

11TH CONFERENCE ON COMPETITION AND OWNERSHIP IN LAND TRANSPORT

OVERVIEW OF PUBLIC TRANSPORT POLICY DEVELOPMENTS IN SOUTH AFRICA

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ABSTRACT

The public transport system in South Africa is undergoing significant change and large amounts of capital is being made available in support of a high speed intercity rail service between Johannesburg and Pretoria, the development of a number of Bus Rapid Transit Systems, the recapitalisation of the rail commuter services, the recapitalisation of the minibus taxi industry and the implementation of a contracting regime in the commuter bus industry.

This paper will provide a broad overview of the progress made with the public transport policy and strategy implementation in the country.

Keywords: South Africa, public transport policy, policy progress, funding issues

INTRODUCTION

In addressing the Thredbo 10 plenary session in Australia in 2007 (Walters 2007) an extensive overview was given on the policies regarding the bus and taxi industries in the country. For this reason only the main characteristics of these modes' policy thrusts will be discussed before turning to the latest developments. The paper also provides an overview of the progress with BRTs in the country, with the focus on Johannesburg, as most progress has been made in this city. An overview will also be given of the Gautrain High Speed train system that is currently being constructed between Johannesburg, Pretoria and the Oliver Tambo International Airport on the eastern side of Johannesburg.

COMMUTER RAIL DEVELOPMENTS

The recently established (March 2009) Passenger Rail Agency of South Africa (PRASA) is responsible for rail passenger services in the country, but is also involved in long distance bus services as well as property development. With the establishment of PRASA the operations, personnel and assets of the South African Rail Commuter Corporation (a regulatory body for rail commuter services), Metrorail (a (government owned) contractor for the delivery of commuter rail services), Intersite Property Management Services, Shosholozza Meyl (long distance intercity passenger rail) and the long distance bus company, Autopax were merged into a single operating entity. Prasa is fully owned by government. It therefore consists of four distinct businesses:

- Metrorail – delivering commuter rail services in the major metropolitan areas. The services cover 15% of South Africa's rail network
- Shosholozza Meyl – regional and long distance rail based passenger transport services transporting an estimated 3.2 million passengers annually over 19 scheduled routes
- Autopax – a road based long distance passenger service company transporting an estimated 2.6 million passengers annually. The company operates luxury long distance scheduled inter-city services throughout southern Africa under the brand name Translux and a no frills semi-luxury service under the name City-to-City. Its route network covers various destinations in most parts of South Africa, and across the borders to countries such as Lesotho, Malawi, Mozambique, Swaziland, Zambia and Zimbabwe
- Intersite- property management and portfolio development. It manages 374 rail stations and 4 200 hectares of land

Following concerns that the institutional arrangements in the rail industry was not promoting efficiency, accountability and innovation it was decided to establish a new entity that would merge the various interests into one structure – PRASA. In addition, it was felt that a new institutional structure would enhance the implementation of governments' strategy for

rail commuter services to form the backbone of urban transit systems in the country, and to integrate these services with the other modes of transport in a coherent and efficient manner. The drive for more efficient urban transit systems ahead of the 2010 FIFA World Cup added to the urgency for rail reform in the country. Unfortunately, at this stage, a role for the private sector in the provision of commuter rail services does not appear to be on the horizon.

PRASA owns 317 stations with the remainder belonging to Transnet Freight Rail, the rail freight division of Transnet, a parastatal institution operating the rail, sea ports and pipelines in the country. The rolling stock fleet consists of approximately 4000 coaches, most of which were built in the period between 1958 and 1985. The commuter services are provided on 3180 km of track of which PRASA owns 2228 km and Transnet Freight Rail the remainder.

An estimated 2.2 million passenger rail trips are undertaken per weekday or about 592 million passenger trips per annum, reflecting 1990 patronage levels. Similarly to commuter bus transport, commuter rail has not been immune to the impact of the taxi industry on passenger volumes. PRASA's income is mainly made up of state subsidies (70%) with the balance coming from internally generated cash flows.

