



**KWAZULU NATAL DEPARTMENT OF TRANSPORT**

# **PROVINCIAL STRATEGY FOR TRANSFORMATION OF SUBSIDISED PUBLIC TRANSPORT CONTRACTS**

**05 MARCH 2015**

# PURPOSE

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## THE PURPOSE OF THIS PRESENTATION IS TO:

- SHARE THE PROVINCIAL STRATEGY FOR ECONOMIC TRANSFORMATION OF PUBLIC TRANSPORT CONTRACTS.
- TRANSFORMATION TO BE ACHIEVED THROUGH:  
IMPLEMENTATION OF STRATEGY ON TRANSFORMATION OF SUBSIDISED CONTRACTS TO ACHIEVE ECONOMIC TRANSFORMATION

# BACKGROUND

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- THE DEPARTMENT PROVIDES SUBSIDISED PUBLIC TRANSPORT SERVICES THROUGH CONTRACTING WITH PRIVATE OPERATORS
- THERE ARE 37 CONTRACTS IN THE PROVINCE
- THE CONTRACTED SERVICES COVER ALL DISTRICTS EXCEPT HARRY GWALA DISTRICT.
- NOT ALL AREAS IN DISTRICTS ARE COVERAGE

## **BACKGROUND; continued....**

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- ONLY BUS MODE IS SUBSIDISED
- SERVICES OPERATED WITH TOTAL OF 1400 BUSES
- MOST CONTRACTS HAVE BEEN IN EXISTANCE FOR MORE THAN 15 YEARS
- ALL CONTRACTS, EXCEPT 1, HAVE EXPIRED AND EXTENDED ON MONTH TO MONTH BASIS

# BACKGROUND; continued

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- FUNDING IS ALLOCATED AS A CONDITIONAL GRANT THROUGH PUBLIC TRANSPORT OPERATIONS GRANT (PTOG)
- PTOG IS SCHEDULE 4 GRANT OF THE DIVISION OF REVENUE ACT.
- PUBLIC TRANSPORT OPERATIONS GRANT FRAMEWORK PROVIDES DETAILED CONDITIONS FOR USING THE FUND

# DEMOGRAPHIC PROFILE OF CONTRACTS

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- ONLY 5% OF CONTRACTS OPERATED BY AFRICANS
- NO CONTRACT BELONG TO WOMEN
- NO CONTRACT WITH YOUTH AND DISABLED REPRESENTATION

# POLICY ADOPTION

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- THE STRATEGY WAS APPROVED BY MEC FOR TRANSPORT, COMMUNITY SAFETY AND LIAISON
- SUBSEQUENTLY APPROVED BY PROVINCIAL EXECUTIVE IN APRIL 2011
- DEPARTMENT EXPECTED TO REPORT ON REGULAR BASIS TO PROVINCIAL EXECUTIVE ON THE IMPLEMENTATION

# TRANSFORMATION APPROACH

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- **VISION:** TO TRANSFORM THE SUBSIDISED PUBLIC TRANSPORT CONTRACTS SO THAT THEY REFLECT THE DEMOGRAPHICS OF THE PROVINCE AND EXPANDED TO OTHER MODES.
- **GOAL:** IMPLEMENTING A PHASED PROCESS TO ACHIEVE DEMOGRAPHIC REPRESENTATION IN CONTRACTS AWARDED.



# TRANSFORMATION APPROACH

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## THE APPROACH IS INFORMED BY :

- NEED TO ERADICATE INEFFICIENCIES AND IMPROVE THE PUBLIC TRANSPORT SYSTEM
- NEED TO TRANSFORM THE SUBSIDISED PT SYSTEM SO THAT IT REFLECTS SOCIAL DEMOGRAPHICS OF THE PROVINCE THEREFORE REALISE ECONOMIC TRANSFORMATION THROUGH AWARDED CONTRACTS
- NEED TO INTERGRATE SUBSIDISED SERVICES TO THE PUBLIC TRANSPORT MAIN STREAM THROUGH IPTN
- NEED TO CREATE A SPACE FOR PARTICIPATION OF SMALL BUSINESSES, TAXI INDUSTRY AND SMALL BUS OPERATORS

