

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



Jackie Walters:
University of
Johannesburg,
South Africa

Lesiba
Manamela:
Department of
Transport, South
Africa

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

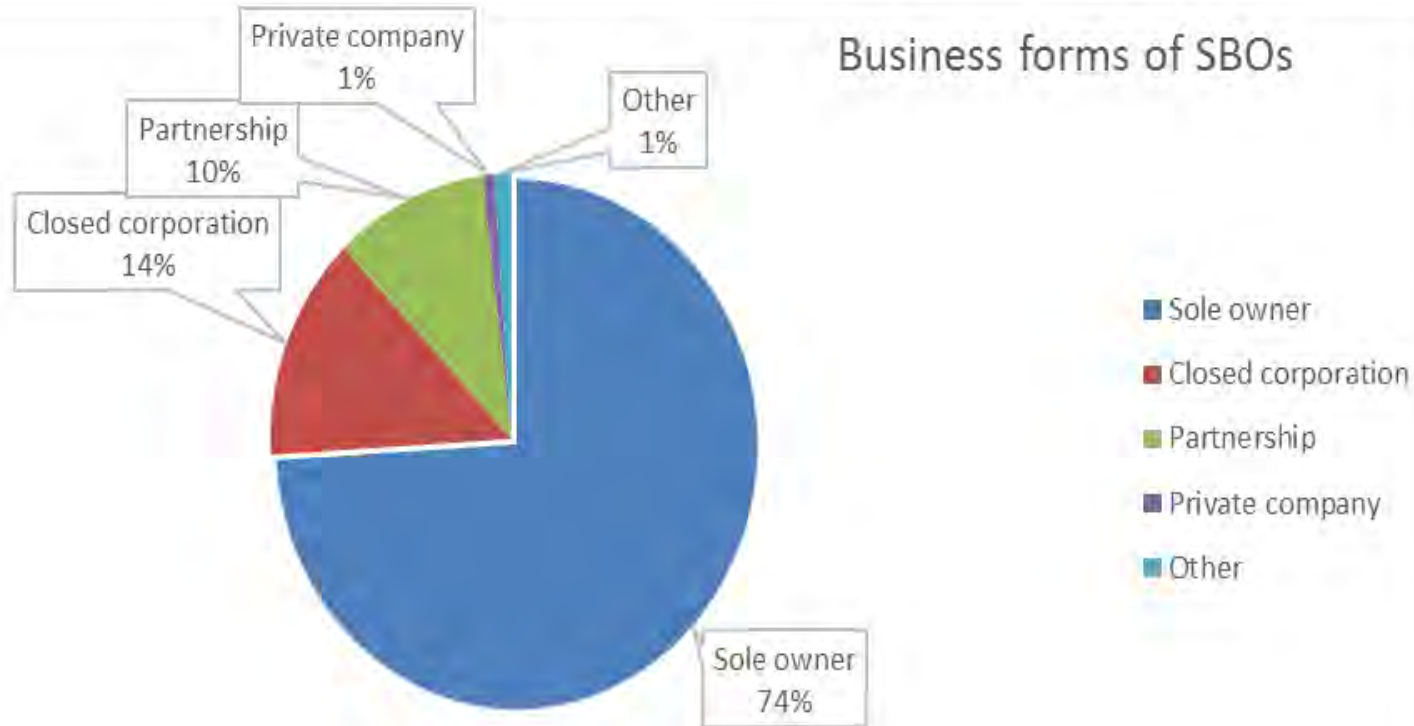
- Limited progress as far as Small Bus Operators (SBOs) are concerned
- Mainly involved in scholar transport operations involving 1-5 buses – many of these contacts are not financially viable
- Lack of skills and appropriate buses to participate in the PT contracting system
 - Buses are generally old 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

Business forms of SBOs



Mean Annual Turnover: R 2 572 139
(US\$ +/- 197 856)