The main objective of PRASA over the next few years is to upgrade the existing passenger railway system through the modernisation of signalling, telecommunications, rolling stock and train operating systems. It is to spend R25 billion over the next three years on the improvement of public transport, including the following:

- R 1.75 billion for the 2010 project. This is spent mainly on the refurbishing of 2,000 train coaches in time for the 2010 FIFA World Cup, station upgrades at and or near to the soccer stadiums and technology upgrades
- R 7 billion on trains
- R500 million on buses
- R1.5 billion on signalling projects

A National Rail Plan, which was alluded to at the THREDBO 10 conference, identified the funding and investment requirements for passenger rail over the next 10 years. This forms the basis for the mandate of PRASA for the following number of years.

Since the 2006/7 financial year over 1489 rail coaches have been refurbished to the value of R 4 billion as part of its Accelerated Rolling Stock Programme. In addition, the Railway Police that was disbanded in the 90's has been reintroduced. Currently about 2 500 police officers are deployed in the rail environment. This has resulted in a drop of 38% in crime committed on trains. A Station Improvement Programme that is aimed to bring about quick and visible changes to areas such as lighting, fencing, toilets, painting etc. has also been introduced. Major stations that are important to the 2010 FIFA World Cup are also seeing significant upgrades.

Criticism of the commuter rail services

The rolling commuter rail rolling stock is on average about 40 years old. Critics point to the fact that old technology rolling stock is being refurbished instead of replacing the rail coaches and locomotives with new rolling stock. It is also a point of criticism that government remains the owner and operator of the services whilst there are definite private sector interests in the rail commuter service.

THE GAUTRAIN HIGH SPEED RAIL SERVICE

The Gautrain Rapid Rail Link is a rail network planned in the Gauteng Province that will link Johannesburg to Pretoria and the Sandton business district to O R Tambo International Airport (ORTIA). Gauteng is the smallest of all the provinces in South Africa but is responsible for about 35% of the country's GDP and is highly industrialised and densely populated.

Major traffic congestion is to be found throughout the day between Johannesburg and Pretoria with more than 300 000 cars per week day on the corridor with a growth in traffic volumes of about 7% per year. It is estimated that about 100 000 commuters may switch to the rail service once operations begin.

Construction on the rail project began in 2006 and is scheduled for completion by 2011 at an estimated cost R25 billion. The network will be approximately 80km in length, and have 10 stations. Fifteen km of the route is underground from Johannesburg's Park Station to Marlboro. Three of the stations will be anchor stations at the airport, Johannesburg and Pretoria. The route is depicted in Figure 1.

The train will travel at speeds of between 160 and 180 km/h and will travel the distance between Johannesburg and Pretoria in about 40 minutes. The minimum frequency will initially be six trains per hour per direction and it will operate 18 hours a day. A total of 24 trains will operate the service – 19 servicing the route between Johannesburg and Pretoria and five between Sandton and the airport.

A Gautrain branded bus feeder and distribution system consisting of 125 buses will support the train service through operations on 36 routes in a radius of 15 km from each station. Services will operate every 12 minutes during peak periods and 18 minutes in the off peak. It is aimed to link these routes to the BRT systems being developed in the two cities. The buses will be air conditioned, have low floors, public address systems and digital passenger information systems. Payment for the feeder and distribution system will be integrated with the rail fare through contactless smart cards.

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The concession company

The Bombela Concession Company (Bombela) has a 20 year concession to design, build, part-finance and operate the rail service. The stakeholders in Bombela are:

- **Murray & Roberts Ltd** a leading South African engineering, contracting and construction services company
- **Strategic Partners Group (SPG) and RATP Developpement.** SPG is the Black Economic Empowerment partners with a 25% shareholding in Bombela
- **Bombardier UK**, a Canadian company that is also involved in eight other private rail projects, two of which are for the London Underground.
- **Bouygues Travaux Publics**, one of the world's top global design and build civil engineering and building contractors with extensive experience in concession projects
- **The J&J Group**, an investment holding and management company, the shareholding of which extends to more than 200 000 individuals and their families
- **ABSA Capital, a division of ABSA Bank**, one of the four largest retail banks in the country

Bombela manages the project through four different structures:

- The Bombela Operating Company (BOC) which will operate and maintain the Gautrain system.
- The Bombela Turnkey Contractor (TKC) that manages the delivery of the rail systems, major civil infrastructure etc.
- Bombela Civils Joint Venture (CJV) responsible for the design and implementation of the civil works component of the Gautrain
- Bombela Electrical & Mechanical Works (E&M) responsible for the design, manufacture and installation of railway components and deliverables such as trackwork.

