



DEPARTMENT OF TRANSPORT

DEVELOPMENT OF STRATEGY FOR FORMALIZATION AND POWERMENT OF SMALL BUS OPERATORS (SBOs)



transport

Department:
Transport
REPUBLIC OF SOUTH AFRICA



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23 FEBRUARY 2012**



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INTRODUCTION AND BACKGROUND

- ❑ **There has been repeated calls from the small bus operators (SBOs) for the government to intervene in the formalization and empowerment of the SBOs throughout the country.**
- ❑ **To have full understanding of the requests made and the overall issues at stake, the Department of Transport (DoT) convened the national SBOs Summit in November 2009.**
- ❑ **Flowing from the said Summit, several resolutions were made by the delegates urging the government to take certain steps towards formalization and empowerment of the SBOs.**



INTRODUCTION AND BACKGROUND (CONT.)

- ❑ **The strategy also aims to turn SBOs into formidable business people capable of running successful, viable and self-reliant businesses and ultimately participating in the mainstream economy driven by public transport.**
- ❑ **There are also processes to develop the Memorandum of Understanding (MOU) and the drafting of the Minimum Standard Constitution that would serve as the guideline for the constitutions of the provincial and/or regional structures.**



INTRODUCTION AND BACKGROUND (CONT.)

- ❑ Inputs have been made regarding the MOU and the Constitution and these are being considered.**
- ❑ To avoid reducing the consultative forums with the SBOs into fruitless talk shops, and in an effort to take the SBOs formalization process to the next level, provinces are currently in the process of establishing and/or electing the provincial SBOs Councils throughout the country.**
- ❑ However, some of the provinces like the Western Cape and the Kwazulu Natal have already established their provincial structures, as such the focus therein is to align those structures with the national SBOs Constitution.**



INTRODUCTION AND BACKGROUND (CONT.)

- It is therefore desirable that as many of the SBOs as possible in all the nine provinces, including those that already belong to existing bus formations, and those that are not members of any current structures whatsoever, should form part of this initiative.**
- Inputs and comments have been made by all relevant stakeholders regarding the process, including SABOA.**
- We are thankful of the meaningful participation of SABOA and its immense contributions thereof.**



STATUS QUO ANALYSIS

- ❑ **The South African bus and coach sector is characterized by the concentration of ownership in the hands of a limited number of wealthy shareholders.**
- ❑ **There are unequal opportunities due to unjust policies of the past which afforded certain groups more opportunities than others.**
- ❑ **There is a sad legacy that resulted in control of the majority of subsidized bus companies in the hands of either large corporations or state-owned enterprises.**



STATUS QUO ANALYSIS (CONT.)

- Access to markets and capital is still a major problem to the majority of entrepreneurs from disadvantaged background, including the SBOs.**
- The local markets also tend to favour big and well-established businesses over business entities owned and managed by the SBOs.**
- Most of the small bus operators are not operating road-based scheduled services.**



STATUS QUO ANALYSIS (CONT.)

- ❑ The majority of the SBOs are operating learner transport services, private hires and unsubsidized and unscheduled long distance operations, which are more in the form of Inter-Provincial services and are in direct competition with the taxi industry, in many times resulting in conflict with the latter.**
- ❑ There is therefore the need to elevate them to the next level, i.e. by bringing them within the economic mainstream of the country.**



FORMALIZATION OF THE SBOs

- ❑ **The SBOs have been eager to organize themselves into formidable groups in almost the same manner as the minibus taxi industry.**
- ❑ **However, most of those initiatives were on voluntary basis, with very minimal or no intervention by the government.**
- ❑ **Those attempts did not go further, and the SBOs remain unorganized, informal and unregulated.**
- ❑ **Hence no meaningful success to fully organize and regulate the SBOs could be recorded to date.**



FORMALIZATION OF THE SBOs (CONT.)

- ❑ **Formalization of the bus sector *per se* had not been dealt with adequately in the legislation, as the NTTT process dealt mainly with the taxi sector.**
- ❑ **The main objective of the formalization of the SBOs is to establish structures for SBOs mainly at the national and provincial levels to ensure that the SBOs are also brought within the economic mainstream of the country.**
- ❑ **The other objective is to bring them within the regulatory framework by ensuring that they do operate within the legal environment, i.e. do acquire the necessary operating licences, use roadworthy vehicles, take public liability insurances, etc.**



FORMALIZATION OF THE SBOs (CONT.)

