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Cape Town moves forward

As Cape Town's Integrated Rapid Transit (IRT) system unfolds, it is becoming clear that the challenge extends well beyond finances and infrastructure provision.

The Western Cape branch of the Institute of Municipal Engineering of Southern Africa (IMESA) recently hosted a seminar on the City of Cape Town's IRT – which provided some insight into the reality of 'putting public transport first'.

At the event, three City officials provided an overview of the municipality's progress with the first phase of its IRT project in terms of system planning, infrastructure construction and operator engagement.

Gershwin Fortune, who oversees the system's planning and modelling, highlighted the different components of the IRT, while Ron Haiden provided a review of progress with infrastructure design and construction (at the time of going to press, on average, the first phase construction packages were 80% complete).

Developments in the, arguably more controversial, process of getting existing operators on board to contract for the proposed road-based public transport services was presented by Abdul Bassier.

For more than a year now the City has been involved in negotiations with affected minibus taxi associations and the two bus companies operating in the city, Golden Arrow Bus Services (GABS) and Sibanye Bus Services. Contracts for the initial phase of road-based services have been split into the West Coast BRT service on the one hand (affecting Sibanye and five taxi associations), and the inner city and airport services on the other (where three dominant taxi associations and GABS have been engaged).

Although there is still noticeable resistance among

the West Coast minibus-taxi groups, associations in the central city group have indicated a willingness to change, and will be incorporated in a company – 'Transpeninsula' – that will contract for IRT services. The manner in which GABS and Sibanye will be incorporated and their transitional arrangements are as yet unclear, and the present focus of negotiations seems very much to be biased toward minibus taxi interests. It was, however, mentioned that Sibanye is more enthusiastic than GABS about their prospects under the IRT dispensation.

Compensation packages amount to billions

With respect to the minibus-taxi industry, Cape Town's municipality is following a similar path to Johannesburg and Nelson Mandela Bay in negotiating a compensation package with each association. This package will reimburse its affected member operators for loss of income due to the withdrawal of their existing operating licences.

The amount that each operator will receive equals their calculated deemed legitimate profit, which equals each vehicle's reported (and, to some extent, verified) passenger trips multiplied by the fare value, less operating costs such as fuel, wages and insurance.

For indefinite operating licences the compensation period will be seven years; for definite licences three years; and for unlicensed vehicles one year. Although not presented in detail, the resulting

amounts are likely to be of a similar order to that of the Johannesburg and Nelson Mandela models, around R9 000 and R8 000 per taxi per month.

Operators can choose to be paid out and exit the industry; re-invest the sums in shares in Transpeninsula and receive income in the form of dividends; or do both to a partial extent. The City is hoping that on the whole there will be a balance between payouts and reinvestment, to limit the cash payout burden and ensure the system's profitability.

In February 2010 the Transpeninsula group signed an agreement accepting the City's compensation offer, with operators opting to be bought out and to reinvest in equal measure. The City has also created a dividend equalisation fund to allow the company's first dividend to be brought forward to the first year to ensure that operators who opt into the IRT, and who therefore lose their minibus-taxi derived income, have a relatively continuous income stream.

Should all the affected associations agree to the City's offer, then 700 minibus-taxis will be replaced by IRT services in the system's initial phase. Taking the other cities' monthly compensation figures as a basis and a hypothetical average compensation period of three years, the capital amount could well exceed R2 billion.

The surrendered minibus-taxi vehicles, along with a further 200 GABS and Sibanye buses, will furthermore be replaced by 270 new high-capacity and feeder buses. The reduced number of vehicles translates into a significant reduction in direct

employment opportunities, and the City recognises that a substantial portion of existing taxi-sector employees will have to be accommodated outside of the operating contract. To this end the City is compiling a register of current minibus taxi employees to facilitate preferential, although not guaranteed, placement in the IRT station and customer service contract.

Low densities a concern

The low residential densities in much of the area covered in the first phase are rightly of concern to the City, because of its impact on the costs and profitability of this phase of the IRT. There is therefore a sense of urgency in penetrating high-density areas with future phases, especially towards Khayelitsha, to draw on the larger fare base residing in that sector of the city. However, the complexity of engagement with the minibus-taxi sector is also likely to increase with such a move, and current volatility among operators not included in the initial system is unlikely to abate.

As the IRT unfolds it is becoming clear that the challenge extends well beyond finances and infrastructure provision. Sustained and intensive efforts will be required to bring about the transition of operators from being mostly 'free agents' to being contracted to government, to truly integrate modes and operators, and to gain the support of taxpayers and the travelling public who ultimately will be paying for the new system. 

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