



PUBLIC TRANSPORT EMPOWERMENT IN THE PROVINCE OF THE EASTERN CAPE

Initiatives by the Eastern Cape Government Sector

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CONTENTS

- Challenges
- Africa's Best 350 Ltd project
- Scholar Transport 2011 – 2014
- Provincial Integrated Public Transport Master Plan (PIPTMP)
- Nelson Mandela Bay Integrated Public Transport System (NMBIPTS)

CHALLENGES

- 3 Administrations had to be integrated in 1994
 - Portion of Cape Provincial Administration
 - Republic of Ciskei
 - Republic of Transkei
 - Different policies & procedures
- Liquidation of Transkei Road Transport Corporation
 - Small bus operator contracts
 - Difficult to administer
 - Not enough resources to empower individuals
- Competition with the minibus taxi industry
- Lack of skills in the Department with regard to public transport planning, operations and contract administration

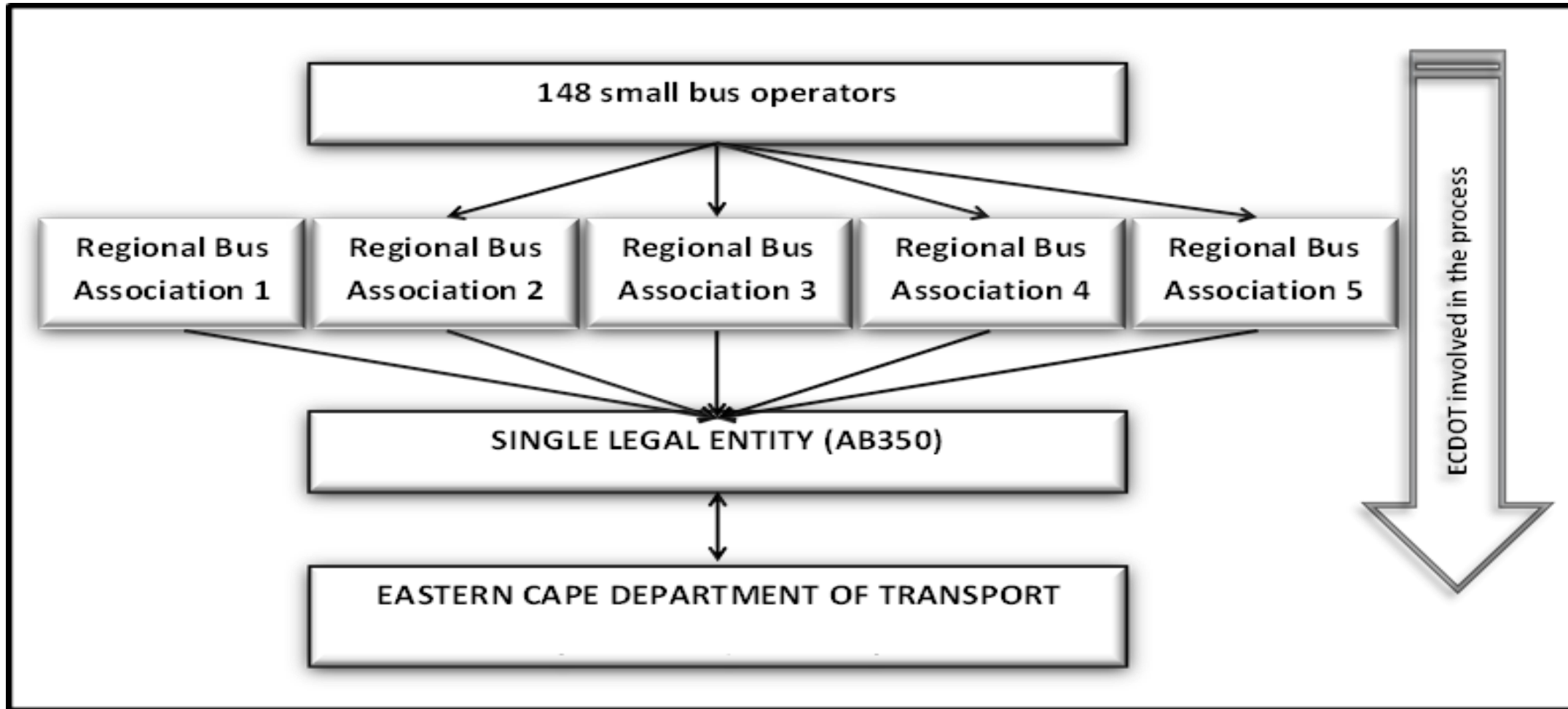
AFRICA'S BEST 350 LTD

- TRTC liquidated
- Vacuum created – Chilwan's, Blue Line, small operators
- 148 small operators eventually under contract
- Monitored by departmental officials
 - Collusion with operators and forensic investigation
- Department took initiative together with Development Bank of Southern Africa to bring small operators together into a single company which could be contracted
- Developed a concept document and worked closely with a committee elected by the small bus operators
 - Appointed a service provider (funded jointly by ECDOT & DBSA) to develop a business plan, assist operators to create a single legal entity and set up the company

AFRICA'S BEST 350 LTD (2)

- Part of the process was a detailed route viability study on 166 routes that were serviced by the 148 small bus operators
- Different business models such as partnerships, joint ventures, co-ops, private and public companies
 - Financial viability, tax structure, corporate governance and ease of administration
 - Due to number of shareholders, a public company was registered as Africa's Best 350 Ltd (AB350)
- Negotiated Contract in terms of National Land Transport Transition Act (NLTTA – now National Land Transport Act [NLTA]) signed for 3 phases for 7 years
 - Each phase separately contracted
 - Phase 1 (55 routes) fully implemented in 2008
 - Phase 2 (56 routes) fully implemented in 2010
 - Phase 3 (55 routes) – only 25 routes implemented, as subsidy funding did not grow sufficiently to allow full implementation (2014)

AFRICA'S BEST 350 LTD (3)



AFRICA'S BEST 350 LTD (4)



