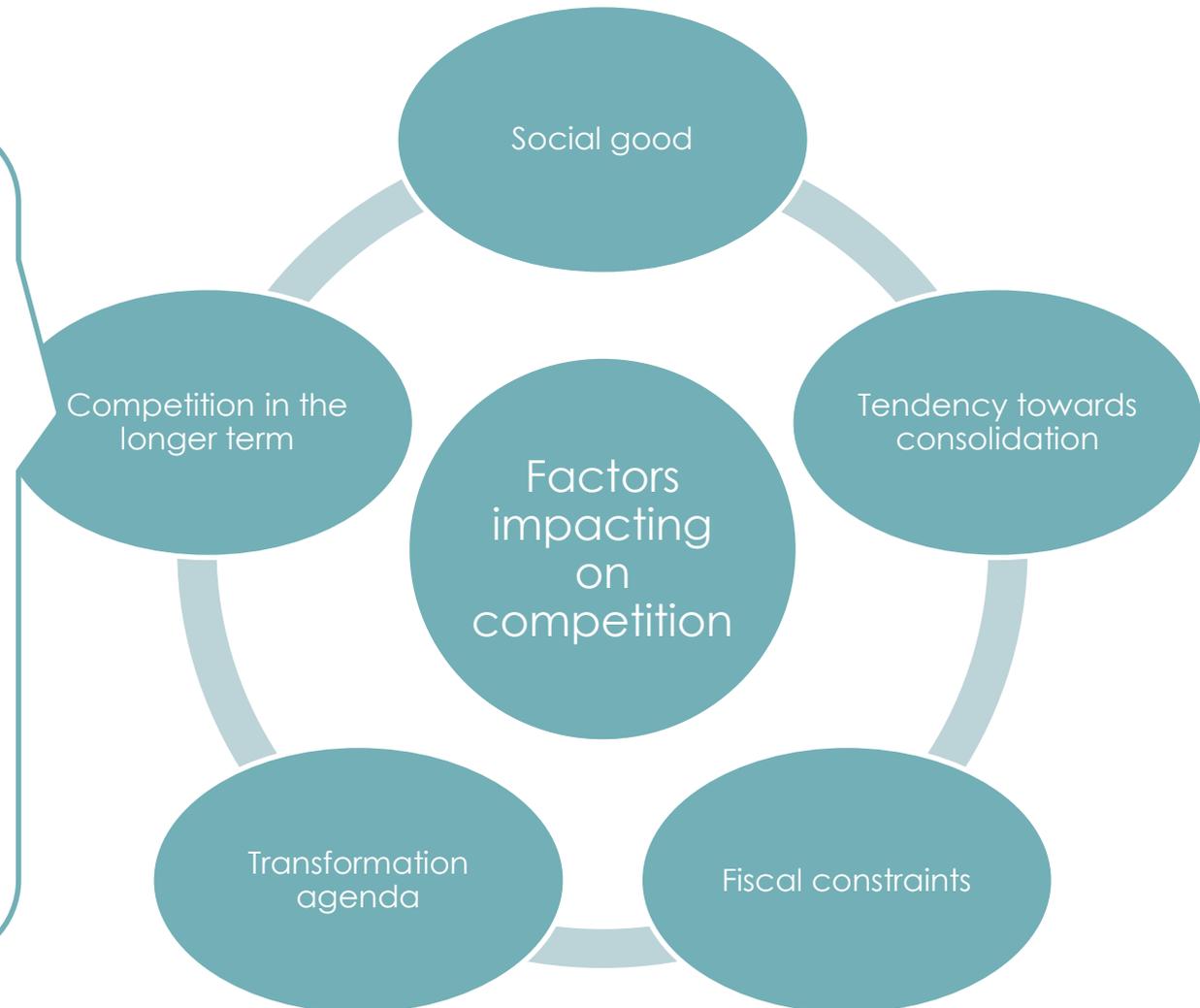
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# Background – Competition in relation to Public Transport