Mean Employment: 9.99 people

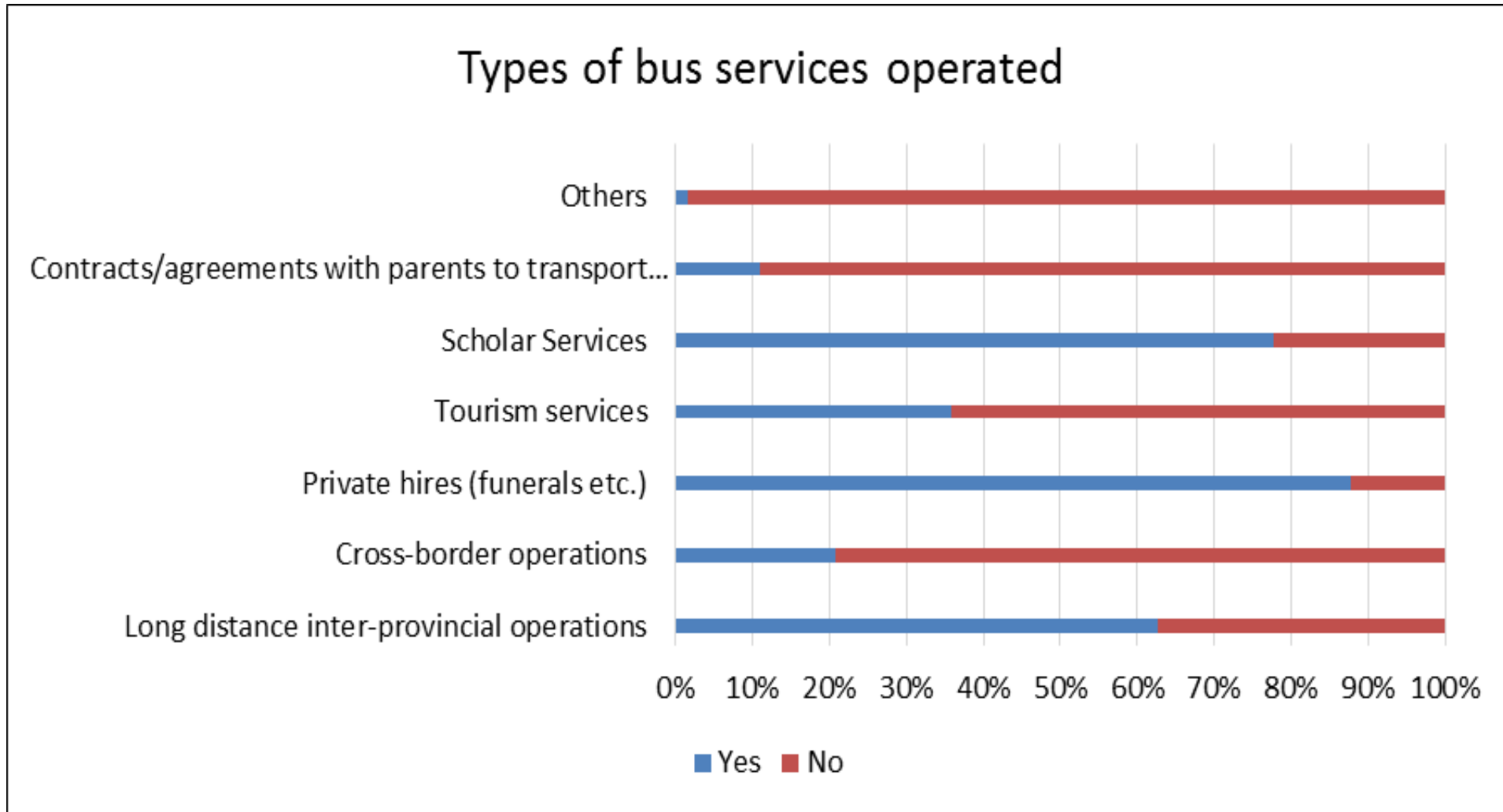
Mean Number of buses: 6.55

Mean bus age: 14.75 years

