

BUS INDUSTRY OVERVIEW

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TABLE OF CONTENTS

- 1. INTRODUCTION**
- 2. THE ROLE OF SABOA IN THE BUS INDUSTRY IN SOUTH AFRICA**
- 3. BEE CHARTER**
- 4. PROGRESS WITH THE TENDERING/NEGOTIATED CONTRACTS**
- 5. ACCELERATED DEVELOPMENT OF SABOA SMME's**
- 6. SAFETY ISSUES**
- 7. THE ROLE OF PROVINCIAL PERMIT BOARDS IN REGULATING THE INDUSTRY**
- 8. FUNDING**
- 9. SUMMARY AND CONCLUSIONS**

1. INTRODUCTION

The best way of describing the past year is that it has been one of mixed achievements. In a way progress was made with government initiatives but on the issues that directly affect the industry well being, as well as that of its users, disappointing progress has been made.

Since 2001 no new open tenders have been awarded. Progress has however been made on a hybrid form of tendering where bids are solicited and a preferred provider identified. The final part of this hybrid process is a negotiated settlement involving all the role players. I shall return to this issue later.

The dispute amongst the signatories to the Heads of Agreement is no nearer to a solution than last year although meetings were held to seek agreement. This stalemate is holding up the implementation of the tender and negotiating process to the frustration of all role players – labour, government and operators. If there is one issue that need to be resolved in 2004 it is this one.

Slow progress is also been made on the overloading issues.

2. THE ROLE OF SABOA IN THE BUS INDUSTRY IN SOUTH AFRICA

It is widely known that SABOA adopted a new constitution in 2003. This constitution guarantees 50% of Executive Committee and Council seats to operators operating less than 30 buses. Every EXCO and Council member has a single vote, irrespective of the number of buses of the operator member. This is to ensure transparency and inclusivity of decisions that affect the industry. We have even made provision for a rotating president, rotating between SMME members and larger operators, to ensure further transparency. Both EXCO and Council are fully reflective of the demographics of the country. In fact, the survey which SABOA undertook to inform the BEE

Charter process and later substantiated by the NDoT, found that the industry which the association represents, is significantly transformed.

The result of the quantum leap that the association took is that our SMME category of membership (free to those operating fewer than 10 buses and that subscribe to the Glenrand insurance scheme) has grown substantially. The following table reflects the type of companies that are members of the association.

TABLE 1 MEMBERSHIP PROFILE

Category	1996	2004
1 - 30 buses	95 (74.8%)	468 (95.1%)
31 and more buses	32 (25.2%)	24 (4.9%)
Total members	127	492

During the period March to November 2003 SABOA's small operators operating between one to ten buses grew by 146 members of which 79 or 54% had free membership because they belonged to the Glenrand insurance scheme.

