



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?

Poor quality services for passengers

- High fares
- Long waiting times, especially at off-peak
- Overcrowding during peak
- Uncoordinated services - multiple transfers
- Unsafe, uncomfortable vehicles
- Poor quality boarding facilities – taxi ranks

Poor working conditions for drivers

- Extremely long working hours
- Dangerous, violent conditions
- Poor job security
- Limited bargaining power
- Uncertain, volatile earnings

Authorities have limited control

- High rates of industry violence
- Limited ability to plan effectively
- Integration is a major challenge
- Regulation & admin is cumbersome and expensive

Societal impacts are severe

- Constant threat of violence
- High costs of mobility
- Severe road safety issues
- High levels of congestion
- High environmental costs

*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 busses 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.

Project thesis



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

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..



Develop new business plans

Optimized operations plan

New business plan and financial model

Startup support and capacity building

Three scenarios to be explored:

1. Zero investment – purely operational improvements.
2. Limited investment – also includes fleet renewal and diversification.
3. Full investment – also includes facilities such as depots and ranks.



Test improvements

Support the association to pilot new operations and business model

Make required adjustments and identify investments to support further.

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.

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

**Pilot Launch
May 2023**

**Stakeholder
Road shows**

**Knowledge
Exchange**

**Review Results
& Rollout**

D^YBSA

Thank you!