

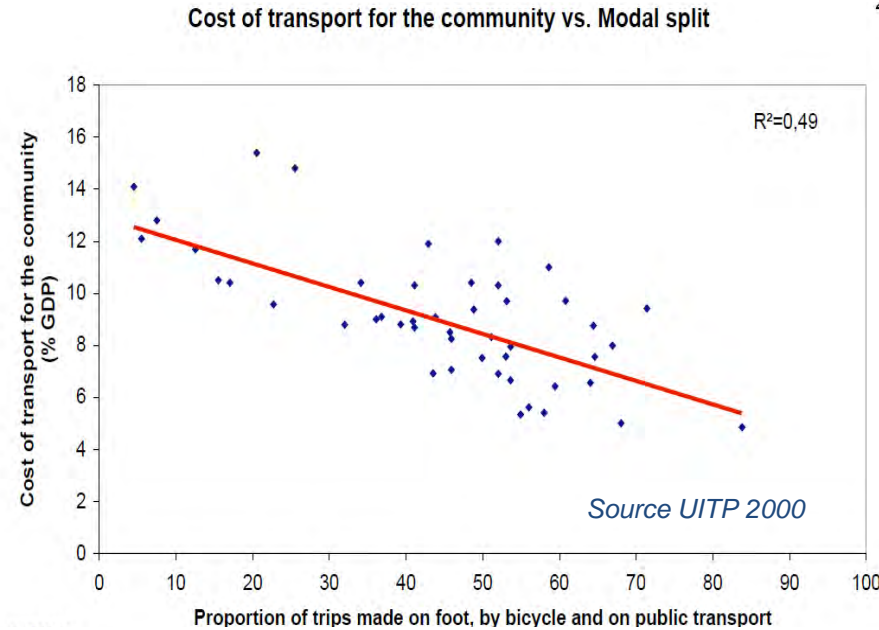
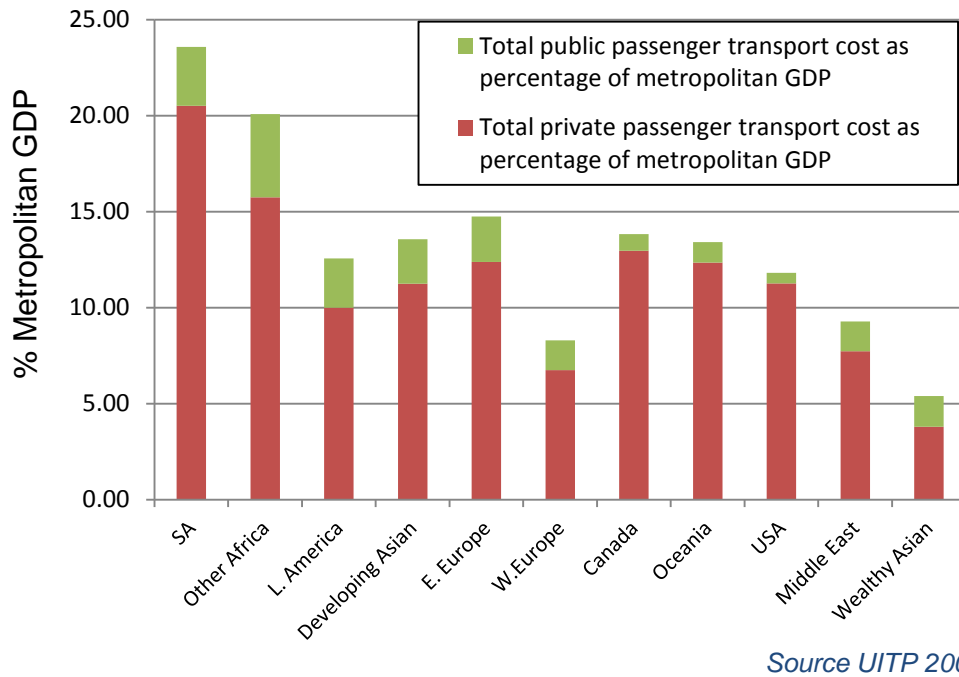
A Business Case for Capital and Operational Funding for Road-Based Public Transport

Presented to SABOA on 28 February 2013

- Why should Government provide financial support to the improvement and ongoing operation of public transport systems ?
- What is the current situation in South Africa, what are the key future considerations?
- Is there a convincing case to invest ?
- How should such systems be funded ?