# IMPORTANT PILLARS

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- INCUBATION PROGRAMME
- SUSTAINABLE EMPOWERMENT MODEL
- SUSTAINABLE FUNDING MODEL
- INVESTMENT IN TECHNOLOGY
- DEDICATED PROGRAMME IMPLEMENTATION TEAM

# CONTRACTING ARRANGEMENTS

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- THE ENVISAGED VISION WILL BE ACHIEVED THROUGH NEGOTIATED CONTRACTS ARRANGEMENT
- NEGOTIATED CONTRACT IS PROVIDED FOR IN THE NATIONAL LAND TRANSPORT ACT, ACT 05 OF 2009
- THE ACT ALLOWS NEGOTIATED CONTRACT/S FOR PURPOSE OF EMPOWERMENT, PT INTERGRATION

# IMPLEMENTATION FRAMEWORK

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## THE FRAMEWORK PROVIDES FOR:

- UNBUNDLING OF CONTRACTS
- EMPOWERMENT MODEL FOR EACH CONTRACT
- FUNDING OPTIONS FOR EACH EMPOWERMENT CONTRACT
- IDENTIFICATION OF BENEFICIARIES FOR EACH CONTRACT

# CONSULTATION PROCESS

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## CONSULTATION CONDUCTED WITH:

- ALL CONTRACTED OPERATORS
- SOUTH AFRICAN BUS OWNERS ASSOCIATION (PROVINCIAL)
- SOUTH AFRICAN NATIONAL TAXI COUNCIL –KZN
- KWAZULU NATAL BUS COUNCIL
- SUBCONTRACTORS

# CONTRACT SPLIT-UTHUNGULU

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- THERE ARE 7 CONTRACTS IN THE DISTRICT COVERING AREAS OF AROUND ESHOWE, EMPANGENI, RICHARDSBAY AND MELMOTH
- THE TOTAL SUBSIDY ALLOCATION FOR CURRENT FINANCIAL YEAR IS R333,897,764
- TOTAL NUMBER OF BUSES-319

# TRANSFORMATION IMPACT

TOTAL CONTRACTS		NO OF BUSES		SUBSIDY	
Incumbent	Empowerment	Incumbent	Empowerment	Incumbent	Empowerment
6	6	214	105	R236,117,666	R97,806,978
Empowerment impact				29.3%	

# CONTRACT SPLIT IN UMGUNGUNDLOVU

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- THERE ARE 4 CONTRACTS IN UMGUNGUNDLOVU DISTRICT
- THEY COVER AREAS OF PIETERMARITZBURG, IMPENDLE, HOPEWELL, TABLE MOUNTAIN, SWEETWATERS, IMBALI AND EDENDALE
- TOTAL BUSES- 90
- THE TOTAL SUBSIDY ALLOCATION PER ANNUM IS R95,415,193



# TRANSFORMATION IMPACT

- Total number of buses- 90
- Total number of New contracts 6
- Total Subsidy R95,415,193

CONTRATC AFTER SPLIT		NO. OF BUSES		SUBSIDY	
INCUMBENT	EMPOWERMENT	INCUMBENT	EMPOWERMENT	INCUMBENT	EMPOWERMENT
3	3	60	30	R65,170,899	R30,217,294
EMPOWERMENT IMPACT				31.7%	

# CONTRACT SPLIT IN AMAJUBA

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- THERE ARE 3 CONTRACTS IN AMAJUBA COVERING DANHOUSER, HILLTOP, UITRECHT, MADADENI, OSIZWENI, ANIEVALE, FAIRBREEZE, DUNDEE
- THE TOTAL SUBSIDY ALLOCATION IS R49,39,172
- TOTAL NUMBER OF BUSES-82
- TOTAL KM -2,093,844