Criticism of the project

The project has not been without criticism. Critics point to the fact that the project is focused on attracting motorists from cars to the train thus being a project for the rich. They also point to the fact that the existing commuter rail service is in dire need of more capital investment and rolling stock replacement and that the money for this project could have been better spent in this area thus reaching millions of commuters. Other criticisms are levelled at the perceived lack of integration of the project with existing bus and rail systems, an inadequate feeder and distribution system, and the cost of a ticket which would put it out of reach of the majority of the poor in the country.

In contrast there are other views that support the project with opinions that it is a step in the right direction and that public transport would get a welcome boost with the completion of the project. It will also be the first time that an airport in the country will be linked by rail to a business, shopping and hotel district.

COMMUTER BUS DEVELOPMENTS IN THE COUNTRY

Over the last three THREDBO conferences I have been in a difficult situation in that I cannot discuss progress made with tendering and competition in the bus industry as no real progress has been made with the further implementation of the bus contracting system in the country since 2001. The main issues remain the lack of funding as well as the lack of progress made with the development of integrated transport plans (ITPs). The latter has held up the contracting system as it would be short sighted to put services to seven year contracts only to find that the services do not fit into the planned integrated transport networks when the designs are completed.

The present contracts in the country are net cost contracts but the aim is to move to gross cost contracts in the metro areas once the ITPs have been finalized.

Public transport policy

The White Paper on National Transport Policy of 1996 had as its objective the promotion of public transport and that this form of transport should be safe, reliable, accessible, sustainable and affordable and that it had to cater for passenger needs. It also envisioned the sustainability of funding through a tender for contract system that would ensure the economic viability of operators.

In 1997 interim contracts were concluded with all subsidized bus operators as a transition measure to assist the operators “to get fit” for the tendering system and its many requirements. It also resulted in the Heads of Agreement that effectively dealt with industry, organized labour and DoT issues regarding the implementation of the tendering policy. The main objective of the agreement was to provide a firm guideline for the implementation of the policy as labour was from the outset very concerned about the implementation of the tender system in public transport. In 1998 the DoT also proposed negotiated contracts as a once-off measure to assist especially provincial operators to prepare for the tendering system. This was eventually extended to other operators provided political transformation requirements were dealt with.

Initially good progress was made with the tendering system but in 2001 a moratorium was placed on further tenders, which is still in place today, mainly due to unintended consequences of the implementation of the tendering system. At that time, labour opposed further tenders as it felt that it was the proverbial “ham in the sandwich” when operators tender for services. The DoT also had issues with the costs of the tender system as well as

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issues with the sustainability of the funding for future years of the tender system. Furthermore, there were legal issues regarding the implementation of the tender system that had to be dealt with. The main stumbling block however remained the HOA issues that proved very difficult to resolve. Over the last number of years however, the main issues of the HOA have however been resolved “in principle” with a few remaining issues that still need to be discussed.

The DoT has over the last 8 years not approved new subsidised bus routes nor has it approved additional trips on existing contract routes. This situation is becoming untenable due to community pressures on the industry. Progress has however been made with negotiated contracts as a few contracts were awarded between 2001 and 2004.

The demand for subsidised bus services however keeps increasing, especially over the last three to four years where the industry has grown its passenger numbers significantly.

