

KEY CONSIDERATIONS IN THE PLANNING AND IMPLEMENTATION OF A PUBLIC TRANSPORT SERVICE IN SMALLER MUNICIPALITIES

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ABSTRACT

The National Land Transport Act (2009) has placed the responsibility for the planning, implementation and management of modally integrated public transport networks with the municipal sphere of government. The delivery of these systems requires an integrated project management approach that combines trans-disciplinary technical design (legal, financial and engineering) with a comprehensive stakeholder engagement strategy that involves a range of different role players both within and outside of all three spheres of government, and most significantly, the current mini-bus taxi and bus operators. In accordance with the legislation, 13 cities in South Africa (George being the smallest and only B municipality) have implemented, or are currently implementing a public transport system.

The first phases of George Municipality's Integrated Public Transport Network (GIPTN) are scheduled to become operational between April and July of 2014. The project is seen as a flagship model for the provision of public transport services outside of the major cities and metros. This paper presents the lessons learned in the delivery of the GIPTN. These can equally be applied in many other under-resourced local municipalities that are required to deliver large and complex projects and services.

Experiences to date from the GIPTN have shown that the most time consuming elements of this project have involved the aligning of the various stakeholders towards a common vision for public transport in George and ensuring that the required financial and human resources are in place to manage the system. Challenges similar to these are faced in municipalities across the country.

This paper presents some key considerations and recommendations that can guide practitioners that are involved in the planning or implementation of similar projects elsewhere in South Africa.

1. INTRODUCTION

Public transport is a catalyst for economic growth and improved livelihoods. The spatial development caused by the South African apartheid era planning has meant that the poorest people in our communities live the furthest away from our economic centres.

The residents of our outlying areas have to travel further and pay more money than those living close to our economic centres. The provision of safe, reliable and affordable public transport services creates a more inclusive and connected society and reduces the transaction costs for people trying to find jobs and participate in the economy.

Thirteen cities in South Africa are currently designing or implementing integrated public transport networks (IPTNs). Johannesburg's Rea Vaya and Cape Town's MyCiti were the first systems to be established and are currently expanding their networks whilst the other cities are not yet fully operational and are in various stages of implementation. The municipality of George in the Western Cape is in the final stages of implementing its own IPTN and full services are scheduled to begin in July of 2014. The George Municipality is typical of many smaller cities in South

Africa in that it has a relatively small income base and limited financial and organisational capacity to take on and champion big infrastructure projects without the support of the other spheres of government.

The successes and challenges experienced in designing and implementing the George IPTN can be used to shape the strategies used by other non-metro cities in the cost effective project management of public transport initiatives. Currently no clear national guidelines exist, and the George Municipality can be used as a role model for the implementation of a full public transport system, as opposed to the metro's and larger cities that implement this service in phases. The biggest lesson learned in George is that it is the institutional arrangements and the alignment of the interests of all affected stakeholders that take the most time and are the biggest determinant of success and failure. These stakeholders include the Municipality, Provincial and National government, politicians, the taxi industry and the public.

2. BACKGROUND TO PUBLIC TRANSPORT DEVELOPMENTS IN SOUTH AFRICA

An integrated public transport network is defined as: "a system in a particular area that integrates public transport services between modes, with through ticketing and other appropriate mechanisms to provide users with the optimal solutions to be able to travel from their origins to destination in a seamless manner."

The purpose of the IPTN approach is to create public transport systems that are car competitive and provide a first class level of service to the passenger that is safe, affordable, reliable and rapid. To achieve this, the public transport experience needs to shift from being orientated towards independent operators competing across a variety of different modes (buses, minibus taxis, trains) to a fully integrated network providing scheduled service across all modes of transport (National Department of Transport (2007)).

The IPTNs require a substantial investment in supporting infrastructure. Improvements in the quality of vehicles and facilities and co-ordinated investments in the local road network are all necessary to create an experience for the user that is as accessible, convenient, safe and comfortable as using their private cars.

3. THE NATIONAL LAND TRANSPORT ACT

In order to understand how our public transport planning and management has evolved, it is necessary to spend some time understanding the implications of the National Land Transport Act (NLTA) (Act 5 of 2009), which is fundamentally changing the public transport landscape in South Africa. Until the act was passed, government largely acted as a regulator for public transport. These responsibilities were focused on the allocation of operating licences to public transport providers and the management of various law enforcement mechanisms that were used to ensure that these providers adhered to the conditions of their licences.

