SABOA

Southern African Bus Operators Association

voice of the bus & coach industry

THE COVID-19 IMPACT AND RECOVERY OF PUBLIC TRANSPORT IN SOUTH AFRICA

A REFLECTION ON THE BUS AND COACH INDUSTRY

SATC WEBINAR, 7 OCTOBER 2020

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ASSOCIATIONS

South African Bus Operators Association

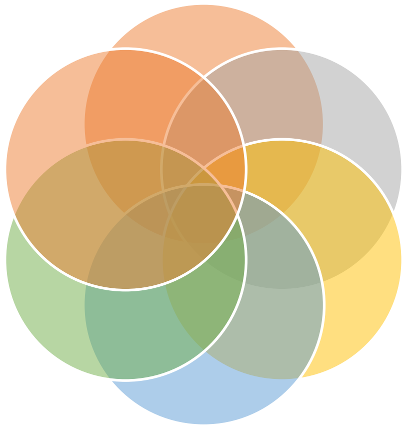
SABOA

Private Charter Passenger Association

PCPA

Cross-Border Bus Association of South Africa

CBBASA



The South African Small Bus Operators Council

SANSBOC

South African Cross-Border Bus Operators Association

SACBBOA

South African International Passenger and Freight Association

SAIPFA

THE SMME

- Small Business employs a sizeable portion of the work force
- Increasing the fragility of the SMME sector
- Many entities highly exposed in the sectors
- Indicating an inability to survive and or recover

Commuter Contracted Services

- Reduced from lockdown to resumption of 100% loading, effective 13 July 2020

Scholar / Learner Services

- Suspended fully and eased to partial resumption and stop start resumption with the situation around the schools opening and closing.

Tourist Transport Services

- Non-operational since lockdown. Only likely to resume operations fully under level 2 and 1
- Tourism Business Council of South Africa and Department of Tourism outlook is bleak

Long Distance - Inter City - Cross Border

- Did not and may also not operate until international travel restrictions are fully eased for SA exit and entrance

SMME Unsubsidised Operators

- The largest section of SABOA and Industry base.
- 409 or 84% of SABOA membership, comprising around 1058 buses across sectors. Primarily the entrepreneurial base of the Industry

Total National Buses Estimated

- 21.5K
- 7.5k Contract, 12k Scholar, 0.5k Charter, 1.5k Long distance/Cross border & Coaches
- SABOA current membership spans 7669 buses or 35.66%

IMPACT OF COVID-19
ON SECTORS WITHIN THE INDUSTRY

CONTRACTED COMMUTER SERVICES

SECTOR OVERVIEW

- **Subsidized services operated on behalf of government**
- Approximately 7500 buses, generating about 450 million passenger trips, per annum
- **Directly employs about 30 000 people**
- Long value chain, manufacturers, tyre and fuel companies, spares and equipment, electronic ticketing, printing & sales , inspections services
- Operates around 20% of the market share, higher over the peaks and longer distances
- Formalised with remuneration and conditions of service based on bargaining council agreements
- Bus designs and construction based on international safety standards, contributing to lowering pollution and congestion

COVID IMPACT

- **Two-fold impact: Cost of Compliance in terms of Safety Protocols and Capacity restrictions = Losses**
- Lockdown 5: 90% of buses were parked, only 10% operated with a 50% load restriction. Companies continued to incur fixed costs and most assisted employees with wage payments
- Lockdown 4: estimated 33% of bus fleets were operating with the remainder parked off. Load factors were low and also restricted to 50% loading of bus capacity
- Lockdown 2 and 1: saw unrestricted loading capacity for trip under 200 kilometers
- These lockdown periods and directives led to massive passenger revenue declines and unsustainable losses

FINANCIAL IMPACT

- **Long standing funding issues pre Covid-19, due to inadequate DORA escalations, which since 2009 has resulted in underfunding amounting to an estimated R 4,3 billion**
- **The industry's revenue is made up of about 50% passenger fares and 50% subsidy (PTOG)**
- Fares are regulated by government via contracts with operators
- Kilometers down, Passengers down, Subsidy Down, Passenger Revenue Down

CONTRACTED COMMUTER SERVICES 2020 VS 2019 / JANUARY TO JUNE

KILOMETRES

- **27.92% Decline in kilometers from 135 577 million to 97 715 million due to lock down and reduced operations**
- **Biggest decline in lockdown 5 (April) of 84,17%**