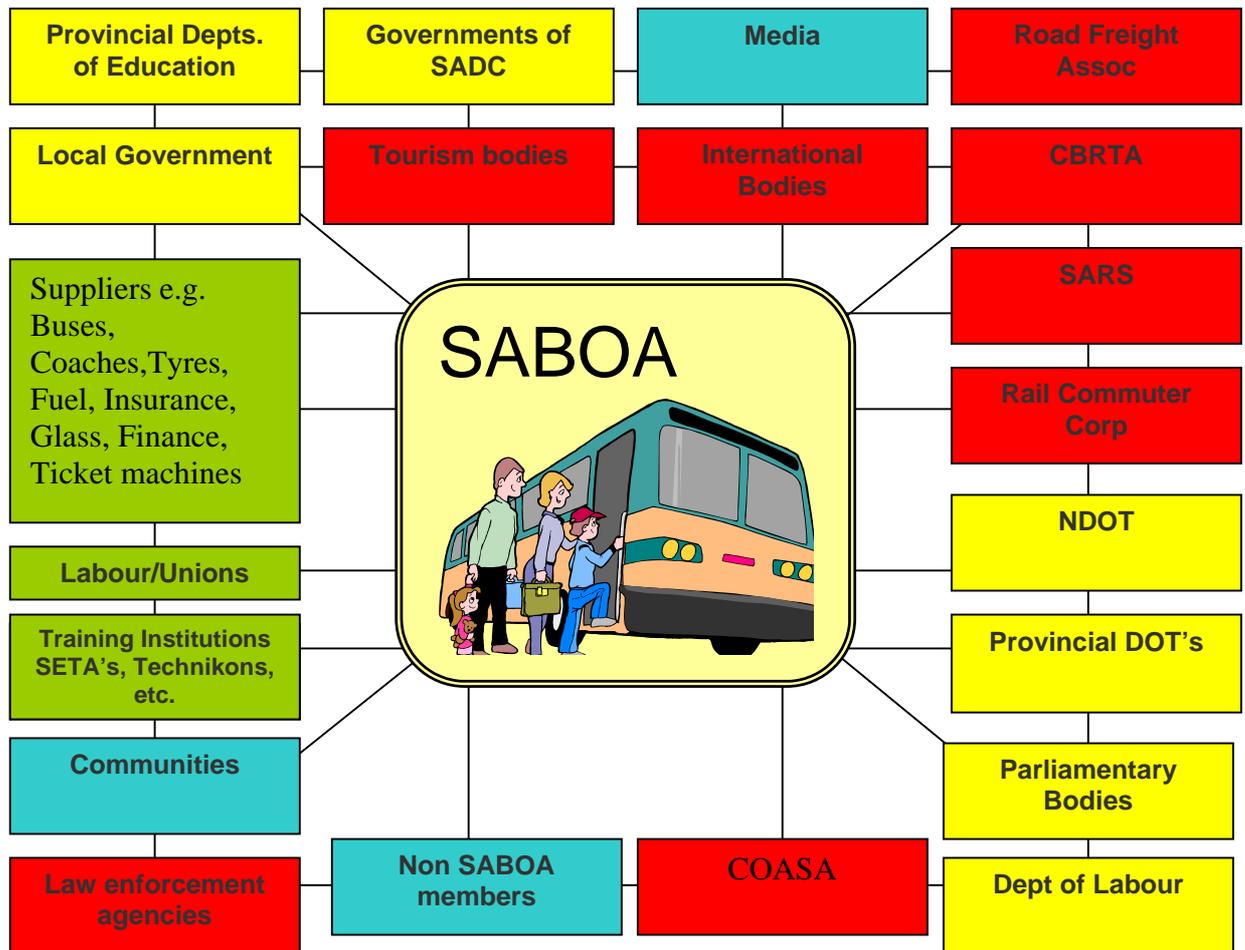
The 2003-2006 vision as developed by the members of the Association is depicted below:

“SABOA is the credible voice of an inclusive, efficient, sustainable and transformed bus industry, which plays a pivotal role in an integrated transport system through safe, reliable and affordable bus services that add value and is attractive to our stakeholders”

SABOA is especially mindful of the fact that we have to involve SMME members in all of our deliberations and decisions. The last strategic planning session at the Farm Inn in January 2004 bears testimony to this. At this planning session both large and small members participated in shaping the priorities for the association for the new financial year. At this planning session

members agreed that the association interacts with a large range of different role players as depicted in the following figure.

FIGURE 1: WITH WHOM DOES SABOA INTERACT? (SOME EXAMPLES)



When one takes into account the fact that the association is well transformed, that it represents more than 450 small operators, has the ability to interact with a large number of role players as mentioned above, it is extremely frustrating to hear from government that they are not satisfied with the current membership profile and representativeness of the Association. It can unequivocally be stated that SABOA is by far the most representative and most active bus association in South Africa. No other bus association comes close. Yet we do not get the credit from government officials.

