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# Presentation to the ANC Johannesburg Region: Zone 5

## Public Transport and Local Economic Development

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# Introduction

- My late father, John Bhoyi Buthelezi, would encourage me to read, from a very young age, he wanted me to read, to read about everything I could land my hand on, to read about science, politics, finance, economics, geography, technology and everything, **especially history**
- It was only later in life that I understood why the emphasis on history
- It is only through a clear understanding of history that I am able to gain a better perspective of the present, and to shape answers to the key historical question: **What is to be done?**
- It is for this reason that I have addressed the discussion on Public Transport and Local Economic Development from the angle of the **historical evolution of public transport policy** in South Africa
- The views expressed herein are my own and mine alone

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# Some Basic Facts and Statistics

- The **Taxi Industry is worth about R50b** and supports about 600 000 workers of varying degrees of precarity
- There are about 250,000 minibus taxis currently doing business in South Africa
- In contrast, the Mining Sector is worth R350b and supports about 400 000 workers
- Most, if not all, proceeds of the Taxi Industry **circulate within the local economy**
- In contrast, the Mining Sector ships off most, if not all, of its profits to foreign lands

# Some Basic Facts and Statistics

- The **Taxi Industry represent 75%** of all commuter transport to work, schools and universities in South Africa
- Minibus Taxis are responsible for **15 million daily** commuter trips in South Africa
- By comparison:
  - Buses (PUTCO & others) represent **1 million daily** trips
  - Trains **800,000** daily commuter trips
  - Bus Rapid Transit (BRT) **120,000** daily commuter trips

# Some Basic Facts and Statistics

- **According to the National Public Transport Action Plan of March 2007**, the majority of public transport users rely on the Minibus Taxi as the preferred mode
  
- Number of people that used mode at least once in the past 7 days:
  - Train                                    1 083 000 (6% overall and 8% of public transport)
  - Bus                                        2 566 000 (12% overall and 17% of public transport)
  - Minibus-taxi                            10 080 000 (48% overall and 75% of public transport)
  - Car                                        7 088 000 (34% overall)
  
- The Taxi Industry is responsible for transporting 75% of the daily commuters movement
  
- **The Taxi Industry is mobility of last resort for the poor and the workers**

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# Some Basic Facts and Statistics

This is how the **Minibus Taxi fares** compared with Buses, Trains and Uber:

- **Soweto to Joburg CBD route (25km)**
  - ❑ the average **minibus taxi fare** last year was **R16.00**
  - ❑ PRASA train ticket was R9.50
  - ❑ PUTCO bus ticket was R17.80
  - ❑ Uber costs R280
  - ❑ Gautrain costs more than R200 to get to ORT Airport
- The average Taxi Operator on this route will earn a **profit of R10,000 per month per vehicle**

# Some Basic Facts and Statistics

This is how the **Long Distance** Minibus Taxi fares compare with buses and trains:

- **Johannesburg to Durban route (600km)**
  - ❑ **Minibus Taxi** was average (**R300**)
  - ❑ A ticket on Eldo Coach (R240)
  - ❑ Greyhound ticket (R395)
  - ❑ A PRASA train ticket (R390)
- Average Minibus Taxi profitability on this route is **R20,000 per month per vehicle**

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# Some Basic Facts and Statistics

- In the **past 10 years**, Government has spent more than R100 billion on PRASA recapitalization programme
- In **Gauteng** alone, Government spends:
  - ❑ R2.5 billion per year on Bus Subsidies (excluding BRT)
  - ❑ R3 billion per year towards BRT infrastructure and operations
  - ❑ R190 000 per month to Gautrain towards Ridership Guarantees
  - ❑ The CFO of Gautrain earns about R4 million per year



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# Taxi Recapitalization Programme

- Over the **past 20 years**, Government has paid R4.4 billion towards the Minibus Taxi **Scrapping Allowance** (once off capital grant per vehicle)
- In April 2020, the Scrapping Allowance was increased from R91,100 to R124,000 per vehicle
- Government introduced the scheme 2 decades ago, to encourage taxi owners to take older, unsafe vehicles off the road, and replace them with safer vehicles
- By the year 2020, about 73 000 old taxis have been scrapped

# Taxi Recapitalization Programme

- The bulk of the **scrapping allowance** goes towards a **deposit** for a new vehicle (R124,000)
- A listed company, Transaction Capital, through its subsidiary, **SA Taxi Finance Corporation**, is the most dominant financier for the Taxi Industry
- The **average interest rate** charged by SA Taxi Finance Corporation is **27%** (of which 19% goes to the **PIC**)
- The average foreclosure rate (repossessions due to failure to keep up with the **R15,000 monthly finance costs excluding insurance**) is 33%
- Effectively, the Taxi Recapitalization Programme is a **crime scene** – the Scrapping Allowance mostly benefit the shareholders of Transaction Capital