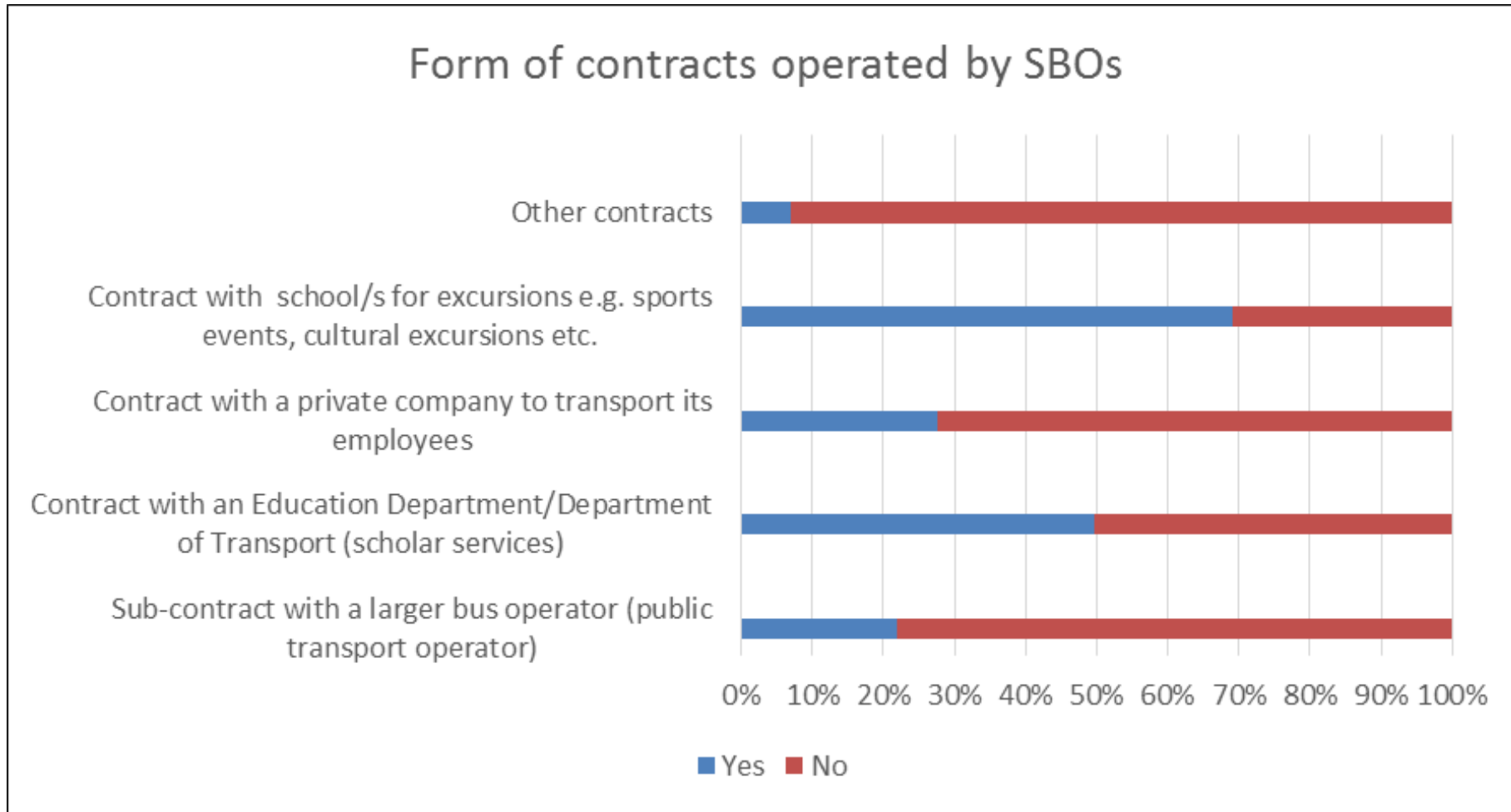
The majority of respondents rendered their services mostly on contract (87.5%) with the typical SBO having 1.7 contracts

