

ALLIANCE OWNERS OF PUBLIC TRANSPORT  
c/o Mr. Roy Raphael, Eden Lodge, St. Michael

ASSOCIATION OF PUBLIC TRANSPORT OPERATORS  
Lee's Corporate Centre, Turner's Hall, St. Andrew

JOINT CORRESPONDENCE

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The Honorable Christopher Sinckler  
Minister of Finance & Economic Affairs  
Government Headquarters  
Bay Street  
St Michael

A CALL FOR AN INCREASE IN THE FARE CHARGED TO PASSENGERS BY THE PSV INDUSTRY  
AND FOR DUTY FREE CONCESSIONS ON REPLACEMENT VEHICLES

Permits for privately owned vehicles to operate as public service vehicles (PSV's) were first issued in the 1980's to supplement the service provided by the state owned Barbados Transport board in providing public transport. The privately owned transport industry has grown over the years from a position where as a fledgling industry, its contribution was minor relative to that of the Transport Board to a position where it now consists in excess of six hundred minibuses and route taxis providing daily service to an estimated 70% of commuters using public transportation. This clearly represents a major contribution to the function of the Barbados economy by transporting a major part of its workforce to and from their jobs and also to the mobility of the people going about their social activities. In comparison, the Transport Board in recent times has been able to put on average only one hundred and twenty-five buses on the road daily.

Fares charged to commuters for this service have always been set by Government to match those charged by the state owned Transport Board. A fare of \$1.50 was set in 1991 and this remained in force for twenty-one years until January 2012 when it was increased to \$2.00, where it currently stands. The cost of vehicles and the cost of maintenance thereof have increased out of all recognition in the twenty-five years since 1991, resulting in a major erosion of the profitability of the sector and its ability to continue its role in the local economy and society effectively. In the 1980's a Hino Bus cost \$80 000.00. The equivalent sized vehicle, manufactured locally at the same factory now costs \$244,000.00. A Toyota Hiace in the 1990's cost less than \$70,000.00. The same make fourteen seat vehicle is now quoted by the dealer at \$136,000.00. The increase in Value Added Tax from 15% to 17 ½ % has also contributed

considerably to the industry's operating cost as being non registrants, owners are unable to reclaim VAT. The fifty cent increase granted in 2012 did little to offset the continuing rise in the cost of operating, including the demands for wage increases of staff. The stagnation of income and steadily escalating operating costs have resulted in a situation where the viability of the industry is being severely threatened and workers in the industry being unable to earn an income which bears any reasonable relationship to the increased cost of living over the twenty-five-year period. The so-called "ZR culture" has been an unfortunate fallout of this situation as operators, in their struggle to earn a basic living, continue to behave irresponsibly on the road and flout traffic regulations. Given that the workers' wages are determined by the industry's current fare structure, they have little hope of improvement of their income. A worker who has not had a reasonable wage increase in twenty-five years and who has to work a fifteen-hour day on average to maintain a basic level of income is a disgruntled worker and one who is not motivated to be a model citizen.

The state owned Transport Board has operated at substantial losses over the past forty years and Government has continued to subsidize it to minimize the cost of transportation to that section of the society it deems most vulnerable, the working class, at considerable cost to the tax payer rather than increase bus fares. In 1980, the Government subsidy to the Transport Board was about \$5million per year. Over the years, the subsidy has risen to approximately \$55million per year, a sure indicator of increasing operating costs. Minister, earlier this year, you placed the actual cost to the Board for providing transport services at \$6.00 per passenger. While the private sector is not burdened with infrastructure and staffing costs to the same extent as the Transport Board, it can readily be seen that a fare of \$2.00 falls far short of the minimum required to offset the cost of providing the service. The private owner is therefore severely restricted in the level of service he can offer to the travelling public, in being able to pay a reasonable wage to its workers and in making a reasonable profit to ensure continuity.

An examination of the PSV's in the industry will show a fleet of mostly old and outdated vehicles. The great majority of the minibuses are locally manufactured Hinos, which went out of production in the 1980's. The vehicle which forms the backbone of the route taxi stock is the high top Toyota Hiace, which went out of production in 2002. The advanced age and heavy work load of these vehicles, used solely to provide public transportation services, results in extremely high maintenance costs to ensure road worthiness and to meet the exacting standards set by the Ministry of Transport and Works to qualify for the annual renewal of permits. The travelling public deserves better than to be transported in vehicles which for the most part are fifteen, twenty, twenty-five or in many cases over thirty years old. The fact of this situation is in itself evidence that the industry as a whole has not been in a financial position to replace aging vehicles as they depreciated as would normally be expected.

The major contributing factor to this unsatisfactory situation is identified as inadequate income to meet basic operating needs, allow for the replacement of fully depreciated vehicles and provide for a reasonable profit for the private owner over a period spanning twenty-five years. The sector is therefore recommending an increase of \$1.00 to take the bus fare to \$3.00. The Public Service Vehicle operator is the only entrepreneur in our free enterprise economic system

who has had his income base legally restricted, while his operating expenses have been subject to everyday inflationary pressures over a twenty-five-year period without meaningful review, in addition to having to compete on a daily basis with the state subsidized Transport Board for passengers. In reality, the private owner is being forced to subsidize public transportation out of his own pocket. Measures need to be taken to correct this inequity.

The privately owned PSV sector has proven itself to be a valuable and in fact indispensable part of the Barbados economy and it is becoming more important as the state owned Transport Board is finding greater and greater difficulty in providing an acceptable level of service to the public through a limitation of the availability of Government funding. To promote the national welfare and economy from a public transportation perspective, the private sector owned part of the industry should be placed in a position where it can efficiently supplement the service provided by the Transport Board, and in some cases substitute, as there are some areas where the Board does not operate.

The sector is therefore calling on Government to allow it to replace its vehicles once in every five years on a duty free basis. Other sectors in the transport industry, notably holders of taxi (Z), ZM, BT and HL permits are afforded this concession. The few later model Toyota Hiaces seen recently on the routes have mostly been acquired from taxi operators who are enjoying this privilege and are changing vehicles. The privately owned Public Service Vehicle sector is at least as important in its contribution to the Barbados economy and society and this accommodation is therefore merited. The duty free concession will also go some way in offsetting the damage being done to the sector by having to operate at a fare which, even at the recommended increased level, still remains well below the acknowledged level required to offset the cost of providing the service.

In addition, we are calling for parity with the state owned Transport Board in the payment of license fees; the Transport Board pays \$800.00 for the thirty-four seat PSV whereas the private sector is made to pay \$3,000.00.

The Government is urged to take a realistic view of this crucial sector of the Barbados economy and act on these recommendations as present conditions are unsustainable and are in fact worsening. The industry is facing considerable difficulty as detailed above. Severe competition among the members due to increasing numbers of permits being issued on certain routes is further exacerbating the problem. The Transport Authority has been written in this regard by one group of members.

Sincerely

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Roy Raphael  
Chairman, AOPT

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Morris Lee  
Interim Chairman, APTO