The ticket and kilometer based subsidy systems

Historically, the commuter bus subsidy system was based on ticket sales. Every route that an operator operated had to be approved by the DoT, and based on distance and the travelling public’s ability to pay, together with a detailed independent cost analysis of the operators’ cost of rendering the services, a fare was determined, inclusive of a subsidy for the passenger on a particular route. The determination of the fare level, as well as the level of subsidy applicable to a particular fare, was done in consultation with the operator. Opponents of this form of subsidy often cite this as one of the weaknesses of the system as government had to negotiate with operators on subsidies with little evidence of transparency in the negotiations. Another characteristic of the ticket subsidy system is that operators could sell as many tickets as the demand necessitated on an approved route, or network of routes. To meet the demand additional buses were introduced to match the demand. This has, over the years, led to a major growth of operations still on the ticket subsidy system (operators on interim contracts), especially over the last number of years of high economic growth, higher quality bus services and instability in the taxi industry, the main competitor for these types of services.

A tender for contract system would allow government to specify the services it required in a particular area and then invite operators to tender for the services. This would not only result in new entrants and potential small bus operator empowerment but also a more transparent and defensible manner for the funding of bus commuter transport services. It would also allow the movement away from a ticket-based subsidy to one that is kilometer based, thus enabling government to control the subsidy budget more effectively as the number of kilometers that are needed to render services in terms of the tendered contract is fixed, and the costs related to the production of such kilometers are escalated based on an agreed escalation formula. It also had the other advantage that it could now control service delivery and standards through the formal monitoring of services that are offered in terms of a contract.

Funding issues

The bus subsidy budget is determined once per year (in conjunction with the provinces that manage bus contracts) when the DoT motivates, in its annual budget, monies for the subsidization of passenger services. Once the budget is approved, National Treasury transfers the budgeted amounts to the DoT for distribution to provinces.

Over the last number of years the annual budget for commuter subsidies in the bus industry has been inadequate to fund the level and intensity of operations. The shortfall really began developing from the 2005/06 financial year and resulted in a total estimated shortfall of nearly R1.2 billion in 2008/09. The response of government in 2006/7 and 2007/8 was to approach the industry to assist it in rolling over the shortfalls for the last months of the financial year to the following financial year which caused the accumulated shortfall.

The annual subsidy allocation was solely inflation related up to 2009/10 and made no provision for service improvements. This is more than 12 years without a baseline increase. For the period 2004/5 to 2007/8 the average increase in the year-on-year subsidy was 5,5% and over the same period the cost escalation on contracts (capital, labour and fuel costs) averaged between 10% and 12%. Passenger growth averaged about 12% per annum.

The result of the shortfall of R 1.2 billion was that government would not be able to fulfill its contractual obligations with the industry and that there would be no subsidy payments for the last four months of the 2008/9 financial year. This was unacceptable to the industry and after exhausting all avenues to resolve the matter it was decided to enforce the state's contractual obligations through high court cases in Cape Town and Pretoria. The result was that the DoT was compelled in a settlement agreement with the industry (made an order of the court) to transfer the necessary funds to the respective provinces for the funding of the contracts. Treasury made the funds available to the DoT.

The lack of adequate funding for public transport operations has resulted in a situation where the policy of public transport tendering and contracting has become impossible to implement further and has caused a steady decline, in general, of the overall effectiveness and attractiveness of public bus transport in South Africa.

The increasing subsidy requirement of the commuter bus industry, mainly through the increase in the passenger numbers transported by interim contract operators, has created a unique problem for the DoT:

- The increases in passenger numbers transported by interim contract operators are directly linked to the overall subsidy requirement as such passengers are sold tickets that include varying subsidy values. The more tickets sold the more the subsidy increases. These increases are not predictable and vary from company to company. This leads to budget overruns and the consequent pressure to apply for additional funding later in the year.

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- In response Treasury is uncomfortable with the interim contract system, (as a result of the ticket based subsidy system) due to the lack of financial predictability, the lack of control over the operations of interim contract operators (unlike the tendered and negotiated contracts that require independent contract monitors, the interim contracts are not formally monitored) and the lack of progress with policy implementation.
- The DoT on the other hand points out that Treasury's unwillingness to adequately fund the system results in a lack of funds for the implementation of the policy and the re-tendering of services. The re-tendering of services will require significant capital as many services that are currently tendered also operate unsubsidized services that will in all likelihood need to be included in new tender designs
- Tendered contract and negotiated contract operators' contract kilometres have been held constant since 2001 with the result that the DoT only has to make provision for the normal cost escalation, based on the escalation formulae included in such contracts. This is clearly more predictable and acceptable to the DoT and Treasury alike. This approach, however, is in stark contrast to its own policies of promoting public transport.