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# Summary of Key Issues

- The current administrative tools for the regulation of public transport are rooted in the dark history of racial discrimination and prejudice
- It is not possible to analyse the question of future of the Taxi Industry without at the same time looking at the operating licenses, funding and support to public transport operators and the Taxi Industry in particular
- The National Public Transport Policy derives largely from the **National Transport Policy Study of the 1980s** and finds expression in the **1996 White Paper** and Moving South Africa
- The Public Transport Action Plan of 2007 holds promising solutions, **but its implementation is held back by the legislative framework**, particularly the National Land Transport Act (“NLTA”) Act 5 of 2009

# Apartheid Legacy

- From the 1950s, urban African people were increasingly relocated through forced removals to reside in areas far from the commercial and industrial centres of all South Africa's cities
- **Apartheid spatial planning** impacted directly on the public transport provided by buses and trains (**low densities and long distances**)
- Public transport became increasingly expensive for commuters (and also for the State to provide the subsidies required)
- Increasingly buses and trains **operated at peak times only**, and **routes became less and less flexible**, most routes became unviable
- The growth of the minibus Taxi Industry in the late 1970s was in large part a response to this – **taxis more flexible and cost effective**
- Initially the State acted to protect the existing bus and rail public transport systems, and prevented black entrepreneurs from operating **minibus taxis by refusing to issue road carrier permits to the Taxi Industry**

# JC Le Roux Commission

- In 1929, the then Government established the Road Motor Competition Commission chaired by JC Le Roux
- The Le Roux Commission was set up to investigate the effects of emergent motorised road transportation on the rail and road services of the South African Railways Administration
- The Le Roux Commission recommended that road transportation be subjected to public sector regulation, principally, to protect the railways from competition
- This Commission was followed by the Motor Carrier Transportation Act of 1930 (Act 39 of 1930) which introduced a Central Road Transportation Board (CRTB) and 10 Local Road Transportation Boards (LRTBs), covering 10 'proclaimed transport areas'
- The LRTBs were given powers to consider applications for 'motor carrier certificates' in their areas of jurisdiction and to set up quotas of certificates in order to minimize competition with rail

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# The LRTBs and Black Business

- This legislation was primarily intended to, and had the effect of, squeezing many African bus companies and taxis out of business
- From the very beginning, **the LRTBs effectively rendered Black business in the public transport sector illegal**
- It was on the back of this legislation that many Black bus and taxi operators **had to surrender their businesses** to a handful of white emerging bus operators
- This provided the framework for the monopolization of the public transport sector, specifically the bus industry
- By 1940 the commuter bus industry was dominated by cartel and by 1945 several companies merged to form the Public Utility Company (**PUTCO**)
- With the benefits of being the monopoly, PUTCO then began to increase fares which triggered the **Alexandra and Evaton bus boycotts** in the late 1940s and early 1950s

# Base Legislation for Public Transport Subsidies

- The community politics and other popular resistance campaigns of the 1940s and 1950s forced the government at the time to agree to subsidize Black transport costs with the introduction of the **Bantu Service Levy Act of 1952** (Act 64 of 1952)
- This was followed by the **Bantu Transport Services Act of 1957** (Act 53 of 1957) which provided for the transfer of responsibility for Black transport subsidies from the then Native Affairs Department to the Department of Transport
- Act 53 of 1957 made provision for the Black transport subsidies to be drawn from compulsory contributions from employers
- In later years these employer levies were supplemented by funds voted by Parliament
- The **Transport Services for Coloured Persons and Indians Act of 1972** (Act 27 of 1972) extended the structures and procedures established under Act 53 of 1957 to allow the collection of employer levies to provide subsidies for Coloured and Indian workers

# Driessen Commission

- In the early 1970s, the apartheid government established the Driessen Commission whose mandate was to investigate issues around the **planning, provision and financing of transport facilities** in urban and metropolitan areas
- The Driessen Commission **recommended that a subsidy of 20%** on revenue for all public urban bus services which were not already subsidised
- It further recommended that these subsidies be financed through an **Urban Transport Fund (UTF)** and central **Consolidated Revenue Fund**
- The Driessen Commission led to the promulgation of the **Urban Transport Act of 1977** (Act 78 of 1977) which formalized the establishment of the UTF and Consolidated Metropolitan Transport Funds (CMTFs)
- The priority for transport facilities was however in the former white areas, the **black townships never benefitted from the UTF & CMTF**