Remarks have recently been made by a senior official of one of the provinces about their perception that large members dominate the association and that small operators are not really catered for. I would like to respond to this perception as follows:

- Every member has one vote. How is this then supposed to happen?
- Every member is invited to all meetings of the association. They are free to participate.
- All members have an equal say in the election of office-bearers and once elected, each office-bearer has only one vote.
- SABOA is by far the most organised and structured bus operators association in South Africa, yet it is not always regarded as such. Enough never seems to be enough. The goalposts are continuously being moved.
- SABOA is by far the most representative association regarding SMME's in the bus industry (more than 450). Why do we not get the credit for it – both from national and provincial governments?
- SABOA is the only trade association in the bus industry that focuses extensively on member empowerment through training and education programmes, development of study material and involvement with the TETA through learnerships. Why do we not get credit for it?
- SABOA has done extensive work regarding the promotion of safety in the industry. It has a permanent technical committee and is involved with many initiatives involving the SABS, Arrive Alive, the Minister of Transport's Road Safety Board, inputs into policy formulation forums, manufacturers etc.
- SABOA, through its Development Foundation, has developed a standard nationally accredited driver training manual for all bus operators, to the benefit of members and non-members alike.

Government has repeatedly said that it wishes to talk to one representative association in every industry but yet it is itself dividing the bus industry through its own actions. SABOA can for instance not compete with government when it openly states its preference for alternate associations and then goes ahead and contributes towards such association's travel and accommodation expenses and hold exclusive talks with such associations. The NDoT often calls for meetings with these alternate associations that represent a section of the SMME's in the bus industry without extending a similar invite to SABOA or the SABOA SMME's. The view is then created amongst the operators that supporters of the government supported structure will benefit more than when such members belong to SABOA. This we regard as blatantly unfair and as undermining the credibility of our association. At the very least such privileges should then also be afforded to SABOA SMME members to travel to and from Pretoria.

This matter has formally been discussed with the NDoT on a number of occasions but when government is prompted about its initiatives to form alternate associations in opposition to SABOA, the reasons forwarded are not evident to the industry. There will always be operators that operate without representation. After all, affiliation to associations is normally voluntary.

Even with SANTACO government faces the dilemma that there are some associations that do not belong to SANTACO at the national level or that differ from SANTACO viewpoints. Provincial governments are for instance forced to talk to some of these powerful groups.

How do we make progress on this issue?

I would like to suggest that one way forward is to leave operators to associate with whichever association they want to associate and that government should not concern itself with the creation of industry associations. Government could however create an institutional structure where these associations can get together and discuss common issues and give input into

such processes. In order to ensure that we do not get bogus associations, it is further suggested that associations be accredited in terms of the following:

- Having an officially registered constitution and code of conduct.
- Registered in terms of SARS and the Company Act requirements, and being able to submit audited financial statements.
- Be able to provide a membership list to prove that it has active members.

Once these different associations are present in the proposed structure government ought to adopt a management process to ensure that a common view is held amongst the role players – such as sharing a common vision and objectives, toward specific issues about which government would like to involve and consult the industry.

I trust that we could make some progress towards a common understanding on this sensitive issue in the near future.

3. BEE CHARTER

Agreement has been reached on the BEE charter for the bus industry. The process took nearly a year to complete. The bus process was underpinned by an industry survey of the status of transformation, a number of SABOA workshops and meetings and a number of working group and steering committee meetings at the NDoT. The balanced scorecard upon which the BEE charter is based has 20 tables dealing with a range of issues. The summary table is depicted in the following table 2.

