

# **Procurement's contribution towards socio-economic objectives within the commuter bus industry**

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Keywords: Procurement, Socio-Economic Objectives, South Africa, Commuter Bus Industry

## **ABSTRACT**

In South Africa, procurement, seen as a strategic tool for socio-economic development, is guided by the Supply Chain Management Policy Framework developed in 2003 (Ambe, 2016:280). Each government entity is driven by its own SCM which is unique to its operations. However, the commuter bus industry is complex and its operations are not in line with the recommended regulations. Procurement in the industry is marred by a lot of challenges, such as the fact that to date no new contracts have been concluded since 2001 (Walters & Manamela, 2016:3). The Small Bus Operators (SBOs) cannot participate in the government contracting system. This paper explores procurement's contributions towards socio-economic objectives within the commuter bus industry in South Africa. The paper is both descriptive and exploratory in nature, and employs a mixed-method research approach. The data were collected from a sample of 18 respondents who are key stakeholders directly involved in the procurement of subsidised commuter bus services in Gauteng. Face-to-face interviews and a semi-structured questionnaire were used. The findings of the study reveal the role of the procurement function within the commuter bus industry, including the development of small, medium, micro enterprises and its contribution to the country's Gross Domestic Product (GDP).

## **INTRODUCTION**

Globally procurement, a sub-process of supply chain management has been accepted that it plays an essential role in local and regional wide industrialisation (Boateng, 2018). Under the apartheid government (pre-1994), procurement practices favoured large, established companies and it was difficult for small businesses to partake in business with the government (Ambe, 2016:279). Before the constitutionalisation of government procurement in SA, the State Tender

Board Act governed procurement at national and provincial government levels, while procurement at local levels was governed by various other pieces of legislation related to the procurement of goods and services (Jones, 2015:11; Thai, 2009). However, over time the regulations to the State Tender Board Act were amended to allow for flexibility in the procurement processes.

When the new government took power in 1994, procurement was given a constitutional status and was put under the management of the National Treasury (Ambe & Badenhorst-Weiss, 2012:245). The National Treasury was given the responsibility of managing and overseeing government expenditure, and they exercised overall responsibility and oversight for the public procurement policy at national, provincial and local levels. As a means of addressing past imbalances and promoting socio-economic objectives, the new government embarked on policy reforms on the procurement practices of the country (Motuba, 2014:12). These were aimed at promoting the principles of good governance, to enable easy access to tendering information and to provide simplified documentation. However, the commuter bus industry is complex and its operations are not in line with regulations. Procurement in the industry is marred by a lot of challenges, such as the fact that no new contracts have been concluded since 2001 (Walters and Manamela, 2016:3). In addition, the current practices favour the subsidised (commonly known as the formal) operators over the unsubsidised (informal) ones, with the former benefitting from government contracts. In addition, most of the old operators are still in the system, limiting the opportunities for new operators to enter the market successfully.

Although there are many studies on procurement in the public sector in SA, such as studies by Ambe (2009), Ambe and Badenhorst-Weiss (2012), Mofokeng (2012) and Dlamini (2016), there are limited studies on procurement in the commuter bus industry. A few studies looked at procurement in higher education, SCM in higher education, SCM in municipalities, SCM in national departments and the implementation of government procurement policy, but none of these studies have been conducted in the commuter bus industry. While many studies have been done on public transport, most of them deal with the policies guiding public transport, and the implementation of policies guiding public transport and the commuter bus industry, little research has been done into the procurement aspects of the commuter bus industry. Therefore, there is a research gap, and hence the need for this study.

## **LITERATURE REVIEW**

This section of the paper provides a review of the relevant literature. It explores procurement in a public sector management context, procurement methodologies in the commuter bus industry, as well as procurement's contribution towards socio-economic objectives within the commuter bus industry.