# Van Breda Commission

- In 1975 the apartheid government established yet another Commission of Inquiry, the van Breda Commission
- The terms of reference of the van Breda Commission were to advise on the draft Road Transportation Bill which had been initiated by a Select Committee in the then House of Assembly
- The purpose of the draft Bill was to provide a system of control for unauthorised road transportation, undoubtedly the Taxi Industry
- The van Breda Commission rejected free competition in the public transport arena on the grounds that this could lead to an oversupply of services in urban areas and an undersupply in outlying areas
- The van Breda Commission recommended a regulated competition which was to evolve gradually
- This led to the enactment of the Road Transportation Act of 1977 (Act 74 of 1977) which served to replace Act 39 of 1930
- Most specifically, Act 74 of 1977 defined a bus as a vehicle carrying more than nine people

# Welgemoed Commission

- The Welgemoed Commission was established in 1981 and presented its final report in 1983
- The Welgemoed Commission was **formed in response to the increasing transport subsidy costs** and fiscal crisis of the apartheid state, as well as the escalating popular protests against raising fares that had occurred in the 1970s and early 1980s
- The terms of reference of the Commission were thus to make **recommendations on bus tariffs and subsidies**, the provision of bus infrastructure, the emergent mini-bus taxi industry and its relationship to the bus industry, and various associated institutional issues
- **Its primary task was to find ways of reducing the cost of public transport subsidisation, while simultaneously adjudicating between monopolistic bus companies concerned with the erosion of their market and the mini-bus taxi industry which was making inroads into the black commuter market**

# Welgemoed Commission 2<sup>nd</sup> Report

- The Welgemoed Commission recommended that bus companies be protected from competition from mini-bus taxis, and that the buses be afforded quasi-monopolistic rights
- The Second Interim report of the Welgemoed Commission concerned itself with the problem of tariffs and subsidies and it specifically recognized the basic causes of rising costs in the relocation of large numbers of Black workers to outlying areas and the increasing volume of passengers and associated costs as result of urbanization and longer trip lengths
- While it considered the cost of subsidization to be high, it proposed that the bus subsidy framework be retained in the short to medium term, albeit with some changes in the formulae for calculating subsidy adjustments
- The Second Interim Report concluded that in the long term, the bus subsidies be phased out – essentially, the apartheid government was not keen on pumping more funds into Black public transport

# Welgemoed Final Report

- The most significant for the Taxi Industry was the Final Report of the Welgemoed Commission
- The Final Report recommended that, if subsidies were to be phased out (in the medium to long term), then the subsidized bus industry in general would be compensated by the gradual legislative elimination of the unhealthy competition from the minibus Taxi Industry - and that the buses be afforded quasi-monopolistic rights
- It thus recommended that mini-bus taxis carrying more than four passengers be phased out (closing the van Breda legislative gap)
- It argued that smaller buses were unable to physically render an efficient flow of passengers in South African cities
- As part of this logic, the Welgemoed Commission recommended that minibus taxis be made illegal by closing the one loophole that existed in Act 74 of 1977 (definition of a bus being 10 passengers – that allowed the Taxi Industry to operate by carrying 9 passengers) and granting no more permits to the Taxi Industry

# National Transport Policy Study

- The National Transport Policy Study (NTPS) was established in **1982 and published its report in 1986**
- The passenger transport advisory committee of the NTPS made recommendations on policy principles, institutional arrangements and responsibilities, subsidy allocation methods and minibus taxi regulation
- **It recommended that bus companies be given a period of protection through ‘interim contracts’, which would convert the then existing subsidy based on passengers carried, into a fixed price contract**
- Its further recommended that a new process of competitive tendering would be developed and tested during the “interim contract” period
- Bus services operating under both the interim and competitive tendering arrangements **would be protected from competition from emerging Black bus services, but mini-bus Taxi Industry would be allowed to compete at will with buses but would not be subsidised**

# The Competition Board

- The NTPS recommended that 16-seater minibus taxis should be allowed to operate as taxis and that the local authorities set quotas (limit availability of facilities) and restrict the issuance of new permits
- The Competition Board, established in 1985, vehemently opposed the quota system, arguing instead for a totally unregulated industry
- The Competition Board recommended that entry to the industry should be controlled only by considerations of whether the operator had met road-worthiness and road safety requirements
- The White Paper on Transport Policy, tabled in **January 1987**, in conjunction with the **Transport Deregulation Act of 1988** effectively deregulated the entire taxi industry overnight, for the first time, making minibus taxis legal **operating without restrictive regulations**
- The only applicable restriction was **the issuance a restricted number of permits** was finally implemented in **1989**
- By about **1990**, the Taxi Industry had reached a point of saturation in many urban areas – this led to **competitive violent conflicts**

