

# Funding of Public Transport

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# Impact of transport devolution

- Devolution of public transport to metros is appropriate
  - Consistent with integration of 'built environment related' functions at city level
- Public transport function is somewhat larger and more risky financially than electricity
  - Joburg BRT could be bigger than Cape Town
  - If commuter rail is devolved it represents a significant additional component
  - Even if Electricity remains a metro function Public Transport will be the biggest single function
- Public Transport is projected to run a deficit while electricity runs a surplus

# Financing of BRT

- Initially assumed that state would provide all infrastructure but that all vehicle and related operations would be covered by fare revenues
- Infrastructure costs double initial expectations
  - Up to R40m per km
  - System of 450 km will cost R15-20bn
  - Depends on extent to which space for cars is retained
  - Technology such as road surface, etc
- Ongoing operational support probably required in most cases
  - Fares generally cover vehicle operations but not security, agency and related costs
  - Levels of operational support possibly similar to existing bus subsidies

# Two year operating budget from initial model of Cape Town full 450km system

Total fare revenue	5 419 488	5 704 725
Total payments to vehicle operators	5 467 237	5 467 237
Total payments to other (security etc)	762 720	762 720
Total system costs	6 229 958	6 232 810
Total deficit	(810 469)	(528 085)
<i>Comparison with electricity revenues (2009/10)</i>	Budgeted revenue	5 730 324
	Budgeted expenditure	4 826 247
	Budgeted surplus	904 077

# Way forward

- Current grant funding needs to be refined and made more predictable
- Preferable if metros could get additional revenue source to address public transport needs
  - How are risks best managed?
- National government has an obligation to partner cities in seeking additional sources
- Needs to be addressed in context of whole metropolitan fiscal framework

# Quote from 2009 Division of Revenue Bill

“Further reforms under consideration include the sharing of the general fuel levy and/or transfer duty in the medium term, a local business tax in the longer term, as well as grants as a guaranteed revenue source for municipalities or categories of municipalities.”

# Details on current share of fuel levy

- Metros get share of nationally collected fuel levy
  - 23% of national levy
  - Division amongst metros based on relative fuel consumption
- Phased in over 4 years
  - by 2012/13 amounts based entirely on relative fuel sales
- Essentially a grant based on a portion of the national fuel levy distributed amongst cities based on relative fuel consumption