International review

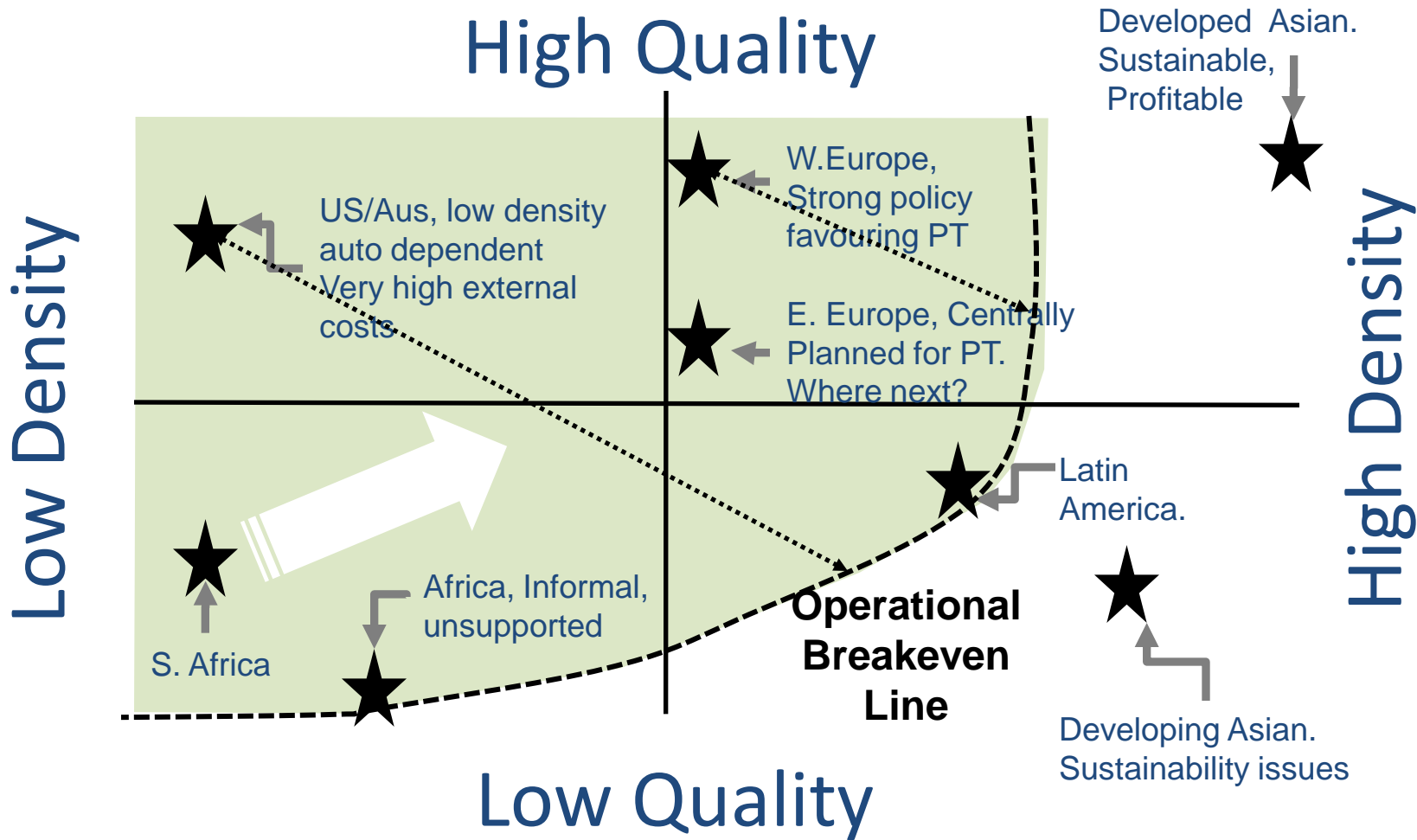
- Worldwide extensive funding support for public transport. Grounds:
 - *Vital for functioning and most economies, efficient means of (urban) travel*
 - *Society. Equity, basic right of access*
 - *Environmental / sustainability - least cost*
- Gov. funding to improve transport system effectiveness & sustainability and help achieve (spatial) development policy goals.



% local GDP on transport

Developed cities	High density, pro-public transport & NMT	5-7%
	Low density, car based	12-15%
Developing cities	Low density sprawling	20% - 25%+

Conclusion: Compact cities with strong bias to public transport spend much less on transport with significant social and economic benefits



International

City Grouping	% of Metropolitan GDP for Operational Subsidisation of Public Transport (from UITP 2000)
Eastern Europe	0.9%
Western Europe	0.55%
Oceania	0.40%
Canadian	0.37%
USA	0.28%
Asian	Often zero – full cost recovery (high densities and low car ownership)
Other Developing Cities	
San Paulo	0.25%
Salvador	0.35%
Cairo	0.65%
Tunis	1.8%
Mumbai	0.3%
Seoul	0.25%
Beijing	1.3%



