

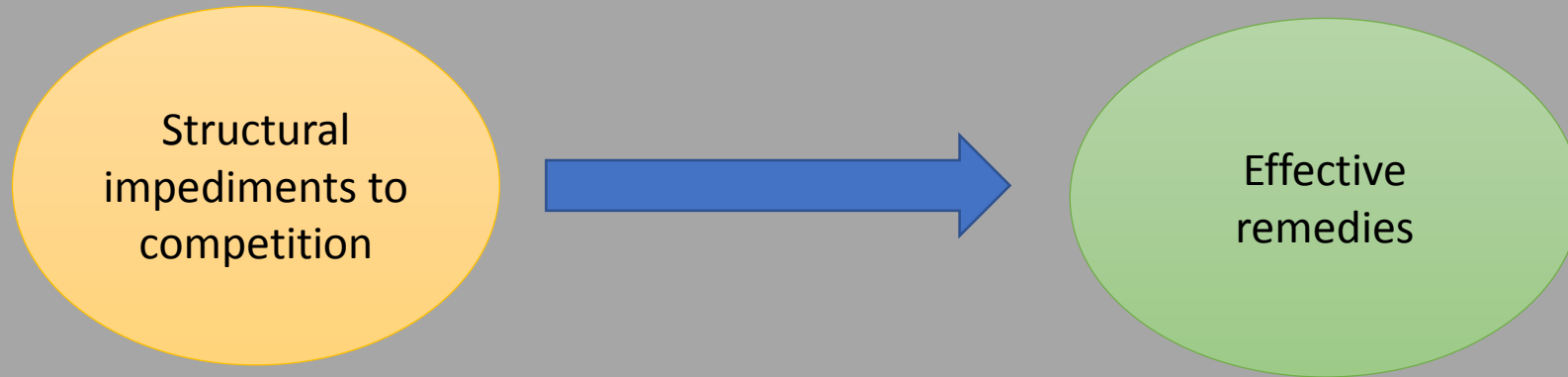


MARKET INQUIRY INTO PUBLIC TRANSPORT

Presenter: Mr. Kuben Pillay



OBJECTIVE OF MARKET INQUIRY:



- Submission based on my experience and understanding
- Aligned to the TORs in the Statement of issues

TORS 1a: LICENSING, ROUTE ALLOCATION AND ENTRY REGULATIONS: *Licensing and Transport Planning*

LICENSING AND TRANSPORT PLANNING MISALIGNMENT

- Correct assessment on the misalignment
- NPTR deals with inter-provincial bus, taxi and tourism – but not operational
- Burden falls on PRE

MUNICIPAL ITP VS PRE

- Municipal ITPs – product not in useable format for PREs (cannot stand-alone)
- ITP should be able to stand-alone so PRE can make decisions
- ITP – needs to be specific on current and future requirements based on modal efficiencies:
 - Need alignment with incremental infrastructure needs
- OL Plan lacks “route per route” specifics THEREFORE city recommendation
- PREs - precarious situation – no proper OL Plan

TORS 1b: LICENSING, ROUTE ALLOCATION AND ENTRY REGULATIONS

LACK CO-ORDINATION: PRE AND MUNICIPALITY

- Assessment correct
 - ITP ignores “complementarity” in meaningful way –
 - Modal efficiencies appropriate mode to move peak hourly volumes

