

# GAUTENG DEPARTMENT OF ROADS AND TRANSPORT: PUBLIC TRANSPORT OPERATIONS (PTO)

PRESENTATION TO  
SABOA ON THE BUS CONTRACTING PROCESS  
19 JULY 2018



## PURPOSE OF THE PRESENTATION

### **The presentation aims to:**

- 1) Provide an update of where the province is in terms of the introduction of new bus contracts against the Bus Contracting requirements as per the National Department's Guideline.
- 2) Options and frameworks that are being considered by the Department (NLTA)

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## BACKGROUND – PUBLIC TRANSPORT SUBSIDIES

Prior 1996 the subsidy management function was performed by National Department of Transport. In 1997 the function was devolved to Provinces. The Department manages 34 bus subsidy contracts that have been awarded to 12 Bus Operators, 26 tendered and 8 interim (Interim) contracts.

The 34 subsidized bus contracts are operated in the three metros, namely: City of Johannesburg, City of Tshwane and Ekurhuleni as well as Sedibeng District. Subsidised bus contracts expired and they were since extended for short-term periods. Currently they were extended for 36 months starting from the 1st of April 2015 until 31st March 2018.

There are 8 tendered contracts that expired at the end of September 2017 and the Department has requested assistance from the City of Tshwane to take over until the Department concludes the new Bus contracting process. All Bus Contracts will be extended to 31 March 2019.

The Department is responsible for administering subsidies for contracted bus services. Subsidies were put in place to achieve the Department's objective of providing **accessible, affordable, reliable and safe public transport** to commuters.

# INTERIM, TENDERED AND NEGOTIATED CONTRACTS

## **Interim contracts**

Means Contracts concluded with subsidised operators in 1997 as a transitional measure to tendered and negotiated contracts. These contracts were based on the original services offered by the operators at the time, and were intended as a transitional measure to assist operators to 'get fit' for the tendering system. These interim contracts were awarded on ticket sales basis and were not monitored.

## **Tendered contracts**

Means Public transport services that operators tender for in the open market, based on a service design. Tendered contracts were awarded on Rand per kilometer basis.

## **Negotiated contracts**

Means Services that are negotiated with potential operators based on a service design by a transport authority. These could also be gross or net based.

## LEGISLATIVE FRAMEWORK AND POLICIES

- **DIVISION OF THE REVENUE ACT( DORA)**
- **NATIONAL LAND TRANSPORT ACT (NLTA)**
- **PUBLIC FINANCE MANAGEMNT ACT (PFMA)**
- **MODEL TENDER AND CONTRACT DOCUMENT**
- **NATIONAL ROAD TRAFFIC ACT NRTA**
- **PUBLIC TRANSPORT REGULATION ACT**
- **WHITE PAPER ON NATIONAL TRANSPORT POLICY**
- **PREFERENTIAL PROCUREMENT LEGISLATION**

## NLTA– SUBSIDISED BUS CONTRACTING OPTIONS

### Negotiated contracts - Contracting for public transport services

**Section 41.** (1) Where Contracting authorities may enter into negotiated contracts with operators in their areas,

**Section 42.** (1) Where the Contracting Authorities must take steps within the prescribed period and in the prescribed manner before expiry of contracts to put arrangements in place for the services to be put out to tender so that the services can continue without interruption

**Section 46.** (1) Where there is an existing interim contract, current tendered contract or negotiated contract as defined in the Transition Act in the area of the relevant contracting authority, that authority may— (a) allow the contract to run its course; or (b) Negotiate with the operator to amend the contract to provide for inclusion of the operator in an integrated public transport network; or (c) Make a reasonable offer to the operator of alternative services, or of a monetary settlement, which offer must bear relation to the value of the unexpired portion of the contract, if any.

