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PERFORMANCE AND EXPENDITURE REVIEW



Public Transport

Introduction

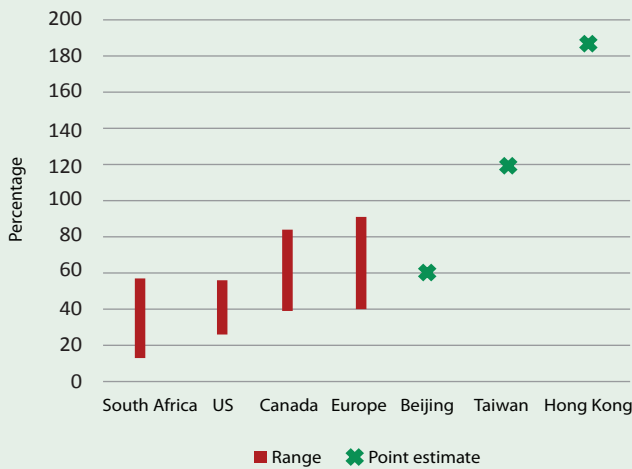
Density levels in South Africa's cities are amongst the lowest in the world, making our cities extremely inefficient generating high transport costs and long commuting times. One estimate suggests that as much as 24% of gross geographic product in South African cities is devoted to transportation, a figure that is twice that of other developing countries and as much as four times higher than some regions of the world.

The origins of this challenge lie in the legacy of apartheid spatial planning and the failure to address this meaningfully, resulting in higher costs of living and of doing business. The higher costs, combined with affordability constraints, mean that passenger fares tend to cover a smaller proportion of the operating costs of public transport in South African cities (between 13% and 57%, depending on mode) than they do in most of the rest of the world.

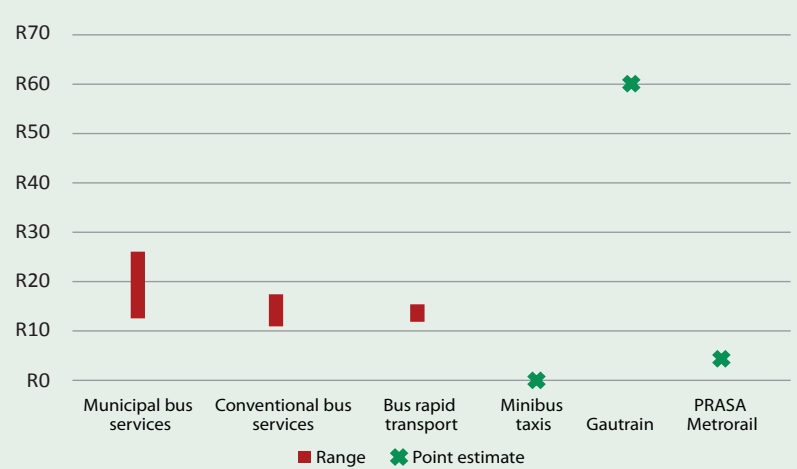
This necessitates greater public subsidies (amounting to about R10,2 billion in 2012/13, or 60% of all operating costs). High as they are in international terms, these subsidies make no contribution to the operating costs of the services provided by minibus taxis, even though these provide services to two-thirds of all commuters. In fact, the highest subsidies per passenger trip are for Gautrain (R63 per trip), with much lower subsidies for bus services (R11 to R24 per trip) and Metrorail (R4 per trip).

The net result is that South Africa provides large subsidies to public transport but still fails to ensure that transport is affordable for the poor. Indeed, 18% of households spend 20% of their income on transport even before the transport costs embodied in the goods and services they buy are included.

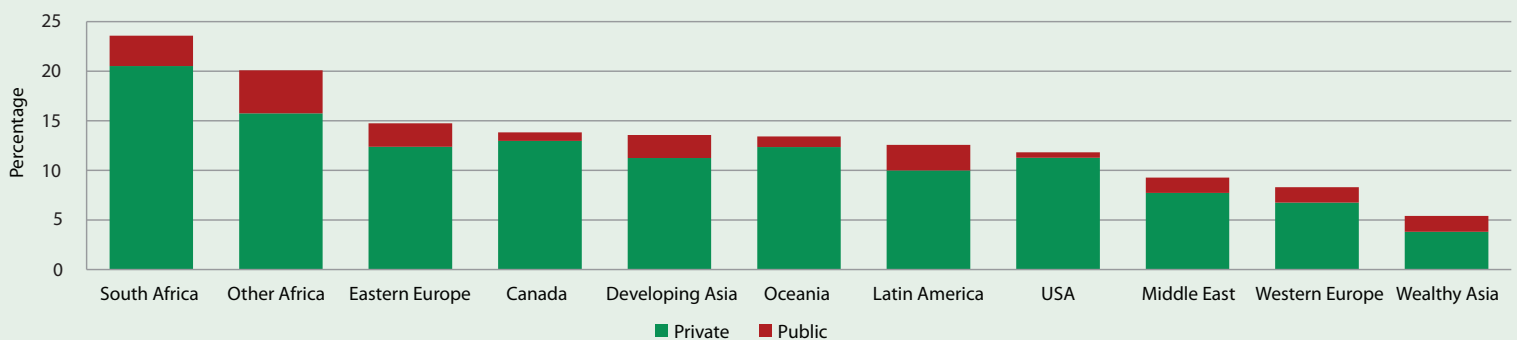
Fares as a % of operating costs
Various regions, countries and cities



Rand values of operating subsidies to various forms of public transport
Various metros (Rands per passenger trip)



Passenger transport costs as % of metropolitan GDP





Policy issues

The key goal of all transport systems is to convey users where they want to travel when they want to travel, while minimising total journey time, and ensuring users' safety and comfort, all at an affordable price. South Africa's current system cannot achieve these goals at this time even though considerable resources are devoted to it.

