

EMPOWERMENT OF SMALL BUS OPERATORS LIMPOPO PROVINCE

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EMPOWERMENT OF SMALL BUS OPERATORS

- **Madodi Bus Company**
- **Kopano Bus Service**
- **Mathole Bus Service**
- **Risaba Bus Service**

EMPOWERMENT OF SMALL BUS OPERATORS

THE STATUS QUO IN 2005

- No designs were in place (timetable, route measurements or route descriptions).
- Subsidy per bus was very low.
- Operators were subcontractors, the subsidy claim was compiled by the main operator.
- Operators were not paid timeously.
- No proper revenue collection systems were in place.
- The maintenance of the bus and providing the driver was the responsibility of the owner. In the majority of the cases it was the same person.
- There were no systems in place whatsoever for finance, operations, technical or human resources.

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BACKGROUND

MADODI BUS COMPANY

Madodi Bus Company (Pty) Ltd was established in 1999 when the services of Bahwaduba Bus Service deteriorated to the extent that routes were no longer serviced and passengers were left stranded. The routes to the northwest of Polokwane were taken over by Madodi Bus Company and operated on a subcontract basis. These routes were operated by 11 individual small bus operators under an umbrella body called New Bus Company.

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KOPANO BUS SERVICE: INTERNAL SERVICE

Kopano Bus Service was established in 2001 when Great North Transport applied for negotiated contracts and had to find means to operate sufficient buses to comply with legislation. The Lebowakgomo Internal routes were then given to the small bus operators to be operated and those buses transferred to the GNT operations. These routes were operated by 10 individual small bus operators

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KOPANO BUS SERVICE: LEBOWAKGOMO TO POLOKWANE

In terms of the approved business plan of GNT to enter into negotiated contracts, they had to cede 10% of their routes to empower small bus operators. The Lebowakgomo to Polokwane routes were ceded to Kopano Bus Service as they were operating the internal service. It involved the transfer of 11 buses.

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MATHOLE BUS SERVICE

The routes in the Kgapanne area to Modjadji'skloof and Tzaneen were ceded to Mathole Bus Service for the same reasons as the routes to Kopano. It was to find sufficient buses to comply with legislation. Mathole Bus Service started with 11 buses operating these services in 2001.

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RISABA BUS SERVICE

Risaba Bus Service is a family owned business that was established in 1955. In 2005 the business was on the verge of collapse due to:

- The low subsidies paid to bus operators in the former Lebowa homeland.
- Wrong choices made with regards to new buses purchased.

In 2005 only six of the eleven subsidized buses were operational.

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CHALLENGES THAT FACED THESE SMALL BUS OPERATORS:

- Economy of scale: Affordability of key qualified employees, infrastructure etc.
- Finance: From financial institutions.
- Expertise: Drawing up of business plans, obtaining finance, timeous bookkeeping, implementation, maintenance and policing of electronic revenue collection systems, good labour relations and effective maintenance of buses.
- Insufficient subsidies: To render quality services.

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CHALLENGES THAT FACED THESE SMALL BUS OPERATORS:

Economy of scale: Affordability of key qualified employees.

Who are these key qualified employees?

- **Bookkeeper to give timeous monthly management accounts, facilitate audited financial statements, to oversee that revenue collected is reflected correctly and banked. Ensure that policies and procedures are followed regarding incurring of expenses.**
- **Operations Manager to ensure that buses operate according to the approved timetable, that the electronic revenue collection system is well set up, maintained to be 100% operational, cash, weekly and monthly tickets are sold and recorded correctly and reflected in the subsidy claim, inspectors are effective and productive.**
- **Human Resources Manager ensuring adherence to the Labour Relations Act, SARPBAC Agreements and human resources administration.**
- **Technical Manager to ensure buses are maintained, legal requirements met, adhere to tendered or negotiated contract requirements, order fuel etc.**

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CHALLENGES THAT FACED THESE SMALL BUS OPERATORS:

Finance: From Financial Institutions

REQUIREMENTS BY FINANCIAL INSTITUTIONS FOR THE GRANTING OF FINANCE:

- THAT MANAGEMENT MUST HAVE SUFFICIENT KNOWLEDGE AND EXPERTISE OF THE BUS INDUSTRY.
- A SUSTAINABLE CONTRACT OVER THE PERIOD FOR WHICH FINANCE WAS GRANTED.
- THE APPLICATION OF THE ASSETS TO BE FINANCED AND THE MAINTENANCE THERE-OFF.
- THE SECURITIES THAT WILL BE OFFERED BY THE OWNERS (SHAREHOLDERS) AND VEHICLE SUPPLIER.