PASSENGERS

- **52,13% decline in Passengers from 157 814 million to 75 539 million due to lock down and reduced operations**
- **Biggest decline in April of 92,13%, 56 572 million passengers to only 2 092 million passengers**
- **75,48% for month of May and improved to 49,04% for June**

SUBSIDY

- **14,06% Drop in subsidy from 3, 298 billion to 2, 834 billion for the six-month period**
- **April subsidy payments dropped by 51,20%, 538 448 million to 262 762 million**
- **May dropped to 29% and June to 15,75%**

PASSENGER REVENUE

- **43,82% decline in Passenger revenue from 2, 361 billion to 1, 327 billion**
- **April passenger revenue dropped by 81,59%**
- **May and June improved to 65,68% and 45,82% respectively**

YEAR ON YEAR TRENDS

- **The decline was already prevalent in January and February**
- **The peak of decline was in April (height of Lockdown) and started to recover but still behind the last year numbers**
- **Covid Impact has eroded all trends and new bases to be set and measured**

FINANCIAL IMPACT

- **For a six month period: Cost of Compliance is around R 300 million**
- **Subsidy lost = R 463 718 159 and Passenger Revenue lost = R 1 034 744 004**
- **Total revenue loss to the sector equates to R 1 498 462 163**

SCHOLAR TRANSPORT SERVICES

SECTOR OVERVIEW

- **NHTS (2013) about 25% of all scholars make use of school bus transport in South Africa**
- Northern Cape and Mpumalanga account for close to 50% of modal share and in many rural areas this is the only form of public transport for learners
- **Estimated that the annual scholar subsidy is around R 1,4 billion involving about 12 000 buses (*not all subsidised*)**
- The operators are almost all exclusively small and micro businesses

COVID IMPACT

- Since Lockdowns began all the school buses were parked and owners had no alternate form of income
- **Owners were bound to pay fixed costs - including bus financing to remain ready to resume operations once allowed by government**
- The additional problem faced was the delayed and phased re-opening of schools
- The full working of schools only achieved by the end of August resulting in a devastating effect on small business owners
- **Scholar contracts are inconsistent in application and payment methodologies across the provinces**
- Some provinces have Scholar contracts managed by the Department of Transport whilst others are managed by the Department of Education.
- Furthermore other regions have it controlled under the Municipality

FINANCIAL IMPACT

- **The annual subsidy amounts to R 6,9 million per day over a 202 school day year or R34,6 million per school week**
- **The financial impact has therefore been R 346 million since Lockdowns began as no operators were allowed to operate as schools were closed down**
- **Exacerbating the situations, payments are being affected due to contracts expiring over the COVID-19 lockdown period**
- Scholar contracts on certain routes and regions are paid based on the number of learners, making the operations and revenue streams under COVID conditions extremely stressful
- The school calendar has also been revised thus extending operations well into the traditional closed periods and also requiring additional trips as and when required

INTER CITY / LONG DISTANCE / CROSS BORDER SERVICES

SECTOR OVERVIEW

- **About 1000 coaches operated employing in excess of 5000 people**
- **Annual revenue estimations are not well documented within this sector but influenced by seasonal travel patterns**
- Operators provide transport services to in excess of 5 million people, who cannot afford air travel. Significant amounts of personal belongings are also transported
- The sector is formalized and part of the Industry Bargaining Council, where wages and conditions of service are negotiated with organized labour
- Prior to COVID-19 the sector was under tremendous financial pressure due to increasing costs, currency fluctuations and declining market effects
- On average, monthly operating costs amount to R 100m which only recoverable through the running of services

COVID IMPACT

- Two-fold impact: Cost of Compliance in terms of Safety Protocols and Capacity restrictions = Losses
- Lockdown 5 through to lockdown 2 fleets were grounded
- **Companies incurred fixed costs and most assisted employees with wage payments**
- **This sector also has infrastructure costs**
- Inter-provincial services returned under Lockdown 2 but is still facing limited public uptake as trust and sentiment will have to be rebuilt
- The sector has faced six-months without normal revenue streams and limited access to relief options
- **TERS / UIF relief has not been timeous nor sufficient**

FINANCIAL IMPACT

- At first interaction the sector indicated projected losses of around R 200 million for period end March to end May
- **Calculations were projected at R 100 million per month to end October when the market is expected to have sufficient movement**
- **Projected loss in this sector is around R 700 million for the period related to the State of Disaster**
- The compounding problem is the associated licence costs for the fleet to be ready for operations as there has been no relief in this regard