Between operational and capital subsidies to vehicular and train transport, as well as subsidies provided to municipalities for some infrastructural spending, government intends spending nearly R140 billion on subsidies for public transport between 2012/13 and 2016/17. Within this resource envelope, key initiatives are the planned recapitalisation of Metrorail services over (R146.6 billion over 20 years) and the establishment of Bus Rapid Transit systems in the larger cities.

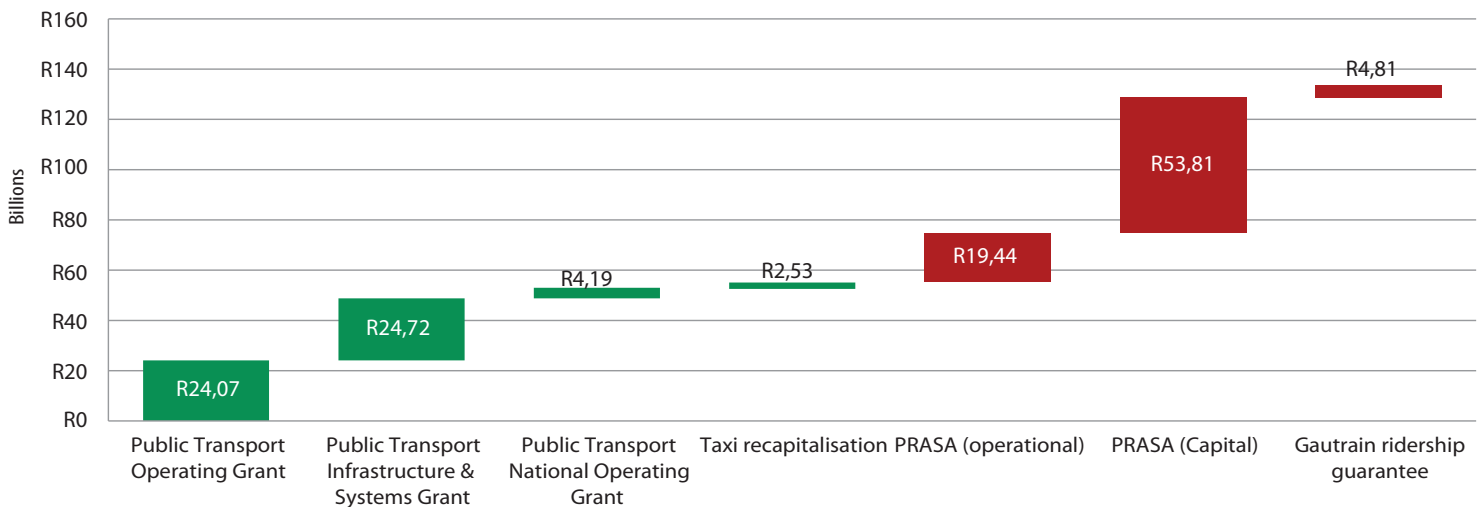
Optimising transport-related spend, however, requires considerable investment in reshaping and densifying cities, as well as in improving the institutional architecture of public transport management. Absent this, public transport will remain expensive to both users and government because its services are characterised by long travel distances, high peak demand, minimal off-peak use, and uni-directional travel patterns.

Addressing these patterns must be the primary goal of both public transport planning and land use planning.

Integrated land use and public transport planning is undermined at present by inappropriate institutional architecture that reduces efficiencies across the system, while also allowing transport services providers to drive investment and spending decisions. This leads to higher spending on services carrying relatively few passengers, such as bus and rail services, even as high volume services provided by the minibus taxis receive much less support.

Addressing institutional fragmentation is key to resolving this. At present, land use planning responsibility lies primarily with municipalities, commuter rail services are managed by PRASA (a public entity reporting to national government), provinces are responsible for the contracting of subsidised bus services and the regulation of operating licenses (mostly minibus taxis), while the National Land Transport Act gave the 12 largest municipalities the responsibility for implementing new integrated network services (BRT) financed by conditional grants.

Total transport-related expenditure (2012/13 to 2016/17)



Conclusion

Since the 1996 White Paper on National Transport Policy, it has been widely accepted that responsibility for public transport should be assigned to metropolitan and larger city governments, thereby also integrating public transport with their land use planning responsibilities. Apart from the transfer of conditional infrastructure and network operating grants to these municipalities, little progress has been made in assigning either regulatory functions or the management of rail and subsidised bus contracts.

Because such a large proportion of all public transport in the six largest metropolitan areas is rendered by minibus taxi services, enhancing this sector could offer significant benefits. However, the competitiveness of this sector depends to some extent on its informal character, so greater regulation and formalisation could add significant costs without raising productivity. This could create a strong demand for substantial subsidies while putting taxi fares out of the reach of many present users.