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

Types of bus services operated

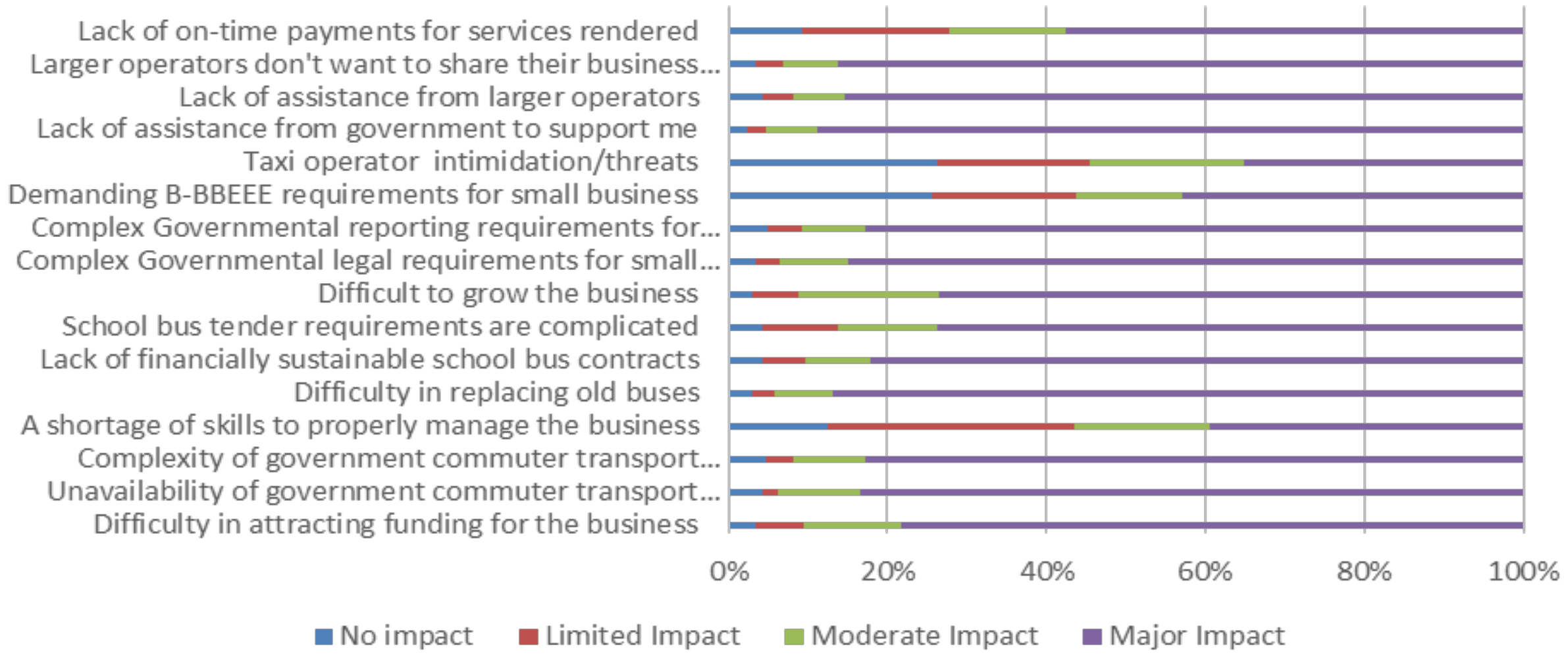


Types of bus services operated