Under the NLTA, government, and specifically local government, becomes responsible for the provision of public transport. Section 11 (xviii) states that the municipal sphere of government is responsible for "the planning, implementation and management of modally integrated public transport networks and travel corridors for transport within the municipal area" As a result, public transport is now regarded as a municipal responsibility and can be seen in the same way as other municipal services such as water provision. This responsibility applies to all municipalities in the country be they a large metros or situated in deep rural areas.

New municipal capacity requirements

Municipalities can choose one of two strategies in fulfilling this mandate; they can either provide the public transport services through their internal capacity or outsource it to a third party provider. Given that

most municipalities have never had to provide public transport services, both these options require municipalities to develop significant additional and specialised capacity.

Public transport networks are complex systems. Whilst a typical passenger could think that a public transport system is only about the vehicle and the driver that carries them from point A to point B, there is a whole assortment of activities that take place in the background. There are sophisticated technology systems that manage the fares and track the vehicles to ensure that they are punctual and reliable. There is also a range of different staff members (drivers, inspectors, mechanics, vehicle cleaners) that are required to run the IPTN.

It is likely to be unfeasible for many, if not most, of South Africa's smaller municipalities to provide public transport services through their internal structures due to the significant increases in the staffing complement required to run these services. Even if these municipalities choose to outsource most of these functions and do not have to take on the staffing required, they still need to develop specialised contract management capacity to monitor and manage the system.

Taxi industry transformation

Although municipalities can tender out the contract for public transport services, section 41 of the NLTA specifically makes allowance for the municipality to negotiate with the existing operators in their area to incorporate them into the new IPTNs.

This move presents a massive mind shift for the minibus taxi operators in the way they will be expected to do business as opposed to how they run their businesses now. In the pre-NLTA environment, the operators in each area are connected to a local taxi association that ensures that no outside operators (legal or illegal) can come into the area and compete with the association's members. But the members within a particular association exist in a highly competitive environment where they compete with each other for passenger fares.

In the proposed contracts, operators will receive their revenue from the municipality on a per km basis and not as a function of the number of passengers they carry. In addition, whilst conceptually it may be possible for the municipality to have separate contracts with each individual operator, the administrative burden of doing this would be crippling to the municipality's ability to ensure that an adequate standard of service is provided. As a result, it makes sense for the municipality to reduce the number of contracts it has to manage by dividing the IPTN into one or a few contract areas.

If they choose to participate in the new system by providing a contractual public transport service to the municipality, the local minibus taxi operators are required to establish vehicle operating companies (V.O.Cs) that can negotiate for one or more of these contracts. To do this, individual operators that are accustomed to running their own businesses are required to enter into a common shareholding relationship with their past competitors in order to form a company that can be contracted to government. Where in the competitive pre-NLTA environment, individual operators were able to keep what they earned from their passengers, under the contractual post-NLTA arrangement the money earned from the contract from the municipality is pooled and distributed according to the shareholder rules of the company concerned.

These changes can create risks for the sustainability of the vehicle operating companies, which in turn creates significant risks for the contracting municipality. In the event that a V.O.C fails, the municipality is still responsible for providing public transport services to its community and will have to fund replacement services at its own cost.

4. FINANCING IPTNS

The national government supports the IPTNs through two grants: the Public Transport Infrastructure Grant (PTIG) and the Public Transport

Network Operations Grant (PTNO). There are very few examples of public transport systems in the world where the revenue earned from passengers covers the full cost of the system. South Africa is no different. Due to apartheid era spatial planning, the majority of passengers who are dependent on public transport have to travel over long distances to get from the residential areas to the economic hubs and this lowers the total revenue per kilometre travelled and increases the relative subsidy requirement.

The initial intention behind PTIG was that national treasury would support the capital costs of establishing the IPTNs but that the cities would be responsible for any operational shortfall. However, this created a situation in which cities would shift money allocated to capital investments to some of their operational elements. As a result, the PTNO was established to cover some of the annual operating costs such as vehicle insurance, vehicle capital costs, the institutional costs for managing the system as well as non-vehicle operating costs such as payments for the fare management and information technology systems.

Nevertheless, despite this funding from national government, all the IPTNs are still expected to acquire additional support from their municipality's budget in order to cover the revenue shortfall.

5. PROJECT EXPERIENCES OF THE GEORGE INTEGRATED PUBLIC TRANSPORT NETWORK

In order to be sustainable over time, an IPTN requires a fully capacitated municipality that can monitor and manage the network, as well as a fully capacitated service provider that is able to provide a high standard of public transport service to the local community.