- Considering public transport as a social good, and the background in South Africa, there are factors that impact the level and timing of competition

- The PT sector is in transition, as part of a long term process to improve PT
- **Moving towards competition in the longer term, as required by policy and legislation** (incl. tendered bus contracts)
- Before the long term competitive tendering environment can be achieved, **capacitated operators must be developed**
- And, the **approach to IPTNs must continue to be refined**, informed by lessons learnt



## 2. Licensing, route allocation and entry regulations



# Institutional considerations

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- Outside of Cape Town, the municipalities of the Western Cape do not have the capacity to plan and manage public transport or take on the independent performance of regulatory functions
  - Clear role for DTPW to support under-capacitated municipalities
  - Build capacity in municipalities over time
- The NLT Amendment Bill provides for a stronger role for the provincial sphere
  - Option of establishing a provincial entity to perform certain functions, including support for local transport

# Route allocation

- With regard to route allocation for contracted bus services in George
  - Provided through a partnership between the DTPW and the Municipality of George
  - Routes and services were determined through an extensive planning and consultation process
    - Public and minibus taxi operators consulted
  - Factors considered included:
    - Linking areas of high production to areas of high attraction
    - Road network, which forces certain route patterns
    - Coverage of the minibus taxi network to be replaced
    - Enable travel from any origin to any destination
- Services are frequently refined to meet passenger requirements and changing circumstances
  - Network designed to provide connectivity to all areas, low income areas are included
  - Some services do service middle class areas, but these are important employment 'attractors' for low-income passengers
- The process of refinement can be further enhanced by increased use of technology to better understand passenger movements

# Bus Capacity Utilisation

- Bus capacity utilisation for any bus service is severely constrained by spatial development patterns
  - High peak travel and one-way travel during peaks limit utilisation
  - These factors significantly limit fare revenue, and thus increase the requirement for subsidy
  - Addressing this requires changing the spatial development patterns
- In addition, bus capacity utilisation is part of a larger process of operational and cost-efficiency
  - The fleet and utilisation of the fleet is planned for maximum efficiency and cost-effectiveness
  - However, that efficiency may not be obvious to an external observer
    - For example, in the GIPTN, buses are not necessarily swapped for a smaller vehicle if passenger demand is lower at certain times of day because there is a cost to swapping