- Financing consortium consisting of Industrial Development Corporation (IDC), Development Bank of Southern Africa (DBSA), National Empowerment Fund (NEF), Eastern Cape Development Corporation (ECDC) and Scania Finance
- Procurement was done through open tender process
- Recruitment was done through personnel agency for especially the top positions (CEO, CFO, COO, Engineering Manager etc.)
- Financiers insisted on Management Company to work with AB350 to ensure all the necessary policies, systems and procedures are put in place and to ensure these are followed. Management company also functioning as SMF and completes claims on behalf of AB350 – still working with AB350
- Economies of scale realized
- 384 direct permanent jobs created so far
- 3rd place in BBQ Awards (2012) for Best Established Black Business

**Detailed paper on AB350 project can be made available to interested parties*

SCHOLAR TRANSPORT 2011 - 2014



- The scholar transport function was migrated from the Eastern Cape Department of Education (DOE) to the Eastern Cape Department of Transport (DOT)
- There is a structure in the Province called the Eastern Cape Bus & Taxi Business Chamber (“the Chamber”) which was initiated by AB350
- The Department was given a period of 3 months to take the function over, but it eventually took 5 months
- The Department negotiated with the Chamber to form a legal entity with whom it could enter into contract to render scholar transport services to 57 176 learners to 652 identified schools from 3 276 pick-up points over a daily distance of 80 919km
- A two-fold rate, consisting of a rate per kilometre and a rate per scholar was negotiated
- The Chamber formed a Non-Profit Company called One Future Development 46, which represented about 27 000 taxi operators and 300 small bus operators in the Province

SCHOLAR TRANSPORT 2011 – 2014 (2)



- The Department and One Future Development 46 (OFD46) were assisted in the administration of the contract by a consortium of service providers consisting of:
 - Management specialists
 - Dedicated information management company
 - Auditing/accounting company
- It is important to note that the learners and the schools to be serviced, were identified by the DOE who also did the prioritisation of services to be rendered in terms of the available budget
 - DOE submitted the total need (102 000) at the time to DOT who costed the service and compared it to the allocated budget, where-after DOE did the reprioritisation
- OFD46 was then contracted to render the services
 - OFD46 appointed the operators to perform the actual operations on the road

SCHOLAR TRANSPORT 2011 – 2014 (3)