# The NTPS Implemented...

- Post 1994, Government decided to implement the recommendations of the NTPS towards a system based on competitive tenders for subsidised bus operator contracts
- In order to facilitate and expedite transformation, **the NDoT contracted various bus operators to provide subsidised bus services through “interim contracts” as contemplated in the NTPS**
- In line with the NTPS recommendation of protecting the existing bus services from competition from other bus services – the interim/tendered contracts contained a **“right of first refusal”** to the effect that, when the services went out on tender, the operators would be awarded the new contract subject to certain requirements being satisfied
- This “right” is contained in clause 6.4 of the interim contracts
- This “right” is also set out in clause 8.4 of the tendered contracts
- Bus operators have also relied on the courts to protect this “right”

# The Tripartite Agreement

- During **September 1999**, an agreement was concluded between the nine provincial departments of transport, represented by the National Department of Transport, participating labour unions and South African Bus Operators Association (“SABOA”)
- This agreement is referred to as “**the tripartite agreement**”
- It is clear from the preamble and also from a reading of the document as a whole, that it was the intention of the parties to implement the tender system as soon as possible so as to stabilize the bus transport industry and to provide employment security to its employees
- In clause 1.4 the right of first refusal referred to in various interim and tendered contracts was amended as follows:  
“**The right of first refusal, in relation to the first tendered contract after expiry of the individual interim contracts, would be set at 10%**”



# WHITE PAPER 1996

## ■ Objective

- promotion of public transport which is safe, reliable, accessible, sustainable and affordable and responsive to passenger needs

## ■ Operation specific objectives include

- Empowerment of previously disadvantaged to participate in the future public transport system
- A professional approach to management and operations in passenger transport had to be encouraged

## ■ Mission

- The promotion of a safe, reliable, effective, efficient, co-ordinated, integrated, and environmentally friendly land passenger transport system in South African urban and rural areas, and the southern African region, managed in an accountable manner to ensure that people experience improving levels of mobility and accessibility

The 1996 White Paper **specifically excluded** any attempt to address the **'tactical issues'** then being addressed through parallel processes in the **National Taxi Task Team (NTTT)**

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# White Paper Strategic Objectives 1

Among the ‘strategic objectives’ to be addressed in pursuit of the ‘mission’, the following appear to be of particular relevance to the emerging urban transport policy framework:

- to ensure sustainable and dedicated funding for passenger transport infrastructure, operations, and law enforcement
- to encourage more efficient urban land use structures, correcting spatial imbalances and reducing travel distances and times for commuting to a limit of about 40 km or one hour in each direction
- to promote the use of public transport over private car travel, with the goal of achieving a ratio of 80:20 between public transport and private car usage
- to ensure that passenger transport services address user needs, including those of commuters, pensioners, the aged, scholars, the disabled, tourists, and long distance passengers

# White Paper Strategic Objectives 2

- to improve accessibility and mobility, limiting walking distances to less than about one kilometre in urban areas
- to ensure that public transport is affordable, with commuters spending less than about 10% of disposable income on transport
- to provide appropriate institutional structures, which facilitate the effective and efficient planning, implementation, funding, regulation and law enforcement of the passenger transport system, devolved to the lowest competent level
- to encourage, promote and plan for the use of non-motorised transport where appropriate
- to provide for the registration of all public transport operators as formalised commercial entities, bound by the regulations pertaining to their permission to operate
- to promote and implement a system of regulated competition for public transport routes or networks based on permissions or tendered contracts (this comes straight from the NTPS of 1985)

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# White Paper Policy Statements 1

Specific ‘policy statements’ were developed to formulate an approach to the issues of:

- ❑ the relationship between ‘land use and transport development’
- ❑ the establishment of appropriate institutional structures and an appropriate framework for the provision of transport services
- ❑ the provision of adequate funding, and a range of miscellaneous ‘supporting’ policy issues

## ‘land use and transport development’

- the key policy actions required “to provide for urban restructuring (densification) and efficient land use/transport interaction” were identified as:
- the establishment of structures which facilitate integrated planning of infrastructure, operations and land use in a co-ordinated manner
- the regulation of land use development at local level so that development approval is subject to conformity with integrated land use/transport plans

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# White Paper Policy Statements 2

Specific ‘policy statements’ were developed to formulate an approach to the issues of:

- ❑ the relationship between ‘land use and transport development’
- ❑ the establishment of appropriate institutional structures and an appropriate framework for the provision of transport services
- ❑ the provision of adequate funding, and a range of miscellaneous ‘supporting’ policy issues

## ‘land use and transport development’

- the formulation of land use frameworks, guidelines and policies to channel development, particularly employment activities, into public transport corridors and nodes
- giving development priority to in-filling, densification, mixed land use and the promotion of development corridors and nodes
- the containment of urban sprawl and sub-urbanisation beyond the urban limits through provincial spatial development plans

# White Paper Policy Statements 3

Specific 'policy statements' were developed to formulate an approach to the issues of:

- ❑ the relationship between 'land use and transport development'
- ❑ the establishment of appropriate institutional structures and an appropriate framework for the provision of transport services
- ❑ the provision of adequate funding, and a range of miscellaneous 'supporting' policy issues

## 'land use and transport development'

- discouraging decentralisation which disperses employment activities, except in specific cases where it is favourable in terms of decreasing total transport costs and travel times on the basis of an integrated land use plan
- the containment of unrestrained car usage and subsidised car parking through the application of policy instruments which could include strict parking policies, access restrictions for private cars, higher licence fees, road pricing or area licensing

# White Paper Policy Statements 4

Specific ‘policy statements’ were developed to formulate an approach to the issues of:

- ❑ the relationship between ‘land use and transport development’
- ❑ the establishment of appropriate institutional structures and an appropriate framework for the provision of transport services
- ❑ the provision of adequate funding, and a range of miscellaneous ‘supporting’ policy issues

## ‘institutional structures’

- the overarching policy principle is that of subsidiarity and the “devolution of public passenger transport functions, powers, and duties to the lowest appropriate level of government”
- It was explicitly stated that “the allocation and execution of national, provincial, and local passenger transport powers and functions” were to be specified in a forthcoming ‘Land Passenger Transport Act’ – an intention which, was given legislative form in the National Land Transport Transition Act (Act 22 of 2000), and later the National Land Transport Act (Act 5 of 2009)

# White Paper Policy Statements 5

Specific ‘policy statements’ were developed to formulate an approach to the issues of:

- ❑ the relationship between ‘land use and transport development’
- ❑ the establishment of appropriate institutional structures and an appropriate framework for the provision of transport services
- ❑ the provision of adequate funding, and a range of miscellaneous ‘supporting’ policy issues

## ‘appropriate framework’

- The establishment of a system of ‘regulated competition’, supported by strict law enforcement, which was to be based on the granting of ‘permissions’ to operate routes or networks without public subsidy, competition for ‘contracts’ to operate routes or networks in terms of tendered prices, and the negotiation of ‘concessions’ to operate routes or networks at agreed prices
- A commitment to “...a fundamental shift away from monopolistic situations ...away from systems which target commuters only towards one which benefits all passengers”



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# White Paper Policy Statements 6

Specific ‘policy statements’ were developed to formulate an approach to the issues of:

- ❑ the relationship between ‘land use and transport development’
- ❑ the establishment of appropriate institutional structures and an appropriate framework for the provision of transport services
- ❑ the provision of adequate funding, and a range of miscellaneous ‘supporting’ policy issues

## ‘funding’

- The key funding issue was identified as the need to establish a system to fund improvements in public passenger transport which are **as far as possible self-sustaining and replicable**
- To encourage this, the users of urban transport facilities should pay for all or most of the costs incurred within the limits of affordability
- Where subsidies are required for welfare considerations or to promote public transport they would be applied through mechanisms which provide incentives for efficiency

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# Moving South Africa: Action Agenda

- The Moving South Africa (MSA) project was undertaken by a team of consultants and senior NDoT officials working under the direct oversight of the Department's DG Ketso Godhan and the Minister of Transport Mac Maharaj and a broadly based steering committee intended to be representative of all transport 'stakeholders'
- For the first time in the history of South Africa, government had developed a framework which integrates all parts of transport into a common vision and plan for action **in which the needs of South African transport customers have been placed at the heart of the decision-making process**
- The Action Agenda was intended to provide the transition from the White Paper on National Transport Policy of 1996 to delivery on the ground
- However, **with respect to urban passenger transport provision, what was a successful consensus achieved between the state and relevant stakeholders remains incomplete and problematic to date**

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# MSA: Strategic Principles

- create customer-facing systems rather than modal groupings
- enhance customer power
- allocate resources strategically and transparently
- regulate supplier power
- recover full costs from users - charge users the full cost for operations, infrastructure and externalities (NTPS 1985 recommended the phasing out of public transport subsidies)
- devolve the power to act - create strategic action capabilities at lower spheres of government and devolve as much of the implementation agenda as possible to firms over the 20-year horizon of the strategy
- enforce the rules - vigorously enforce the rules of the game and try to user-fund as much of the cost of enforcement as possible
- encourage competition - encourage competition where it allows for sufficient density and economies of scale

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# MSA: Public Transport First

- By 2020, urban customers will be able to participate fully in the various activities of city life by using a public transport network that provides as much city-wide coverage as possible and which is affordable, safe, secure, fast and frequent
- The core of the public transport system will be a network of high volume, high frequency corridors which prioritize public transport
- Customers' need for improved access and short trip times will be met by having regular feeder services to the high volume corridors, user-friendly transfer facilities, short wait times due to high corridor frequencies and the possibility of differentiated services for customers with specific needs
- To achieve this vision, public transport provision must be planned and regulated at the local level, with local control over stable funding sources for both operations and infrastructure, detailed research into local customer needs and close co-operation with local land use planning and other relevant local functions

