



## WITH TERRY KIER

SA TAXI CEO

### Q WHAT PROGRESS HAS BEEN MADE ON THE OWNERSHIP TRANSACTION BETWEEN SA TAXI AND SANTACO?

A We finalised the transaction on 6 February 2019, and I can already say it has been a success. While we anticipated some of the benefits, which we discussed in our integrated annual report and other announcements last year, there have been many unanticipated benefits for our business, which have become evident since then.

SA Taxi had an excellent year, even though economic conditions were challenging, and we are excited about our plans for growth. Having SANTACO as partners in our business is a big part of this. The partnership has really refined our understanding of our customers, allowing us to enhance our offering to them, and has given us access to a much bigger market than we anticipated. Alongside the benefit to SA Taxi, we have focused on making sure that our customers – the minibus taxi operators that do not sit at the boardroom table but are out there running their businesses – have seen tangible commercial benefits from the partnership almost immediately. At the same time, the partnership is deepening the social impact at the core of SA Taxi's purpose.

When we started working on the ownership transaction, our main focus was on inclusivity – to give our major constituency (the minibus taxi industry) a much bigger share in the industry value chain. The need for socio-economic transformation in South Africa was also a key motivator, especially as the industry is made up entirely of small black-owned enterprises. Obviously, we knew it would be good for SA Taxi too, but it is fair to say that we underestimated just how well the alignment with SANTACO would work. On one hand, we continue to learn about what is happening at ground level in the industry. On the other hand, it has been exceptionally instructive and beneficial to SA Taxi.

SANTACO's participation in our business is bringing real insight from customers into every aspect of our products and services – from turnaround times and how our insurance products are perceived, to their experience in our vehicle dealerships and parts retail centre. Understanding our market in a far more nuanced way – by getting to grips with the daily reality of minibus taxi operators, their drivers and customers, and the conditions and challenges they experience – we are able to tailor our product and service offering to their real needs. As a result, there is new impetus at SA Taxi in product development. We have already released a new financing product with a lower interest rate, which is attracting a more diverse customer base and supporting better credit quality.

### Q YOU USED THE TERM 'TRANSFORMATIONAL' IN DESCRIBING THE OWNERSHIP TRANSACTION LAST YEAR. DO YOU BELIEVE IT WILL CONTINUE TO BE TRANSFORMATIVE – NOT ONLY FOR SA TAXI, BUT ALSO FOR THE INDUSTRY AND THE COUNTRY?

A Without a doubt. The deal was and still is the first of its kind in South Africa. It was not envisaged to be a traditional Broad-based Black Economic Empowerment (B-BBEE) transaction or focused on a limited base of beneficiaries. Instead we considered the breadth of an industry that has been traditionally economically disenfranchised and provided an opportunity for SANTACO to participate formally in the full extent of SA Taxi's value chain. That was always the intent behind the transaction.

What has surprised me is the way that SANTACO has embraced the broader potential of the transaction to drive the sustainability of our industry. For example, with the deterioration in the local economy, the industry collective has been more robust and flexible in its approach to limit potentially onerous price increases for the millions of commuters who use this service every day. That will remain the real challenge for us all – how to deliver a better, safer and more cost-effective service to commuters. This means supporting the industry in making the roads safer, using more efficient vehicles and running better businesses. There is a real understanding of how lowering commercial, social and environmental risk provides shared

benefits for our customers, their commuters and the country given the extensive and integral role that the minibus taxi industry plays in South Africa's public transport system.

As I have said, social impact is core to our purpose, and more than ever before we are running SA Taxi as a social enterprise. With the industry at the table, it is becoming much clearer how we can continue to deliver commercial value to our customers and our shareholders, as well as the deep social impact that secures our sustainability and growth in an emerging market context. The partnership with SANTACO will secure our profitability and reputation in an industry where there is broad economic participation, where operators are supported in growing better businesses and share in the value chain, supported by formal structures that bring the voice of the collective to the decision-making table. I believe our partnership with SANTACO is the embodiment of the social contract that many stakeholders are calling for to ensure inclusive growth and transformative development in South Africa. The first phase has been a resounding success and I think we are just scratching the surface of the value we can create by working together in the way we already are.

Q&A with Terry Kier, SA Taxi CEO *continued*

## WHAT ARE THE KEY DEVELOPMENTS IN SA TAXI'S REWARD PROGRAMMES?

SA Taxi Rewards is an example of the direct mutual benefits of our partnership with SANTACO. In close collaboration with them, we established SA Taxi Rewards in 2018 to deliver practical commercial benefits by leveraging the industry's purchasing power to negotiate better pricing for minibus taxi operators, associations and ultimately the entire industry. The intention is to drive down the costs of consumables such as fuel, tyres and parts to support the profitability of minibus taxi operators.

The initial programme provides rewards on fuel spend, regardless of whether the operator

is a customer of ours or not. In October 2019, we partnered with Bridgestone to add a tyre rewards programme. Through this partnership, we have managed to get a global leader in the industry to design and supply a tyre at a lower cost, with a safety specification designed specifically for minibus taxis. This was only possible because we could give them access to a market of 250 000 minibus taxis.

Further rewards programmes aimed at parts procurement are under consideration.

## ROAD SAFETY IS A KEY CONCERN FOR SA TAXI, YOUR CUSTOMERS AND SOCIETY AT LARGE. WHAT HAS YOUR INVOLVEMENT BEEN IN ROAD SAFETY INITIATIVES?