EMPOWERMENT OF SMALL BUS OPERATORS: LIMPOPO PROVINCE

CHALLENGES THAT FACED THESE SMALL BUS OPERATORS:

Expertise: Obtaining finance, timeous bookkeeping, implementation, maintenance and policing of electronic revenue collection systems, good labour relations and effective maintenance of buses.

The expertise required is:

- Firstly very expensive as they are in the most instances highly qualified people.**
- Secondly, cannot be used productively as the volume of work to be done is insufficient.**
- Thirdly the infrastructure and equipment required to accommodate and equip these employees makes it uneconomical.**

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CHALLENGES FACING THE SMALL BUS OPERATORS:

Insufficient subsidies: To render quality services.

Interim, tendered and negotiated contracts are vigorously monitored by the Department for:

- Adhering to departure and arrival times.**
- Deviating from routes.**
- Quality of the buses (reliability, safety, cleanliness)**

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ADDESSING THE CHALLENGES:

Economy of scale: Affordability of key qualified employees.

By pooling the resources and appointing a management company to support and do the vital functions i.e.:

- **Setting up the electronic revenue collection system, maintain the soft and hardware, keep statistics and prepare the monthly subsidy claim.**
- **Setting up the financial system and assist with monthly management reports and audited financial statements.**
- **Assist with labour relations especially annual salary and wage negotiations, appeal and CCMA cases.**
- **Negotiate repair and maintenance agreements with vehicle suppliers, set up own workshops, maintenance systems and monitor the quality of the buses.**

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ADDRESSING THE CHALLENGES :

Finance: From Financial Institutions

WHAT ARE THE REQUIREMENTS FROM FINANCIAL INSTITUTIONS FOR THE GRANTING OF FINANCE:

- **MANAGEMENT MUST HAVE SUFFICIENT KNOWLEDGE AND EXPERTISE OF THE BUS INDUSTRY.**
 - Enter into management agreement to give the necessary support and backup to small bus operators.
- **A SUSTAINABLE CONTRACT OVER THE PERIOD FOR WHICH FINANCE WAS GRANTED.**
 - Always first draw up a business plan/viability study and from the figures derived from the business plan/viability study enter into a sustainable contract with reasonable escalation clauses.
- **THE ASSETS TO BE FINANCED AND THE MAINTENANCE THERE-OFF.**
 - Use the assets to be financed as prime security and secondary contracts such as guaranteed buy-backs and repair and maintenance agreements as secondary security.
- **THE SECURITIES THAT WILL BE OFFERED BY THE OWNERS (SHAREHOLDERS).**
 - Personal balance sheet and surety ship by shareholders/members are always a prerequisite. Ensure that shareholders, directors or members do not have applicable judgements against them.

GROWTH EXPERIENCED IN BUSES

YEAR	KOPANO	MADODI	MATHOLE
2001	11	12	9
2005	28	17	20
2013	58	30	59

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WHAT WERE THE MAJOR ADVANTAGES/SPIN-OFF'S FOR THE SHAREHOLDERS/MEMBERS/COMPANIES?

- The companies and thus the shareholders /members have built up excellent credit records with financial institutions assisting them in their own businesses.**
- Shareholders/members have established /grown their own businesses.**
- Companies have built/bought depot infrastructure jointly under an investment company.**

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WHAT ARE THE MAJOR CHALLENGES FACING THE SMALL BUS OPERATORS TODAY?

- The low subsidy increases granted by the Department of Transport.
- The huge cost escalations that the bus industry must cope with (Diesel, tyres etc).
- The extension of the SARPBAC Agreement to non party members.
- The capping of subsidies whilst bus operators are expected to cater for the passenger growth without overloading.
- The monitoring and penalizing of services of the current timetable operated and not on the approved timetable.

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THANK YOU!