TABLE 2: BLACK ECONOMIC EMPOWERMENT SCORECARD

	Scorecard Measure	Table reference in supporting documentation	Maximum Possible Score
1.	DIRECT EMPOWERMENT		
1.1.	OWNERSHIP/SHAREHOLDING		
1.1.1.	Ownership – Race Analysis	1	8
1.1.2.	Ownership – Gender Analysis	2	2
1.1.3.	Ownership – Disabled persons	3	1
1.2.	CONTROL		
1.2.1	Board of Directors – Race	4	4
1.2.2.	Board of Directors – Gender	5	1
1.2.3.	Executive Management – Race	6	4
1.2.4.	Executive Management – Gender	7	1
1.2.5.	Voting Rights – Race	8	8
1.2.6.	Voting Rights - Gender	9	2
1.2.7.	Voting Rights – Disabled persons	10	1
1.3.	EMPLOYMENT EQUITY		
1.3.1	Supervisors & Managers - Race	11	4
1.3.2.	Supervisors & Managers - Gender	12	2
1.3.3.	Female Employees	13	3
1.3.4.	Disabled Employees	14	1
1.4.	SKILLS DEVELOPMENT		
1.4.1.	Skills Development Expenditure	15	15
2.	INDIRECT EMPOWERMENT		
2.1.	PREFERENTIAL PROCUREMENT		
2.1.1.	% Black Suppliers	16	5
2.1.2.	% Black Procurement Expenditure	17	10
2.2.	ENTERPRISE DEVELOPMENT		
2.2.1.	% Buses in BEE Ventures	18	10
2.2.2.	BEE Enterprise Partners	19	10
3.	RESIDUAL		
3.1.	Social Investment	20	8
TOTAL SCORE			100

This scorecard has been agreed to by industry, organised labour and the National Department of Transport. It stretches over a seven year period and guides the transformation of the industry.

Specific provision is made for the empowerment of SMME's in various sections of the scorecard.

SABOA has requested the NDoT to include the BEE scorecard in the standard tender document in order to measure company progress against the scorecard. It is also proposed that it be used as a measure to determine the level of transformation in adjudicating tenders. At present there are different criteria that are taken into account when determining this form of progress. The scorecard will thus serve a dual purpose:

- To measure the progress of the industry against agreed upon transformation objectives.
- To use as a measure to determine the status of transformation of a company when government intends to procure bus services in the tender or negotiated contract system.

4. PROGRESS WITH THE TENDERING/NEGOTIATED CONTRACT SYSTEM

At present three main forms of competitive service procurement is found in South Africa:

- The tender for contract system where bids are solicited through open competition.
- A negotiated contract system where negotiation takes place with the incumbent operator regarding the provision of services based broadly on the standard contract document guidelines.
- A hybrid approach where bids are invited preferred bidders identified and bids finalized through negotiations with the preferred bidders.

The progress made with these three forms of bidding is depicted in table 3 below:

TABLE 3: CONTRACT SYSTEMS IN PLACE IN SOUTH AFRICA

Type of contract	Number of buses	Contract characteristics	Duration
Interim contracts	3450	A transition arrangement	<ul style="list-style-type: none"> • 1-3 years originally • In practice some interim contracts are 6 years old
Tendered contracts	+/- 2450	<ul style="list-style-type: none"> • Based on standard contract document • Mostly “stand alone” services in rural/urban operations 	<ul style="list-style-type: none"> • 5 years originally • Contracts are being extended to 7 years • New contracts to be 7 years
Negotiated contracts	250	Mostly applicable to state-owned and operated bus companies – form of privatisation	<ul style="list-style-type: none"> • 5 years originally • New contracts to be 7 years
Sale of bus entity through negotiation based on service contract specification (form of privatisation)	1050	Applicable to bus operations at local and provincial government levels	<ul style="list-style-type: none"> • Contracts are 5 years in duration • New contracts to be 7 years • Recent development in the city of Durban (June 2003) and North West Province (January 2004) *

*Note: The North West process still needed to be finalised at the time of writing this paper

From the table it can be seen that a substantial number of buses are still on Interim Contracts. This is due to the delay in the implementation of the open tender for contract system as well as legal issues regarding the negotiation of bus services through negotiated contracts.

