

Business Day

PUBLIC TRANSPORT BACKLOGS

Cash boost for cities on the move will drive public transport

Inadequate public transport infrastructure is holding back economic growth in major cities

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A lack of funds is seriously affecting the capacity of cities to carry out the much needed expansion and improvement of their public transport networks.

A study by the Financial and Fiscal Commission found that generating other revenue could help cities cover the shortfall preventing the effective roll-out of public transport services.

Inadequate public transport infrastructure is holding back economic growth in major cities. Research shows that transport backlogs cost SA between 4% and 5% in GDP annually. It makes transport inordinately expensive for poorer families — more than 60% of households earning less than R500 a month spend more than 20% of household income on public transport.

The 4% of own revenue that cities are required to set aside for an integrated transport network is not enough to tackle the backlogs, let alone expand the urban network.

Transport policy dictates that every municipality establishing an integrated public transport network must set up a Land Transport Fund. It also identifies income sources into which municipalities could tap. But many cities are not exploring alternative funding sources.

Among the most promising funding sources are a fuel levy, congestion charging and parking levies.

Using these sources is in line with policy objectives, which encourage a modal shift to public transport and the decongestion of urban roads.

The national government collects R63bn a year through the fuel levy. Coastal towns may consider introducing a fuel surcharge that could equalise the difference in fuel price between them and inland cities.

The economic cost of a small increase in the fuel price could largely be offset by the economic benefits arising from investment in public transport.

The Constitution allows the provincial and local spheres of government to impose a fuel levy surcharge, subject to national government approval and the promulgation of enabling legislation.

A fuel levy surcharge could generate significant additional revenue for public transport.

In large metros, estimates range from R400m to R1bn a year, depending on the size of the levy. This would be a predictable stream of revenue.

If one municipality imposes a surcharge, and others do not, there is a risk that motorists may fill up with fuel outside the municipality and do their shopping there too.

Another strategy to generate income is congestion charging, generally used to manage transport demand by charging road users who access busy commercial nodes in cities.

Congestion charges alert road users to the negative externalities of vehicle use, reduce emissions, cut down travel times for all road users and generate revenues through increased public transport use.

A study of such schemes in London, Stockholm and Singapore shows that collection costs are likely to consume half of the revenue generated.

A study by the Department of Transport concluded that R700m in revenue could be generated by imposing a congestion charge for the Cape Town central business district.

No cities in SA have tried to implement a congestion charge. Key challenges include public resistance and the cost of establishing the systems.

To achieve the same objectives at a lower cost, municipalities could charge a fixed levy on each private parking bay in certain parts of town. These levies would be charged to the municipal bills of the property owner.

It is estimated that R50m a year could be generated from parking levies in the central business districts of large metros. About R170m could be made across the municipality.

Even with these alternative sources of income, operational fiscal deficits in cities would still remain. A multifaceted solution is required to achieve an urban transport system that serves all residents. This can succeed only if both municipal and national governments have the political and financial will to invest more in public transport.

• *Dawood is the manager of provincial budget analysis at the Financial and Fiscal Commission*

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