The funding issues mentioned above eventually persuaded Treasury and DoT officials to transfer future bus transport subsidies via the Division of Revenue Act with the DoT acting as the Transferring Officer. Once funds are transferred from Treasury to the DoT, the DoT transfers the funds to the provinces that have the contractual relationships with the bus operators.

In terms of this Act, the annual subsidy (for three consecutive years) is now encapsulated in legislation and the following amounts are made available for public transport contracted services for the ensuing three years:

- 2009/10: R 3 531.9 million
- 2010/11: R 3 863 million
- 2011/12: R 4 163.2 million.

Government (DoT and provincial) officials are compelled to ensure that subsidy payments remain within the overall allocation as no overspending will be allowed.

The following table 1 depicts the DORA allocation per province. The table also contains the predicted 2009/10 subsidy spending should the status quo have been maintained and the projected savings that need to be effected in each province following the equitable division of the overall DORA allocation to provinces.

It can be seen that R 525 million needs to be cut from the projected expenses for 2009/10. The amount varies between provinces based on the intensity of subsidized bus operations as well as the scope of interim contact operations in such provinces.

Table 1 DORA allocation for 2009/10

Province	Expenditure for 2008/09 (Rand)	Projection for 2009/10 (Rand)	DORA allocation for 2009/10 (Rand)	Projected shortfall 2009/10 (Rand)
Limpopo	172,703,916	189,974,308	174,506,000	-15,468,308
Gauteng	1,466,324,063	1,612,956,469	1,403,825,000	-209,131,469
Mpumalanga	383,868,686	422,255,555	370,650,000	-51,605,555
KwaZulu-Natal	691,883,547	761,071,902	647,396,000	-113,675,902
Free State	158,012,036	173,813,240	151,805,000	-22,008,240
Eastern Cape	122,268,439	134,495,283	126,540,000	-7,955,283
Western Cape	628,391,377	691,230,515	593,744,000	-97,486,515
Northern Cape	23,735,623	26,109,185	22,159,000	-3,950,185
North West	41,594,237	45,753,661	41,252,000	-4,501,661
TOTAL	3,688,781,927	4,057,660,118	3,531,877,000	-525,783,118

Source: DoT

The most significant implications, as far as individual large operators are concerned, will in all likelihood be in the Western Cape province (R 97 million) and the Gauteng province (R 209 million). Significant cutbacks will also be necessary in the provinces of Mpumalanga (R 51 million) and KwaZulu Natal (R 113 million).

Operators are faced with one or a combination of a number of choices/alternatives:

- To increase passenger fares to either partially or wholly offset the cutbacks
- To reduce the scope of services (operational kilometres) to reduce operating costs and the dependence on subsidies
- To reduce or cut out services that have been introduced due to community pressure, but not funded by government
- To increase the cost efficiency of companies
- To postpone capital projects which may also include bus replacement programmes. The latter may be counter-productive over the short to medium term
- To request provinces to make a contribution towards the subsidy budget for the company. Currently only a limited number of provinces contribute towards commuter subsidies – e.g. North West, Limpopo, Eastern Cape.

The largest potential savings seem to be to reduce the operational kilometres with the associated reduction in production costs (labour, fuel, maintenance etc). It is however more difficult to reduce overhead costs over the short term as many of these costs are fixed such as lease agreements, buildings, depots etc. This may increase the cost of operations on a per km

basis (especially over the short to medium term) as fewer kilometres will now have to carry a larger overhead burden.

Similarly, a reduction in fleet size will also impact on secondary revenue generating activities such as private hires, long distance services over weekends etc. negatively affecting the profitability of companies.

Ability of the bus industry to absorb the DORA subsidy cuts

On average the subsidy percentage of overall revenue of bus companies in South Africa is between 40% and 60%. A reduction of between 15% and 20% in subsidy income (the cutback plus the loss of an inflation increase in 2009/10) as a result of the DORA cutbacks for a hypothetical company will result in an overall loss of revenue that can only be offset by a reduction in the scope of operations and/or by an increase in fares.. Other options such as increased company efficiencies, postponement of capital projects and bus replacement etc. will also make a difference but arguably not sufficiently to offset the subsidy cuts.