TOURISM TRANSPORT

SECTOR OVERVIEW

- **This part of the industry offers about 51 000 seating capacity per month and is focused on domestic and international tourism**
- **Annual revenue estimated at R 5 billion**
- The sector is formalized and part of the Industry Bargaining Council where wages and conditions of service are negotiated with organized labour
- Prior to COVID-19 the sector was under tremendous financial pressure due to increasing costs and currency fluctuations and declining market effects

COVID IMPACT

- **This part of the SMME industry relies on Travel Destination Management companies and corporates to generate revenue, there are no subsidies**
- **Many of these operators (operating a variety of types and sizes of vehicles/buses) are reliant on international travellers (international tourism) that also attend meetings, conferences, exhibitions and school tours**
- Since Sate of Disaster and lockdown there has been no revenue generated and fleets have been standing. This situation prevails with anticipated limited services under Level 1
- It is expected that international travel with the key source tourism countries only returning for leisure travel in February 2021 with a very low initial uptake to begin with. Operators are envisaged to be without income for 12 months
- **Many have already closed and or retrenched employees or adopted utilization on a pay for use process**
- Coupled with the non compensation and limited relief options many entities are unlikely to survive for 12 months without government assistance
- The resultant impact would seriously affect SA’s ability to respond to national and international tourism needs in future

FINANCIAL IMPACT

- **The state of the Tourism sector is difficult to quantify. Based on the annual revenue estimates of R 5 billion and on projections of the cancellations possible impact for the year to date is approximately R 4, 6 BILLION**
- The job losses are most within this sector, as employees range from general labour to specialized tasks such as tour operators / guides/ translators / drivers

THE COST OF COMPLIANCE

COVID-19 SAFETY AND HYGIENE PROTOCOL REQUIREMENTS

SABOA = BUS INDUSTRY BASELINE CALCULATIONS AND PROJECTIONS

			LEVELS 4 - 3 - 2- 1	LEVELS 3- 2- 1	OPERATIONS OPENED UP IN LEVEL ONE FORWARD						
Item	Unit Price		Contract (PTOG)	Scholar	Charter	Long Distance	Cross Border	Coaches	Other		Industry Totals
		Buses	7500	12000	500	500	500	550	0		21550
Masks	R19,15		R143 625,00	R229 800,00	R9 575,00	R9 575,00	R9 575,00	R10 532,50	R0,00		R412 682,50
Gloves	R7,50		R56 250,00	R90 000,00	R3 750,00	R3 750,00	R3 750,00	R4 125,00	R0,00		R161 625,00
Hand Sanitizer	R69,00		R517 500,00	R828 000,00	R34 500,00	R34 500,00	R34 500,00	R37 950,00	R0,00		R1 486 950,00
Disinfectant	R59,00		R442 500,00	R708 000,00	R29 500,00	R29 500,00	R29 500,00	R32 450,00	R0,00		R1 271 450,00
Labour	R25,20		R189 000,00	R302 400,00	R12 600,00	R12 600,00	R12 600,00	R13 860,00	R0,00		R543 060,00
Per Day	R179,85		R1 348 875,00	R2 158 200,00	R89 925,00	R89 925,00	R89 925,00	R98 917,50	R0,00		R3 875 767,50
Per Month	R4 676,00		R35 070 000,00	R56 112 000,00	R2 338 000,00	R2 338 000,00	R2 338 000,00	R2 571 800,00	R0,00		R100 767 800,00

General Notes:

The sample is an average of operators from Industry

Factors in the use and supply of mask / gloves / sanitizing and disinfecting liquids

Prices are as quantified and agreed with DoT and via B4SA / NEDLAC

Agreement in place with Gautrans for relief compensation from start of lockdown until end of State of Disaster.

