

# TRANSFORMING TRANSIT SOUTH AFRICA (TTSA)



***MINI BUS TAXI (MBT) - PUBLIC TRANSPORT FINANCING: A DBSA PERSPECTIVE***  
***March 2023***

*A JOINT INITIATIVE BETWEEN:*

**THE WORLD BANK**

**&**

**THE DEVELOPMENT BANK OF SOUTHERN AFRICA (DBSA)**

# ABOUT DBSA

*Founded in 1983*



*100% owned by SA Government  
through the Ministry of Finance*

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*Created to catalyze economic growth through  
investment in economic & social infrastructure while  
supporting regional integration*



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# INTRODUCTION

Preparing, financing and implementing infrastructure projects in Africa

**A**

Founded  
**1983**  
DBSA  
Act 1997



Externally  
rated

DBSA foreign  
currency rating

**Ba2**  
(Moody's)

**B**

Owned  
**100%**  
by SA  
Government



Well  
governed

Unqualified audits

**A+** rating  
from AADFI PSGRS

**C**

Total assets  
**R100bn**  
(~US\$6bn)  
Equity  
**R38bn**  
(~US\$2.3bn)



Globally  
accredited

Global environmental  
facility

Green climate fund  
EU 6-pillar

### Primary sectors



Energy



Transport



ICT



Water & Sanitation

### Secondary sectors (only in SA):



Education

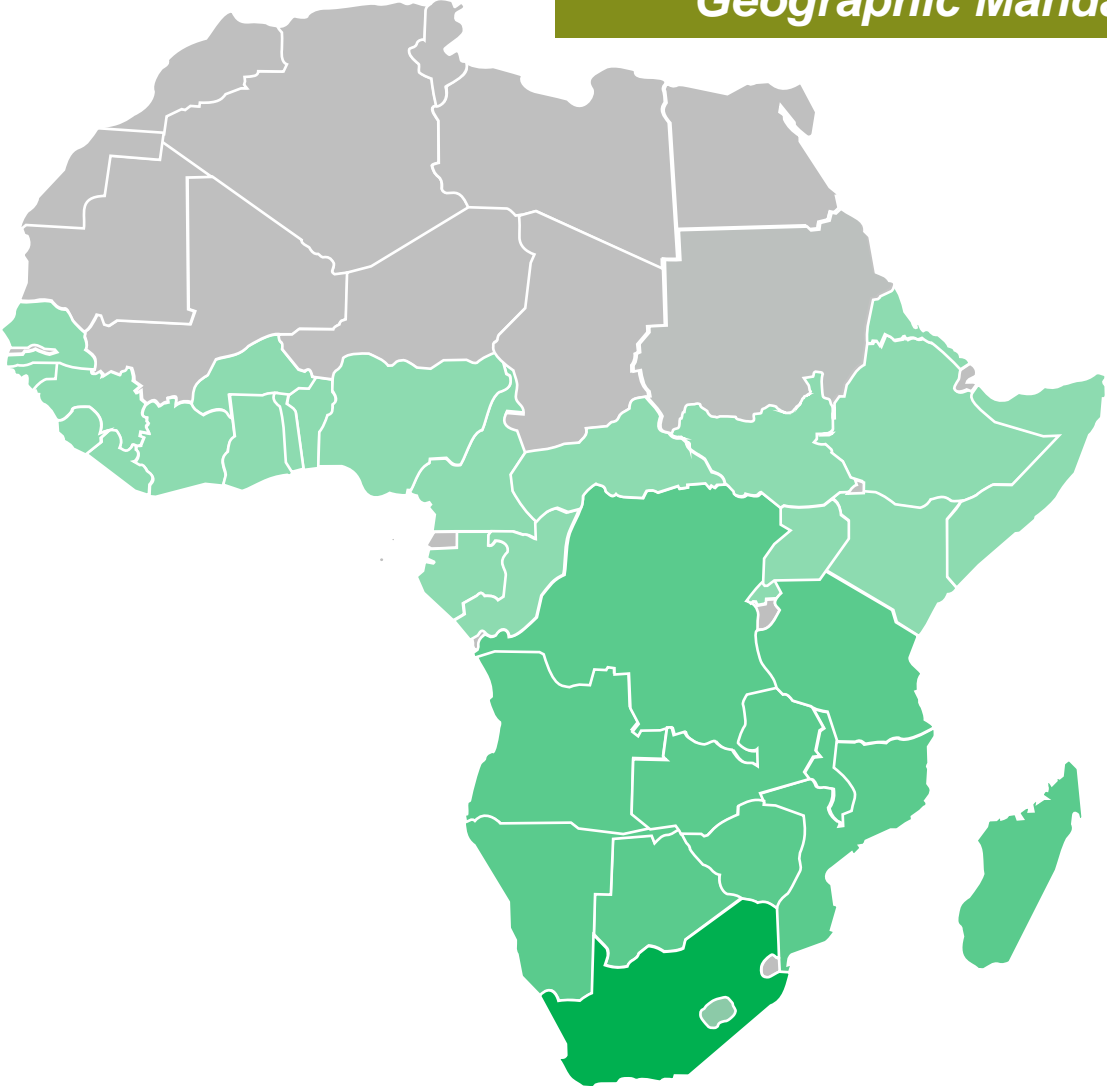


Housing



Health

### Geographic Mandate



# PARTNERSHIPS

### South Africa

### Africa

### Global

*We work with our partners to deliver our infrastructure development mandate*

# ROLE OF THE DBSA AS A DFI



- 1 Market Failure - DBSA occupies an intermediary space between public and private investment to facilitate capital flows**
- 2 Risk - DBSA as a DFI has a higher risk tolerance than private sector actors**
- 3 Return - DBSA longer tenors (up to 25yrs) while private sector (up to 10yrs)**