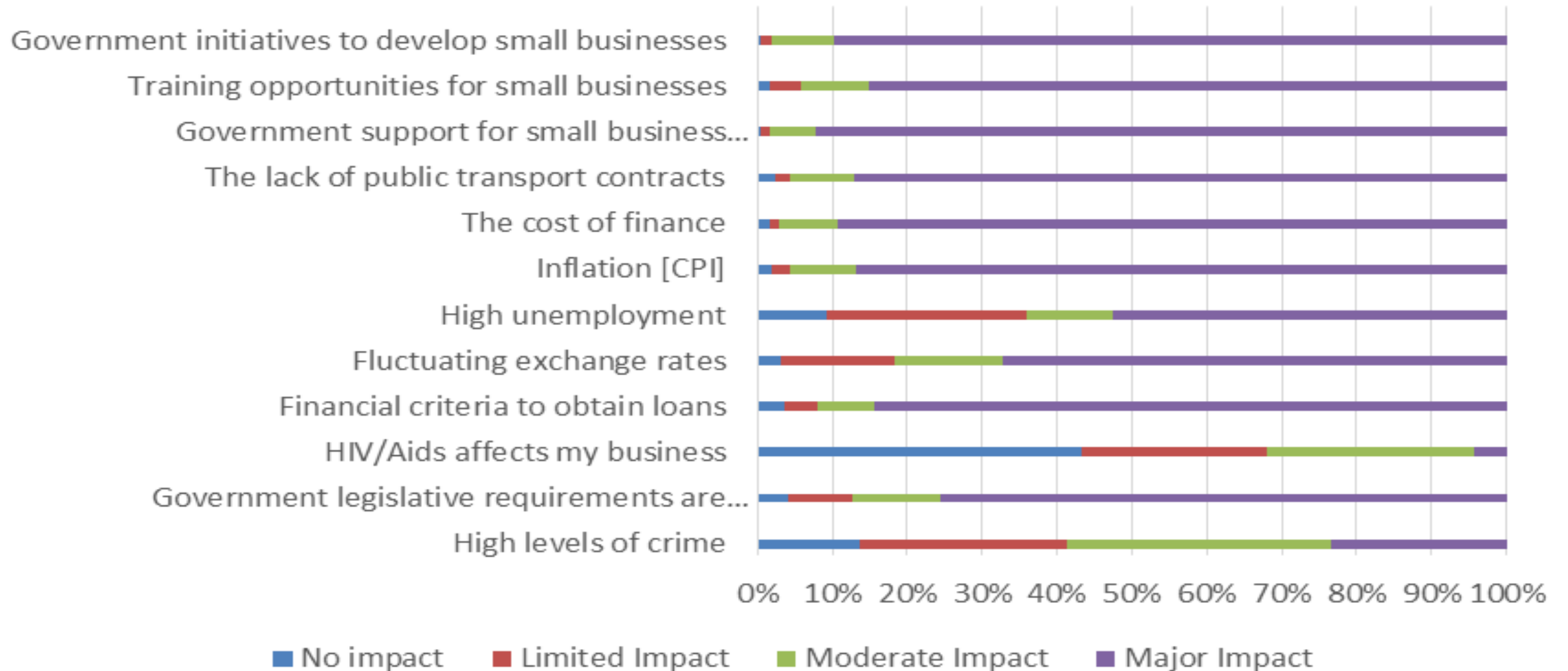
Challenges faced by SBOs

Importance of challenges facing SBOs



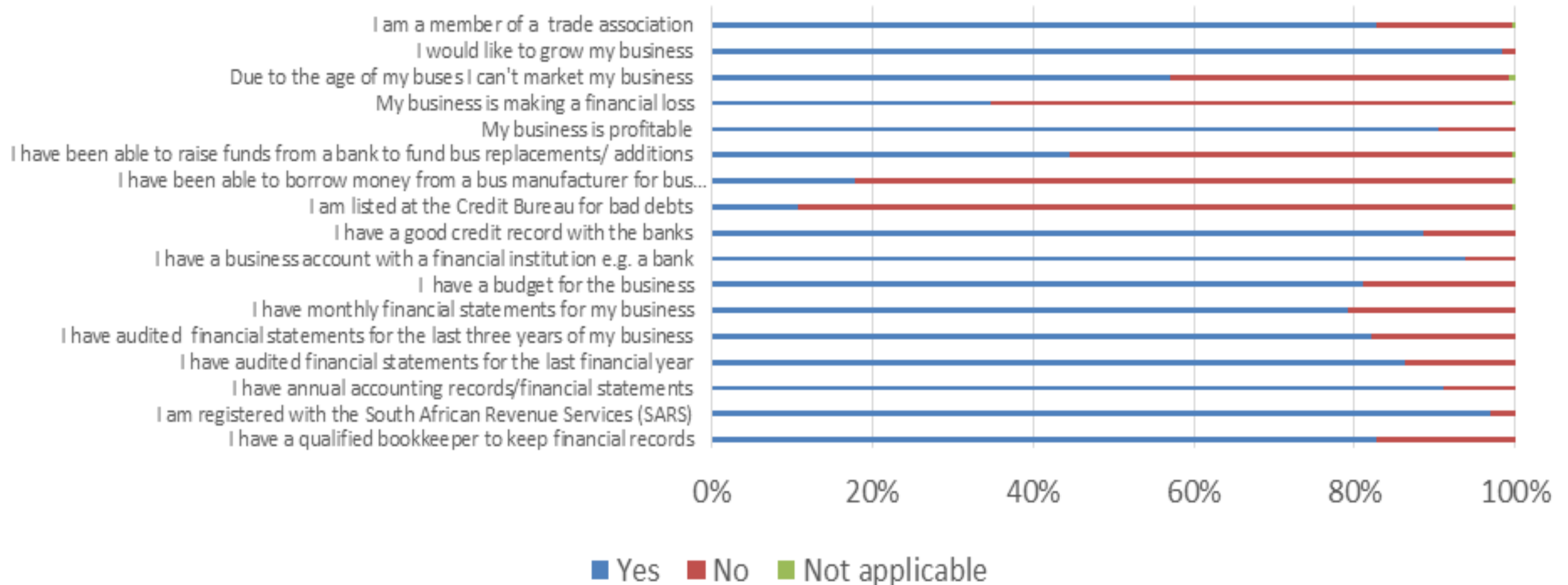
Externalities impacting on Small Bus Operators

