

# DEPARTMENT OF TRANSPORT

**SABOA CONFERENCE 2023**

## **NATIONAL PUBLIC TRANSPORT SUBSIDY POLICY DEVELOPMENT**

**SEPTEMBER 2023**



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# INTRODUCTION

*The 2021 White Paper on Transport Policy states that: a public transport subsidy guideline should be developed, which establishes the objectives of such a policy, appropriate models of its implementation, and a costing methodology. The basic principles of the public transport subsidy guideline should be that it is user targeted, equitable and sustainable in the medium to long-term.*



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# INTRODUCTION

*The National Department of Transport commissioned a process to develop the first Public Transport Subsidy Policy for South Africa in 2018.*

*The draft policy document has been prepared and includes two volumes:*

- National Public Transport Subsidy Policy (NPTSP)*
- NPTSP technical notes in support of the Policy Statements (NPTSP Technical Note)*



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# PROBLEM STATEMENT

- The Prevailing legacy of inequality, apartheid spatial planning and the non-alignment of the past / prevailing economic policies in the public transport industry.
- Public transport is a critical aspect of South African society and plays a fundamental role in a developing economy. Public Transport is not however appropriately resourced.
- The Constitution and the 2021 White Paper on National Transport Policy revisited the 1996 policy framework and references the need for a subsidy policy based on principles of user-targeting, equity and sustainability in the medium to long term.



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# PROBLEM STATEMENT

"Public transport is receiving disproportionately little funding relative to its role in the economy and society"

"The rationale for current subsidy regime is unclear"

"Current public transport funding does not incentivise innovation"

"Operational subsidy is not differentiated in terms of operating conditions"

"Allocative efficiency of current public transport funding is unclear"

"Public transport funding is done in isolation of other Built Environment initiatives"

"South African households are prone to spending disproportionately more on low capacity transport modes"

"The current geographical concentration of subsidy needs correction expanding to the rest of the country requires much more financial resources"



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# OBJECTIVES OF THE POLICY

## ➤ Sustainability:

- Every Rand of expenditure paid for public transport must set in motion a better life for present and future generations.

## ➤ Increased Quantum of Funding:

- Premise that needs to be understood by all: the quantum of funding for public transport must be commensurate with its role in society: proposal for a shift from current 1% of GDP to at least 5%.
- Society currently spending 5% more of GDP for transport relative to geographies with similar travel characteristics.

## ➤ Disassociate the industry operators from the mode of transport

- Current subsidy regime is incorrectly referenced as rail, bus or minibus-taxi subsidy.
- Policy proposes provision of public transport subsidy regardless of which mode of transport is operated, in order to achieve planned outcomes.



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# Proposed Policy Statements

- **Public transport subsidies will be implemented to achieve specific goals in transport plans**
  - Outcomes-based fiscal expenditure
  - Capacitated Municipalities to prepare Transport Plans
  - Purpose driven transport plans
  - Transformative fiscal expenditure
  - Community driven
- **Public transport subsidies will be managed by municipalities**
  - Municipalities obliged to prepare responsive local transport plans in terms of the Constitution
  - Municipalities to declare their inability or lack of capacity to prepare the plans
- **Public transport will be cost-recovery based**
  - Policy targets incentivising productivity and efficiency.
  - Outcomes-based targets allowing for service innovation



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# Proposed Policy Statements

- **Public transport subsidy will consist of both operational and capital support**
  - All capital items including infrastructure, rolling stock and facilities will be owned by the state authority and leased to the private operators for the duration of a contract
  - The operational subsidy will target users from the lowest income group
- **Operating subsidy will increasingly be administered through information technology**
  - Technology advancements and digitalisation of the administrative processes will enable improved identification of public transport users in terms of age, social status, income groups etc.
- **Differentiation of urban and rural areas**
  - Different subsidy calculations for different operating conditions



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# Proposed Policy Statements

- **Mode specific financing**

- The integrated transport plans will design the most efficient public transport systems irrespective of the modes. It may be that in some areas there will be a single mode of transport whilst in other areas combination of the different modes

- **Governance and administration**

- No State entities should be involved as operators.
- Government will own infrastructure and capital items to minimise the risk of service interruptions due to inefficient and mismanaged operations.



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# BENCHMARKS FOR INTEGRATED TRANSPORT PLANS

**ITP MUST DEMONSTRATE HOW TO TARGET THE PROPOSED BENCHMARKS OVER SHORT, MEDIUM AND LONG -TERM PLANNING CYCLES TO APPLY AND QUALIFY FOR THE SUBSIDY ALLOCATION**

|   |  |
|---|--|
| Minimise system input costs for public transport services | Urban areas: Personnel costs as % of operating costs limited to maximum of 25% of operating costs for road-based; and up to 40% for rail-based services. |
| Minimise impact to the environment                        | Achieve a system-level maximum 50 grams CO2 per passenger km, for motorised travel.  |
| Minimise trip length                                      | Maximum trip length of 40km one way for work trips. Maximum of 10km for education trips.   |
| Minimise Motorised travel                                 | Maximum 2.5 trips per person per day without compromising basic needs.   |
| Minimise crashes  | Zero fatalities per 100 000 population.  |

|  |   |
|--|---|
| Direct cost of transport to society as % of GDP  | Direct cost of transport to society as % of GDP Less than 7%.   |
| Reduce total travel time   | Limit travel time to 40 minutes for work trips on public transport. Limit travel time to 20 min for education trips. Limit travel time to 1 hour for all other trip purposes. |
| Minimise cost of service to the user   | Limit expenditure on transport to 10% of income for person with income. Limit cost of service to R120 per month for persons from poor households.                             |
| Minimum operating speed on-board public transport & Public transport on an approved network must have a minimum network operating speed of 40km/h during the peak. 10% | Public transport on an approved network must have a minimum network operating speed of 40km/h during the peak.  |
| Universal access   | At least 80% of special needs travellers should indicate that they are able to use public transport without difficulty.   |