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# MSA Action Agenda: 4 strategic challenges

- the lack of affordable basic access to the public transport system which leaves 13% of urban customers in the ‘stranded’ category (unable to afford any of the available public transport) and 19% in the ‘survival’ category (captive to the cheapest available mode)
- an ineffective public transport system “mostly characterised by a ‘one-size-fits-all’ service geared toward the lowest cost to the operator”, ageing vehicle fleets, and poor cost recovery from fares
- increasing car dependence due to some customer segments being “almost ‘forced’ to use their cars through lack of alternative options and through indirect incentives which make the cost of car use relatively cheap”
- sub-optimal spatial planning in which “the combination of apartheid spatial distortions with current dispersion trends undermines the ability of all forms of non-motorised and public transport to meet the mobility needs of customers and results in high average commute distances”

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# MSA: Strategic Action Sets

- densification of corridors – not just for transport but for other infrastructure... and ... also improve the level of service offered to customers as speeds and frequencies increase
- optimal deployment of modes to meet customer service requirements – “matched to local travel patterns ...and the preferences of specific customer segments”
- corridor supportive infrastructure investment such as priority or dedicated bus and taxi ways and intermodal transfer stations, and tough road-space management especially at peak hours...
- improving firm level performance in the provision of urban transport services – “innovatively planned and fairly tendered public transport services; effective industry regulation and enforcement; improved sustainability of operators through encouragement of reinvestment and redirection of part of the subsidy bill towards capital investment; and establishment of a stable and consistent funding framework”

# PUBLIC TRANSPORT STRATEGY

Objectives as proposed by Government in 2007 (Midrand Indaba)

- Accelerated modal upgrading- initiatives to transform bus, taxi and rail service delivery in the short to medium term
- Development and implementation of Integrated Rapid Public Transport Networks (IRPTNs) – **code name for BRT**
- Modal upgrading- significant and urgent improvements in public transport services and stabilising the operating environment through short term interventions such as, inter alia:
  - Implementing Taxi Recapitalisation – including improved regulation and law enforcement; and
  - Transforming and optimising current subsidised bus services.
- The Interim and Tendered Contracts are still in operation and have not been transformed – **the Taxi Industry is still excluded**
- There still appear to be no strategy for Negotiated Contracts – **all apartheid era subsidized bus contracts perpetuated to date**

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# PUBLIC TRANSPORT ACTION PLAN

Objective of the 2007 Public Transport Action Plan were stated as

- To translate the strategy into action (as contemplated in MSA)
  - Focused on the implementation of Phase 1 (rolling-out in 12 cities, and at least 6 rural districts)
  - Its key focus is on initiating implementation in a speedy and highly visible manner with maximum impact
  
- Transformation of informal minibus taxi operations into the mainstream public transport networks, over the Phase 1 period:
  - Conversion of permits to operating licenses
  - Lifting the moratorium on issuing new operating licences
  - Inclusion of taxi operations and labour in IRPTNs
  - Employment retention

**In reality – the Action Plan has ignored the Economic Rights of the Taxi Industry by expropriating the Old Permits (Operating Licences) while continuing to delay the issuance of new Operating Licences**



# PUBLIC TRANSPORT ACTION PLAN

- The Objective of the inclusion of the taxi industry into the public transport subsidy system is to ensure that
  - Phase 1 network design of municipal and provincial level should move towards gross based contracts in which taxis provide trunk using recapitalised taxis
  - Taxi operators form and become shareholders in operating companies to provide network services to the transport authority in terms of a formal performance contract
- To date, most municipalities have not completed a network design and without the IPTNs/IRPTNs there can be no BRT/IRT – **the underperformance by Government in this regard has prejudiced the Taxi Industry immensely**
- In Johannesburg and Cape Town where the BRTs have started, the Shareholding in the Vehicle Operating Companies is proving to be **meaningless** because the business value of bus operations such as Bus and Fuel Procurement, Maintenance and Ticketing **has been outsourced to the private sector not to the Taxi Industry**

# PUBLIC TRANSPORT ACTION PLAN

- Ensuring continued employment for all currently involved in taxi operations on the proposed corridors is key to successful implementation
- The basic premise of the dedicated IRPTN running on gross cost contracts is to ensure no loss of employment in the sector, and ideally, to actually increase employment
- Drivers and other staff will now be awarded a stable salary rather than depend on the number of passengers collected
- New employment will be generated by positions not currently being offered, including fare collection staff, customer service staff, maintenance workers, and security staff
- The Taxi Operators are not treated as BUSINESS PEOPLE – the Action Plan is proposing to transform business men and women into employees
- **The IRPTN is promising JOBS and not Business Continuity**