### **Review of procurement practices**

Procurement refers to the acquisition of goods and services at the best possible total cost of ownership, in the right quantity and quality, at the right time and in the right place, generally through a contract (Munzhedzi, 2016:2). Fourie (2015:38) defines procurement as a business function with an economic activity, a business process in a political system and a strategic profession. Procurement also serves as a management function and is employed as a value-adding process by a specialised department or unit. It can also be used as a social tool, allowing tax money to be returned to domestic residents, creating more jobs and reducing imports (Arrowsmith, 1996; Fourie, 2015).

Procurement can be broadly divided into two types: public procurement and private procurement. According to Mwacharo (2015:14), public procurement is the procurement done by or on behalf of ministries, departments of central and local government, and state corporations. Akafia (2007:10) defines public procurement as the way in which government-funded entities contract various types of civil works and procure goods and other services. These goods and services include standard to large expenditures, for example standard items such as stationery and larger items such as the construction of roads, and key services like education (Dzuke and Naudé, 2015:1). In addition to contributing to the welfare of the public, public procurement has also proven to be a successful management tool of public resources (Ambe and Badenhorst-Weiss, 2012:245).

Procurement in South Africa is deemed to be of particular importance in the public sector and is used as a policy to address the discriminatory and unfair practices stemming from the apartheid era (Bolton, 2006:202). However, within the commuter bus industry there was, and still is, some resistance to the reforms in the procurement of services (Naudé, 2003:5).

### **Procurement practices in the South African public sector**

Under the apartheid government (pre-1994), procurement practices favoured large, established companies and it was difficult for small businesses to partake in business with the government (Ambe, 2016:279). Before the constitutionalisation of government procurement in SA, the State Tender Board Act governed procurement at national and provincial government levels, while procurement at local levels was governed by various other pieces of legislation related to the procurement of goods and services (Jones, 2015:11; Thai, 2009). However, over time the regulations to the State Tender Board Act were amended to allow for flexibility in the procurement processes.

When the new government took power in 1994, procurement was given a constitutional status and was put under the management of the National Treasury (Ambe & Badenhorst-Weiss, 2012:245). In 2001, the National Treasury, in combination with the World Bank, conducted an audit assessing the progress on the proper implementation of procurement practices throughout the public sector (National Treasury, 2003:2). A number of inconsistencies were identified within the operations, specifically in terms of the interpretation and implementation of the PPPFA and related policies (Ambe & Badenhorst-Weiss, 2012:243). This joint Country Procurement Assessment Report (CPAR), then led to the adoption of the Regulatory Framework for Supply Chain Management in 2003, entitled “Policy to guide uniformity in procurement reform processes in government” which, in conjunction with provincial treasuries, replaced the outdated procurement practices within provinces and municipalities.

### **Procurement practices within the commuter bus industry**

A commuter bus can be defined as a scheduled bus that is assigned for short travel distance of 100 kilometres or less, mainly utilised by the working population as a mode of transport from their places of residence to their places of employment (Public Service Commission, 2017:4). Commuter buses are used within the commuter bus industry, which falls under the auspices of the Department of Transport (DoT) and forms part of the public transport spectrum (Walters, 2014:1). This section of the DoT is responsible for passenger transport, together with the train and minibus taxis industries. This industry is then further divided into municipal buses, the new

Bus Rapid Transit system and subsidised and unsubsidised buses (DoT, 2013). The industry provides public transport services to people commuting to work, learners travelling to and from school, and individuals who are seeking access to employment, hospitals and other services. In 1986, the White Paper on National Transport was introduced. This allowed minibus taxis to enter the bus industry, which led to intense competition and increased subsidy levels per passenger. The White Paper further stipulated that the bus services had to be put out to tender (Walters, 2014:2). In 1987, the bus services were put out on tender as a pilot to see if the tender system would work in the bus industry. However, this did not last, because the system was severely criticised, which eventually led to the subsidy policy being phased out completely. The industry has undergone some major transformation, especially after the introduction of the National Land Transport Transition Act No. 22 of 2000. This Act makes provision for the transition from the previous subsidy system and the introduction of the interim and tender subsidies.