# TRANSFORMATION IMPACT

- Total number of new contract: 6
- Total number of Buses- 72
- Total Subsidy : R49,390,172

NO OF CONTRACTS		NO OF BUSES		SUBSIDY	
INCUMBENT	EMPOWERMENT	INCUMBENT	EMPOWERMENT	INCUMBENT	EMPOWERMENT
3	3	54	18	R71,286,639	R18,739,903
EMPOWERMENT IMPACT				38%	

# CONTRACT SPLIT UTHUKELA DISTRICT

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- THERE ARE 2 CONTRACTS IN UTHUKELA COVERING DANKRAL, WATERMEET, LADYSMITH, NTOKOZWENI, EZAKHENI, ETHOLENI
- THE TOTAL SUBSIDY ALLOCATION IS R39,391,122
- TOTAL NUMBER OF BUSES-43
- TOTAL KM -1,851,800

# TRANSFORMATION IMPACT

- Total new contracts 3
- Total number of Buses 43
- Total Subsidy R39,391,122

CONTRACTS AFTER SPLIT		NO OF BUSES		EMPOWERMENT	
INCUMBENT	EMPOWERMENT	INCUMBENT	EMPOWERMENT	INCUMBENT	EMPOWERMENT
1	2	39	4	R34,125,789	R5,265,333
EMPOWERMENT IMPACT				13.3%	

# CONTRACT SPLIT IN ZULULAND DISTRICT

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- THERE ARE 4 CONTRACTS IN ZULULAND COVERING AREAS OF NKANDE, MVUZINI, VRYHEID, EMONDLO, BIVANE, DUMBE, PHUZANE, ESIGODINI, NDLULAMITHI
- THE TOTAL SUBSIDY ALLOCATION IS R57,840,600
- TOTAL NUMBER OF BUSES-49
- TOTAL KM – 2,228,496

# TRANSFORMATION IMPACT

- Total Contracts     5
- Total Buses         49
- Total subsidy       R57,840,620

NO OF CONTRACTS		NO OF BUSES		SUBSIDY	
Incumbent	Empowerment	Incumbent	Empowerment	Incumbent	Empowerment
3	2	39	10	R49,911,233	R7,929,384
<b>TOTAL IMPACT</b>				<b>13.7%</b>	

# CONTRACT SPLIT IN ILEMBE DISTRICT

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- THERE ARE 2 CONTRACTS IN ILEMBE DISTRICT, COVERING DARNAL, KWASITHEBE, MANDENI, MAPHUMULO, KWADUKUZA
- THE TOTAL SUBSIDY ALLOCATION IS R9,400,550
- TOTAL NUMBER OF BUSES-18
- TOTAL KM -51,836



# TRANSFORMATION IMPACT

- Total Contracts 3
- Total Buses 19
- Total subsidy R9,400,550

NO OF CONTRACTS		NO OF BUSES		SUBSIDY	
Incumbent	Empowerment	Incumbent	Empowerment	Incumbent	Empowerment
1	2	7	12	R2,607,373	R6,793,177
<b>Total impact</b>				<b>72.3%</b>	

# PROGRESS TO DATE

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- AGREEMENT ON SPLIT
- AGREEMENT WITH ROLE PLAYERS TO IMPLEMENT
- BENEFICIARIES IDENTIFIED AND CONCLUDED
- IMPLEMENTATION FRAMEWORK APPROVED
- CAPITAL 70% SECURED