The ownership transaction with SANTACO provides a dividend flow to be invested in infrastructure and development projects to enhance the sustainability of the industry. The first trickle dividend was paid in June 2019, with the majority allocated to a road safety project initiated and led by SANTACO, called Hlokomela. This is a strong collaboration across industry stakeholders on a project with real social relevance, given the human and financial cost of South Africa's high road accident rates.

For SA Taxi's part, the development of a tyre specifically designed for minibus taxis through our partnership with Bridgestone will contribute to the industry's safety record. Estimates are that poor quality tyres account for almost a quarter of all minibus taxi accidents in South Africa. Our tyre programme will help to improve road safety, benefiting operators, drivers and commuters, as well as fellow road users. This is in addition to the cost benefits for minibus taxi operators I have already mentioned – making this a win-win solution.

We also continue to apply telematics and other data accumulated from across the business to change driver behaviour in the minibus taxi industry. The granularity of this data has incredible potential to improve the performance of our customers' businesses. One example is our analysis of what we call the 'route envelope'. Telemetry from a minibus taxi in a specific area will show that a usual short-distance route has suddenly changed to a long-distance route, sometimes after a very short turnaround time and often in the December or April holidays, with a far higher risk of an accident occurring. We provide this risk assessment to specific operators and to SANTACO, which allows them to communicate with specific associations and encourage the development of protocols to lower these types of risk.

Besides the commercial benefits of leveraging our specialised data in reducing risk for SA Taxi, we are increasingly able to generate data insights on an array of conditions that impact safety, including other driver behaviour and route factors, and timely vehicle maintenance and repair.

## SA TAXI AUTO PARTS WAS LAUNCHED IN MARCH 2018. HOW HAS THIS NEW INITIATIVE FARED?

SA Taxi Auto Parts is proving to be a great success. It is another example of how our collaboration with SANTACO is enabling us to continually improve our offerings by adapting them more closely to the needs of the minibus taxi industry.

SA Taxi Auto Parts imports and locally procures new minibus taxi parts directly from source. In addition, its salvage operation recovers and refurbishes used parts from vehicles that are not economically viable to repair. This contributes to a reduced vehicle refurbishment cost, which supports higher recoveries and lower credit losses. These savings also reduce the cost of insurance claims, which can then be passed on to our customers in the form of competitively priced insurance premiums, demonstrating the

shared value benefits that our vertically integrated business model delivers. In 2019, SA Taxi Auto Parts supplied parts to the value of approximately R6 million per month to SA Taxi Auto Repairs and has recently started distributing to our network of preferred external autobody repairers as well.

SA Taxi Auto Parts also retails well-priced new and pre-owned auto parts to taxi operators. This retail initiative has exceeded our initial expectations, with revenue of approximately R3 million per month in 2019. The majority of these retail customers are new to SA Taxi, which is exposing SA Taxi's brand and services to a wider market, presenting opportunities to cross sell services and drive further organic revenue growth opportunities.

## ARE THERE ANY OTHER DEVELOPMENTS THIS YEAR THAT YOU WOULD LIKE TO COVER?

A small proportion of SA Taxi Protect's insurance claims are currently processed by SA Taxi Auto Repairs, with the majority outsourced to approved autobody repairers. An initiative to expand SA Taxi's refurbishment capacity is set for 2020, and we have already secured the additional premises. Once completed, we will increase the proportion of SA Taxi Protect insurance claims processed internally by SA Taxi, further improving claims ratios.

SA Taxi Protect's new insurance claims administration system, Sapiens, went live in 2019 in line with expected timeframes and within our cost expectations. The efficiencies from this claims management system will enhance SA Taxi Protect's customer value proposition. As part of the new products being developed and released in conjunction with SANTACO, SA Taxi Protect is also broadening its product offering, with SA Taxi's insurance customers now holding more than two insurance products per customer.

SA Taxi Protect grew its gross written premium by 20% to R823 million in the year, driven by our success in attracting new insurance customers. Keeping premiums stable and specifically targeting open market clients – being insurance clients not financed by SA Taxi Finance – through our broker network, has supported this strong result. Further, the majority of SA Taxi's financed customers continue choosing SA Taxi Protect as their insurer.

Considering the economic stress in the market, we are always looking to develop innovative

products to reduce costs for operators where we can. Operators are looking for well-priced and reliable options to reduce their monthly instalments. Our pre-owned market is buoyant as a result, with our pre-owned vehicles providing them with a reliable and affordable alternative to buying new vehicles.

Increasing sales in the pre-owned market and take-up in our new lower interest rate product, along with higher vehicle retail prices, Toyota's increased production of minibus taxis and higher loan origination volumes on Nissan vehicles has supported the growth in our loans and advances portfolio. In fact, this portfolio has grown faster in 2019 than in any year since listing in June 2012.

Another development worth mentioning is Toyota's substantial investment into its minibus taxi manufacturing plant in South Africa. With Nissan also working to gain market share, we should see healthy competition increasing to benefit the minibus taxi industry.

Ultimately, the main storyline for SA Taxi this year, and looking ahead, is the expected and unexpected benefits that are flowing from our partnership with SANTACO. For an industry that was operating on the fringes of the formal economy, and yet serves as the dominant mode of public transport that drives our economy, the deal is driving shared value far beyond our original expectations. While it is already enhancing SA Taxi's commercial returns and growth prospects, there is extraordinary potential to deepen its social value as our partnership matures.