The impact of the 15% to 20% reduction in subsidies mentioned above can be depicted as follows:

Table 2 A typical scenario of the projected overall reduction in subsidies (15% and 20%)

	Typical status quo revenue streams in percentage	15% reduction in subsidies due to DORA	20% reduction in subsidies due to DORA
Single ride fares (unsubsidized)	5%	5%	5%
Multi journey tickets (subsidized)	35%	35% (+9%)	35% (+12%)
Subsidy from the state	60%	51%	48%
TOTAL	100%	100%	100%

From the table the following can be concluded:

- In order to maintain existing services, a 15% reduction in subsidies will necessitate a 25.7% fare increase for multi journey tickets to offset the subsidy reduction.
- With a 20% reduction in subsidies the passenger fares for multi-journey tickets will have to increase by 34.3% to offset the subsidy reduction.

The magnitude of the combined impact of the reduction in subsidies, as well as the normal annual inflation increase, can clearly not be absorbed by the typical bus company, nor its passenger base. It will necessitate a rationalization of services and the retrenchment of labour to accommodate the reduction in subsidies. In addition, with the fixing of the passenger base through the conversion of interim contracts to kilometre based contracts, the passenger base will in all likelihood also be reduced thereby further complicating the ability of the passengers to carry a portion of the subsidy reduction (fewer passengers versus the overall actual reduction in subsidy).

The impact of DORA on a large urban service

In taking into account the points made above, a large urban bus operator will have to revert to the following measures to accommodate the DORA cuts:

- The cancellation of 25 000 trips per month or about 300 000 trips per annum
- A reduction of 936 380 revenue kilometres per month or about 11 million revenue kilometers per annum
- An estimated 220 000 cash passengers will not have access to services (affecting revenue negatively)
- An estimated 595 000 monthly multi-journey passengers will be affected or about 7,1million multi journeys per annum. These passengers will have to make alternative arrangements to get to work
- An estimated loss of R 162 million in revenue per annum (made up of foregone subsidies, cash fares and multi-journey fares)
- An estimated reduction of 410 staff of which 262 represent bus drivers
- The postponement and/or cancellation of bus orders.