South Africa

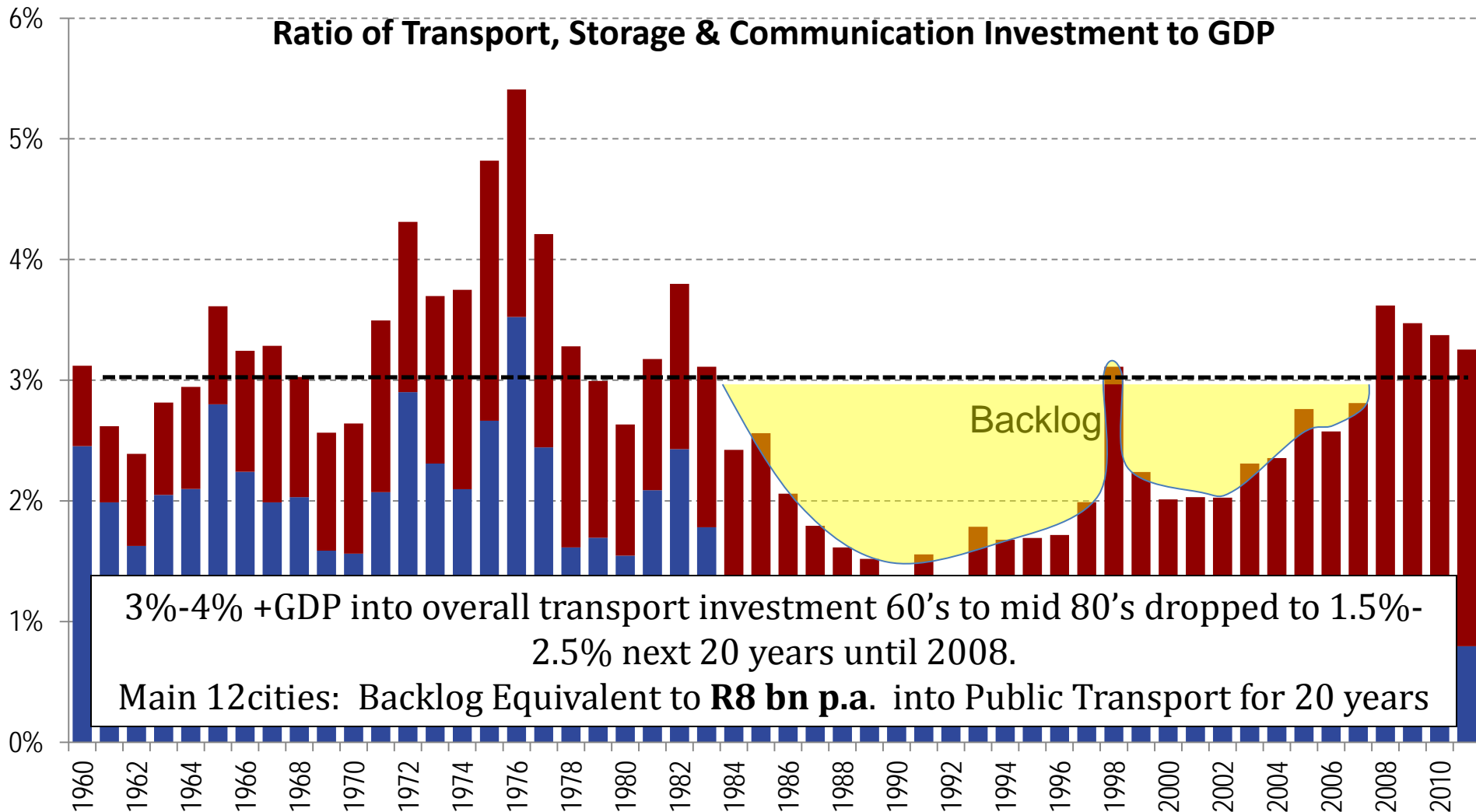
Benchmark :
0.5% to 1% of GDP =
R8bn to R16bn p.a.
for support to operations.
road and rail, for main 12
cities only.

+ R2bn currently for
extensively long services
(residual PTOG after IRPTN
integration)