- ❑ **For effective and efficient regulation and control, it is therefore desirable that the SBOs be formally organized in the same manner the taxi industry is organized.**
- ❑ **The present institutional and organizational arrangements of the taxi industry provides for local taxi associations, regional taxi councils, provincial taxi councils and the national taxi body.**
- ❑ **This does not necessarily mean that the SBOs should be structured in the same way as the taxi industry (numbers don't make sense).**



FORMALIZATION OF THE SBOs (CONT)

- ❑ **In terms of the resolutions taken and adopted at the 2009 SBOs Summit (confirmed at the November 2011 meeting), two aspects were identified as critical, i.e.:**
 - **Formalization of SBO structures**
 - **Empowerment and/or Skills development and capacity building of the SBOs**
- ❑ **An interim structure, namely the National Coordinating Committee (NCC) had since been established comprising of 2 representatives per province as well as 2 from SABOA**



FORMALIZATION OF THE SBOs (CONT.)

South African National Small Bus Operators Council



Provincial Small Bus Operators Councils



Regional Small Bus Operators Councils



FORMALIZATION OF THE SBOs (CONT.)

Representation at National Level

Establishment of national SBOs structure comprising of nine provincial SBOs structures.

Representation at Provincial Level

Establishment of nine provincial SBOs structures comprising of Regional/District SBOs structures per province.

Representation at Regional/District Level

Establishment of Regional/District structure comprising of SBOs from the local municipalities forming part of the Regional/District municipality.



EMPOWERMENT OF THE SBOs

- ❑ **South Africa has one of the world's most unequal patterns of distribution of income and wealth.**
- ❑ **The present government inherited a system that entrenched inequalities in opportunities among the different race groups when it assumed power in 1994 .**
- ❑ **To address the challenges pertaining to unequal opportunities within the public transport sector, the government is indeed eager to break down the monopolies of the big bus operations, and privatization and/or commercialization of government-owned bus operations and assist with the development of co-operatives schemes.**



EMPOWERMENT OF THE SBOs (CONT.)

- The government has been engaged in a process to review government procurement, including the simplification of tender documentation and procedures, and unbundling of big contracts into smaller, more manageable contracts and monitoring the participation of SMMEs in government procurement.**
- According to the national transport policy, entry of SBOs could be facilitated by various means, which may include repackaging bus contracts into differing size, encouraging bids by transport co-operatives, encouraging or requiring big operators to bid in association with the SBOs, or making provision for the subcontracting or franchising.**



CAPACITY BUILDING/TRAINING

- Even though the opportunities have been created to empower SBOs from disadvantaged background, it would be naive to assume that the SBOs would also be in a position to tender successfully.**
- Training or capacity building is imperative if the government is serious about empowering SBOs from the disadvantaged background.**
- Without training, the SBOs will still be ill-prepared to improve their economic situation.**
- SBOs should be fully capacitated around the opportunities within the subsidized bus operations so that they can be able to make informed decisions.**



STAKEHOLDERS' INPUTS

- **inputs made by among others, SABOA include the following:**
 - **With the establishment of SANSBOC, will that be an indication that Government will favour this organisation in line with their affinity to the taxi industry?**
 - **Will SANSBOC be first in line when it comes to government tenders?**
 - **How will it impact on the legal tendering system?**
 - **The perception that Government will in most instances select the lowest tender. Will that still apply?**



STAKEHOLDERS' INPUTS (CONT.)

- **How will SANSBOC be advantaged by the introduction of the Government initiative of the IRT?**
- **Will this initiative of National, compel the Provinces e.g. the Western Cape to oblige?**
- **There's no guarantee that Government will put up starting-up funds.**
- **Will there be any budget allocation from whichever government department?**
- **Is government prepared to underwrite efforts by SANSBOC to access money in the private sector?**



STAKEHOLDERS' INPUTS (CONT.)

- **Will Government put up any collateral?**
 - **Will Government purchase buses and then lease to SANSBOC? – Under certain conditions?**
 - **Will Government introduce a similar Recapitalisation Programme for SANSBOC as to that in the Taxi Industry?**
- As the Department, whilst we attempt to deal with these inputs/ concerns, would like to request SABOA, as one of the key stakeholders within the bus sector to come up with the proposals and/or the suggestions as to how the SBOs could be formalized and empowered in a meaningful way.**



CONCLUSION

- ❑ **In conclusion, it is expected that the strategy address most, if not all of the concerns that were raised by the SBOs at the SBOs 2009 Summit and 2011 Conference, and there should be stringent timelines and budget that will be needed to formalize the SBOs.**
- ❑ **The strategy will hopefully also assist the SBO's to manage their business affairs effectively and efficiently, and accessing other business opportunities within the transport sector.**



THANK YOU!!