Importance of externalities impacting on SBOs



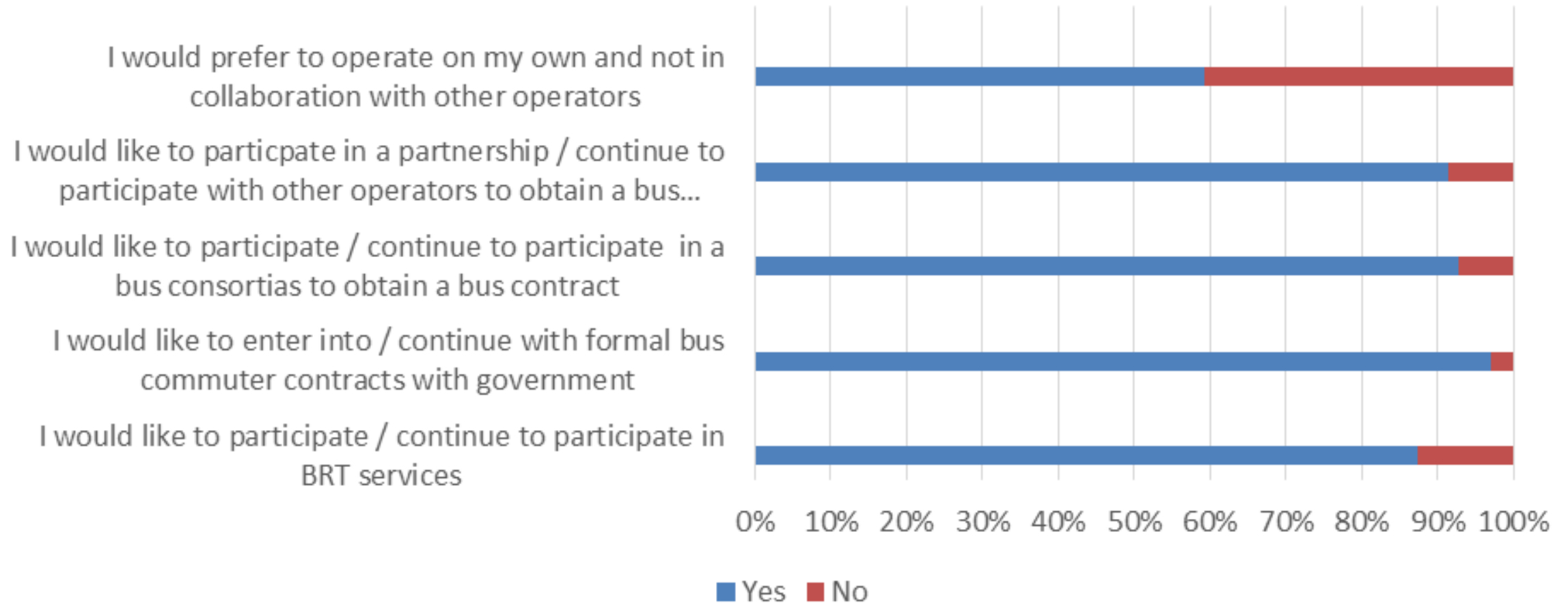
Financial characteristics of Small Bus Operators