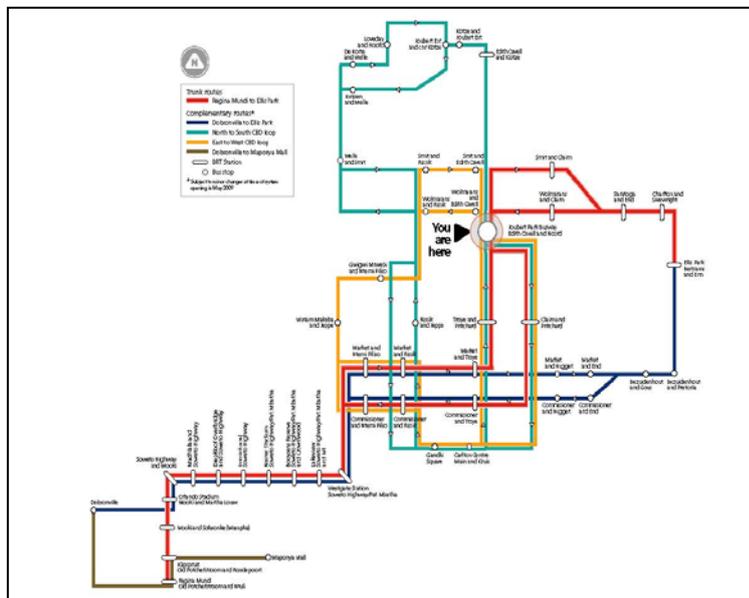
Summary

The impact of DORA on passenger transport policy goals is very negative. At a time when the country needs to increase its passenger transport capacity, as well as the quality of its services with the FIFA Soccer World Cup 2010 looming, the issues regarding to the finite amount of oil, the increasing costs of petrol and diesel (trend line) environmental considerations and the ever increasing volume of traffic caused mostly by private car usage, the government is purposefully reducing the scope and scale of bus commuter transport in total conflict with its own, cabinet approved, policies and strategies. The bus transport policy is driven from a supply point of view (dictated by Treasury through financial measures) with a total disregard for user needs and the major pent-up demand for bus transport as evidenced by the success of the interim contract operators in growing their businesses. Other bus operators on tendered and negotiated contracts have had to resort to the introduction of non-subsidised buses to, in part, meet public demand for more capacity, at their own cost. Many of these operators are teetering on the brink of bankruptcy due to the inroads that these unsubsidized buses are making in their revenue streams.

BUS RAPID TRANSIT (BRT) SYSTEM DEVELOPMENTS

BRT systems are being developed in many of the main metropolitan areas of South Africa. The most progress has been made in the Johannesburg area with construction work on phase 1A of the Rea Vaya BRT project nearing completion. This encompasses 25.5 km of routes and 20 stations. It is planned that this part of the project will begin commercial operations in September 2009. It is envisaged that phase 1B will be completed by the time the FIFA Soccer World Cup 2010 tournament is offered in South Africa. This phase will, together with phase 1A, result in a combined 86 km of routes and 102 stations. The entire project aims to be completed by 2013 encompassing 122 km of BRT routes and 150 stations.

Figure 2 Phase 1A of the Johannesburg BRT



Source: McCaul, C. Business Models for Rapid Bus Transit in the Johannesburg Context. SABOA conference, February 2009

As is typical of these systems, the BRT routes follow high density passenger corridors already served by existing public transport systems. This is also one of the main challenges of these systems as the existing operators need to be accommodated in the BRT business model once the system is up and running. In South Africa, 2007 strategy documents of the DoT assures existing operators that operate on or near BRT routes participation in the BRT system. Unfortunately, in the first phase of the Johannesburg BRT, government has excluded the bus industry from the project due to pressures from the taxi industry and its concerns about job losses. This matter is being addressed by the industry at the highest level.

Discussions with the taxi industry on its participation in the BRT systems have now been going on for more than two years. This industry has expressed grave reservations about BRTs and their potential impact on the industry through job losses and lack of access to the routes over which the system will be operating. It has resulted in rolling taxi strikes (a day or two per

week for a number of weeks) in cities such as Port Elizabeth and day-long strikes in Cape Town and Johannesburg. In Johannesburg, after prolonged discussions, the authorities promised the taxi industry full ownership and operations of phase 1A to the total exclusion of the bus industry. This situation has resulted in the taxi industry insisting on 100% ownership of the entire BRT in Johannesburg and other cities, to the exclusion of the bus industry, as it argues that it has the “intellectual capital” rights to the routes that it developed over the years. This argument does not hold water as the industry cannot claim such rights as many of the routes were initially developed by the bus industry and the routes are operated on a public transport permit basis which gives these operators the right to ply for business on the routes but no right to the “ownership” of the routes.

Discussions with the taxi industry is further complicated through inter-association rivalry and the fact that government only recognises one national taxi industry body, SANTACO, to the exclusion of operators that do not belong to SANTACO.

In a media statement following a meeting held between the Minister of Transport and the National leadership of the taxi industry on the 10th December 2008 the Minister confirmed the following principles regarding the taxi industry and the BRT systems:

- The ANC led government will never take away the rights of the taxi industry in relation to its operations;
- The implementation of BRT system can never result in job losses in the taxi industry;
- The implementation of the BRT system can never lead to a loss of profit in the taxi industry;
- The BRT system is intended as an empowerment mechanism for the taxi industry; and
- The taxi industry shall be the nucleus of BRT systems in South Africa

The meeting further resolved that construction of the BRT infrastructure will continue in the relevant cities as such infrastructure belongs to Government. However, Government commits that no operations will be initiated without full agreement and finalisation by the taxi industry.

