

South African Bus Operators Association SABOA

NATIONAL CONFERENCE 2019

**SA Subsidy Policy Development : Update
31 July 2019
CSIR**



transport

Department:
Transport
REPUBLIC OF SOUTH AFRICA



FUTURE OF TRANSPORT
Transportation Planning, Engineering and Management

SUBSIDY

TRANSFORMATION

Background

- Original tender advert for “Development of Public Transport Subsidy Policy Bid Number DOT/03/2017/PT”.
- Final letter of appointment - Future of Transport Consulting November 2018.

Future Of Transport Consulting Core Team

- **Darko Skrbinek** – Transportation Planning / Engineering / Economics Specialist / Strategic Planning & Process Management
- **Rehana Moosajee** – Strategic Transportation Planning / Institutional Planning / Policy Development & Implementation / Stakeholder Liaison & Facilitation
- **Dr. Mathetha Mokonyama** – Public Transport Planning and Research Specialist / Transport Economics / Policy Development
- **Dr. Jonathan Bloom** – Public & Private Sector Financial Planning Specialist / Macro-economic Analyses / Transport Economics
- **Zain Randeree** – Transport Legislation Specialist / Public Transport Legal Adviser
- **Tshiamo Sedumedi** - Transport Legislation Specialist / Public Transport Legal Adviser

DISCUSSION ITEMS

- TENDER SCOPE OF WORK
 - *Evaluation and Interpretation of the prevailing Public Transport Subsidy regime in SA*
 - *Consideration of the international practices and experiences in relation to the public transport subsidies*
 - *Development and evaluation of the possible subsidy regimes in SA*
 - *Stakeholders engagement and drafting of the public transport policy document*

PROGRESS TO DATE

Key Tasks Undertaken

- Understanding the Prevailing Subsidy Regime in SA
 - The history of public transport subsidy in South Africa and linkages to political history.
 - The evolution of various modes of transport and key milestones in the legislative environment.
 - A timeline of key transport related legislation and important milestones.
 - Policy scan and linkages to other departments / directorates and developmental objectives.
- Public transport subsidy globally and linkages to policy implementation.

History of Public Transport Subsidy and Linkages to Political History

- Clear linkages between apartheid ideology / land use / desire to separate and genesis of transport subsidy.
- Influx control – establishment of homelands and group areas translates into long commuting distances and high costs of transport that need to be cushioned.
- Creation of buffer zones: industrial areas / Highways – Empty Spaces and gaps to keep people apart but close enough to access labour power.
- Segregated transport for different race groups – duplicate expenditure
- Introduction / evolution of key PT modes services in the Country i.e. Train, Bus and Minibus-taxi

Timeline of Key Transport Legislation

- 1982: Welgemoed Commission: does not favour subsidies being paid to lessen burden on passengers – they should be made to carry full economic fare. Subsidy should be phased out in the long term.
- 1986: White Paper on National Transport Policy: Legalised entry of the 16 seater minibus taxi.
- 1994: Democratic Elections
- 1996: White Paper on National Transport Policy: Long term aim – reduce state's subsidisation costs. Subsidised commuter bus services should be put out to competitive tender.

Timeline of Key Transport Legislation

➤ 1996: National Taxi Task Team:

Minibus Taxi sector not ready yet to participate in either tendered contracts or user side subsidy.

