

# Preparing Municipalities for the Assignment of Public Transport Functions

## EXECUTIVE SUMMARY

**T**ransport policy and previous research agree that the responsibility for transport functions belongs at local government level. This can result in improved service delivery to passengers. However, at the same time, institutional arrangements need to be considered. Over 300 entities are involved in delivering transport services in South Africa, and yet critical gaps exist between what is required and what currently exists. These gaps (and related constraints) must be taken into account when assigning public transport functions to municipalities. Two critical functions are the contracting function and the regulatory function, but the required skills and technical capacity are limited at local government level. Three institutional arrangements are possible for managing public transport, and the ideal one (or combination of models) needs to consider the challenges and the different capacity levels across municipalities. Institutional arrangements and municipal capacity need to be improved. Therefore, the Financial and Fiscal Commission (the Commission) recommends that all municipalities prepare proper integrated transport plans and develop the skills required to manage a complex public transport system, with the assistance of the Department of Transport (DoT) and the South African Local Government Association (SALGA).



# BACKGROUND

National transport policy and previous research by the Financial and Fiscal Commission (the Commission) agree that responsibility for (or 'assignment' of) transport functions belongs at the 'lowest appropriate level of government'. In particular, the literature suggests that service delivery to passengers improves when public transport functions are assigned to municipalities. However, simply devolving (or transferring) the functions to local government does not guarantee improved transport service delivery, as institutional arrangements are equally important. Transport service delivery is also still a concurrent function across all spheres of government, which tends to mask accountability. The Commission reviewed the current institutional arrangements and examined options for assigning transport functions to municipalities.<sup>1</sup>



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# FINDINGS

Over 300 entities are involved in delivering transport services in South Africa, and the number is increasing, especially in metropolitan municipalities where entities have been established to manage the integrated public transport networks. For instance, the City of Cape Town recently established Transport for Cape Town, while the Gauteng Department of Roads and Transport has formed the Gauteng Transport Commission to coordinate transport programmes across the three Gauteng metropolitan municipalities. However, in spite of all these entities, critical gaps exist between what is required and what is currently being delivered. For example:

- The transport system operates as isolated transport modes, rather than as an integrated network, leading to a suboptimal system.
- The lack of comprehensive transport policy targets means that reporting on service delivery progress is difficult.

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<sup>1</sup> See Chapter 8: Improving public transport for better mobility. In FFC (Financial and Fiscal Commission). 2013. Submission for the Division of Revenue 2015/16. Midrand: FFC.

- No transport strategy is in place for vulnerable groups, such as persons with disabilities and the elderly.
- The infrastructure to support walking is mostly unavailable or grossly inadequate, despite most trips in South Africa involving walking.
- No strategy for containing transport costs exists, yet transport costs are increasing rapidly.
- The modal split continues to favour private motorised transport at the expense of subsidised public transport.

Assigning the public transport functions to municipalities needs to take into account the above-mentioned constraints and realities. In terms of the National Land Transport Act (NLTA) No. 5 of 2009, municipalities are supposed to manage (by default) any new public transport contracts and can be assigned the management of older contracts. National Treasury supports the assignment of transport functions as provided for in the NLTA, so long as it results in improved and more efficient transport service delivery. The focus should be on cities rather than all municipalities, as resources and capacities are limited.

The Department of Transport (DoT) has identified two critical functions that municipalities should assume: the contracting function (i.e. managing public transport contracts, inclusive of design, adjudication, awarding, and monitoring) and the regulatory function (i.e. administering and adjudicating operating licence applications to control the network supply). The DoT is in favour of the reassignment of functions but is concerned about the lack of technical capacity needed to implement the NLTA fully. These capacity constraints at municipal level are confirmed by the Auditor-General and by the South African Local Government Association (SALGA).

In South Africa, managing public transport can take the form of three possible institutional arrangements, which can be used concurrently:

- (i) An institutional structure that coordinates transport functions across different government spheres. For example, the transport coordinating committees that meet regularly to discuss matters of common interest. This type of structure is good for sharing information but has weak decision-making and accountability, as the member institutions are not bound by the structure's decisions.
- (ii) A service-level agreement, as promoted by NLTA regulations. Although none exist yet in South Africa, an example would be a municipality entering into a service level agreement with the Passenger Rail Agency of South Africa (PRASA) that covers services offered by PRASA within the municipality's jurisdiction. Practical challenges include non-uniformity across different municipalities (and the effect on customer experiences) and limited enforcement powers of municipalities over autonomous public sector bodies such as PRASA.
- (iii) A municipal transport authority, which is a model that has received much attention in the past and has been used successfully in other parts of the world. However, to date its success in South Africa has been limited mainly because of its limited powers and underfunding of its functions.

The ideal model needs to take into account the practical challenges that are unique to South Africa, in particular the different capacity levels across municipalities. A dual approach to assigning transport functions should be explored, combining the direct assignment of functions to municipalities/municipal entities (provided they demonstrate the necessary ability and capacity) and a process to prepare municipalities to take over public transport functions. However, both these approaches will require municipalities to prepare proper integrated transport plans that are aligned with other service delivery programmes.

## CONCLUSION

Assigning public transport functions to local government can improve service delivery to passengers. However, institutional arrangements and municipal capacity need to be improved. The current public transport system contains critical gaps between what is required and what is currently being delivered. The DoT has identified two critical functions (the contracting and regulatory functions) that a municipality needs to be able to fulfil. In South Africa, managing public transport can take the form of three possible institutional arrangements, which can be used concurrently. The assignment of public transport functions to local government needs to include a process to provide the necessary skills to municipalities, which will also have to prepare proper integrated transport plans. Therefore, the Commission recommends:

- All municipal integrated transport plans clearly indicate how the municipalities will control the network and the related resource requirements. Authority network control is fundamental to effective transport service delivery.
- The DoT and SALGA help municipalities to understand and develop the minimum skills required to be able to manage the complexity of modern transport systems.
- The DoT and SALGA carry out a comprehensive review of the quality of municipal integrated transport plans in order to identify gaps.



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