The return on the capital investment on the infrastructure necessary to support the network is determined by how successfully these institutional arrangements can be put into place. Like any process of change, the establishment of the IPTNs will create fears, uncertainty and doubt for both the members of the municipality and local political leaders that are expected to take on new functions and responsibilities, as well as the members of the minibus taxi industry that have to fundamentally change their business models if they are to be incorporated into the new system. Members of the public fear having to pay increased rates and taxes to fund a public transport service, and also associate public transport in South Africa with the existing service offered by the minibus taxi industry.

Practitioners trying to establish IPTNs must recognise that it is these "people issues" that create the most potential for delays in the project implementation of these systems. Obviously, delays in implementation create additional costs for the project as various work streams may be required to stall their processes whilst one element of the project resolves a particular issue. But in a highly competitive funding environment, where the success of a project is dependent on national allocations, and payments are made according to set milestones, delays in project implementation run the risk that unspent funding for a project gets redirected to other priorities both within the public transport sector or in other sectors.

It is our view that extensive and strategic stakeholder engagement is as important as the design and implementation of the various systems and infrastructure required to engineer an IPTN. As is shown by the experiences in George, resistance to change from the minibus taxi industry, as well as the time required to align the human and financial resources of the three spheres of government proved to be the biggest constraint to the ability of the project team to get buses operating on the ground.

Another challenge faced by municipalities is political instability and/or changes in political leadership (elections or other reasons). Political buy-in is fundamental to the process. As the implementation of the system spans a number of years, new entries to the political scene have to be brought on board throughout.

Project History

The seeds of the GIPTN were first sown in 2004 with the creation of the George Mobility Strategy (GMS) that was a joint project between the Western Cape Department of Public Works (DPW), the George Municipality and the Eden District Municipality

Various major infrastructure upgrades were undertaken in this period in preparation for a public transport system. Engagement with the political structures, minibus taxi industry, public and various stakeholders was initiated. George was seen as a pilot project and model for future public transport systems in smaller municipalities that the Provincial Government of the Western Cape intended to roll out.

Institutional arrangements

Under the original GMS, DPW was positioned to be the contracting authority which would then contract with the various minibus taxi operators for the provision of public transport services. The advent of the NLTA in 2009 made this arrangement impossible as the contracting authority function became the responsibility of the municipality. This required a dramatic shift in the institutional arrangements of the project as the municipality did not have the financial or organisational capacity to manage the system and fulfil its legislative mandate.

The solution was found in an inter-government agreement (IGA) between DPW and the George Municipality in which DPW took on the financial and organisational liability for the project until such time as it became viable for the municipality to assume full responsibility. Under this arrangement George Municipality retained its contracting authority role but did not have to take on the financial risk of the operating shortfall of the system.

The formation of the IGA required an intensive engagement process between the DPW, George municipal officials and supporting consultants to reach agreement on their respective roles and responsibilities. This project team then had to communicate the outcome of this draft agreement to their respective administrative and political principals for endorsement.

Engagements on the IGA kick started a process of capacitating of the administration of the municipality and included officials from legal services, town planning, engineering, finance and economic development. Certain team members involved in the consultations around the IGA have become the backbone of the municipal team that would negotiate a contract with the existing minibus taxi industry.

Finalising the IGA was a critical step before entering into negotiations with the affected industry as government (both provincial and municipal) needed to resolve who was to be the contracting authority before it could begin discussing the proposed contract. Once DPW agreed to assume responsibility for financial shortfalls on the project, the George Municipality could confidently assume the role of contracting authority, and negotiations on a 12 year operating contract began in November 2011.

Key lesson: In order to implement large infrastructure projects and/or new services, capacity constrained local municipalities may have to partner with their provincial governments, but the engagements required to allocate roles and responsibilities between the two parties takes time and must be factored into the project implementation timelines.

Taxi industry dynamics

The delays and changes in the institutional arrangements for the GIPTN ran in parallel to the industry's own changing dynamics. The local minibus taxi industry is the key partner to government in implementing the system.

The current public transport environment in George is typical of that of an emerging South African city. George has numerous existing minibus

taxi operators that are organised into three taxi associations (Uncedo Service, the George Taxi Owners Forum and the George Huurmotorvereniging) and one small bus operator (Louis Passenger Transport). The expectation of the GIPTN is that all three companies and the single bus company combine to form a single vehicle operating company (V.O.C.) that is contracted to provide public transport services across the whole municipal area for a 12 year contract period.

