



# Transforming Transit in South Africa

MS. NANGAMSO MATEBESE Development Bank of Southern Africa TT23, Washington DC, March 2023

### 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.

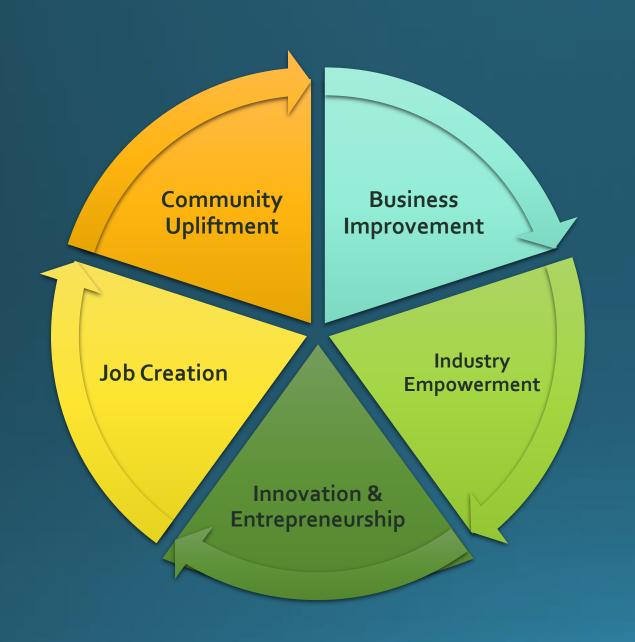
Deploying a fleet of 16-seater busses on very long route lengths (sometimes as much as 50km one way) drives a high fleet requirement and high operating costs.

## 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.



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
    <u>Proof of Concept</u>
    - 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

Pilot Launch May 2023

#### Empowerme nt

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

Stakeholder Road shows  Predictable income for owners through regular disbursement of profits.

Security

- Employment security for drivers employment contracts in line with BCOE for drivers
- Better working conditions for drivers and support staff.

Knowledge Exchange

## 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

Review Results & Rollout



## Thank you!