



S A B O A

Southern African Bus Operators Association

voice of the bus & coach industry

FINANCIAL IMPACT OF COVID-19 ON BUS AND COACH INDUSTRY

PREPARED BY SABOA FOR SUBMISSION TO THE MINISTRY OF TRANSPORT

29 MAY 2020

PRESENTATION OVERVIEW

- Part 1 – Contracted commuter bus services
- Part 2 – Scholar transport services
- Part 3 – Long distance / cross border / inter city services
- Part 4- Travel and tourism transport, inclusive of charter services
- Assistance with PPE
- Way forward

SCHOLAR / LEARNER TRANSPORT

Introduction

- According to the NHTS (2013) about 25% of all scholars make use of school bus transport in SA with the Northern Cape and Mpumalanga being close to 50% of modal share
- In many rural areas this is the only form of public transport for learners
- It is estimated that the annual scholar subsidy is around R 1,4 billion involving about 12 000 buses (not all subsidised)
- These operators are almost exclusively small and micro businesses
- Since Lockdowns began all the school buses have been parked and owners have not had any form of income
- Owners still have to pay their fixed costs which include bus financing in order to remain ready to begin operations once allowed by government

SCHOLAR / LEARNER TRANSPORT

Financial impact on the school bus industry

- The annual subsidy amounts to R 6,9 million per day over a 202 school day year or R34,6 million per school week
- The financial impact has therefore been R 346 million since Lockdowns began as no operators were allowed to operate as schools were closed down
- An additional problem that these operators face is the phased opening of schools
 - From the 1st of June only grades 7 and 12 are allowed back to schools. This is in effect 20% of learners
- In addition, a 50% load restriction will apply further affecting the operators' financial situation

SCHOLAR / LEARNER TRANSPORT

Request for financial assistance

- It is requested that school bus operators be assisted with their lost revenue over the first two lockdown periods (R 346 million).
- Scholar subsidies are already budgeted for and should not require additional government funds to be set aside
- In addition, that operators be assisted financially going forward – based on the phased reopening of schools. This ought to be calculated as the schools are allowed to reopen
- Extend the TERS UIF for a further 6 months for this industry
- Extend all COF and License validity periods for 6 months

INTER-PROVINCIAL/LONG DISTANCE AND CROSS BORDER TRANSPORT

Introduction

- About 1000 coaches are operated employing in excess of 5000 people
- Annual revenue is estimated at R 5 billion
- Operators provide transport in excess of 5 million people who are not able to afford air travel. Significant amounts of personal belongings are also transported
- The industry is formalized and is part of the Industry Bargaining Council where wages and conditions of service are negotiated with organized labour
- Prior to COVID-19 the industry was under tremendous financial pressure due to increasing costs and currency fluctuations while the market was negatively affected by the declining economy
- On average, monthly operating costs amount to R 100m which is recovered through the running of services

INTER-PROVINCIAL/LONG DISTANCE AND CROSS BORDER TRANSPORT

Financial impact on this part of the industry

- Under Lockdowns 4 and 5 all of the buses have been parked (except between 1 and 7 May on a very limited basis) and could not operate with no potential to generate revenue to cover fixed costs
- The only relief operators had was TERS UIF which does not cover full salaries. This is also limited to the end of June
- Inter-provincial services could return under Lockdown 2 but there is no indication as to when this will be possible.
- It is estimated that the industry has lost about R 200 million over Lockdown periods 4 and 5. With Lockdown 3 another R 100 million will be lost per month

INTER-PROVINCIAL/LONG DISTANCE AND CROSS BORDER TRANSPORT

Request for financial assistance

- Extend the TERS UIF for a further 12 months for this industry as this type of transport is not expected to normalise within 12 months
- Extend all COF and license validity periods for 18 months to financially assist the industry due to the massive financial impact being experienced
- Consider additional assistance with the R 200 million losses incurred under Lockdowns 4 and 5
- Consider additional assistance with Lockdown period 3 where the estimated losses will amount to R 100/month

TRAVEL AND TOURISM COACH TRANSPORT

Introduction

- This part of the industry offers about 51 000 seating capacity per year (various vehicle types) and is focused on domestic and international tourism
- The industry is formalised and employees' remuneration and conditions of service are governed by Industry Bargaining Council Agreements
- In this part of the industry there are several SMME operators
- Since lockdowns 4 and 5 none of the operators generated any revenue and their vehicles are parked off. This situation is expected to prevail under Lockdowns 2 and 3 with limited services under Lockdown 1
- It is expected that international travel will only resume in February 2021 with a very low initial uptake to begin with. Operators will be without an income for 12 months
- The likelihood that any would survive for 12 months without governmental assistance is highly unlikely seriously affecting SAs ability to respond to national and international tourism needs in future