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# Departments/Stakeholders Consulted

## SCHEDULE 1

### SCHEDULE OF STAKEHOLDERS ENGAGEMENT SESSIONS DURING THE POLICY DEVELOPMENT PERIOD

| Engagement Session |       |                                       | Organisations Engaged  |
|--------------------|-------|---------------------------------------|--|
| Date               | Time  | Venue                                 |  |
| 12-Feb-19          | 14h00 | DoT Office Boardroom, Pretoria        | National Treasury (NT)   |
| 26-Feb-19          | 10h00 | Manhattan Hotel, Pretoria             | Provincial Transport Department  |
| 25-Mar-19          | 13h00 | DoT Office Boardroom, Pretoria        | National Taxi Alliance (NTA)   |
| 26-Mar-19          | 10h00 | DoT Office Boardroom, Pretoria        | South African Bus Operators Association (SABOA)  |
| 28-Mar-19          | 10h00 | DoT Office Boardroom, Pretoria        | South African Local Government Association (SALGA); Cities Support Network (CSN)   |
| 10-Apr-19          | 10h00 | DoT Office Boardroom, Pretoria        | South African National Taxi Associations Council (SANTACO)   |
| May 2019           |       |                                       | DOT Exco   |
| 31-Jul-19          | 09h00 | CSIR Convention Centre                | SABOA Conference   |
| 27-Sep-19          | 10h00 | Birchwood Conference Centre           | Public Transport Industry Development Workshop on the Future of Public Transport Operations Grant Workshop, DOT & Provincial Departments |
| 31-Oct-19          | 10h00 | DoT Office Boardroom, Pretoria        | DOT Rail Transport Infrastructure Development  |
| 22-Nov-19          | 09h00 | CSIR, Pretoria                        | Professionals and Academics Sector   |
| 04-Nov-20          | 12h30 | Online Zoom                           | South African Local Government Association (SALGA); Cities Support Network (CSN)   |
| Feb21              |       | Google Forms Distribution             | Universities; COSATU; Professionals; ABCD; SACN; SAITA; ITDP; UKZN; Ahmed Kathrada Foundation; Media; UBER; etc.                         |
| Feb22              |       | Multi-media Presentations Distributed | All Stakeholders   |
| March 21 - June 21 |       | Google Form Inputs                    | ITDP; ITLS Africa; Vaalbara; UBER; Professionals and Academics; HSRC; etc.   |
| 11-Mar-21          | 10h00 | Online Google Meet                    | National Treasury (NT)   |
| 15-Mar-21          | 11h00 | Online Zoom                           | DOT Exco   |
| 15-Apr-21          | 10h00 | Online Google Meet                    | COGTA, DHS, DPME, DTCS Limpopo, EC Transport, FS Transport, Gauteng DPTRT, KZN Transport, Mpumalanga Transport                           |
| 11-May-21          | 09h00 | Online                                | Transport Forum  |
| 08-Jun-21          | 10h00 | Online Zoom                           | SALGA  |
| 11-Jun-21          | 14h00 | Online Microsoft Teams                | SALGA National Working Committee   |
| 15-Jun-21          | 14h30 | Online Microsoft Teams                | NEDLAC (Freight and Public Transport Workstream)   |
| 17-Jun-21          | 14h00 | Online Microsoft Teams                | NEDLAC (Decongestion Task Team)  |
| 13-Jul-21          | 11h00 | Online Google Meet                    | SANTACO  |
| 04-Aug-21          | 13h00 | Online Zoom                           | SABOA  |
| 12-Aug-21          | 10h00 | Online Zoom                           | SANSBOC  |
| 21-Sep-21          | 10h00 | Radisson Blu Tambo Conference Centre  | SANTACO  |
| 23-Sep-21          | 10h30 | Online Zoom                           | SANSBOC  |



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# IMPLEMENTATION PRIORITIES

- Evaluate possible additional capital subsidy funding of the minibus-taxi operators through increased budget for “scrapping” allowance through the Taxi Recapitalisation Programme on the per application basis.
- Evaluate appropriate technology solutions to introduce a cashless and automatic fare collection (AFC) for the minibus-taxi services whilst appreciating the prevailing business model of the industry.
- Prepare a negotiated procurement process for the prevailing subsidised contracts based on an interim rationalisation of the prevailing service designs and funding approach and issue operating contracts aligned to the current legislative requirements to enable stabilisation of the service provision, improvement of service levels and meaningful participation of small, medium, micro enterprise, small bus operators and minibus operators in line with relevant preferential procurement legislations.
- Providing subsidised connectivity of road-based services to rail services should be prioritised in order to strengthen the role of rail as the backbone for public transport.
- Locating state subsidised housing programmes in the vicinity of rail stations should also receive priority.



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# Policy Development Status

- **Presented to and Approved by Government Clusters**
- **All Cabinet pre-submission protocols observed and passed**
- **Office of the Minister preparing for Cabinet submission**
- **Public Participation to follow**



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**Thank you**



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