- 4 Institutional failure - DBSA creates an enabling environment and overcome information asymmetry between the role players in development**
- 5 Org. failure - DBSA mitigates risk - the private sector is unwilling to operate alone, as well as create viable opportunities to expand the investor base**

## 1. The National DOT – via Provincial Governments.

Backed by a total of 100 pieces of legislation.

## 2. Strategic focus – Transport as the Heartbeat of SA's Economic growth & Social development

Based on markets' dependency on transport (freight and public)

## 3. Mission – the development of efficient, integrated & inclusive transport systems that focuses on

- Safety, Cost & Time
- Stimulates Economic growth and job creation
- Transformation via efficiencies, effectiveness and accountability.
- Environmental protection
- Enables social emancipation revives economies

## 4. Budget for road based public transport networks

USD2,5billion (18,7%) for the National DoT spend



# OVERVIEW: SA PUBLIC TRANSPORT

(CONT'D)

## 5. Period since hosting of FIFA Soccer World Cup in SA has seen significant (public) investment in Public Transport Infrastructure

- Pre-2010 - the minibus taxi industry only became legal in 1987
- BRTS- predominantly in the form of BRT implementation in the main metropolitan cities
- Gautrain Rapid Rail services Sandton, Rosebank, Johannesburg, Midrand, Centurion, Pretoria & Hatfield
- Metro Rail - rail infra refurb and rolling stock renewal

## 6. MBT - Industry high level #check

- USD3-4billion turnover a year industry
- 70% (42million) of South African households using minibus taxis.
- 250,000 units on the road
- 15 million daily commuter trips by comparison - buses 1million trips, trains (800,000), and BRT (120,000).