Financial characteristics of SBOs



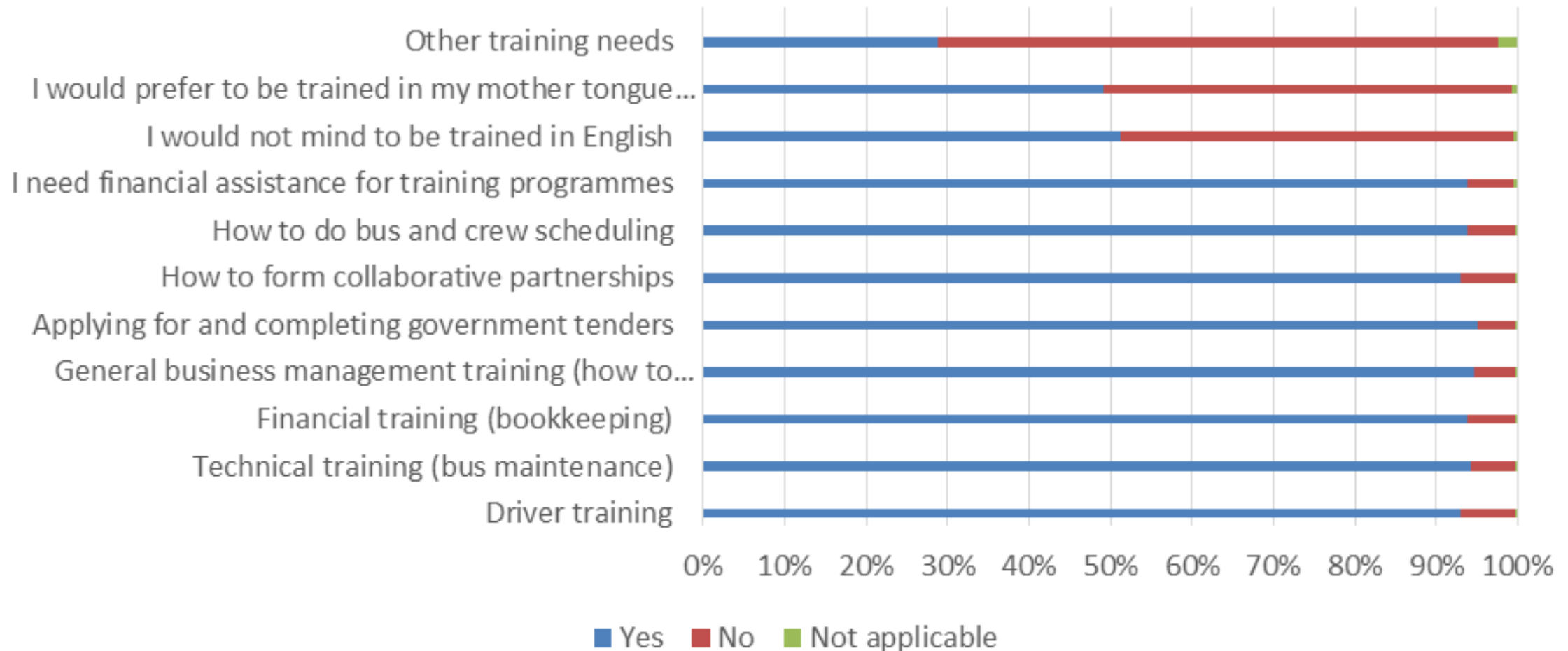
Future business views of Small Bus Operators

Future business views



Small Bus Operator Training needs

Training needs



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