Like elsewhere in the country, the incorporation of the industry into the GIPTN depends largely on the agreement reached with government on compensation. The compensation debate has two elements to it; compensation to each affected operator for the value of their existing business, and payment by the municipality to the contracted V.O.C for public transport services rendered during the contract period. Both of these issues are negotiated.

The most controversial and drawn out of the two is the negotiation for compensation for the existing business value. If an operator decides to participate in the system, he/she must surrender their operating licence to the municipality in return for compensation by the municipality for surrendering their right to trade. The precedent for compensation set elsewhere in the country shaped the expectation of the industry in George about the value of their business. In its agreement with its local minibus taxi industry, the Port Elizabeth municipality agreed to pay a maintenance of income premium of R8 500 (VAT inclusive) per month per operator licence for the duration of the V.O.C's contract with government. The Uncedo taxi association has representation in both George and Port Elizabeth and this settlement was seen as being the starting point for the negotiations on compensation with the industry in George.

Another issue that needed to be resolved before negotiations could be concluded was reaching agreement on who could participate as a shareholder in the new system. The GIPTN undertook a registration process in which licenced operators were able to register their interest in the new system. By doing so, these operators committed to joining the system on condition that negotiations on compensation and payment for contracted services were concluded satisfactorily. In order to be eligible to register, individuals had to possess a valid operating licence.

This question of eligibility was critical both to the financial planning of the system and for the "internal politics" of the industry negotiation team. Given that the value of compensation would be fixed per operator, the cost of compensation is highly correlated to the number of operators that choose to participate in the new system. At the same time, despite a limit on the amount of money available, government is incentivised to ensure that as many existing operators as possible choose to participate in the GIPTN. The reason for this is to ensure to achieve full empowerment of the existing industry and to ensure that in future the municipal public transport service does not end up competing with remaining operators for passenger fares.

In order to protect the integrity of the registration process, the project team (DPW and the George Municipality) engaged with the Provincial Operating Licensing Board to impose a moratorium on allocating new licences in the George area at the same time as the first registration process took place. The intention behind this action was to ensure that operators could not "wait and see" whether negotiations will be concluded successfully and then approach government for compensation on the basis that they possessed a valid licence. This would have created endless complications in determining the financial model for the system, which was required in order to apply for funds from the national treasury.

Key lesson: The ability of government to transform informal businesses can be constrained by the available funding. When managing transformational change processes, government needs to establish clear

processes and deadlines in order that it has some certainty about who will participate in the project and at what cost to the public purse.

Communications strategy

The prospect of a formalised public transport system in which the municipality contracts public transport services is not necessarily attractive to all stakeholders, and particularly within the industry. Those members of an association who operate illegally were not eligible for participation in the new system and face the risk of losing their livelihood, albeit illegal, if the system is implemented. Although they may be in the minority, these individuals had a direct incentive to use their influence to apply a “Stalingrad” approach to the establishment of the GIPTN, by arguing every possible point with the intention of delaying the implementation of the project or collapsing it completely.

Despite engaging with representative members, chosen from the leadership of each association, on a regular basis, the government team struggled to disseminate information down to the membership base of the affected operators and communicate how the new system could benefit them. The GIPTN has many difficult to understand legal, financial and institutional elements and there are very difficult concepts to communicate to an audience that very often has low education and literacy levels. Getting the industry members to understand the benefits of the proposed system and how it could improve their own livelihoods is an industry capacitating process that is critical in getting support for the GIPTN.

One of the best ways of building understanding and mitigating the impact of gatekeepers such as these is to undertake a broad based community-focused marketing and communication programme that publicises the benefits of the new system to the passenger and not directly to the operator. By emphasising the benefits of an improved, safer and more reliable public transport system, a marketing and communications programme can become a powerful tool in building up community support for the project. Community expectations can then be harnessed to put additional pressure on the industry to settle on their contractual terms with government in order to accelerate the delivery of the new system. The long term overall socio-economic benefits of a public transport system to the broader community and city of George even outweigh the very significant benefits to the VOC that are offered through a negotiated 12 year contract with government.