In the run-up to the general election in April this year the taxi industry, following a meeting with Jacob Zuma, the now president of South Africa, insisted that the entire BRT system be placed on hold pending further discussions with the industry to resolve outstanding matters. This was agreed to but construction on the systems continued. The operationalisation of the first phase of the BRT in Johannesburg was therefore delayed as it was intended to be operational in time for the FIFA Confederations Cup that was held in July in the country. It is now planned to commence operations in September this year.

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In order to resolve the matter the government has now established a high powered taxi/government discussion forum which aims to resolve the issues that this industry has with BRTs.

DEVELOPMENTS IN THE TAXI INDUSTRY

The taxi industry in South Africa is responsible for the transportation of an estimated 60-65% of all commuters in the country through the operation of mainly 16-seat minibuses. This industry is operating in an environment with little official control over their operations, driving standards and vehicle maintenance. This has led to oversupply and long term sustainability issues. Taxi wars over routes and ranks are common.

In my address to the plenary of THREDBO 10 at Hamilton Island I elaborated at length on the taxi industry and the recapitalisation of the vehicles. For the purpose of this address I will repeat some of the major aspects of the taxi recapitalisation programme.

To address the sustainability issues in the industry as well as to assist in vehicle replacement the government has embarked upon a R7.7 billion taxi recapitalisation programme. The main aim of the programme is to replace the 16 seat vehicles with 18 and 19-35 seat vehicles that are purposefully designed to meet the requirements of the type of services on offer. These vehicles have to meet the South African Bureau of Standards design criteria. Other aims are to reduce the number of taxis from an estimated 120 000 to 150 000 to about 85 000, to address the economic sustainability issue, to formalize the industry and to effectively regulate the industry.

A capital subsidy in the form of a once-off scrapping allowance of R 50 000 is given to taxi operators that are willing to trade their old vehicles in on the new vehicles, that are tax compliant and that are lawfully registered as taxi operators. Other measures include the introduction of minimum wages, maximum driving hours, leave privileges and passenger liability insurance requirements. Initiatives are also afoot to regulate the taxi industry fares (as well as that of buses) through an as yet to be established National Public Transport Regulator.

A Taxi Scrapping Agency (the Taxi Scrapping Administrator) sees to the physical scrapping of the vehicles that are traded in on the new vehicles.

To date 30 000 taxis have been scrapped around the country as part of the recapitalisation programme. The scrapping allowance has also been increased to R 55 000 with a further 120 000 taxis to be scrapped. This number includes about 30 000 taxis that were originally excluded from the scrapping dispensation due to illegal operations but could subsequently prove that they tried to register their businesses.

Criticism of the industry

The enforcement of minimum wages and basic conditions of employment in the industry leaves much to be desired. The industry is not unionised therefore the unions have little impact on labour relations in the industry. The industry also has a poor road safety record, it generally ignores basic road traffic rules and under maintains its vehicles. If it doesn't agree with government on governmental interventions it often results in taxi strikes, road blockades and the intimidation of the ordinary motorist.

On the other hand, it is responsible for a large percentage of daily passenger trips and fulfils a very necessary role in the public transport industry in the country. It is also one of the most successful black economic empowerment examples in the country. The main issue for government is to obtain better control over the industry so that its levels of service can be improved.

CONCLUSIONS

Public transport in South Africa is currently in a state of flux with progress in some areas and a complete lack of progress in others. As always, public transport policy documents read well and there are good intentions but we seem to fail time and again on the implementation of policy measures.

A general concern is however, that with the limited funding available for public transport, major spending on new systems is the order of the day without addressing the backlog in the existing rail, bus and taxi industries.

On balance however, major initiatives are currently underway to improve the public transport system in the country. The development of BRTs is a step in the right direction but it has to also involve the bus industry. At present this industry is marginalised through the bullying tactics of the taxi industry and government's tendency to "lean" towards the industry.

The main policy issues are, however, the lack of adequate funding and a serious skills shortage across the different levels of government. This is hampering government's objectives of promoting public transport as a viable alternative to the car and to reduce road congestion. It is also causing many problems for the subsidised bus industry as this industry is now faced with a reduction in subsidies in the face of increasing passenger demand.

Thredbo 11 Conference, Delft, The Netherlands

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