example

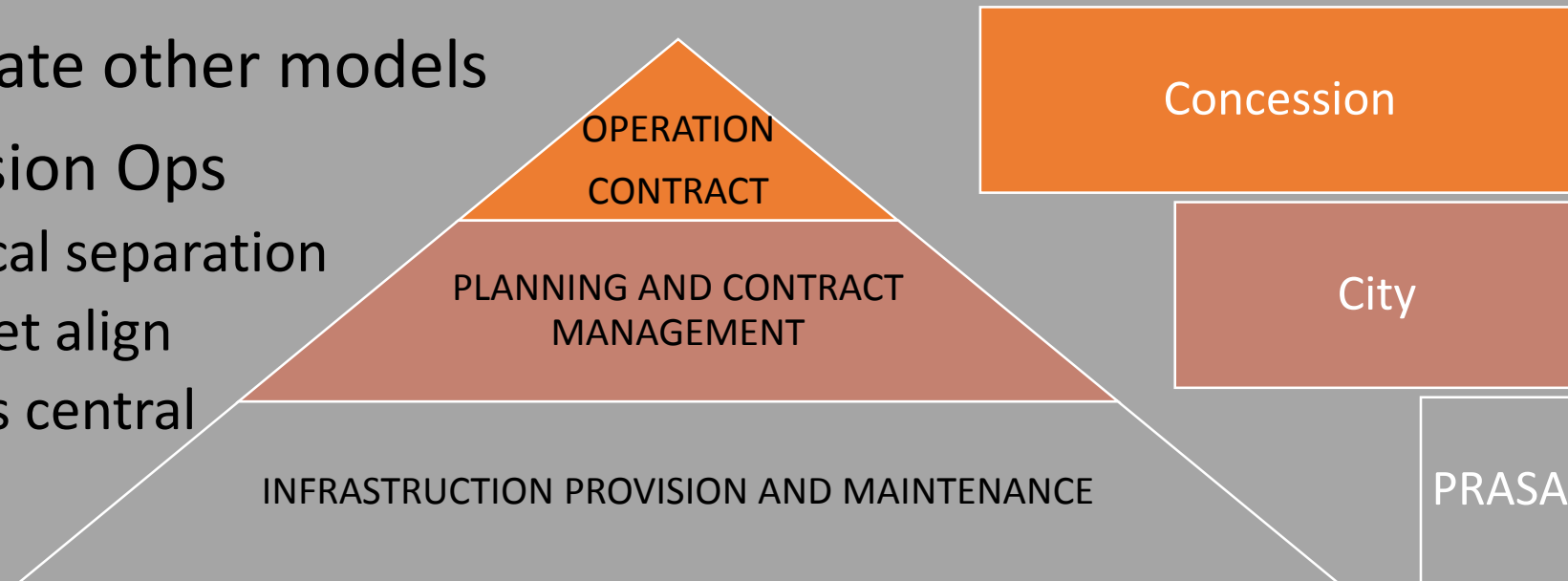
	Underground/Metro	Surface rail	Light rail/BRT	Urban Bus	Minibus Taxi
Optimal hourly volumes	20 – 40 000	10 – 30 000	5 – 15 000	1 – 2 000	500 - 1000

- Most municipal transport planning resourcing is problematic (17)
- Some cities collect data regularly and ITP is generally sound

TORS 1c: LICENSING, ROUTE ALLOCATION AND ENTRY REGULATIONS

PASSENGER RAIL (PRASA) AND MUNICIPALITIES

- PRASA far removed from municipalities
- City no capacity to operate rails
- Investigate other models
- Concession Ops
 - Vertical separation
 - Budget align
 - City is central



TORS 1d: LICENSING, ROUTE ALLOCATION AND ENTRY REGULATIONS

REGULATORY FRAMEWORK

- Section 54 (2) and (3) – Municipal vs PRE role confusing
- Reluctance municipality assignment function
- DoT need to develop:
 - Operational strategy – OD and capacity requirements
 - Systems link to NLTIS (include systems cost and maintenance)
 - Implementation plan (include training and capacitation)
 - Budget allocation
- Municipality pax rail planning included in ITP- Minister to approve
- ITP requirements support “complementarity” between modes and rail (36(5))

TORS 1e: LICENSING, ROUTE ALLOCATION AND ENTRY REGULATIONS: *Route Allocation*

- Taxi industry is responsive to the transport needs in an effective manner.
- City and ITPs should address future developments and guide PRE:
 - Therefore no need for recommendation
- City planning approvals based on GLA:
 - Traffic impact assessment
 - Used to determine parking
 - Road upgrades and traffic management issue
 - BUT exclude public transport services and facilities
- Therefore PRE is reactive through no fault of their own
- When developments are approved a process of engagement with public transport