***MBT Industry currently receives a Scrap allowance, with commitment for more by DoT***

**VS**

***Several subsidies for formal bus and train systems***

# INVESTMENT IN BRT INFRASTRUCTURE VS MBT

*DEDICATED BUS LANES ALONG THE CAPE TOWN WEST COAST CORRIDOR*



# INVESTMENT IN BRT INFRASTRUCTURE



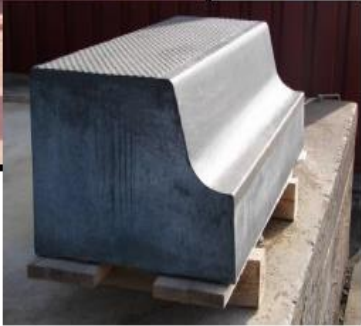
CPT MyCiti main BRT interchange with 18m articulated high floor bus suited for high floor median stations



BRT Stations, bus floor hydraulics, bus ramping and universal accessibility design features



Universal access through inclusive design



Operational efficiencies

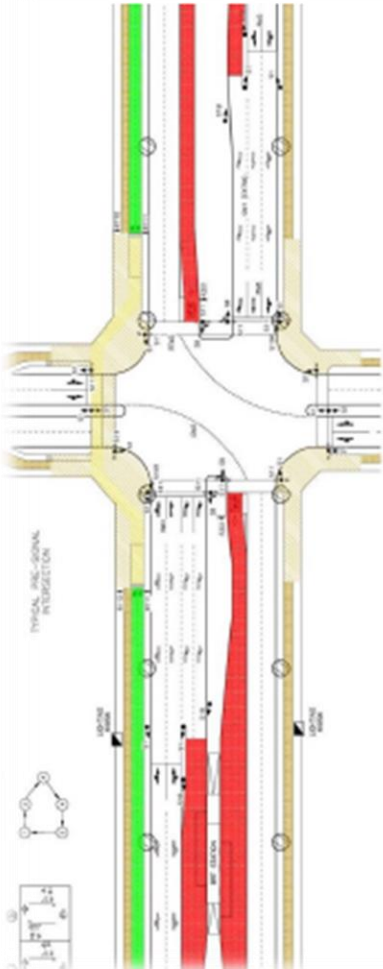


# PRE-BOARDING & SHELTER BRT STATIONS



Quality passenger information displays vs Stops with seating, shelter, info displays along the BRT routes

# INVESTMENT IN TRAFFIC MANAGEMENT SYSTEMS THAT PROVIDES FOR BRT BUS PRIORITY



# INVESTMENT: CITY DEVELOPMENT FOR BRT

**Before**



**After**



# STATUS MODAL SHARE IN SA TODAY



<b>1. MODAL SHARE (PUBLIC TRANSPORT MARKET)</b>	<b>MBT</b>	<b>69%</b>
	<b>Bus</b>	<b>20%</b>
	<b>Rail</b>	<b>11%</b>
<b>2. COMMUTER TRIPS (PER DAY)</b>	<b>MBT</b>	<b>15 million</b>
	<b>Bus</b>	<b>1 million</b>
	<b>BRT</b>	<b>120 000</b>
	<b>Trains</b>	<b>800 000</b>
<b>3. SUBSIDY BUDGET</b>	<b>MBT</b>	<b>0</b>
	<b>Bus</b>	<b>56%</b>
	<b>Rail</b>	<b>44%</b>
<b>4. MBT TOTAL ESTIMATED MARKET</b>	<b>Financed and or insured</b>	<b>80 000</b>
	<b>Unencumbered / aged</b>	<b>170 000</b>
<b>5. AVERAGE VEHICLE AGE</b>	<b>10 years</b>	
<b>6. AVERAGE VEHICLE PRICE (TOYOTA HIACE DIESEL)</b>	<b>R 493 900</b>	
<b>7. AVERAGE INTEREST RATE</b>	<b>20,6%</b>	
<b>8 APPLICATIONS FOR FINANCE (2020) SA TAXI</b>	<b>New vehicles</b>	<b>5500</b>
	<b>Refurbished vehicles</b>	<b>2450</b>
<b>9. APPROVALS</b>		<b>32%</b>
<b>10. AVERAGE REPO RATE</b>		<b>3,5%</b>

• Sources: SA Taxi 2019 Half Year Report; Transaction Capital Performance Review 31 March 2021