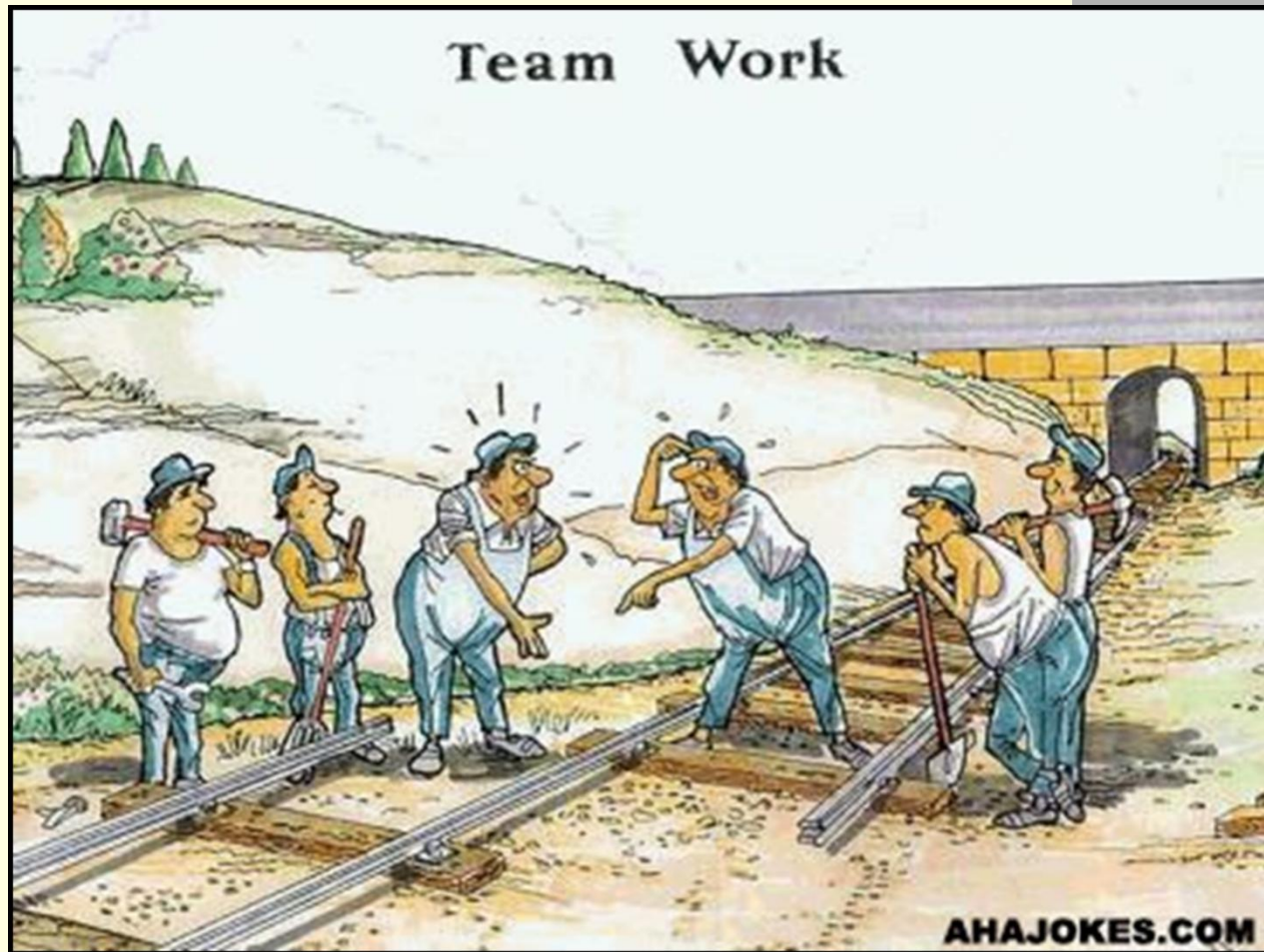
# CHALLENGES

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- SUBSIDISED PUBLIC TRANSPORT IS CAPITAL INTENSIVE
- TARGET GROUPS NOT ABLE TO SECURE ESTABLISHMENT CAPITAL
- TAXI AND SMALL BUS OPERATORS DO NOT HAVE A SHARED THE VISION.
- PERSONAL INTEREST RATHER THAN COLLECTIVE INTEREST

**A TWO YEAR INCUBATION PROGRAMME WILL MINIMISE THE CHALLENGES**

# THE END





THANK YOU