CHAPTER 8

Effective Devolution of Transport Functions to Municipalities: Towards an Optimal Transport System

8.1 Introduction

The chapter investigates options for improving public transport service delivery through devolving public transport functions from provincial governments to municipalities. An effective public transport system is defined as one that minimises its generalised costs and is supportive of inclusive growth.[18] The key questions addressed in this chapter are:

- Which transport functions are appropriate for devolution to municipalities?
- Under what conditions is devolution appropriate?
- What are the risks associated with devolution, and how should these risks be managed?
- What process should be followed for effective devolution?
- What are the resource implications for devolution to be effective?
- How effective are the recent interventions provided for in the National Land Transport Act to address the historical shortcomings of poor intergovernmental relations on shared transport competencies?

The investigation is carried out in two phases. The first phase (reported in the current chapter) is aimed at profiling a broad set of principles that should inform the devolution process. The second phase, which commences in May 2013, uses additional data and information collected from various primary and secondary sources to provide recommendations on how devolution should be carried out.

8.2 Typology of Transport Functions

Transport is a multi-disciplinary function, and seven distinct functional areas are identifiable:

1. Planning. This includes policy formulation, subsequent development of transport plans in line with policy, and overall monitoring of the system to allow for the refinement of plans.
2. Implementation. This involves the implementation of transport plans, including day-to-day traffic management functions provided for in the plans.
3. Liaison. This entails various forms of stakeholder engagements.
4. Regulation. This requires the formulation of rules that govern the operational responsibilities of different actors in the system. Regulation can take various forms, including economic, safety, and environmental rules.
5. Law enforcement. This entails operations aimed at ensuring the different actors comply with regulations.
6. Service provision. This involves the actual provision of passenger and freight transport services.
7. Funding. This covers the generation, administration and expenditure of money to support the transport system.

Section 11(iv) of the National Land Transport Act (2009) empowers Government to assign these functions to the most appropriate sphere of government. Furthermore, one or more adjacent municipalities may jointly undertake a function or even establish a joint entity for the purpose of fulfilling the function.

In the current transport governance framework, municipalities are responsible for compiling integrated transport plans for their areas of jurisdiction. However, they often do not have the authority to implement the plans fully because the powers are fragmented across different spheres of government – for example, decisions on public transport service supply levels and network-based subsidy rationing rest with provinces. A common problem is when provinces decide on public transport operating licenses without considering the integrated transport plans prepared by municipalities. The Passenger Rail Agency of South Africa (PRASA) has also been known to make plans that are not necessarily informed by the municipal integrated transport plans. The transport coordinating structures, which are provided for in the National Land Transport Act, have not been formally established in terms of the integrated transport plans (which are in many cases out-dated) and therefore are not properly budgeted for. In light of the implementation of the capital-intensive National Public Transport Strategy, recent attempts have been made to revive these structures, especially cities with urban passenger rail services. However, the success of these structures, notably intermodal planning committees, remains to be seen.

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[18] Generalised costs refer to all costs, which are inclusive of time, out-of-pocket expenses, convenience, etc.

8.3 Implications of Transport Funding Gaps on the Fulfilment of Transport Functions

Despite an on-going initiative to coordinate transport functions across the three spheres of government, the transport system is increasingly not achieving what is envisaged. For example, the White Paper on National Transport Policy (DoT, 1996) envisages a modal split of 80:20 in favour of public transport, yet car ownership is on the rise (based on the number of vehicles registered relative to population size). Furthermore, despite increased public expenditure (of R8 billion per annum), private and non-subsidised public transport services still outperform bus and train services. In addition, despite changes in settlement patterns, subsidised public transport service networks have remained virtually the same.

The key failure of the current governance arrangement is the inability to manage the transport service as a network. One of the key symptoms of this failure is that many of the modes of transport compete against each other, as opposed to being complementary, resulting in increased end-user costs. A practical application of network management would include designing all public transport contracts in line with the mobility needs of the municipality, and managing the service providers in terms of these contracts. In addition to the lack of integrated planning and service delivery, capital investment in transport has been declining, particularly from 1996 to early 2000s as reflected in Figure 18.