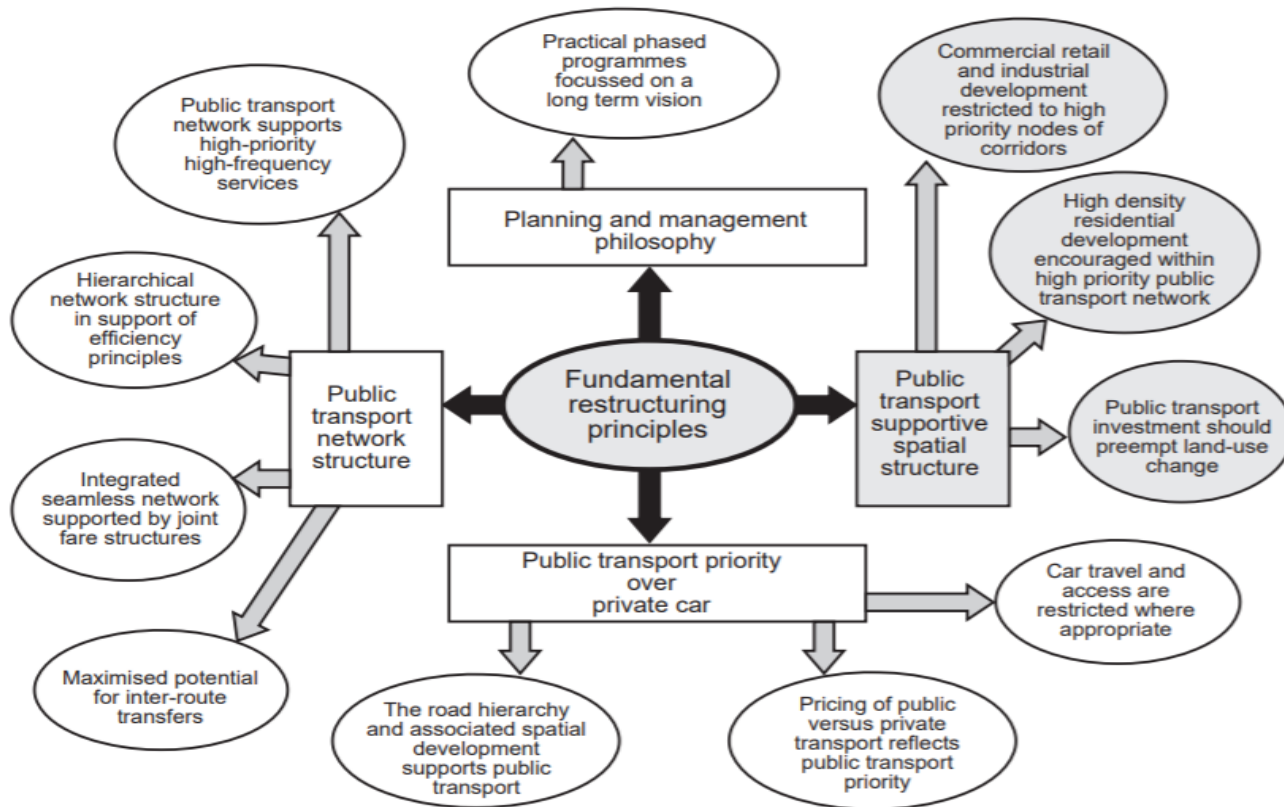
Begin now with development programme to allow minibus taxi sector to participate in new forms of subsidy schemes.

➤ 1997: Interim contracts between DOT and all subsidised bus operators:

- Intended to last for 3 years.
- Initially based on tickets sold over a specific period.

Timeline of Key Transport Legislation

➤ 1998: Moving South Africa:



Timeline of Key Transport Legislation

- 1999: Tripartite Heads of Agreement:
- DOT / SABOA / Organised Labour : Compels operator sourced through a competitive tender to employ 75% of workforce from the existing operator.
- Measures relating to retrenchment costs of employees not offered jobs
- Provision for a first right of refusal within 10% price range
- Setting up of a Transformation Fund

Timeline of Key Transport Legislation

- 2000: National Land Transport Transition Act: Gave legal status to contracting of commuter bus services and acceptance of negotiated contracts under certain conditions.
- 2002: Moratorium on further tenders
- 2009: National Land Transport Act:
 - Proposes intricate relationships between the three spheres of government subject to IGR.
 - Importance of CITPs
- 2009: Interim Bus Contracting Regime changed: from tickets sold to fee / km based.
- 2009: Rea Vaya launched in Joburg
- 2010: South Africa hosts FIFA World Cup
- 2010: Gautrain starts operations
- 2013: e-hailing services launch in South Africa
- 2018: Competition Commission: Public Passenger Transport Market Enquiry
- 2018/9: Process to create a subsidy policy commences

Policy Scan and Linkages to within DOT

- DOT Strategic Goals:
 1. Ensure an efficient and integrated infrastructure network that serves as a catalyst for social and economic development.
 2. Ensure a safe and secure transport system.
 3. Improve rural access, infrastructure and mobility.
 4. Improve public transport systems
- NATMAP 2050
- NLTA
- National Learner Transport Policy
- Rural Transport Strategy
- Green Transport Strategy
- NDP

Public Transport Subsidy Globally- Linkages to Policy

- Public transport subsidies exist globally primarily to:
 - Make services affordable to the poor.
 - Incentivise modal shift to public transport
- PT Subsidy introduced aiming at different goals:
 - Land-Use: To support densification of corridors
 - Equity: Access and mobility for all
 - Environment: Reduce carbon emissions
 - Congestion: Shift users from private to public transport
- Subsidy assessed through:
 - Efficiency: Productivity of the operator.
 - Effectiveness: Is the subsidy meeting the policy goal?
 - Sustainability: Financial ability of government to apply subsidies long term.