Much of the recent delay in the tender for contract system and the moratorium on further tenders is to be found in the issues regarding the Tripartite Heads

of Agreement. Parties have attempted, without much success, on a range of issues, to solve outstanding issues. In terms of legislation the standard contract document must be published in the Government Gazette before tenders could be put out again. The HOA dispute is holding up this process.

In the last round of negotiations between the NDoT, organised labour and SABOA it was agreed that the Industry Bargaining Council would attempt to define remuneration levels within job categories and if agreement is reached, to include it in the standard tender document. This was supposed to address the complex issue of a drop in remuneration that is being experienced in the tender for contract system where operators compete mostly on cost, especially labour cost.

Due to the fact that organised labour opposes wage bracketing, no progress was been made and a letter to this effect has been forwarded to the NDoT.

In terms of a way forward SABOA has proposed that the tender for contract system be abolished for the time being and that all remaining interim contract holders' services be negotiated. This proposal made to the department last year addresses the following issues:

- To provide a way forward on the impasse regarding issues of the Tripartite Heads of Agreement.
- To respond to the MINCOM decision regarding set-asides and minimum tender requirements
- To provide a reasoned motivation for the implementation of Negotiated Contracts for the further transformation of the commuter bus industry.

This proposal will result in the following benefits:

- The labour issues will be “resolved” in that negotiated contracts have less of an impact on labour than tendered contracts e.g. conditions of employment are negotiated up front and not once a contract is awarded. Labour is therefore part of the negotiation towards the transformation of a company and the industry at large.

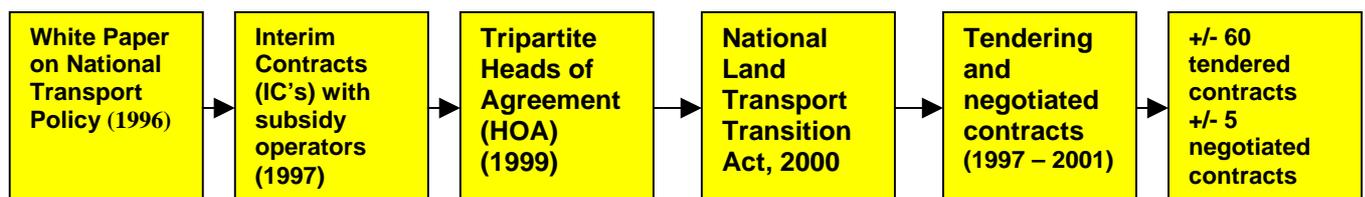
- The 10% right of first refusal is not applicable to negotiated contracts thus removing a major objection from SMME operators to the HOA and the tender system.
- The further transformation of the industry is captured in a contractual agreement – in line with the requirements of the NLTTA. The Act requires that within two years a company party to a Negotiated Contract should be majority-owned by SMMEs.
- The industry concerns about the MINCOM set-aside decision and the infringements of the operators’ rights in terms of the HOA are no longer problematic.
- Contract prices are more within the control sphere of government as service delivery and quality aspects are negotiated between the parties.

In potentially opting for this way out the following should be borne in mind:

- The accumulated benefits of labour, currently dealt within the Industry Restructuring Fund for tendered contracts, will have to be dealt with before the expiry of such negotiated contracts. At present solutions are dealt with on a case by case basis but this may have to change.
- The benchmarking of negotiated contract costs is necessary to ensure some form of transparency in the setting of negotiated contract prices.
- The NLTTA regulations need to be amended to make provision for the negotiation of the remaining services.

At the time of writing this paper SABOA is awaiting the NDoT’s response to this proposal.

In summary of this section an outline of the current policy process is provided in the following diagramme:



5. OVERLOADING

Overloading has been a significant issue in the coach industry in the country. Many coach operators have been fined for “overloading”. In some instances, the drivers of the vehicles have been arrested which resulted in lengthy delays and inconvenience to passengers. This has also led to overseas tourists believing that South African coach operators operate unroadworthy and unsafe vehicles. This, in turn, has also damaged the image of the industry and South Africa as a tourist destination.