The standard procurement methods that are used in the industry are based on the methods used in the general public procurement in South Africa, but adapted to the specific needs of this industry (Ngcamphalala & Ambe, 2016:7). As part of the reforms, the White Paper on National Transport Policy of 1996 was introduced, which introduced the procurement of commuter bus services through competitive tendering (Walters, 2014:2). However, there were then labour-related issues between the DoT, the industry association (the Southern African Bus Operators Association) and labour, which then led to the enacting of the National Land Transport Act of 2009, which introduced the contemporary procurement methods, namely, negotiated contracts and competitive contracts (Walters, 2010:362).

However, before either of these two were introduced, interim contracts (ICs) came into play as discussed below:

- **Interim contracts:** These were introduced as an interim measure in 1997 to assist operators in becoming financially ready for the tender practice (Walters, 2010:362). They were based on the original services offered by the operators at the time, and operated on a passenger-based subsidy.
- **Tender contracts:** In 1997, following the challenges presented by interim contracts, the government introduced tender contracts in line with the White Paper policy objectives (Walters, 2010:363; Walters, 2014:2). These contracts are government controlled, with the government specifying the required services and inviting operators in an open market to tender for these services. The aims of these contracts are to encourage the participation of new entrants, to empower small operators and also to enable the transparent monitoring of funds for this industry.
- **Negotiated contracts:** Between 1999 and 2000, negotiated contracts were introduced through the National Land Transport Transition Act (NLTTA). Originally, they were intended to assist government-owned and municipal operators who were financially unfit in participating in competitive tendering (Walters and Cloete, 2008:1163). This Act was later amended to make provision (under certain conditions) for private sector companies. These include small operators and previously disadvantaged persons who have been excluded owing to unfair discrimination.

## **Procurement's role in socio-economic development within the commuter bus industry**

Post-1994, the ANC government transformed public procurement to cater for diverse economic needs, such as the inclusion of women, black people and people with disabilities, groups that were previously marginalised in economic activities (Vabaza, 2015:27). A part of this initiative was to support this industry. The South African government identified that the Small, medium, micro enterprises (SMME) sector has the potential to provide job creation opportunities, economic growth and equity in South Africa (Peters & Naicker, 2013:13). This has been proven since 1996, where the number of individuals employed within the SMME sector increased from 19% to 26% of all employed persons by 1999. Since then the SMME sector has received increased attention from the government, especially with regards to investment, supportive legislation, a variety of funding institutions and assistance from government institutions through the Department of Trade and Industry (DTI) (Boosting small businesses, 2002:1).

Despite the reforms and regulations put in place to redeem the irregularities in promoting socio-economic objectives in public procurement, there are still some predicaments. The commuter bus industry has noted the following gaps:

### **Use of procurement to achieve socio-economic objectives within the commuter bus industry**

The contemporary procurement practices employed within the commuter bus industry are still not in line with some of the policies like the B-BBEE Strategy that says there must be contract guarantees (B-BBEE Strategy-page). There are no contract guarantees as per the set policies. According to the Parliamentary Monitoring Group, on "Bus subsidies and their impact on taxi industry: DoT briefing" (2013:1), the subsidised bus contracts were operated on a month-to-month basis despite the promise to provide contract guarantees through these contracts. According to Thys Heyns, PUTCO executive director, the longest contracts were 12 months' contracts and operators cannot invest in anything for such a short period (Venter, 2015:1). Therefore, operators cannot hire additional staff, since there is no certainty of their business and thus the industry is not contributing towards job creation or economic growth.