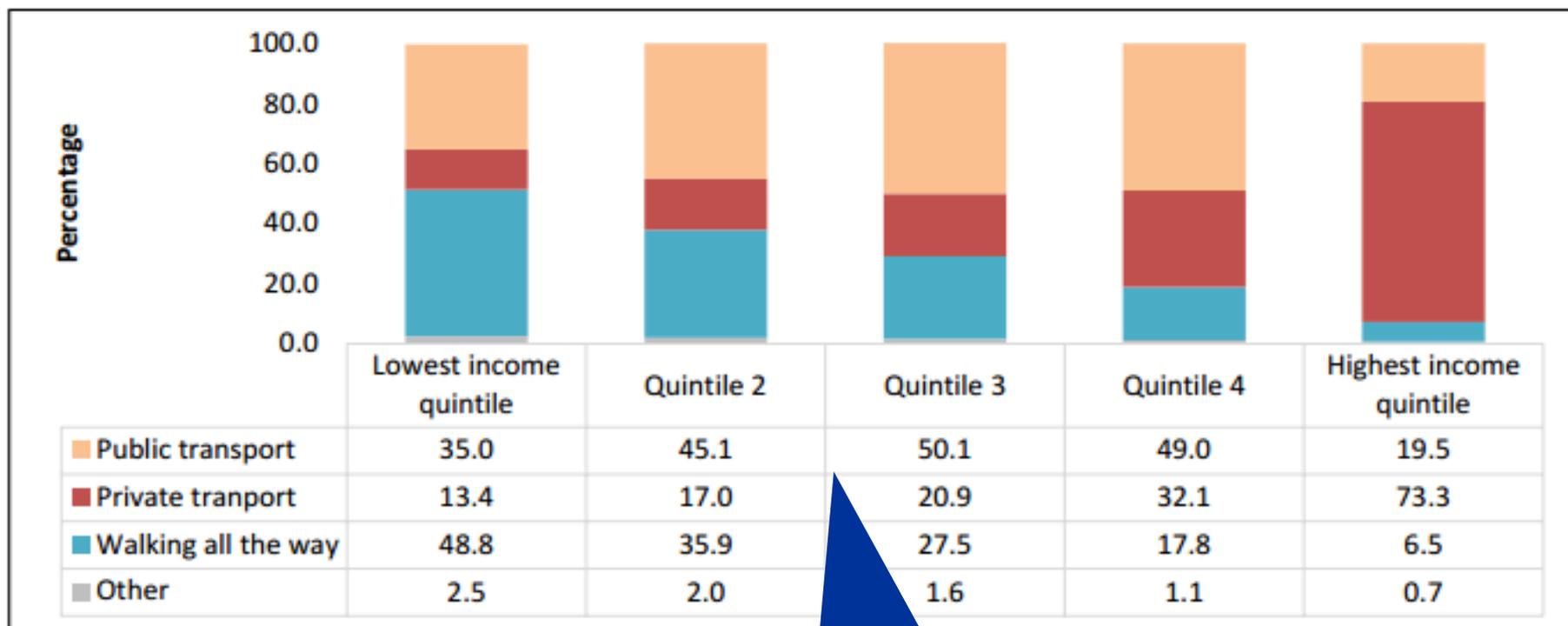
# 3. Price regulation and price setting mechanisms



# Price regulation and price setting mechanisms

- The regulation of prices is necessary to ensure that public transport, as social good, remains affordable to users
  - Noting that low-income groups make up the majority of passengers
- Price regulation for certain modes does impact on prices for other modes, as the modes must remain price competitive to attract passengers
  - This introduces challenges for unsubsidised services, including minibus taxis
- Price regulation must continue to ensure services are affordable to passengers, which suggests that subsidies should be expanded in order to promote competition
  - However, need to deal within the realities of fiscal constraints, which requires government to prioritise the allocation of subsidy
  - Refer to the next section for further discussion on operational subsidies

# Price regulation and price setting mechanisms



Other includes: Scooter, animal transport, etc.  
Source: NHTS, 2013

PT users are primarily lower income

# Price setting for the GIPTN

- An extensive process is required to be followed for price setting, including for example, for the GIPTN. This includes:
  - Fares must be included in the annual tariff policy and annual budget, which is table to the Municipal Council (see s.23 of the MFMA)
  - Council must consider views of local community, National Treasury, relevant provincial treasury and other organs of state
- When considering the pricing mechanism for the GIPTN, the following were key considerations
  - **Prices need to be affordable to passengers.** Any change in price must be linked to the minimum domestic worker wage as gazetted by the National Department of Labour, and must be affordable to the poorest households.
  - **Prices need to ensure sustainability of the system over time**, taking into account the costs of the system and available funding.
  - **Prices must incentivize desired behaviour**, including e.g. off-bus ticket sales

# 5. Transport planning & IPTN implementation



# Implementation & Challenges with IPTNs

- Please note the reference to IPTNs, as opposed to IRPTNs
  - Reflecting the broadening of focus from BRT to the full IPTN
- The GIPTN is an example of an IPTN
  - Demonstration of an infrastructure-light and flexible approach that can respond to passenger needs
  - Transformation agenda supported through integration of taxi operators into a VOC, with a 12 year contract



# Implementation & Challenges with IPTNs

- Challenges encountered in IPTN implementation
  - **Financial** – Limited national grant funding, with reductions in allocation
    - Timeframe of the grant does not match longer timeframe of the contract
  - **Institutional** - Limited knowledge and skillsets for both implementation and management of the system
  - **Operational** – Planning and timing for rollout and transitioning of affected operators from existing operations to new operations (including e.g. driver training), and strike action
  - **Transformation** – Transformation process is complex