- Operations and payments were based on Proof of Delivery forms that were signed off by the school principal (or designate) every day
- OFD46 experienced a number of administrative and management challenges initially, but through monthly project meetings between OFD46, the service provider consortium, DOE and DOT, these challenges were addressed
 - Payment was done to OFD46, who with the assistance of the service provider consortium, distributed the payments to the individual transporters with a full audit trail. Transporters paid OFD46 10% of their income from the project as administration fee
- As with any new company, there were always a number of people who felt left out and an Executive Decision was made to abandon the OFD46 model in 2014 (after the elections) and from 2015 contract operators individually, despite a position paper on the future model to be used being adopted by the Executive Council in December 2013
- The OFD46 model was investigated by GIZ, the German government agency for international cooperation, to determine what type of technical assistance could be rendered to the different stakeholders

SCHOLAR TRANSPORT 2011 – 2014 (4)

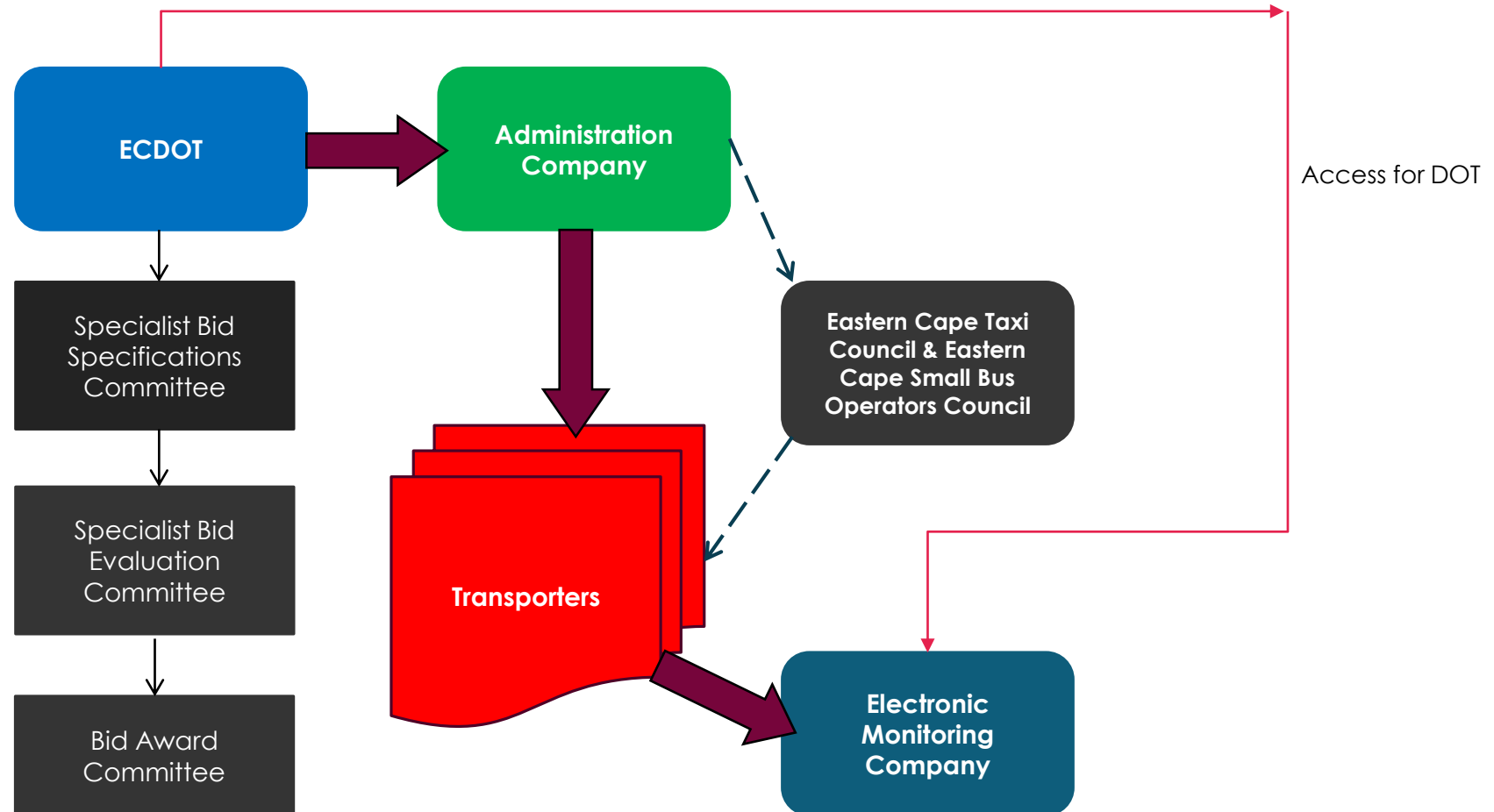


- GIZ, inter alia, recommended that:
 - GIZ commission an in-depth case study on the Eastern Cape scholar transport programme as an example both of service delivery innovation and good practice and of the complexities and dynamics that need to be managed within the service delivery process. This case study should serve both as a means of publicising and promoting the many positive features of the programme as well as being a tool for training and executive education within the public sector. The case study could include a number of potential products including:
 - An academic piece publishable in appropriate journal;
 - A written-up teaching module for use in management training programmes;
 - A short film to support the teaching module and which would also be available to a broader constituency via relevant web-sites and YouTube;
 - A popular magazine or newspaper article to ensure wider national and regional awareness of the programme

**Detailed position paper on an improved "OFD46-Model" can be made available to interested parties*

SCHOLAR TRANSPORT 2011 – 2014 (5)

- Procurement Proposal for improved “OFD46 – model”



PIPTMP

- The Province developed the Provincial Integrated Public Transport Master Plan (PIPTMP) in order to link major economic nodes in the Province with each other over 22 inter-town routes
- One of the main goals of the plan is to use it to empower small operators from both the taxi and the bus industry through the establishment of vehicle operating companies consisting of operators from both modes, thereby moving closer to entrenching a single non-mode-specific public transport industry
- An Empowerment Committee has been established between the DOT, the Eastern Cape Taxi Council and the Eastern Cape Small Bus Operators Council
- Negotiations are currently underway to implement a pilot service for a period of three (3) years on 3 routes