TORS 1f: LICENSING, ROUTE ALLOCATION AND ENTRY REGULATIONS: *Route Allocation*

- Engagement process commence at point of approval of the developments
 - Taxi and bus operators operating in proximity of the development
 - Agree on the process without leaving current routes under-serviced
 - Agree on modal efficiencies for particularly the peak
- First option to current operators based on modal efficiencies and spare capacity and promoting “complementarity”
- Create a bidding process to be based commercial services contract (section 43):
 - Limited to taxi operators and bus operators already operating in the vicinity of the development from various destinations
 - Specify vehicle requirements
 - Minimum and maximum service levels
- City and ITPs should address future developments and guide PRE:
 - Therefore no need for recommendation

TORS 1g: LICENSING, ROUTE ALLOCATION AND ENTRY REGULATIONS: *Route Allocation*

SUBSIDISED SERVICES AND MUNICIPAL BUS SERVICES

- Subsidised routes have not changed since prior to 1997
- Bus subsidy function - DEVOLVED to municipalities where capacity exists – province play monitoring role
 - Cities vs District Municipalities
- Subsidised services carry full loads in peak – routes over time incorporated into IRPTN
- Municipal routes under-utilised and may be competition with taxi services
- Should cities be assigned licensing function there will be a conflict of interest
 - Municipal bus company also in subsidised services (Brakpan Bus Service and Joburg Metro)
- Municipal bus services - outsourced and supported through municipal subsidies
- Province monitoring role and manage cross boundary subsidised services

TORS 1h: LICENSING, ROUTE ALLOCATION AND ENTRY REGULATIONS: *Route Allocation*

PASSENGER RAIL

- Has the potential to address peak loads if service is reliable
- Only Ethekwini is planning to use rail as a key in a trunk service in IRPTN
 - Supported by feeder routes
- Generally the catchment for rail is the surrounding communities
- Each station should be supported by a reliable and subsidised feeder network
- Generally busy stations are serviced by the taxi industry but further planning to promote integration of the timetable
 - Gautrain model could be considered – bus fares reduced if using the train
 - Metrorail has potential to run full feeders vehicles to their stations

TOR 2&3(a) PRICE REG AND PRICE SETTING MECHANISM

- Transport policy is to make transport affordable
 - Policy target – not more than 10% disposable income
 - Chances of it being achieved is slim
 - Treasury and DoT believe that IRPTN would reduce the need for subsidy
 - Subsidy targeting theoretically good and only as good as efficient services
- Fare policies in all modes (subsidised and non-subsidised) should be based on affordability and operating cost recovery.
 - High passenger routes could achieve both
 - Low density routes would be problematic and as such fare could be pegged higher to cover operating cost thus negative impact on affordability
- Taxi fares while unregulated only increased when big fuel increase
- Difference is that regulated services (subsidised bus and rail)
 - Salaries based on bargaining council determination

TOR 2&3(a) PRICE REG AND PRICE SETTING MECHANISM

TAXI

- Based on costs as determined by taxi association:
 - Driven by fuel cost
 - Remuneration of drivers unregulated and may differ region to region (commission but no benefits)
 - Owner determines daily takings based owner expenses (finance, insurance, major repairs and mark up)
 - Surplus for driver – driver responsible for fuel and traffic fines
 - All members of associations abide to prevent conflict even if cost structure differs

UNSUBSIDISED BUS – INTER-CITY

- Prices surge in peak based on demand
- Peak opportunity to cover low peak – costs remain the same for peak or off-peak seasons

TOR 2&3(a) PRICE REG AND PRICE SETTING MECHANISM

ALL MODES

- Market generally set but taxi fare increase in some instance see move to bus and rail and *vice-versa* – tends to normalise after a while
- Taxi industry has own method of price regulation but efficiency of taxi is based on their flexibility
- However inefficiency is not price related but safety
- Price sensitive consumer:
 - Rail is first option (unreliable)
 - Subsidised bus (coverage is however limited)
 - Taxi – more flexible and frequencies higher than both

