Challenges facing small bus operators in participating in the formal public transport system

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Government initiatives to stimulate small business development

• White Paper developed (1995) followed by legislation to promote small business
• Numerous institutions established to implement strategy, assist in financing small businesses
• Newly created Department of Small Business Development (2014)
• The Department of Transport has placed small business development high on its agenda – included in strategy documents and also enacted in the National Land Transport Act of 2009
  • Four model tender documents also include a focus on small businesses
• Broad-based Black Economic Empowerment (B-BBEE) legislation also focus on small business development
The reality of small business development

• Limited progress as far as Small Bus Operators (SBOs) are concerned
• Mainly involved in scholar transport operations involving 1-5 buses – many of these contacts are not financially viable
• Lack of skills and appropriate buses to participate in the PT contracting system
  • Buses are generally old and not well maintained
• Difficulty in obtaining finance for their bus acquisitions/replacements
Survey undertaken amongst SBOs

• To determine the obstacles that SBOs face in participating in more formal and contracted bus services
• Telephone interviews conducted during March/April 2015
• 263 respondents out of a potential estimated number of 1255 operators
Survey results

The majority of respondents rendered their services mostly on contract (87.5%) with the typical SBO having 1.7 contracts.

22% of SBOs surveyed had sub-contracts with larger bus operators.

Mean Annual Turnover: R 2 572 139 (US$ +/- 197 856)
Mean Employment: 9.99 people
Mean Number of buses: 6.55
Mean bus age: 14.75 years
Types of bus services operated

- Others
- Contracts/agreements with parents to transport...
- Scholar Services
- Tourism services
- Private hires (funerals etc.)
- Cross-border operations
- Long distance inter-provincial operations

[Bar chart showing the percentages of yes and no for each type of bus service operated.]
Types of bus services operated

Form of contracts operated by SBOs

- Other contracts
- Contract with school/s for excursions e.g. sports events, cultural excursions etc.
- Contract with a private company to transport its employees
- Contract with an Education Department/Department of Transport (scholar services)
- Sub-contract with a larger bus operator (public transport operator)
Challenges faced by SBOs

Importance of challenges facing SBOs

- Lack of on-time payments for services rendered
- Larger operators don’t want to share their business...
- Lack of assistance from larger operators
- Lack of assistance from government to support me
- Taxi operator intimidation/threats
- Demanding B-BBEE requirements for small business
- Complex Governmental reporting requirements for...
- Complex Governmental legal requirements for small...
- Difficult to grow the business
- School bus tender requirements are complicated
- Lack of financially sustainable school bus contracts
- Difficulty in replacing old buses
- A shortage of skills to properly manage the business
- Complexity of government commuter transport...
- Unavailability of government commuter transport...
- Difficulty in attracting funding for the business

0% 20% 40% 60% 80% 100%

No impact  Limited Impact  Moderate Impact  Major Impact
Externalities impacting on Small Bus Operators

Importance of externalities impacting on SBOs

- Government initiatives to develop small businesses
- Training opportunities for small businesses
- Government support for small businesses
- The lack of public transport contracts
- The cost of finance
- Inflation [CPI]
- High unemployment
- Fluctuating exchange rates
- Financial criteria to obtain loans
- HIV/AIDS affects my business
- Government legislative requirements are...
- High levels of crime

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

- No impact
- Limited Impact
- Moderate Impact
- Major Impact
Financial characteristics of Small Bus Operators

I am a member of a trade association
I would like to grow my business
Due to the age of my buses I can't market my business
My business is making a financial loss
My business is profitable
I have been able to raise funds from a bank to fund bus replacements/ additions
I have been able to borrow money from a bus manufacturer for bus...
I am listed at the Credit Bureau for bad debts
I have a good credit record with the banks
I have a business account with a financial institution e.g. a bank
I have a budget for the business
I have monthly financial statements for my business
I have audited financial statements for the last three years of my business
I have audited financial statements for the last financial year
I have annual accounting records/financial statements
I am registered with the South African Revenue Services (SARS)
I have a qualified bookkeeper to keep financial records

0% 20% 40% 60% 80% 100%

Yes  No  Not applicable
Future business views of Small Bus Operators

Future business views

- I would prefer to operate on my own and not in collaboration with other operators
- I would like to participate in a partnership / continue to participate with other operators to obtain a bus...
- I would like to participate / continue to participate in a bus consortium to obtain a bus contract
- I would like to enter into / continue with formal bus commuter contracts with government
- I would like to participate / continue to participate in BRT services

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Yes No
Small Bus Operator Training needs

Training needs

Other training needs
I would prefer to be trained in my mother tongue...
I would not mind to be trained in English
I need financial assistance for training programmes
How to do bus and crew scheduling
How to form collaborative partnerships
Applying for and completing government tenders
General business management training (how to...)
Financial training (bookkeeping)
Technical training (bus maintenance)
Driver training

Yes  No  Not applicable
Discussion of the survey results

- Despite a significant government support structure for SBOs the operators experience a lack of support. Issues with complexities of contracts, reporting requirements, access to finance, and old bus fleets.
- On-time payment for services
- Complex legislative requirements
- Larger operators don’t want to share their businesses and a general lack of assistance from such operators
- Majority of SBOs surveyed had financial statements and have been able to borrow money but they find it difficult to attract funding
- There is a major need for training
- Most SBOs want to participate in formal commuter bus contracts and are prepared to do so via partnerships and consortia’s with other operators.
Implications for government

General

- **Complex governmental reporting requirements for small business** is seen as having a major impact on these businesses. Government ought to review these requirements for SBOs.

- **Complex governmental legal requirements** are having a major impact on small businesses. This also relates to B-BBEE requirements. Ways need to be explored on how to simplify these requirements for SBOs.

- **A more accurate data base ought to be maintained by the DoT**. This will facilitate communication with SBOs and will facilitate research into this part of the public transport sector.
Implications for government

**Contracting**

- **Creating “space” for SBOs in the design of contracts.** This could be in the form of set-asides.
- **Actively encourage the formation of consortia's or partnerships,** either amongst the SBOs and/or between SBOs and established bus companies.
  - In order to encourage larger operators to participate there could be an incentive to larger operators to encourage this development.
- **Simplify the contracts that SBOs have to deal with when tendering for services** – especially regarding school bus tender requirements where many are operating services.

**Financial assistance**

- **More actively market the governmental financial schemes** to assist SBOs in acquiring buses.
- **Investigate the financial viability of especially school bus contracts and the impact on service delivery.**
Implications for government

Operations

• Lack of on-time payments for services need to be addressed as this appears to be an ongoing issue for SBOs.

• Taxi intimidation/threats were highlighted by a significant number of SBOs. This reflects on the efficacy of law enforcement. It has a direct influence on the viability of SBOs and is also a reflection on government not properly enforcing existing road transport legislation.

Training

• Develop, implement and monitor training programmes for SBOs. This can be facilitated through the Transport Sector Education and Training Authority (TETA).

• Provide training on tendering and contracting documents to better equip SBOs to understand the requirements, risks and potential benefits of such contracts.
Conclusions

• Small businesses in SA appear to suffer from the same issues
• Authorities are not adequately addressing these issues
• Contracts have to be simplified
• Contracts should enable SBOs to obtain financing (they should be viable)
• Larger bus companies should be incentivised to partner with SBOs
• Consortia’s and Joint Ventures should be encouraged
Thank You