+ Support for other cities,
towns and rural areas

SA status quo

Ratio of Transport, Storage & Communication Investment to GDP

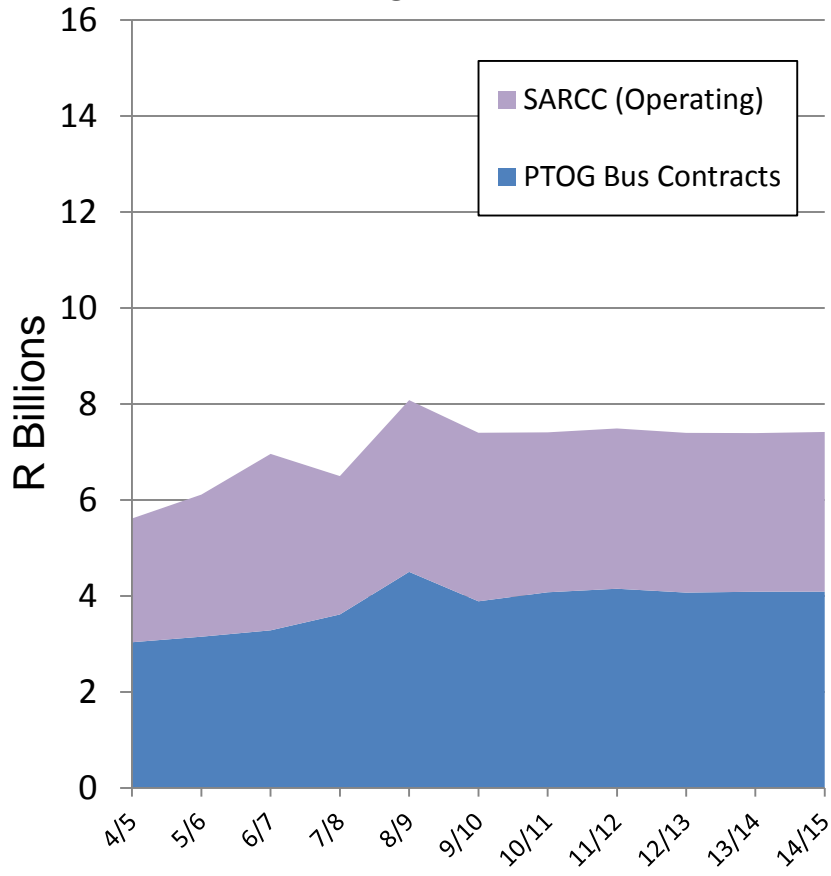


3%-4% +GDP into overall transport investment 60's to mid 80's dropped to 1.5%-2.5% next 20 years until 2008.

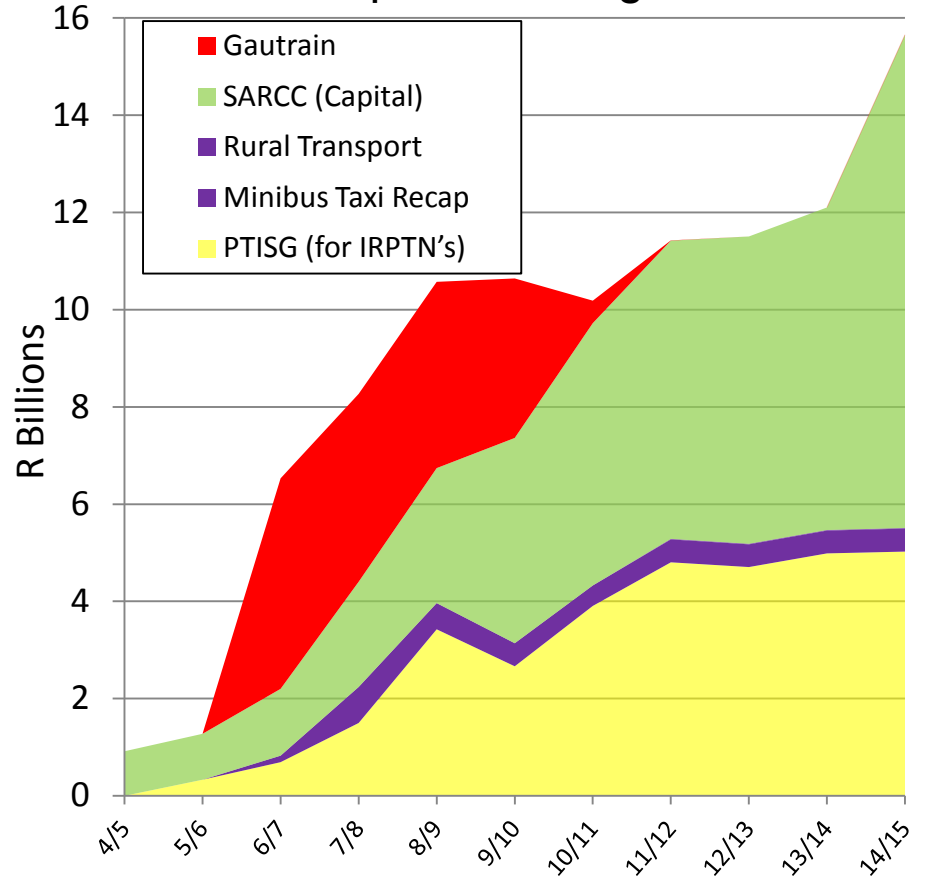
Main 12 cities: Backlog Equivalent to **R8 bn p.a.** into Public Transport for 20 years