# How to Develop Capacity for IPTN Implementation?

- Specialised skills and expertise are required that are extremely rare in South Africa
- Outside of Metros, local government has very little capacity to support public transport improvement
  - Non-metro municipalities struggle to fund posts or attract suitable candidates
- In recognition of this, DTPW is playing a large role in supporting under-capacitated municipalities
- NLT Amendment Bill recognises that not all municipalities have the necessary capacity, and allows provinces to play a larger role, for example by entering into public transport contracts where municipalities do not have the capacity
  - NLT Amendment Bill is with the National Council of Provinces
  - DTPW supports this approach, and accepts that it has a central role in implementing IPTNs in under-capacitated municipalities



## NATIONAL LAND TRANSPORT AMENDMENT BILL

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*(As introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 39798 of 3 March 2016)  
(The English text is the official text of the Bill)*  
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(MINISTER OF TRANSPORT)

# 6. Transformation



# Transformation bottlenecks

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- Challenges and bottlenecks with transformation include
  - Government procurement processes
  - Lack in availability of the necessary skills for certain services
  - Increased costs that accompany transformation, within a financially constrained environment
- In the case of the minibus taxi industry, trust is a significant consideration
  - Lack of trust for government, other associations and other members
  - Makes the process of partnership and negotiation more difficult

# 7. Effects of implementation of IPTNs on renewal of taxi operating licences



# Implications of Government's BRT policy on competition

- As part of government's transport planning role, it must support the most appropriate mode to enable matching of demand and supply, while meeting quality standards and remaining within financial constraints
- Where BRT or other road-based services (e.g. buses) have been introduced as part of IPTNs, this has been on the back of detailed transport planning, supported by extensive surveys
- In some cases, there has been full replacement of minibus taxis
  - E.g. In the GIPTN, the service was planned to meet full demand
  - Most minibus taxi operators chose to participate in the new system by becoming VOC shareholders, as the new system would meet full demand
  - Those that chose not to participate agreed to exit the system in exchange for compensation
  - No operators chose to continue competing with the new system
  - As the new system would cater for 100% demand, the PRE could not issue new OLs on these routes
- Other approaches are being explored, for example catering for only a portion of demand on trunk routes (e.g. Cape Town)
  - Minibus taxis continue to operate alongside BRT or bus services

# Suitability of BRT in smaller cities

- There is a misunderstanding that BRT is a mode in itself, whereas it is actually a sub-mode of road-based transport
  - Represents the appropriate intervention once certain conditions are met, including traffic congestion and a level of demand
  - Thus, the suitability of BRT should be determined based on the transport conditions pertaining to the route in question
  - Smaller cities do not usually have conditions that require BRT, but they could
- It is also important to recognise that not all IPTN services are BRT
  - The GIPTN is an example of a non-BRT service – there are no dedicated lanes. It is a conventional bus service, designed as an IPTN.
  - IPTNs refer to the full integrated modal network
  - The appropriate services (rail, BRT, bus, minibus taxi, non-motorised transport) will differ based on the transport conditions
  - Many cities are now taking a broader view of IPTNs, including integration of minibus taxis

# Options to promote integration of taxis into IPTNs

- IPTNs are intended to integrate different modes, including the minibus taxi
- Options to support integration include:
  - **Design and planning**, including
    - MBTs as feeders to trunk routes.
    - Portion of trunk demand provided by MBT
  - **Infrastructure design**:
    - Design to facilitate transfers, where required
    - Provision of infrastructure that prioritises and facilitates MBT travel (BMT lanes in Cape Town)
  - **Incentives**
    - Option when considering MBTs as feeders, for example
  - **Integrated fare systems and use of technology**
    - Facilitate more efficient passenger movements and transfers
    - Platform for the administration of incentives
  - **Business structures**
    - For example, VOC that runs part of a VOC contract, and has an interest in MBTs that serve as feeders to the BRT system
    - Would have an interest in achieving integration