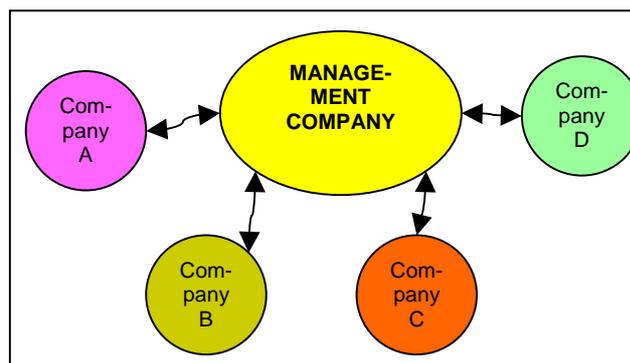
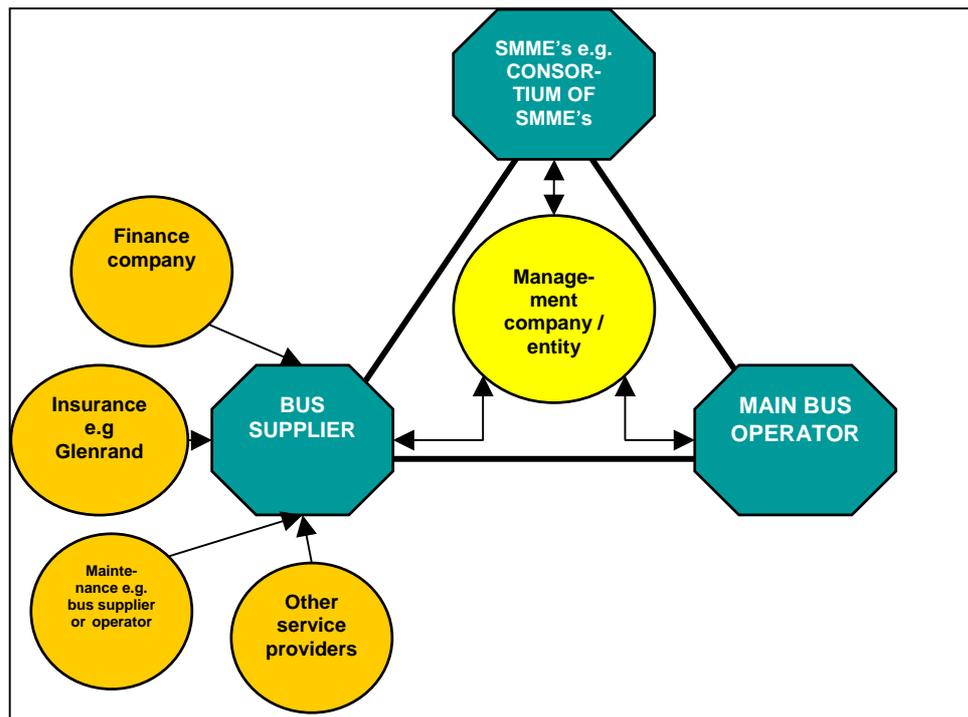
After a number of meetings with government regarding this issue, it has been agreed in principle that COASA and SABOA submit a proposal to government in terms of which the ECE standards for the loading of passenger vehicles be adopted in South Africa. A proposal is currently being drafted and will be submitted to government in due course.

6. ACCELERATED DEVELOPMENT OF SABOA SMME's

During the recent SABOA strategic planning session it was decided and unanimously agreed to accelerate the development of SABOA SMME's. A sub-committee of Council, already established late in 2003, will drive this process.

Some of the actions that are planned for 2004 are the following:

- To develop and finalise an operational funding model for SMME's. Much work has already been done in this respect as is evident in the following framework:



Much work however still has to be undertaken to finalise the model and to market the final product amongst the respective role players. Elements of the model as depicted above are currently in place in two operating areas. There is optimism that the model can be duplicated elsewhere in the industry.