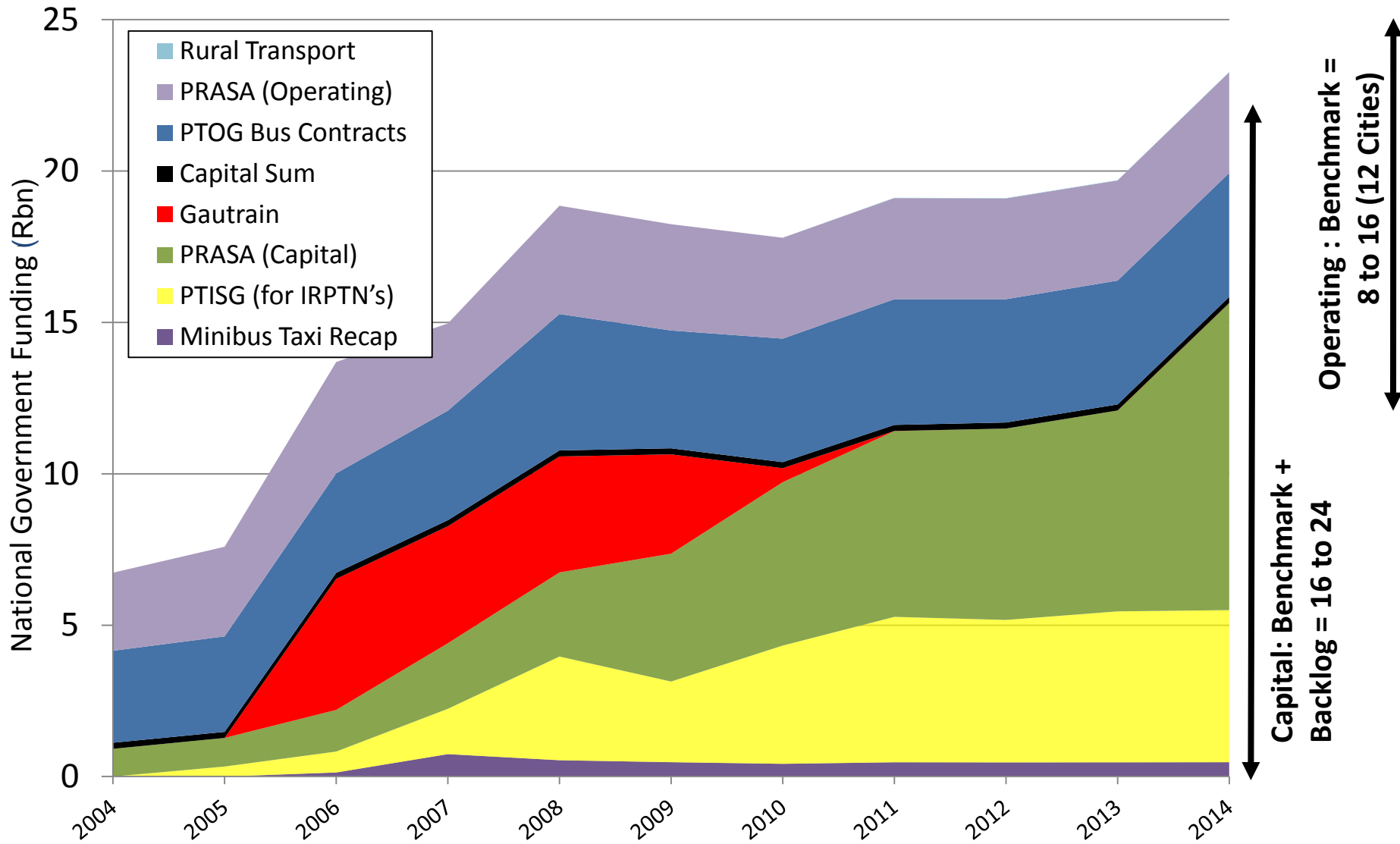
■ Transport, storage and communication - Transnet (Investment) ■ Transport, storage and communication - other (Investment)

