

SA's taxi industry is not a profitable business anymore and needs tech to save it

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Being a taxi owner in South Africa is no longer a profitable business. This industry has been the biggest creator of Black entrepreneurs for decades and currently experiencing existential challenges.



Mbavhalelo Mabogo, Quickloc8 founder and CEO | image supplied

Contrary to popular opinion, the taxi industry is still the most reliable and preferred mode of transport for 60% of commuters. The reason for this preference stems from the simple fact that a taxi goes to more places, more often and much cheaper and that's why South Africans love them.

Statistically speaking a taxi is still a much safer mode of transport than buses or trains and the number one preferred mode of transport for women and children.

The industry has been dealt with several severe dents in the few decades, from rising costs of buying taxis (R560,000 for a carcass), the rising cost of petrol, high-interest rates (as high as 28%), and commuters levels eroded by new market entrants such as e-hailing, employees working from home, the Bus Rapid Transport (such as Rea Vaya, My Citi, etc).

The SA government has signalled an appetite for assisting the industry with various programmes aimed at growing the

industry.

Programmes such as the National Taxi Recapitalisation (2005), the Covid tax relief fund that was launched in 2022 (R1.135bn) to mitigate against the negative impact suffered by taxi operators due to the national lockdown, and the various driver and taxi owner incentive programmes such as The Blue Dot (Western Cape) and the Moja Cruise (in Kwazulu Natal). These are all kind gestures and signals of political will, albeit small.

The provision of taxi subsidies was a big victory for the 2020 Lekgotla and formed part of its declaration, however, it appears that the national Department of Transport has no immediate plans to assist the taxi industry beyond the Taxi Recapitalisation Plan. This uncertainty and lack of resolution on the subsidy is a source of frustration for the industry.

The problems and challenges of the taxi industry can be loosely compared to the “Gordian Knot”, they are intricate, complex, and appear to be unsolvable. The Fourth Industrial Revolution and technology however present the best and simplest solution to some of their most pressing issues, while they wait for the government to consolidate.

Real-time technology

Firstly, the industry should arrest the bleeding. Real-time technology can assist taxi owners to monitor the return on assets (ROA) or return on movement by plotting daily taxi performance in a way that is easy to understand. The same data can be used to monitor and enforce route compliance, the source of most conflicts and animosity in the industry. This tool of accountability can assist taxi owners to act quickly when a driver is an off route or driving at unsafe speeds that endanger commuters and the taxi.

Not only can real-time technology be used at the taxi owner level, but also at the route office and at the association level where it provides a bird’s eye view performance of all the taxis at association level. The daily data gathered by the associations can be used to assess supply and demand, analyse movements during peak/off-peak, total kilometres driven and monitor drivers’ performance.

This technology approach to managing day-to-day operations can be used to pick up inefficiencies, and wastage (petrol, tyres, and maintenance) and identify gaps of opportunity for the associations. Besides improving operations, associations can use the data to negotiate for more permits from regulatory bodies and provincial departments. It can also help them legalize their members and reduce the costs of impoundments that taxi owners often face.

Encouraging taxi owners to make decisions based on data and providing them with shared performance dashboards has the power to build stronger trust within the taxi community. A high trust index among taxi owners will, in turn, facilitate the industry in seizing low-hanging fruit opportunities, such as ownership of petrol stations, and self-insurance of their taxis.



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For example, in the Western Cape, the formation of the eight regional companies under the provincial company Umanyano Travel Services presents a great opportunity for the companies to embark on this petrol station ownership model and can be funded by developmental finance institutions such as the National Empowerment Fund (NEF) that are experienced in that space. A profit model can be developed and agreed upon by taxi owners and monthly incentives paid out based on their own internal taxi performance, expenditure and rewards metrics.

Secondly, to unlock real new value, the adoption of cutting-edge technologies, such as artificial intelligence (AI) cameras in taxis, is crucial. This technological advancement brings numerous benefits to taxi owners, drivers, and passengers alike. By implementing AI cameras, taxi owners can experience an instant increase in revenue in excess of 30% per load.

These advanced cameras have made significant progress and can analyse the influx and outflow of commuters, providing owners with daily reports on taxi performance, including the number of commuters transported and revenue generated.

Currently, taxi owners are paying interest rates as high as 28% on their loan capital for their taxis, resulting in average monthly repayments of around R18,000 per month. Keeping detailed and digitised data records of the taxi's revenue is crucial as this data can be used together with other machine learning-enabled credit scoring algorithms that companies such as Creditais are currently developing to replace or supplement against the often-biased legacy lending metrics.

Finally, by using technology, the taxi industry can reduce waste and inefficiencies and change the negative “high-risk” perceptions that result in unfavourable payment and financing terms. The industry needs to turn things around and as things stand the quickest way to address these immediate and pressing issues for the adoption of technology from the bottom up.

In recent years also, the private sector had also distanced itself from the taxi industry due to its poor reputation. Adopting technology can help rebrand the industry and draw them back and their return comes with additional revenue. This industrial technological shift can offer taxi owners a lifeline and runway while they wait for the government to make up its mind and provide them with meaningful assistance.

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