TRAVEL AND TOURISM COACH TRANSPORT

Request for financial assistance

- Extend the TERS UIF for a further 12 months for this industry as this type of transport is not expected to normalise within 12 months
- Extend all COF and license validity periods for 18 months to financially assist the industry due to the massive financial impact being experienced
- Consider additional assistance with the millions of Rand of losses incurred under Lockdowns 4 and 5
- Consider additional assistance with Lockdown periods 2 and 3
- Facilitate dialogue with deferment of financial obligations with financial institutions

REQUEST FOR FINANCIAL ASSISTANCE – PPE EQUIPMENT AND PROVISIONS

Request for financial assistance for PPEs

- The industry calculated the cost of PPE equipment and provisions based on a cost per day per bus of R 174.87. For a month this figure would be R 4 546

Commuter bus transport	Scholar transport	Inter-provincial/ Long distance and cross border transport	Travel and Tourism coach transport
R 34m per month under full operations	R 54m per month under full operations	R 5,3m per month under full operations	R 9,3m per month under full operations

CONTRACTED COMMUTER BUS SERVICES (DORA)

Introduction

- Industry has approximately 7500 buses generating about 450m passenger trips p/a
- The industry directly employs about 30 000 people with a long value chain in support of the industry – manufacturers, tyre and fuel companies, spares and equipment etc.
- More than 20% market share – higher over the peaks and longer distances
- Industry is formalised with employees remuneration and conditions of service based on Bargaining Council agreements
- Industry transports the poorest of the poor and enables passengers to access work opportunities in a safe and affordable manner

CONTRACTED COMMUTER BUS SERVICES (DORA)

- Many commuters have lost their jobs through business closure, business rightsizing and working only part of the day
- Affordable, safe and reliable public transport is now even more important to benefit those that are the most affected by COVID-19
- The organised bus industry has a key role to play in this regard

CONTRACTED COMMUTER BUS SERVICES (DORA)

The financial impact of COVID-19 on the industry

- Before COVID-19 industry experienced huge financial pressure with inadequate DORA escalations.
- Task team between the DOT and SABOA found that since 2009 the underfunding amounted to an estimated R 4,3 billion
- The industry's revenue is made up of about 50% passenger fares and 50% subsidy
- Fares are regulated by government via contracts with operators

	Lockdown 5 (27 March to 30 April)	Lockdown 4 (1 May to 31 May)	Lockdown 3 (From 1 June -?)
Buses operating (estimated)	10% (750)	33% (2475)	40%-60% (3000- 4500)
Buses standing	6750	5025	4500 - 3000
Capacity restriction	50%	50%	50%

CONTRACTED COMMUTER BUS SERVICES (DORA)

The financial impact of COVID-19 on the industry

- To summarise, the industry is in a very difficult situation with buses being parked off, capacity restrictions that impact passenger revenue streams and a very weak economy that will result in depressed passenger numbers
 - This situation may last until October or even the entire remainder of the year
- The industry is therefore thankful for the Minister's announcement following his visit to the Putco Roseville depot about two weeks ago that the industry will be given financial assistance

CONTRACTED COMMUTER BUS SERVICES (DORA)

Request for financial assistance

- The industry's request is that contracted companies receive their full DORA allocation (as per contract and already budgeted for by Govt) for at least the next 6 months (from April 2020) until September 2020
- If the situation continues beyond September it can be re-discussed
- This will allow operators to see through the worst of the Corona virus pandemic while rendering affordable and reliable commuter services to the commuting public
- Extend TERS UIF for a further 6 months for this industry
- Extend all COF and License validity periods for 6 months

WAY FORWARD AND FOLLOW UP

Consider establishing a Public Transport Task Team to further discuss the financial impact of COVID-19 on the industry and to resolve the financial issues experienced by industry

DISCLAIMER

THE CONTENT OF THIS PRESENTATION IS PROPRIETARY AND CONFIDENTIAL OF SABOA.
IT IS NOT INTENDED TO BE DISTRIBUTED TO ANY THIRD PARTY WITHOUT THE CONSENT
OF SABOA.