- Research the current status of SABOA SMME's in participating in commuter and scholar services.
- Promote and provide access to training for SABOA SMME's
- Actively promote the SABOA SMME's amongst SABOA members as the first choice of operators to empower through joint ventures, set asides, subcontracting etc.

7. SAFETY ISSUES

As was the case before, the industry featured strongly over the last year on issues relating to safety. The Saulspoor dam disaster bears testimony to this. The impression is also created in the media by some role players that the industry is lax and apathetic towards safe operations. To refute these allegations I only need to remind you of some of the SABOA achievements to date:

- We were instrumental in motivating and insisting on the 100km/h speed limit for public transport operators.
- Many members have adopted a voluntary 6 monthly Road Worthy Certificate (RWC) process.
- Major progress has been made to make passenger liability insurance compulsory for permit holders. At least the passengers that are involved in an accident will have some recourse and claim some compensation.
- Since 2000 roll-over protection has been built into buses.
- The homologation of buses has been brought to the forefront and is now better understood by many role players.
- Reflective tape is being phased in over a two year period beginning 2004.
- Roof racks are being phased out.
- Emergency escape mechanisms in buses have already been agreed to. We are awaiting the publication of the regulations by the NDoT.
- Seat anchorage design has been improved in new buses.
- Work is currently on the way to adopt the EC standards for the loading of buses.
- It is a feature of both the tender and negotiated contract system that new buses are being introduced in the industry. In fact, the focus on newer buses resulted in record bus sales over the last two years.

The above initiatives are driven by our Technical Committee. Meetings take place every two months. Participants include the SABS, manufacturers and operators. Some other activities include inputs into road traffic legislation, inputs into the NDoT on a range of issues as well as technical and safety specifications of buses.

8. THE ROLE OF PROVINCIAL PERMIT BOARDS IN REGULATING THE INDUSTRY

It is a well known fact that public road transport is regulated through the issuing of operating permits. During the debate on the White Paper on National Transport Policy in 1995/6 it was accepted that commuter transport as well as intercity tour and coach services had to be regulated through the permit system.

Although the intra-provincial permit system is complex, it is far less complex than the bureaucracy that was instilled for inter-provincial permits.

Inter-provincial permits

When an operator wishes to render services between provinces, the Board where the application has been submitted has to obtain concurrence from the Provincial Permit Boards of all the relevant provinces through which the proposed service will operate, before the application can be considered. Once the permit is issued the operator may render such services.

In practice, the slowness of the processes underpinning the renewal, issuing and amendment of permits is hampering the adequate responses that the market demands of operators. Consequently customer service levels are not necessarily in line with customer demands. An inordinate amount of management time, financial resources etc. are spent on these activities that often drag on for months on end, often without resolution. Due to the slowness of the process and the lack of responsiveness to market demands by Permit Boards, some operators are operating without the necessary authorisation.

This problem is exacerbated by inadequate information systems, adjudication criteria that differ between provinces for the renewal, amendment or issuing of permits and generally poor administrative systems. Furthermore, there is often also a lack of proper communication between some Provincial Permit Boards and Provincial Inspectorates and other law enforcement agencies that result

in unnecessary on-the-road delays and poor customer service. These activities do not contribute to the quality and spectrum or choice of services on offer and only serves to frustrate operators and users and damage the image of the industry.

There is also a generally held view in the coach industry that Permit Boards do not understand the nature of the tourism industry and that they are not sensitive enough about the impact of bad service delivery on the image of the industry and South Africa as a tourist destination.

The continued economic regulation of the intercity coach and touring industry – an industry that is widely seen as fulfilling an important role in tourism and intercity travel, that is non- subsidised, that has matured over the years and that has extensive intra-modal competition over the spectrum of operations and where fares are determined by what the market can bear, is inhibiting the further development of the industry through unnecessary bureaucratic detail.