# MINIBUS TAXI OPERATORS

250,000 MBTs, 15million commutes per day



*Olivenhoutbosch, Pretoria*



*Minibus Taxis Parked At A Taxi Rank. (Duncan Alfreds, News24).*



## Investment in the de facto mode of choice (the MBT)

- ❖ **Investment in operating level infrastructure** in order to facilitate improvement of fleet mix (combination of limited seating and higher occupancy vehicles to better meet trip distances) and cyclical re-fleeting requirements to enhance vehicle safety, vehicle efficiency and reduce negative externalities.
- ❖ **Investment in supporting level infrastructure** in the form of depot facilities, overnight staging and vehicle stacking facilities at the main ranks and interchanges to enhance operational efficiencies.
- ❖ **Investment in other infrastructure** that can serve as transit oriented (mix use) economic nodes to improve the passenger experience and create meaningful economic opportunities.

## Financier A:

- headline earnings of at least 33%.
- loans to taxi operators jumped 14% to more than R10.1 billion.
- SA Taxi finances some 650 minibus taxis every month, and
- 30,000 operators on its books

## Financier B:

Client Interest Rate Breakdown

	Interest Rate – Client	Insurance Cover	Tracking Device	Credit Life Cover	Net Interest Rate
Minimum	22.00%	7.20%	0.72%	0.85%	13.23%
Weighted Average	25.89%	7.20%	0.72%	0.85%	17.12%
Maximum	28.43%	7.20%	0.72%	0.85%	19.66%

**DBSA SME rates [12-15%]**

*Demand for minibus taxi transport continues to grow. It remains a non-discretionary expense for most South Africans. (source – TC Financials, 2021).*

# VALUE PROPOSITION – PROGRAM MANAGEMENT OFFICE INTEGRATED APPROACH



Help plan & prepare projects – Prep grants

- DBSA
- PROFITS
- 3<sup>RD</sup> PARTY FUNDING
- PPDF
- IIPSA
- GEF
- GCF

Project Financing

- CO-FUNDER
- MLA
- DEBT
- EQUITY
- MEZZ
- GUARANTEES

Implementer & Project Management

- IDD
- TURNKEY AGENT
- PMO
- PROCURE



In order to overcome the implementation challenges and ensure robust monitoring and evaluation it is recommended that a Programme Management Office be established.

The purpose of the PMO is to do the following:

- Provide operational and coordination support to DBSA and Sponsors
- Standardize implementation guidelines and contracting
- Coordinate planning functions between the DBSA, Sponsors/MBT Associations, local municipalities, Provincial DOTs, National Treasury, funders and implementation agents
- Provide assurance to funders regarding the implementation and management of projects

## Accelerated Development

- Standardization of project and commercial documents, including procurement processes
- Robust and bankable commercial structures and allocation of risk measures
- Deliver on quality and appropriate social infrastructure
- Value chain driven approach to enable required supporting infrastructure

## Investment and Financing

- Leverage on DBSA experience in financing infrastructure
- Stimulate the economy through infrastructure investment
- Mobilize institutional investment
- Competitive funding from DFIs, Commercial
- Climate friendly financing/green bonds