# SUMMARY: 2007 STRATEGY & PLAN

- The 2007 Strategy and Action Plan has two thrusts
  - The first is “Modal Upgrading” – effecting significant improvements in current public transport services through short-term interventions
  - The second thrust is to implement “high quality, integrated mass rapid public transport networks” in the metropolitan cities and some other areas
- In the metropolitan cities this refers to rail priority corridors being upgraded to “rapid network quality” and for road-based services to be developed as bus rapid transit (BRT) corridors
- The three critical implementation building blocks are:
  - Integrated Rapid Public Transport Network Implementation Plans (IPTN)
  - Transport Authority [city] control over integrated networks
  - Maximum stake for existing bus/minibus sector in rapid public transport network operations
- To date, not a single municipality has a current ITP as per Sec 32, 33, 34, 35 and 36 of the NLTA... it is not clear as to on what basis have the municipalities determined “excess capacity” – the basis upon which the Taxi Operators have been required to surrender their Operating Licenses

# SUMMARY: 2007 STRATEGY & PLAN

- Integrated Rapid Public Transport Network Implementation Plans
- Most Cities and municipalities are in the process of developing their IPTNs which will move towards the integration of all modes of transport in accordance with land use management systems and economic growth points – **not a single municipality has to date completed the Integrated Transport Plans** ... the foundation of the IPTNs and thus the new public transport systems as envisaged in the NLTA of 2009
- The IPTN are envisaged to form the basis of the contracting authority management system and facilitate the integration of modes and operations
- **There is an urgent need for the overhaul of the entire 2007 strategy and action plan – the new strategy must be based on the NDP – this includes the total revision of the NLTA which is essentially anti-Black Business and potentially unconstitutional**

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# SUMMARY: 2007 STRATEGY & PLAN

- Maximum stake for existing bus/minibus sector in rapid public transport network operations
- Following on from this is the need to ensure that:
  - the taxi operations are integrated with the other public transport services
  - there is a clear economic logic and relationship between on-demand and scheduled services
- National policy and guidelines on implementing integrated public transport networks indicate that:
  - Existing operators, especially minibus-taxi operators, must form the nucleus of the vehicle operator companies
  - Minibus-taxi operators should not be worse off in terms of their current legitimate earnings compared to what they would earn when forming part of the service
  - The new system should offer the same number of legitimate jobs as the current industry that it replaces

# SUMMARY: 2007 STRATEGY & PLAN

- Transport Authority [city] control over integrated networks
  - Besides the City of Cape Town which is in the process of establishing its transport authority, not a single other municipality in the country has commenced with this process
  - The Transport Authority is intended to establish the governance mechanism that will manage the IPTN and other transport planning functions, all public transport operators, the regulation functions, and the monitoring and evaluation functions
  - The proposed Gauteng Transport Commission appears to be more of an Inter-Governmental (IGR) coordination structure
- The municipalities are required by the NLTA to establish Intermodal Planning Committees that includes all stakeholders
- **The Taxi Industry has been excluded in these Intermodal Planning Committees as required by law**
  - This is highly irregular and must be rectified as a matter of urgency
  - Taxi Industry and its Provincial and Regional structures, along with the constituent Taxi Associations are entitled to participate in the in these committees to ensure that the interests of the Taxi Industry are fully represented

# Rationalization of public transport services

- Section 39 of the NLTA provides for the Rationalization of public transport services
  - Application of law enforcement measures to prevent the operation of illegal services on a particular route
  - Taking measures under section 78 to cancel operating licences and permits that are not in use on that route, and **based on its integrated transport plan (ITP)...**
  - Where there is a surplus of legally operated services by operators on that route...
    - offer the operator an alternative service; or
    - allow the operator to continue providing the service and impose a moratorium on the issuing of new operating licences on that route
  - In the absence of current ITPs as contemplated in Sections 32, 33, 34, 35 and 36 of the NLTA, the cancellation and expropriation of Taxi Operating Licenses and delays in renewals has no legal basis and the **cancellation of the old Permits is therefore unlawful**

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# The NLTA and Subsidized Contracts

- The Contracting Authority function will be assigned in terms of section 99 of the Constitution read with the National Land Transport Act 5 of 2009 (NLTA)
- Section 11(1)(a)(xi) of the NLTA provides that the national sphere of government is responsible for “acting as contracting authority for subsidized service contracts, interim contracts, current tendered contracts and negotiated contracts concluded in terms of the Transition Act”
- The municipal sphere of government is also empowered to conclude and is responsible for concluding new contracts of this nature
- The Gauteng Departments of Roads & Transport is currently managing such interim and tendered contracts as defined in the Transition Act (Act 22 of 2000) read with section 11(1)(a)(xi) of the NLTA, and assigned in terms of section 11 of the NLTA



