

# Funding crisis for commuter bus companies

The commuter bus industry says it is facing a funding crisis as government subsidies are not keeping pace with increases in its costs, which these companies are forced to pass on to consumers.



For about ten years there has been a moratorium on the extension of new, subsidised bus routes but companies are still under pressure to expand services despite the lack of state support.

Bus services in Gauteng have, in some instances, been extended to protect buses and bus drivers from violence and vandalism by angry commuters stranded without access to public transport.

Putco said on Wednesday (30 January) it was increasing fares for its Mamelodi service by 15% from February. The company transports about 18,000 people a day in Mamelodi and 360,000 nationally.

It said the large increase was needed to cover the cost of providing unsubsidised services into new areas of Mamelodi as the community had grown.

Putco marketing director Romeo More said the company had 12 routes that did not receive any subsidies for the new areas in the township outside Pretoria. The company had told the Gauteng government it may terminate these routes because of the financial burden placed on it.

"Putco had been losing money on these new routes for four years," More said.

"It is a sacrifice on our part, but it has come to a point where we can't sustain it anymore and it is affecting the profitability of all the operations," he added.

The Gauteng provincial government appealed to Putco to drop plans to end unsubsidised services and promised to find a funding solution for the company.

Putco's managing director Franco Pisapia said the increases in Mamelodi could be the beginning of fare hikes for other areas including Soshanguve and Soweto.

"Bus fares in other areas in Gauteng may have to be increased unless these routes are subsidised," he said.

Putco's next round of fare increases is scheduled for April and June.

South African Bus Owners Association executive director Eric Cornelius said the lack of certainty about the length of the contracts meant bus companies were unable to invest in fleets with any confidence.

Part of the delay in the renewal or issue of new, long-term contracts was a lack of planning for integrated public transport systems in metropolitan areas.

Cornelius said last year the National Treasury increased the bus subsidy for Gauteng by just 3.05% while the industry needed an escalation in fees of at least 9.8%.

Putco said that between 2009 and last year, fuel prices increased 73%, labour costs rose 44% and maintenance costs climbed 33%.

"The main problem is funding. The funding from National Treasury is not sufficient and the Department of Transport is battling to get funding from Treasury. Many operators may have to cut services - which may be marginal, unsubsidised or off-peak services - so they can remain in business," More said.

Source: *Business Day* via I-Net Bridge

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