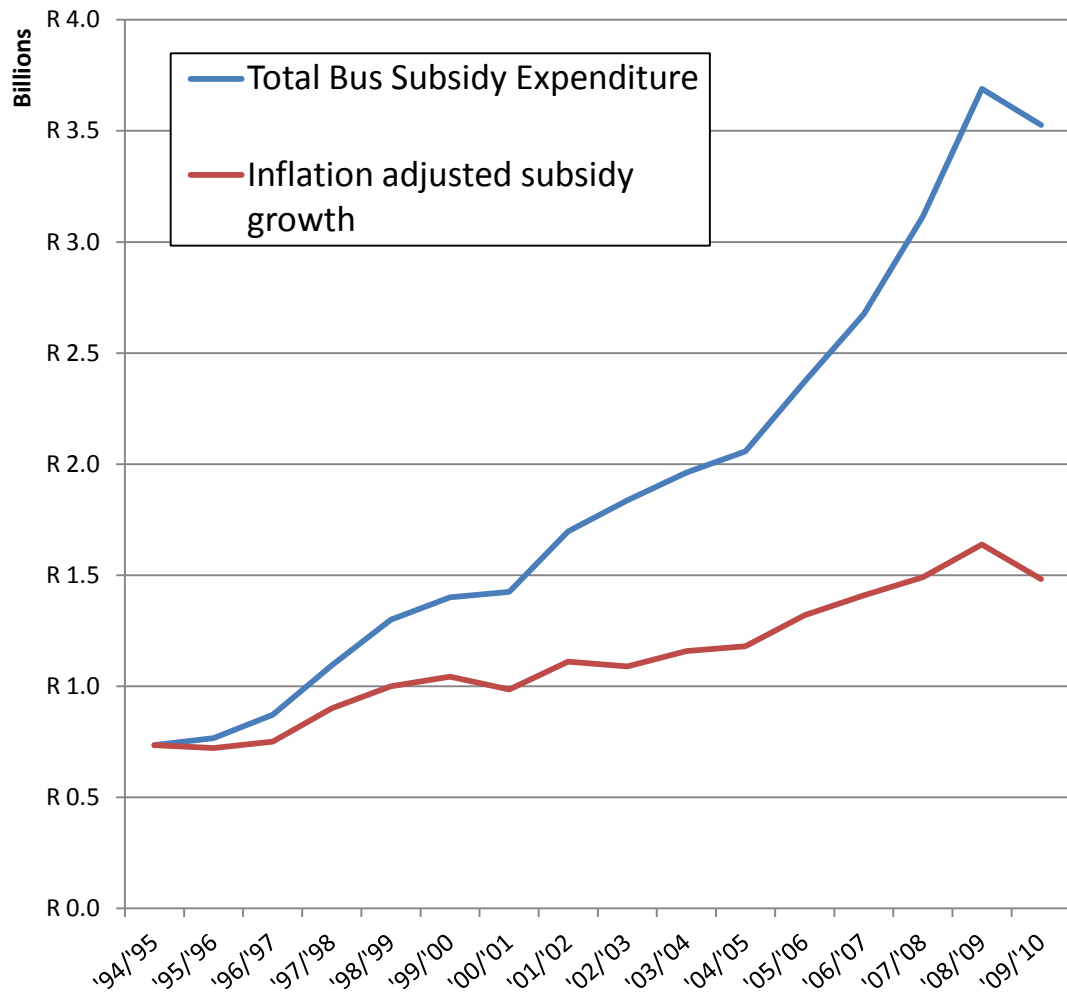
Funding for Operations



Capital Funding







- Bus subsidies growing at 3.5% above CPI 1994 to 2010
- Subsidies 45% to 60% of total costs
- Fuel price accounts for approx 50% of increase
- Above inflation labour costs
- Some service extensions
- Historical information unavailable (not able to test for evidence of reducing efficiencies or excessive profit taking etc.)