## PTO STAKEHOLDERS

- Bus subsidy commuters
- Bus subsidy Operators and other Public Transport Operators
- Supervisory Monitoring Firms (SMFs)
- National Department of Transport (NDOT)
- National Treasury
- Provincial Department of Roads and Transport
- Provincial Treasury
- Commuter Forums
- Portfolio Committee on Roads and Transport
- Council for Scientific and Industrial Research (CSIR)



# NATIONAL DEPARTMENT'S PROCEDURE GUIDELINE ON BUS CONTRACTING AND PROGRESS REPORT

Steps	Procedure	Progress report
1.	Discuss and enter into a formal agreement with the affected municipality or municipalities to contract on their behalf or jointly with them in terms of section 12(1) of the NLTA	Intergovernmental agreements have been signed with City of Tshwane and Sedibeng in 2017. The City of Joburg (COJ) and Ekurhuleni have signed the agreements in March and April 2018 respectively.
2.	Carry out a comprehensive service/route design in the service area. Service designs should be informed by an assessment/survey of the current status of operation as well as the Integrated Transport Plan in the respective area	Bus route and passenger surveys were conducted in 2016 and 2017 for all subsidised bus routes in the province and desktop analysis have also been completed.
3.	The service/route design should be presented to the Public Transport Integration Committee (PTIC) for consideration and approval in terms of the PTOG framework published annually in the DoRA. This committee comprise of National, Province, Municipality and Provincial Treasury.	PTO has presented the completed service/route designs for the 8 contracts to the PTIC on 01 November in the presence of NDOT and approval was granted. The designs for other 25 contracts is still to be presented to PTIC now that the work has been completed.

# PROCEDURE TO BE FOLLOWED WHEN A PROVINCE IS CONTRACTING

4.	Once the service/route design is approved by the PTIC the relevant Contracting Authority will draft tender documents using the gazetted Model Tender Contract Document as a base. Any amendment to the document has to be approved by the Minister	Tender documents have been prepared for the 8 Contracts and plans to prepare the outstanding 25 contracts are underway.
5.	The tender is advertised in the respective government tender bulletin or in newspapers (whichever is applicable in terms of the relevant authority's procurement procedures)	Tender for 5 Contracts (Mamelodi and Sedibeng) was advertised on 17 November 2017. The process of advertising or negotiations for the 25 contracts is in the planning process and the draft bus contracting programme has been presented to the Department's Senior Management Committee.
6.	Bids from prospective tenderers would be received and evaluated as stated in the Tender Rules and as per the Preferential Procurement Policy Act	The Bid Evaluation process for the 5 Contracts has been completed and the probity audit report from Treasury has also been presented to the Accounting Officer on 13 July 2018.

# PROCEDURE TO BE FOLLOWED WHEN A PROVINCE IS CONTRACTING

7.	The evaluation committee would make recommendations to the HOD (whichever is applicable in terms of the relevant authority's procedure) to award a tender to the most suitable bidder.	The bid evaluation process has completed and recommendations by the committee will be made and presented BAC for approval.
8.	The successful bidder would be given three months after appointment to start operations or as determined by the respective CA	The three months period to be given to the successful bidders will be decided as soon as approval is granted by the BAC and HOD.
9.	Put monitoring mechanism in place to monitor the service as per Tender Documents	The Transport Branch is in the process of reviewing the SMF's scope of work since there are plans to implement the electronic monitoring system solution in the new contracts

## BUS OPERATORS MUST NOTE THE FOLLOWING:

- Administration of the IC52 Moloto Road subsidised Bus Contract has not been taken over by the National Department as previously presented, however the bus contracting process for this contract will be administered at NDOT.
- Gauteng Department of Roads and Transport (GDRT) commit to allocate the annual percentage as given by the National Department of Transport (NDOT) to subsidized bus contracts operating in Gauteng.
- GDRT expects that all subsidized bus operators accept the allocated percentage as it is and continue to adhere to the contractual service agreement.

## BUS CONTRACTING CHALLENGES

- Delays in the signing of the Intergovernmental formal agreements by Ekurhuleni and City of Joburg.
- The re-designed subsidised bus operations network to be packaged optimally considering the limited PTOG Budget. There will be limited extensions in the current network due to insufficient funding.
- The Bus Contracting process is unprecedented in the provincial sphere of government and the project plan is regularly amended due to the protracted nature of the process which is caused inter alia by several consultations with internal and external stakeholders.
- There were delays in the completion of the bus route and passenger surveys as a result of different factors in the bus operations including breakdowns and commuters not cooperating.

# I THANK YOU

## Discussions, Comments, Questions