Figure 18: National Transport Capital Investment Trends
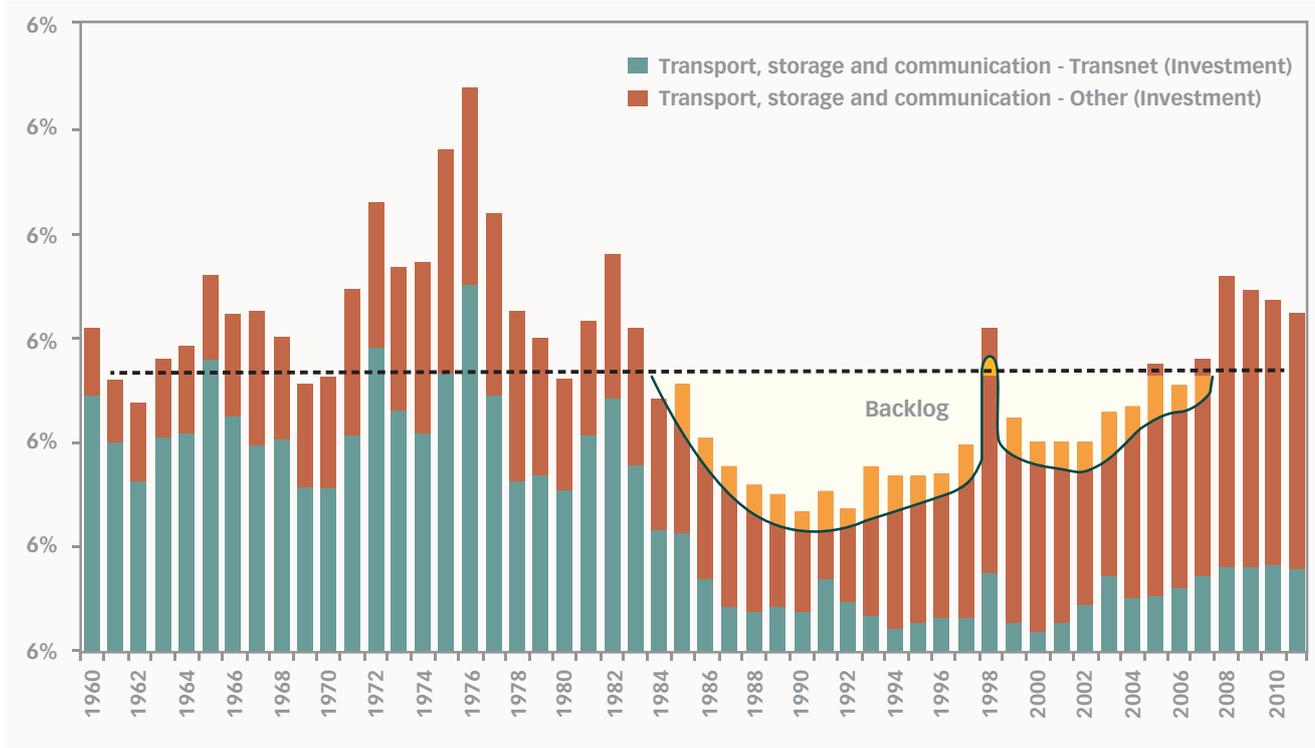
Source: DoT (2012)

The result of this under-investment is aging and unreliable rolling stock for both passenger and freight transport infrastructure. Even when made, capital investments are not necessarily guided by integrated transport plans as envisaged in the National Land Transport Act, mainly because capital expenditure is made in terms of infrastructure ownership. For example, the investments made by the national agencies within municipalities are not necessarily informed by the municipal integrated transport plans. Theoretically, devolving functions to municipalities should allow transport to be customised and made compatible with the rest of the built environment managed by municipalities.

8.4 Motivation for the Devolution of Transport Functions

To be successful, devolution must be carefully planned and executed. If the devolution process is not systematically managed, there is a strong possibility that unfunded mandates will be created, resulting in reduced capacity to deliver. Research shows that most municipalities lack critical technical skills to undertake assigned functions (Lawless, 2007). Therefore, devolution should be undertaken after a thorough skills audit for the functions being devolved. Skills are one of the many items that will be reviewed in terms of the checklist created by the Commission for assessing function shifts (FFC, 2007).

International benchmarks show that transport functions can be devolved in various ways, implying that South Africa needs a model that will address the country's particular circumstances. The eThekwini Transport Authority is an attempt to devolve functions to municipalities but has not yet managed to take full control of the transport network. It is currently functioning as an ordinary department of the city rather than an authority, as it does not appear to be able to make independent decisions and be made accountable through a performance contract with the Minister of Transport (Futsane and Wosiyana, 2005; Cameron, 2005). Also, while the eThekwini Transport Authority currently operates on discretionary funds, there is a great reluctance to devolve rail functions, despite having city-specific regional bodies that manage rail services.

8.5 Critical Success Factors for Devolution

Based on a review of trends in South Africa and international case studies, the following conditions seem necessary for the effective devolution of transport functions:

- **Devolution appears to be more effective when all related functions are consolidated.** The consolidation of related functions reduces service delivery turnaround times and potential process inefficiencies. In the case of public transport in South Africa, at provincial level frequent backlogs in operating licence approval affect municipalities, which are directly accountable for implementing integrated transport plans.

- **Devolution becomes even more effective when undertaken within the context of a well-resourced municipal entity with political accountability.** The case of the eThekwini Transport Authority illustrates that fulfilling additional mandates necessary for improved transport service delivery is difficult without sustainable funding. Without adequate funding, devolution will result in an unfunded mandate. In Russia, transport functions were devolved to municipalities without consistent funding, which resulted in significant municipal deficits and increased infra-structure backlogs.

- **Lines of responsibility and authority must be clear.** The authority of the entity taking over the function must be unequivocally defined. The ineffectiveness of the eThekwini Transport Authority can be partly attributed to having responsibility for functions over which it has no authority. Where possible, responsibility needs to be tied to authority.

- **Municipalities must have authority over the network.** Without full control of the network, achieving network integration becomes difficult and even impossible. In the case of South Africa, the issuing of operating licences is a provincial function, while the design of the network is supposed to be a municipal responsibility. This makes achieving the intentions of network designs difficult, resulting in gross oversupply and undersupply of services in the network.

- **Conflicts of interest should be eliminated.** Any conflict of interest over the devolved functions eradicates trust, especially for tendered public transport contracts. For example, issues of conflict arise when a municipality is operating a bus service and also wants to adjudicate licence applications.

The second phase of the study, which will commence in May 2013, will use various primary and secondary data sources to explore these critical success factors in more detail.

8.6 Recommendations

With respect to the **devolution of public transport function**, the Commission recommends that:

- The national Department of Transport (DoT) selects the eThekwini and Cape Town metropolitan municipalities to pilot the devolution of transport functions in the form recommended by the investigation. The DoT should reach the necessary agreements with all the concerned stakeholders to provide sufficient support and required resources to allow for the pilots to be successfully implemented.

- The baseline funding for transport functions is thoroughly understood by the recipient municipalities, beginning with eThekwini and Cape Town metropolitan municipalities.