Subsidised Public Transport Route Origins for Routes > 10km



- Long urban commuter routes
- Long distance rural to urban commuter trips

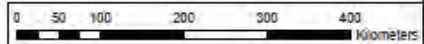
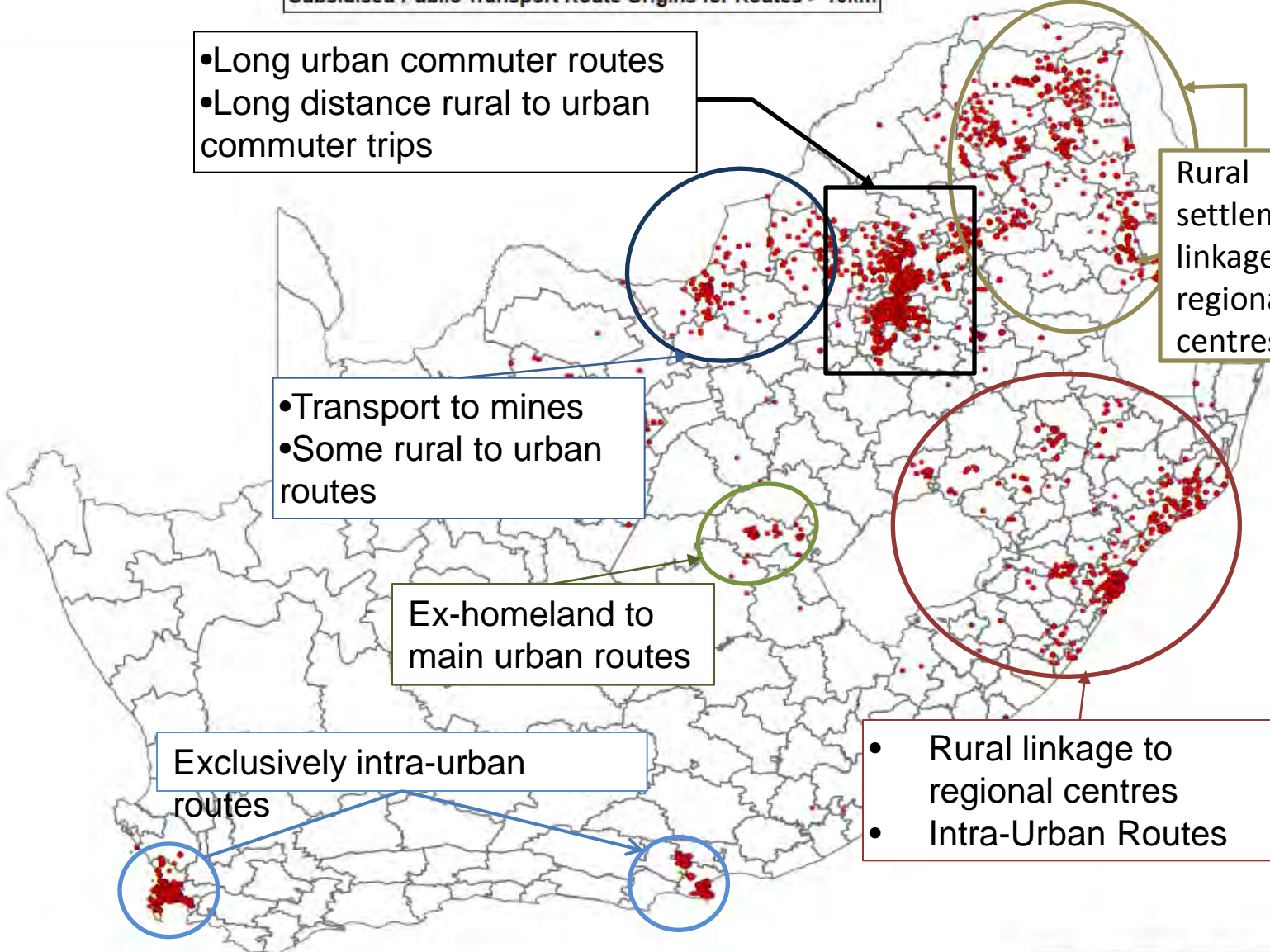
Rural settlements linkage to regional centres

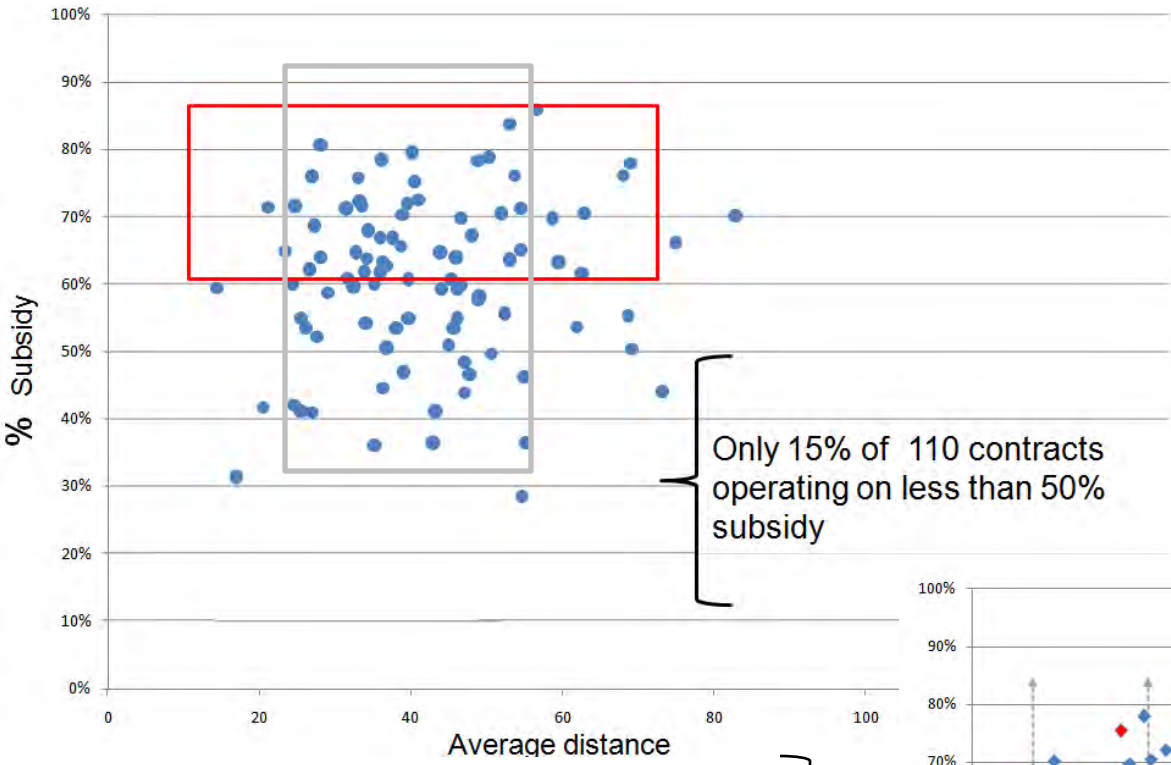
- Transport to mines
- Some rural to urban routes