 - 2017 – 2019 will be used to establish the VOC's and to train and capacitate the operator who will be the shareholders of the company

PIPTMP (2)

- The PIPTMP will also be used to link the services rendered by AB350, Mayibuye Transport Corporation and Algoa Bus Company, the 3 bus operators currently receiving passenger subsidies from the Department (AB350 and ABC under contract)
 - This will eventually create an integrated public transport system throughout the Province e.g. a passenger will be able to travel on an AB350 bus from a rural village to Mthatha, from Mthatha get on the PIPTMP bus to East London and from East London get onto a Mayibuye bus to King Williams Town and then again onto a PIPTMP bus to Port Elizabeth and from Port Elizabeth to Motherwell on an Algoa bus
 - Initially ticket systems will not be integrated, but it will be done over time
 - Timetables will be integrated, so that waiting periods are limited to the bare minimum
- The PIPTMP vehicle operating companies will be subsidised to ensure an affordable service. Projections show that the PIPTMP services will be able to pay for itself within a short period of time, where-after contract will be converted to commercial service contracts
- The PIPTMP services will eventually also include feeder services where other subsidised services are not available

NMB IPTS

- Nelson Mandela Bay Metropolitan Municipality is developing an Integrated Public Transport System (NMB IPTS)
- ECDOT is involved in the project structures for this project
- The empowerment of small operators (both taxi and bus) will form part of the vehicle operating company(ies)
- This project has been stalled for a long term, but it will be picking up momentum in the near future
- In Nelson Mandela Bay, the 10 taxi associations have formed a company called Laphumilanga Transport Services
 - A pilot project was operated as a joint venture between Laphumilanga and Algoa Bus Company, where they created a VOC called Transbay
 - Lessons learnt from the pilot project will be taken into consideration in further implementation



THANK YOU

Any questions?

IN CONCLUSION

- ECDOT wants to create a single non-mode-specific public transport industry in the province
 - Success has already been illustrated in the previous scholar transport model and what is envisaged in the PIPTMP
- It is possible to put a large number of competing operators together into a single company as illustrated in the AB350 initiative
- It has become imperative for especially small bus operators to take the initiative to start working closer with the minibus taxi industry
 - The minibus taxi industry is clamouring for participation in a subsidy scheme
 - They are largely informal and need to be formalised
 - Ideal opportunity for small bus operators and minibus taxi industry to cooperate to realize economies of scale
 - Set-asides in contracts are not enough anymore, as it will not lead to real empowerment, but shareholding is becoming crucial
 - Shareholding should not be limited to specific modes, but must be inclusive
- The development of small operators will therefore have to become a priority for government