Key Observations From Initial Work

1. Historic basis of subsidy very linked to apartheid ideology and despite many pronouncements at various forums there has been a level of “stuckness” in the system that has led to low trust: The timeline reflects efforts to transform the system but in reality there is frustration from minibus taxi sector who feel excluded, from emerging small bus operators as well as from established bus operators who are impatient about the interim arrangements that have been in place for a protracted period. None of the stakeholders are adopting a systems-thinking approach to the challenges.
2. An approach to subsidy policy development must be located in the macro-economic context.
3. A level of inconsistency and mixed signals regarding acceptable public transport standards and norms visa-vis existing services offered by minibus taxis: Policy indicating high standards for safety / affordability and accessibility whilst simultaneously sending signals that minibus taxis and the flexibility they offer are affordable to the fiscus.
4. Lack of clarity on definitions and interpretations of transport system funding and subsidy allocation: Issues of subsidy should be looked at in the overall transport funding context: money allocated to air transport / private vehicles etc .

Key Observations From Initial Work

5. Lack of certainty on the impact of the competition commission outcomes on the subsidy policy process.

6. Despite many policy pronouncements and intent – the slow pace of spatial transformation / land-use patterns and economic activity have major implications for the subsidy regime. Unless apartheid spatial planning is decisively addressed subsidy quantum requirements will continuously grow.

Observations Emanating From Initial Stakeholder Engagement Sessions

- Subsidy policy development process is potentially protracted, forward-looking and long term whilst operators are feeling immediate pressure and raising many short term concerns – DOT may need to consider whether some immediate measure / relief can be created to ensure that the subsidy development process is not jeopardized by immediate pressure: An example could be VAT exemption or fuel levy refunds at point of tax return etc.
- It appears that a differentiated subsidy approach between urban / rural is an important issue for stakeholders.

Way Forward Tasks and Activities

1. Decide on key policy objectives – Our recommendation for key policy pillars within the expected policy term (20 years):
 - EQUITY
 - LAND USE
 - Secondary gains for Congestion and Environment.
- Rationale for 20 year policy term:
 - Enough time to measure policy impact in relation to pillars selected.
 - Mechanisms for policy administration need to be in place and stakeholder buy-in must be in place which is likely to be fairly cumbersome.
 - Long enough to ascertain impact but short enough to adjust to new and emerging conditions.
 - Policy adjustments between review may also be required.
2. Development and analysis of public transport subsidy scenarios:
 - SCENARIO 0: re-establish status quo and project on ‘do-nothing’ basis
 - SCENARIO 1: Apply subsidy parameters of the prevailing transport policy (white paper, Moving South Africa) and project expenditure if implemented fully
 - SCENARIO 2: Establish new set of parameters based on the key policy principles and project expenditure and regional and subregional distribution. there will be a number of sub-scenarios established as part of scenario 2

Proposed Way Forward

- **FOR ALL SCENARIOS:**

- Establish transport related funding approach and determination as part of national fiscus (capital and operational)
- Determine the capital-related expenditure proportion (infrastructure and rolling stock) and evaluate the remaining subsidy requirements
- Establish requirements for the implementation of both user-based and operators-based subsidies and evaluate implementation possibilities
- Establish preferred public transport modes for different subsidy regimes (function of density, distance, demand variations etc.)
- Establish operators (service provider) basic requirements (organisational / governance / technological) to be involved in the formal / supported PT system
- Evaluate macro-economic and financial impact parameters of all scenarios
- Evaluate the impact on the secondary policy objectives

Anticipated Timeline

- Development and testing of Policy Regime Scenarios - by the end of 2019
- PT Subsidy Policy principles formulation & Draft Policy document – first quarter of 2020
- Stakeholders Engagements on the Draft Policy – by the first half of 2020
- Finalisation of the Policy Document and Submission to the Cabinet for approval – by the end of 2020

THANK YOU