Bus Fleet numbers are projected and can be verified against the NATIS / PRE / NPTR Data Bases

ADVERSITY AS A RESULT OF C0VID-19 LOCKDOWN

All sectors of the industry, have been adversely impacted by the instituted State of Disaster and related restrictions. i.e. restrictions on economic activities and capacity and curfew related restrictions

The negative trend and decline on demand has been devastating for the industry which continues to be stressed as a result of reduced revenue streams and income

It is unclear how changes in behaviour will translate into medium and long term changes in travel demand and usage - but it is flagging the fragility of the bus and coach industry

Reports indicate estimated job losses at 3 million people, as a conservative estimate. A significant number of job losses fall upon commuters that use Public Transport

Current indications in the public transport commuter sector is that load sizes are around 55% to 65% of 2019 trends and further collations will quantify this trend

Further to this, the Tourist Transport and Long Distance / Cross Border sector remains debilitated. International and cross border tourism has not normalised and there remains confusion around the actual travel processes into and out of the country

Operators face the difficult questions around their future viability

REQUIREMENTS FOR POST LOCKDOWN RECOVERY…

POLICY REVIEW

- The ultimate effects of Covid-19 is currently unknown and likely to be long lasting, therefore the **lessons learnt must be used to guide the way forward** as significant changes have and will continue to occur within the industry

PUBLIC TRANSPORT DATA COLLATION

- **Detailed data and travel behaviour research** must be prioritized and gathered for reference
- There must be clear and constant messaging in all forms of communications
- Mobility audits and travel behaviour demands are going to be critical in future planning

FUNDING & ACCOUNTABILITY

- The National Government must prioritise **industry related stimulus packages** to promote and protect the bus and coach industry
- **Accountability for all sectors of Transport** must be clearly allocated within all spheres

INTEGRATED ENGAGEMENT

- Ministerial Level / National Departments of Transport, Tourism and Education
- Provincial Governments and Municipalities with Districts – **Contracting Authorities** – Legislated
- Ownership and Accountability of the sectors for Tourism and Scholar Transport

