Transforming Transit in South Africa

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Context

- The taxi industry in SA continues to grow despite a tough economy;
- In 2019 it was (conservatively) worth R50bn (ca. USD3bn) a year, with 69% of South African households using minibus taxis (vs 59% 15 years ago);
- Representing over 80% of all public transport trips to work, schools & universities in SA, responsible for 15m daily commuter trips;
- By comparison: buses 1million trips, trains 800k, & BRT 120k
- MBTs travel at least 19bn kms/ year;
- There are at least 250,000 minibus taxis currently operating in SA
What are the core issues?

<table>
<thead>
<tr>
<th>Poor quality services for passengers</th>
<th>Poor working conditions for drivers</th>
<th>Authorities have limited control</th>
<th>Societal impacts are severe</th>
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</thead>
<tbody>
<tr>
<td>• High fares</td>
<td>• Extremely long working hours</td>
<td>• High rates of industry violence</td>
<td>• Constant threat of violence</td>
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<td>• Long waiting times, especially at off-peak</td>
<td>• Dangerous, violent conditions</td>
<td>• Limited ability to plan effectively</td>
<td>• High costs of mobility</td>
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<td>• Overcrowding during peak</td>
<td>• Poor job security</td>
<td>• Integration is a major challenge</td>
<td>• Severe road safety issues</td>
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<td>• Uncoordinated services - multiple transfers</td>
<td>• Limited bargaining power</td>
<td>• Regulation &amp; admin is cumbersome and expensive</td>
<td>• High levels of congestion</td>
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<td>• Unsafe, uncomfortable vehicles</td>
<td>• Uncertain, volatile earnings</td>
<td></td>
<td>• High environmental costs</td>
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<td>• Poor quality boarding facilities – taxi ranks</td>
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Supporting the industry to eliminate these inefficiencies is an opportunity to introduce reforms and effect change.

Transforming Transit SA – #TTSA
Rationale for TTSA

**Business model**
Drivers manage revenues & control major ops costs (e.g. fuel)
- Underpins the daily target system that motivates for fill & go
- Incentivizes speeding and dangerous driving

An individualized & high fragmented industry
- Enforces destructive competition within associations
- Drives the risk profile of the industry and inflates the cost of capital
- High cost of capital extends reinvestment period and limits vehicle options
- Negates leveraging any economies of scale
- Impedes coordinated investment
- Limits access to the broader value chain

**Inefficiencies**

**Oversupply & unsuitable size of vehicles**
In some instances, up to half the fleet on a corridor can be removed through optimizing operations while meeting demand.
Deploying a fleet of 16-seater buses on very long route lengths (sometimes as much as 50km one way) drives a high fleet requirement and high operating costs.

**High levels of dead (unproductive) mileage.**
Drivers taking vehicles home, driving around looking for passengers with no consideration of the cost of operation.

**Individualized small businesses cannot leverage scale to lower input costs.**
Bargaining power on fuel and consumables, financing and insurance is not exploited.
Reforms must be built on transforming the current business model.

Business improvement is the starting point to enable real empowerment and create a platform for innovation and entrepreneurship.

An empowered taxi industry can be a driver of job creation and community upliftment and a thriving township economy.
Core argument

The efficiency gains from business improvements can be shared such that:

Drivers get better working conditions
Users get better, safer services
Owners earn better returns

Stronger, more organised transport businesses offer a platform for innovation and business expansion within and outside the transport sector

Greater co-operation amongst operators makes it possible to deliver much greater efficiency in matching supply to demand
Business improvement approach

Analyze existing business
- Collect detailed information on business fundamentals
- Model current operation and business processes

Develop new business plans
- Optimized operations plan
- New business plan and financial model
- Startup support and capacity building

Test improvements
- Support the association to pilot new operations and business model
- Make required adjustments and identify investments to support further

Three scenarios to be explored:
2. Limited investment – also includes fleet renewal and diversification.
3. Full investment – also includes facilities such as depots and ranks.

A limited duration trial to demonstrate proof of concept to association leadership, owners and drivers.
Identify needs for investment to support full transition to formality.

The business analysis provides key insights for owners / executive and the bank team on how their business works and what the potential for improvement is.
These insights are often of extreme interest for owners and the executive.
Operations improvements pilot

- Focus on specific corridor in association network
- Roll out improvements in stages.
  - Scheduled services
  - Centralized fleet, driver and ops management
  - Centralized “pooled” revenue management
  - Cashless payment systems
  - Training and capacity building
- The aim is to:
  - Demonstrate commercial viability of the new entity and bankability of downstream investments
    - Proof of Concept
      - Iron out operational issues before wider implementation
      - Identify need for additional technical and/or financial support
## Expected outcomes & Next Steps

### Improved service
- A predictable public transport service at the same price
- No more waiting for the taxi to fill up
- A safer, more secure, more comfortable service
- Better run, better organized ranks
- A wider selection of routes

### Empowerment
- Member's build wealth by owning an equity stake in a well-run, profitable business.
- Shares can be used as security and collateral, expanding access to the financial market for owners.
- Opportunities for growth and development.

### Security
- Predictable income for owners through regular disbursement of profits.
- Employment security for drivers - employment contracts in line with BCOE for drivers
- Better working conditions for drivers and support staff.

### Growth & Innovation
- The business can build its service offering and support the growth of related SMME's (mechanics / vendors) through partnerships
- Open the space for innovation – huge potential digital and mobile technologies such as fare collection / fleet management / CRM

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**Pilot Launch May 2023**

**Stakeholder Road shows**

**Knowledge Exchange**

**Review Results & Rollout**
Thank you!