Intra-provincial permits

In many urban areas the demand for bus transport has increased substantially over the last number of years. Despite this no new routes have been approved due to subsidy constraints. In some areas operators have had the need to increase their service levels due to user demands, but have significant problems in obtaining such permits. This is hampering the role and function of the industry in commuter transport operations eventually affecting the commuting public. In some cases no additional subsidies are required but the services need to be increased. Why can such permits not be issued?

In respect of non-subsidised services, the processing of permit applications at certain Boards is extremely slow and result in delays of up to six months or longer before a permit is issued.

The way forward

It has become necessary to review the institutional and regulatory structure that was spawned after the acceptance of the White Paper in 1996. In any country one has to learn from experiences and industry feedback. It is a widely held view that the permit administration system in South Africa is complex, open to abuse, slow to respond and that it could be severely hampering the growth and well being of especially the intercity and tour charter coach industry. It is for instance untenable that one province could issue a permit or a temporary permit and that the very same permit is not accepted by some law enforcement officials in another. Similarly, it is only reasonable to expect that the application for permits, renewals etc. be adjudicated within a realistic time. It is also the intention to in future link these permissions to provincial transport plans, a factor that will further complicate the issuing of the permits once such plans are in place.

SABOA therefore urges the NDoT to call a high level conference to discuss these and other related issues.

9. FUNDING

The funding of the commuter bus services has once again come to the forefront. The NDoT has repeatedly stated that due to the scarcity of funds, service scope and reach has to be reduced to match available funding sources. As there is a natural correction within the tendering and negotiated contract system towards higher levels of funding due to the recapitalisation of the industry, higher input costs and market related returns on investments etc. it is inconceivable that the available funding sources have remained more or less the same. This causes a reduction in service levels to the detriment of users. As mentioned before, no new subsidised bus services have also been approved despite major urbanisation over the last decade. Additional trips on existing subsidised services are also not approved by government in spite of a huge demand for such trips from communities.

It is also hardly conceivable that the Department of Finance does not believe that the poorest of the poor are generally transport by the commuter bus. This is despite the fact that most of these commuters were in the past discriminated against in forced removals through the apartheid policies of separate development. The structural (spatial) consequences of past policies will remain with us for many decades to come and we need to be sensitive towards the subsidised travel needs of these commuters.

Without adequate funding there is no way that we can even contemplate a proper needs-driven public transport system. Already the system as it exists today is entirely inadequate for the travel needs of the commuting public as well as those commuters that currently commute by car. How will we ever entice the motorist or international tourist into a public transport system that is so undercapitalised and held in such low esteem by so many role players?

It seems to me as if the many South American examples of integrated and coordinated public transport systems are studied at length by South Africans, but when it comes to the introduction of these types of systems and systems thinking in our own country we always face the same old dilemma - there are no funds. We seem to be doing things right on the road system, airports and harbours but hardly ever in public transport. It appears to be the last in the line of priorities. If we are not careful we run the risk of a typical third world road based public transport system being entrenched in this country. Is this what we want?

10. SUMMARY AND CONCLUSIONS

In conclusion, when reviewing the last year some progress has been made on major issues. The most notable has been the agreement on the BEE Charter. On other fronts progress has been painstakingly slow. It is time that all of the Interim Contracts be converted to negotiated and tendered contracts so that the transformation process – both economically as well as politically, can be concluded. There are many role players that are significantly affected by the

lack of progress on this front and I am sure that I speak on their behalf that we need to get the entire process back on track.

It was necessary to review the position of SABOA in the broad context of society. Although the reasons why government is embarking on alternative association formation is not fully understood, it should not do it in such a way as to undermine existing structures that are clearly making a significant contribution to the industry and its users. I think you will all join me in agreeing that the type of conference and exhibition that we have been able to put together today testifies to our commitment towards a fully inclusive and sustainable industry in the years to come.

I Thank You