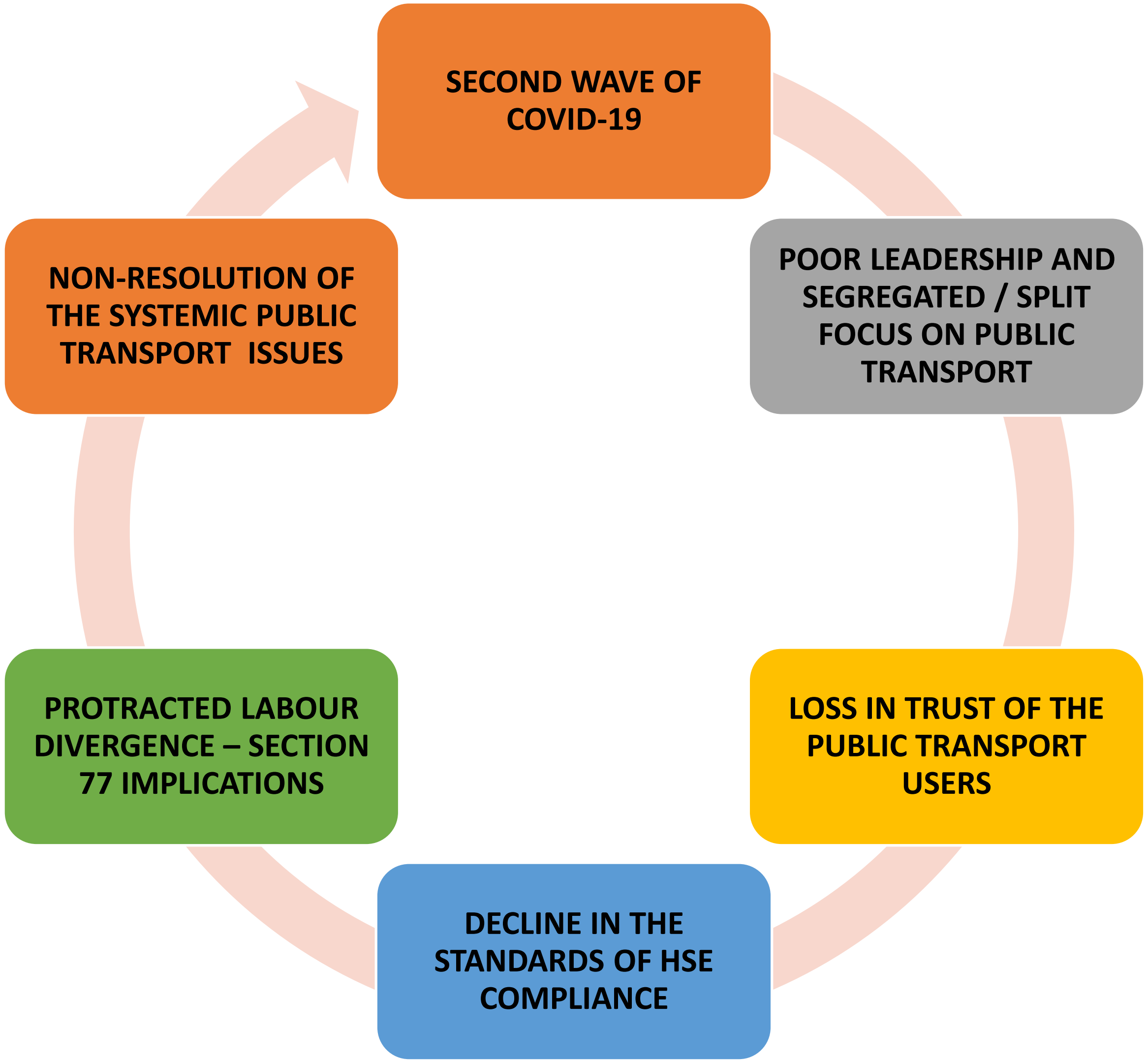
ONGOING COLLABORATIONS

- **Must be Inter Disciplinary and Cross Sectoral**
- Mobility Audits must drive the current and future public transport planning
- **Data Integrity** must be without question and current maintained to ensure critical decision making
- Labour / Business / Government and Stakeholder driven

CRITICAL STRATEGY REVIEW

- **Policy certainty** within the economic framework. In this industry we last had tendered contracts in 2001 despite this being government policy. This will allow for investment and capital expenditure – especially in respect to the Bus Replacement Programme
- **Sector specific stimulus packages** to enable industry sustainability for the year ahead and beyond
- **IT'S TIME FOR A ROAD TRANSPORT LEKGOTLA AND NOT JUST A SECTORAL LEKGOTLA**

WHAT IS NOT NEEDED…



PROPOSED MEASURES FOR SUSTAINABLE CONTROL AND CONTAINMENT OF COVID-19 WITHIN PUBLIC TRANSPORT

- ❑ PEAK SPREADING
- ❑ STAGGERED WORKING HOURS PER INDUSTRY
- ❑ MOBILITY AUDITS – EMPLOYERS INTERVENTIONS

ON A POSITIVE NOTE…

Industry has reviewed their business models and cost structures.

HSE Compliance standards have been elevated.

New levels of dialogue between employers and employees.

Renewed trust has been built.

Government and Social Partners have reached agreement on issues via consultation at NEDLAC to which SABOA was also a contributing party.

The National Disaster contingency planning has been documented.

Second wave or future Pandemic approach will be much more coordinated.

The Industry plight and Impact pre Covid and through has moved the narrative of public transport to top of agenda.

All media and communication platforms.

CONCLUSION

The Bus and Coach Industry is a direct avenue for large parts of South Africa's population to get accessibility to otherwise unreachable services and facilities – employment (part and full time), education (basic and higher), health (primary and clinical). This is not just a means for the most vulnerable but is also a dependency for a major part of the middle-income groups as well.

Whilst the Industry does create progressive access and means of mobility in a highly centralised peak, the financial distress brought about by the impacts of Covid-19, from lockdown, through social distancing together with the added cleaning and safety protocols has brought **the long-term sustainability of the Industry** into sharp focus.

Protecting lives and safety is always a priority during the pandemic, but is critical that Government, Departments of Transport, together with the Departments of Tourism and Education collaborates, with the Industry, to initiate urgent relief and support for both public and private bus operators. This will help to sustain operations in the short-term and create an environment for operators to plan and to ensure the continuity of Bus and Coach Industry services as the South African economy starts to recover and re-open.

Notwithstanding, the current systemic issues related to public transport, it is fast becoming a reality that the Tourism Transport Sector, the classic Scholar Operator and the Long Distance and Inter City operations may not regain pre Covid-19 business standings. Ultimately the dream of the entrepreneurial SMME sector may also be forever wiped out in the Bus and Coach Industry, affecting thousands of livelihoods.

The future is dependent on keeping the wheels turning - the bus and coach industry is always going to be an essential part of the economy. Now more so than ever the need for sustainable and safe public transport requires serious review prioritisation.

Thank you, for inviting SABOA and the Bus and Coach Industry to participate in the process of finding solutions to Building Back Better!

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