TOR 4: ALLOCATION OF SUBSIDIES

- Critical to subsidies are the following initiatives by the DoT that failed:
 - NTTT (1996) recommendations – expand subsidy to taxi – no progress
 - Tri-partite agreement (1997) (DoT, SABOA and LABOUR) protection of historical subsidised bus operators through
 - Interim contracts for 5 years – many contracts still in interim phase after 21 years
 - Only KZN went to first round of tendering for all contract
 - Gauteng has mix of IC and first round tenders
 - 5% right of first refusal
 - Lethargy from DoT/Treasury and Province and insufficient budget allocations reasons for this
 - Taxi recap viewed as capital subsidy – intention of DoT to make permanent
 - Metered taxi/ app-based e-hailing not public transport but private transport as they are not mass movers

TOR 4: ALLOCATION OF SUBSIDIES

- The expansion and equity in subsidy allocation aimed at commuters based on modal efficiencies:
 - Will lead to “complementarity”
 - Enhance connectivity
 - Improve efficiency
 - Taxi industry will improve operational safety
- Public transport subsidies need to be expanded to all modes
- “Complementarity” and modal efficiency drive efficiency
 - Each mode will play their rightful role
 - Provides opportunity for taxi industry to transform into bus operations
 - Competition would be for services that are subsidised either taxi, bus or rail

TOR 5: TRANSPORT PLANNING

IRPTN STATUS

- Joburg and Cape Town most advanced
- Some municipalities extremely slow
- Often operations planning and service plans often not informed by operations expertise
- Planning costs exorbitant and transport modelling outputs are not realised
- Negotiation process is long drawn-out and based on suspicion on both sides
- No standard policy for affectedness, compensation, financial models, universal access, etc
- Need to bring in some flexibility in the infrastructure to suit city configuration

TOR 5: TRANSPORT PLANNING

IRPTN STATUS (Continued)

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- Planning costs exorbitant and transport modelling outputs are not realised
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- Need to bring in some flexibility in the infrastructure to suit city configuration
- Not yet car competitive

TOR 5: TRANSPORT PLANNING

IRPTN STATUS (Continued)

- The operational and management capabilities lie with established bus operators
- Transport operations expertise is lacking and replaced by Facilitators to negotiate - with little or no practical understanding of operations
- Need for recruitment and skills development through a formal and experiential training particularly of the taxi industry participants
- Support provided to IRPTN operating entities from many municipalities are based on a “take or leave it ” – thus suspicion between parties
- There is an element of financial constraints that cities find themselves.
- Transparency in all aspects of the IRPTN planning and implementation a meaningful partnership

TOR6: Transformation

- To transform, the policies and initiatives still leave the taxi industry, in particular on the periphery
 - Condescending belief that the industry does not know how to manage business
 - Value chain opportunities should be expanded to taxi industry and community based black business
 - Need to ensure management and operational capabilities are enhanced
- The bus sector, particularly black bus operators offered sub-contracts to appease them.
- Tender is constrained by delays in development of subsidy policy and budget constraints
- Urban IRPTNs funded from the grants but rural IPTN are not funded
 - Rural operations are mainly taxi industry with a few bus contracts

TOR6: Transformation

CRITICAL INPUTS PER MODE

Rail

- Component suppliers – Black industrialist programme
- Rail construction – Perway and stations (small black civil engineering firms)
- Gibela – Develop in local technical capacity

Bus

- Support for small bus operators -negotiated contracts and then move towards tendered contract
- Access to finance at competitive financing rates and insurance premiums (e.g. IDC, DBSA rates not as competitive as commercial financial institutions)

Taxi

- Finance and insurance rates needs to be competitive
- Maintenance and spares supplier value chain
- Ranks facilities management contracts

QUESTIONS

THANK YOU