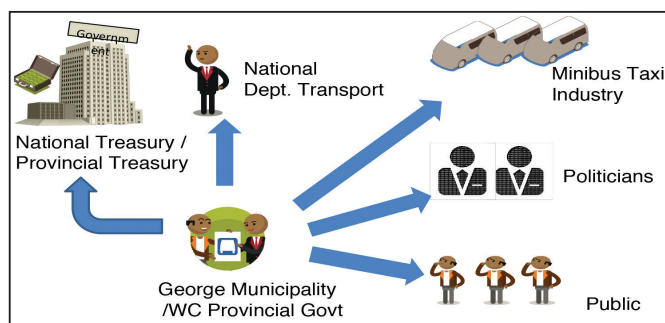


Figure 1: Illustration of all Communication Stakeholders

Unfortunately, the government team faced its own institutional hurdles in developing and implementing its communication strategy. The first constraint was the moratorium the Western Cape provincial government had placed on all tenders relating to marketing and communications due to controversy surrounding the allocation of a previous province-wide marketing and communications tender.

The second constraint was simply a matter of funding. Despite the project team’s best efforts, the combination of George Municipality’s existing funding constraints and the moratorium from DPW on further

marketing and communications expenditure undermined the ability of the GIPTN to engage successfully with local community stakeholders.

The absence of a comprehensive communications strategy created an opportunity for the minibus taxi industry (and particularly its leadership) to control what message was conveyed to local community stakeholders and the taxi association membership about the GIPTN. The lack of a counter message about government’s view of the project only strengthened the ability of the industry negotiation team’s position to maximise its returns for participating in the system.

Key lesson: There are always some stakeholders that are resistant to change. To counter their influence, government needs a broad based marketing and communication strategy to develop support for their transformation initiatives.

Political leadership

Political leadership support is crucial in driving a project as complex as the GIPTN but the length of time required for its implementation creates significant vulnerabilities for its rollout as political priorities and role players shift and adapt. Political leaders are ultimately the final decision makers of numerous key aspects and their full support and public endorsement is essential. Officials and consultants to the process must be sensitive to the importance of the political role and ensure ongoing internal administrative-political communication, as well as allowing for political recognition throughout.

The GIPTN was first championed by an ANC led provincial government in an ANC led municipality in 2004. In 2009, the results of the local and provincial government elections put the DA into power in the Western Cape and in George. This created a temporary hiatus as the newly elected leadership of both spheres of government had to come to terms with the implications and responsibilities of the GIPTN project.

This, together with the loss of certain key officials, halted some of the momentum in the implementation of the project. The real danger of this was that one set of political leaders would tell a different story and make different promises than promises made by their predecessors or successors. This created mistrust and scepticism amongst both the industry and the broader public about government’s commitment to the project.

The time required to resolve the institutional issues created by the introduction of the NLTA as well as the uncertainties surrounding operator eligibility and compensation structures has meant that the implementation of the GIPTN project has stretched beyond the 5 year period of provincial and local government political terms.

Workshops to convey key information assist in preparing decision makers when they are ultimately required to provide endorsement or approval. Knowledge is empowerment, and decisions are often delayed due to uncertainty and not political unwillingness. In order to overcome this challenge weekly feedback is given on the GIPTN. Key milestones are given good publicity, allowing political figureheads to feature prominently and receive recognition for their role. Political and administrative roles were clearly defined, as well as milestones linked to political/administrative decision ensuring accountability. Officials have supported ward councillors by being available to assist during ward meetings and provide information to the public on the GIPTN throughout. Wherever possible input should be requested from the main political figureheads to gain buy-in and ownership. Input increases ownership and responsibility to ensure success.

Key lesson: Changes in the political leadership during project planning, and/ or implementation can create inconsistent messaging which not only creates mistrust but can also lead to unrealistic expectations about what government is able to offer its constituents. Ongoing regular

communication and building a political/administrative relationship enhances political support and empowers decision making.

CONCLUSION

Safe, affordable, reliable and rapid public transport services are increasingly recognised as being critical to driving economic growth, creating more connected cities and towns and improving livelihoods. The National Land Transport Act has allocated the management and delivery of public transport networks to the municipal sphere of government.

As the experiences of the George Integrated Public Transport Network have demonstrated, the project management of a public transport system is a highly complex process with a variety of different stakeholders, each of whom can delay or accelerate its final delivery.

Whilst project plans should be used to guide this process as implementation proceeds, they must also have enough flexibility to absorb the adapting needs and positions of the affected stakeholders. Although there will be always be some firm parameters (i.e. available funding or legislated roles and responsibilities), it is only through having a project management approach that remains simultaneously both flexible and firm, that an optimal, time efficient public transport solution can emerge.

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