Ex-homeland to main urban routes

Exclusively intra-urban routes

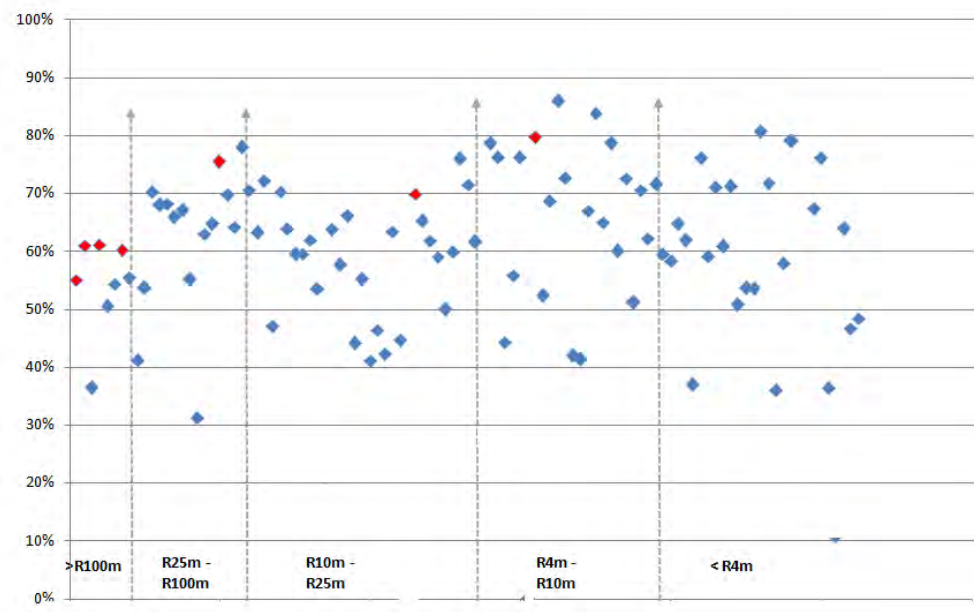
- Rural linkage to regional centres
- Intra-Urban Routes





Only 15% of 110 contracts operating on less than 50% subsidy

Lower subsidies on biggest contracts, otherwise no relationship



	METROS		TOWNSHIPS INTO METROS			RURAL
	Putco Soweto	Golden Arrow	Putco Sandfontein	NWS Botlhaba	Interstate	Ripple Effect (KZN)
Av trip distance	46	26	73	81	48	82
Trips / bus/ day	2.0	4.2	5.4	2.2	3.9	1.7
Km/bus/day	81	129	225	160	165	152
Pax/bus/day	136	166	203	157	176	130
Pax/bus/km	1.67	1.29	0.90	0.98	1.06	0.85
% subsidy	60%	63%	62%	61%	81%	69%
Subsidy/pass.	R 13	R 12	R 13	R 18	R 13	R 25
Average fare	R 8	R 7	R 8	R 12	R 3	R 11
Cost/km	36	25	19	30	17	31

World Bank
250
1000+
4.5

↓
1 rtn trip
v low pax/bus.
High cost/km

↓
Less dist.
low pax/bus
High sub.

↓
Long trips
Inter-work
Better cost/km

↓
1 rtn Long trip
High cost/km

↓
V low fare !

↓
High per trip
Subsidy
Long distance.

- Compact cities with strong bias to PT spend much less on transport with significant social and economic benefits
- Transport planning should incorporate spatial development planning, densification and curbing urban sprawl
- As densities increase the cost of transport decreases exponentially
- Funding is steadily being made available in SA to address the requirements to improve PT systems
- In order to account for the extensive backlogs across the country the current funding allocation will need to be increased