# Options to promote integration of taxis into IPTNs

- MBTs are an important mode of transport in their own right
  - Room for enhancing existing services from a service quality and a business perspective
    - Will support the important role of MBTs in IPTNs
  - Options being explored by several municipalities include:
    - gathering of data to better understand travel patterns
    - rationalisation of routes
    - building a fleet that most efficiently serves demand patterns, and
    - industry formalisation.
- This approach may be well-suited to areas where a BRT or full conventional bus service is not justified.



# 8. Other emerging issues



# Access to finance for taxi operators

- The cost of finance for taxi operators is very high
  - Largely unsecured lending
  - Seen as high risk, with high interest rates
- Mechanisms to address the inherent risk associated with finance are necessary to address the high cost
- Potential role for Government is significant
  - Demonstrated by the National Taxi Recapitalisation Programme in the past
- Significant potential to:
  - Improve vehicle quality
  - Deal with the risks associated with financing
    - assisting to manage the costs
- Should be explored by Government going forward

# Access to infrastructure and terminal facilities

- As per the imperative for integration of all modes discussed above, there is a clear need to ensure that public transport infrastructure developed going forward is designed to facilitate integration between different modes, including minibuses.
- Where possible this should include:
  - Public transport lanes
  - Stations and stops
  - Terminals/interchanges



# Commuter experiences

- Across South Africa and in the Western Cape, the public generally does not have access to safe, reliable and affordable public transport
  - Go George and MyCiTi services are exceptions
  - Government is working to improve this situation in a constrained environment

## ***MBT issues in CPT***

% Dissatisfied by MBT Service Attribute	City of Cape Town
<b>Safety</b> from accidents	58.10%
The level of <b>crowding</b> in the taxis	58.00%
Behaviour of the <b>taxi drivers</b> towards passengers	56.80%
<b>Roadworthiness</b> of taxis	55.10%
<b>Security</b> on the walk to/from the taxi rank	52.10%

## ***MBT issues in non-metro Western Cape***

% Dissatisfied by MBT Service Attribute	Non-Metro Areas
The taxi <b>fares</b>	38.50%
The level of <b>crowding</b> in the taxis	35.60%
The <b>facilities</b> at the taxi ranks e.g. shelters	34.80%
The <b>waiting time</b> for taxis	34.10%
<b>Roadworthiness</b> of taxis	32.80%

Source: NHTS, 2013

# 9. Conclusions



# Conclusions

- Public transport is crucial in South Africa particularly to serve the poor, and it requires improvement
- Public transport is an economic and a social good, which needs to be taken into account when considering competition
- There is an intent to move toward increased competition in the longer term, but the public transport sector in South Africa is in a state of transition
  - Integration of existing operators has been a major focus thus far
  - There have been financial, institutional, operational and transformation lessons learnt through implementation of IPTNs, which must inform the way forward
    - Very importantly, interventions must be context-appropriate. BRT is not suitable everywhere.
- Price regulation in public transport is crucial to maintain affordability
  - This does introduce pressures on unsubsidised modes
- Subsidies in public transport are also crucial for maintaining affordability
  - However, due to fiscal constraints, subsidies are limited and must be prioritised
  - Mechanisms to subsidise minibus taxis are and should be explored. However, these include mechanisms in addition to an operational subsidy.
  - A National policy on public transport subsidy is required
- Minibus taxis have an important role to play in IPTNs which will differ depending on the context, and integration of taxis is being considered in several municipalities
- Transformation is hindered by procurement processes, higher costs, capacity and trust concerns
- DTPW is prepared to play a strong role in improving public transport in non-metros, in response to the capacity gaps

# Thank You



Western Cape  
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Transport and Public Works