# CONTRACTING FOR PUBLIC TRANSPORT SERVICES CONTRACTS

- Section 40 of the NLTA deals with the integration of bus contract system into larger public transport system
- Provinces and planning authorities must take steps as soon as possible after the date of commencement of this Act to integrate services **subject to contracts in their areas**, as well as appropriate uncontracted services (Taxi Industry), into the larger public transport system in terms of relevant integrated transport plans
- To date, most municipalities have not completed a network design and without the IPTNs/IRPTNs there can be no BRT/IRT
- Besides, Government has adjusted its own performance targets from 12 cities and 6 districts by 2010 to 5 cities by 2015 – which means that the main focus of the Bus Transformation process has less to do with IRPTNs – **rather the main focus has got to be with replacing the Interim Contracts with Negotiated Contracts**

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# NLTA – Negotiated Contracts

- Section 41(1) of the NLTA makes provision for Negotiated Contracts
- Can be done once only with a view to:
  - Integrate services into IPTNs
  - Promote empowerment of SMME's or previously disadvantaged individuals
  - Restructure a parastatal or municipal operator
  - Contract period maximum 12 years
- Taxi Industry is of the view that Provinces and Municipalities be instructed to finalize their IPTNs before the end of June 2015
- **The NLTA Section 41 negotiation processes must commence before the end of June 2015 – this has not happened**
- The Negotiations must seek to replace the current Interim and Tendered Contracts with at least **70%** of the operations reserved for the Taxi Industry in terms of their current market share of the public transport services

# Bus / Vehicle Operation Company

- The concept of a Bus Operating Company or Vehicle Operating Company (VoC) can be misleading and has the potential of being abused by unscrupulous industry operators
- According to the 2007 Public Transport Action Plan, the objective of the inclusion of the taxi industry into the public transport subsidy system is to ensure that:
  - Phase 1 network design of municipal and provincial level should move towards gross based contracts in which taxis provide trunk and/or feeder services-either using recapitalised taxis or buses
  - Taxi operators form and become shareholders in operating companies to provide network services
  - Existing operators, especially minibus-taxi operators, must form the nucleus of the vehicle operator companies
  - Minibus-taxi operators should not be worse off in terms of their current legitimate earnings compared to what they would earn when forming part of the service
  - there is a clear economic logic and relationship between on-demand and scheduled services

# VoC continued ...

- National policy and guidelines on implementing integrated public transport networks indicate that:
  - Existing operators, especially minibus-taxi operators, must form the nucleus of the vehicle operator companies
  - Minibus-taxi operators should not be worse off in terms of their current legitimate earnings compared to what they would earn when forming part of the service
  - The new system should offer the same number of legitimate jobs as the current industry that it replaces
- Various municipalities have however proceeded in issuing tenders for the procurement of busses without any meaningful participation of the Taxi Industry in these processes
- The Taxi Industry is therefore deprived of the opportunity to not only benefit from these transactions, but also to learn and gain the necessary experience (benefits from ecosystem value chain)

# Public Transport Policy Governance

- The main structure for the governance of the new public transport system is the Intermodal Planning Committee (IPC) as contemplated in Sec 15(1) of the NLTA
- It is important that the Taxi Industry and its constituent structures and Taxi Associations participate in the IPCs in all municipalities so as to be involved with the following:
  - Procurement of Busses by the municipality to ensure equitable distribution of risks – the municipalities cannot run the processes exclusively on their own and then transfer all the risks to the VoC
  - The procurement and operation of the Intelligent Transport Systems (ITS) – these systems are integral to the operations of the VoC – since the VoC is supposedly owned by the Taxi Industry, then the participation of the Taxi Industry at this level cannot be over emphasised
  - The ITS includes such functionalities as the:
    - Contract Management – balancing subsidy funding, bus kilometres, fare income and costs
    - Control Room and CCTV Surveillance
    - Variable Messaging Signs
    - Time Table and Scheduling

# Bus Sector Ecosystem Value Chain

- Procurement, Operation and Maintenance of Bus vehicles
- Procurement, Operation and Maintenance of Depots
- Management and Maintenance of Stations and Bus Stops
  - Advertising
  - Security and Cleaning
  - Facilities and Utilities Management
  - Revenue Management (ticket sales)
  - Station Precinct – retail and traders facilities
  - Off-street parking
  - Park and Ride schemes
  - Changes in land values in the precinct and surrounding areas
- Telecommunication Infrastructure and Connectivity
- Automated Fare Collection, Ticketing System and Insurance

**Government must ensure that the Taxi Industry benefits from this value chain instead of being preoccupied with oppressive interventions**