## Programme Management Office

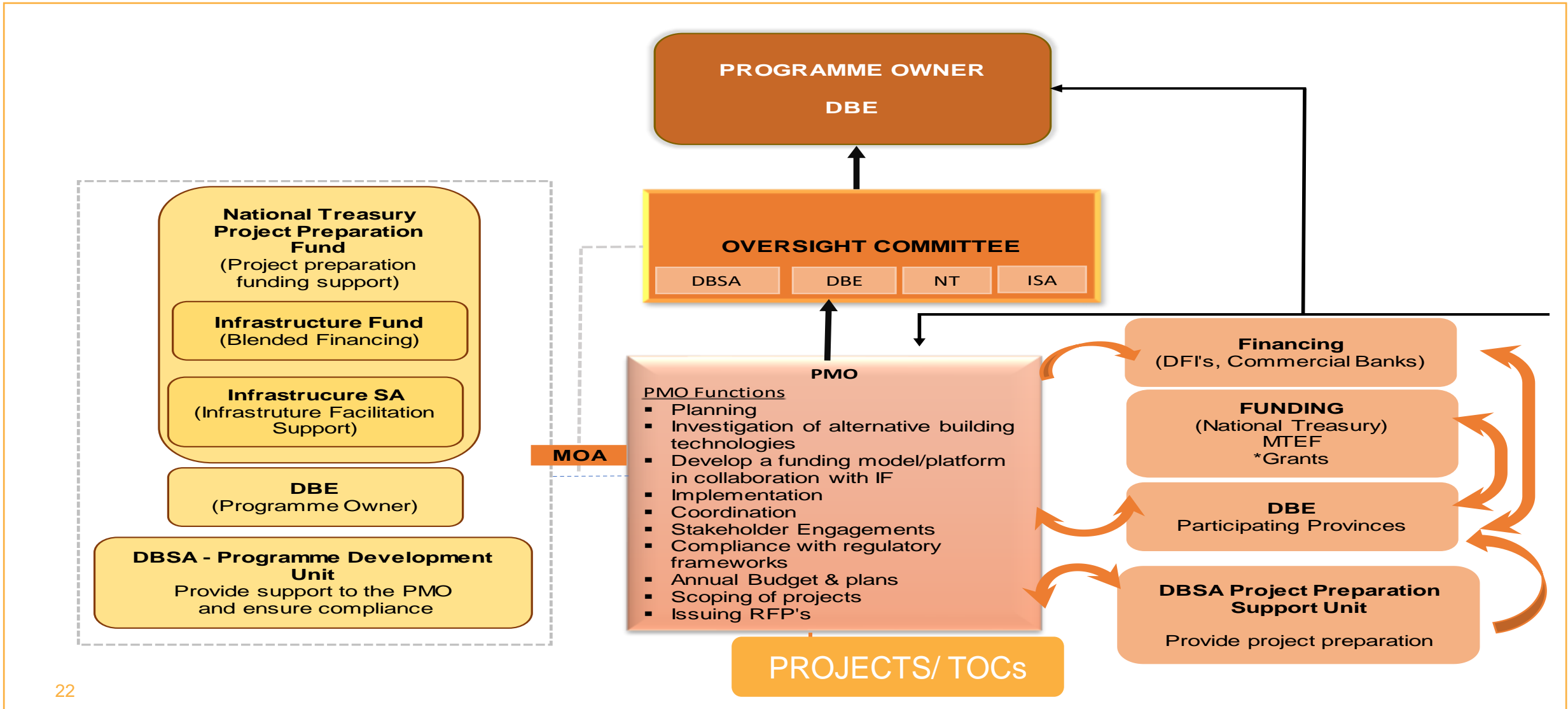
## Strategic Stakeholder Relations

- Leverage existing relationships to accelerate social infrastructure development
- Facilitate monitoring and evaluation

## Capacitation of DBSA & Sponsors

- Value chain driven approach to enable required supporting infrastructure
- Master planning
- Development supervision
- Commercial negotiations and structuring

# EXAMPLE PROPOSED PMO STRUCTURE



# CURRENT VS DESIRED STATES OF TYPICAL OPERATOR INFRASTRUCTURE DBSA

*Example: 3000 MBTs, 90,000 passengers per day, serviced by and 5 taxi associations*



**Current**



**Desired**

**vs**

# CONCLUDING REMARKS

- 1. *Operating model (fill-and-go) - no economies of scale. Transactions costs.***
- 2. *Ownership no control over fuel consumption and common infra - the main operating cost item.***
- 3. *The individual business model (pits owner vs driver) short term focus – asymmetry.***
- 4. *Association structure legally constrained for bankable business plan development.***
- 5. *Individualised applications for (fleet) financing drives the risk profile of the industry and cost of capital – information asymmetry.***
- 6. *Access to value chain opportunities can serve as valuable additional sources of revenue – eVs and related Industries.***
- 7. *The case for Program Management Office – Integrated Approach to delivery on repeat applications.***



# **ACKNOWLEDGEMENTS**

The DBSA team

The World Bank team

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