There have not been any new signed contracts since 2002 (Munshi, 2014, Walters 2014:2). Section 41(1) (b) of the National Land Transport Act stated that authorities may enter into negotiated contracts with operations in their areas, on a once-off basis, with a view to promote the economic empowerment of small businesses, or of persons previously disadvantaged by unfair discrimination (Parliamentary Monitoring Group,2013:1). This was to be done so that when new contracts were brought in, the negotiated routes of all the previously disadvantaged people would be incorporated. Since April 2015, these are now operating on a three-year contract, due to expire in April 2018 (Saboia, 2015:12). The Green paper on procurement (1997:7) concurred that the inclusion of SMMEs is important to stimulate the growth of the SA economy, however the execution of the proposed policies seem to have side-lined this industry.

### **Development of SMMEs**

SMMEs constitute the vast majority of business establishments in all economies and are usually responsible for job creation opportunities and contribute a big part of the private sector turnover (Hlakudi, 2012:55). Government have since seen that the small businesses present a big opportunity to assist in reducing the poverty gap.

However, within the commuter bus industry the status quo shows that there is still some resistance with regards to the inclusion of SMMEs or small bus operators (Mitchell & Walters, 2011:252; Walters & Heyns, 2012:45). The employed procurement practices still favour big companies. The old contracts from the previous era in the form of interim contracts are still in place, and they have been extended more than a 150 times (Venter 2015:1). To date, however, despite the newly effected policies under the new government with the aim of promoting socio-economic objectives, SMMEs are still not fully recognised in SA (Hlakudi, 2012:4). At present, only a few small bus operators are taking part in the procurement processes with negotiated contracts (Walters, 2013:40). The majority of the small and/or black-owned companies still find it difficult to compete with the large white-owned companies for contracts. Small bus operators (SBOs) or informal bus operators, as referred to in most literature, are still struggling to take part in these operations, because of the protection afforded the large operators (Naudé, 1999:167). Venter (2013:2) concurs saying that in the public transport sector informal or SBOs are still regarded as “a problem to be solved”. These operators are said to be resistant of the proposed policies. According to Harrison (2012:6), small and new bus operators are still struggling to penetrate this industry. The main challenge is lack of subsidies to purchase the required fleet of buses needed to partake in the competition with the large operators. The large operators were given a huge capital investment to purchase their fleet. It is a given that the small bus operators do not stand a chance against the large operators.

#### Contribution to GDP

The bus industry has for many years made a significant vital contribution to the economic and social development of the country (de Klerk, 2013:1). Due to the budget constraints in the industry, mainly stemming from the use of the Division of Revenue Act (DORA), the growth and contribution of the industry towards the GDP has decreased (Rypstra, 2011:2). Table 1 provides a summary of the current situation regarding the contribution of the industry to socio-economic development.

### **RESEARCH METHODOLOGY**

The formal public transportation sector is led by the urban bus industry (Simpson *et al.*, 2012:22). This industry moves 858 000 passengers per day (DoT, 2003). This shows how critical this industry is to society and the country at large. However, the industry is marred by a number of challenges, amongst others, limited subsidies being allocated and poor implementation of policies guiding the procurement of services (Walters, 2010). This affects the choice of the most suitable procurement method. The exploration of the current procurement practices is therefore necessary to identify the types of procurement practices being employed and the challenges affecting the effective implementation of these methods against the guiding policies.

For this paper, a mixed-method approach was selected, since the study aimed to investigate and gather an in-depth understanding of the procurement practices employed in the commuter bus industry. The study was conducted using both the quantitative and qualitative research methods, over two phases. Phase 1 involved an in-depth literature review and Phase 2 consisted of a face-to-face interview questionnaire based on semi-structured questions that was conducted with government officials and commuter bus operators, with open-ended questions where the respondents had to justify their responses (mixture of quantitative and qualitative research). This allowed for the achievement of triangulation.

A total of 18 respondents were interviewed. This population was not large enough to warrant a quantitative research approach, and to add to that the limited amount of literature on procurement

practices employed within the commuter bus industry. Fortunately, enough literature is available on procurement in general, and as the research is based on a survey. The questions in the questionnaire were guided by the literature review to address the research problem and to answer the research objectives. The questionnaire consisted of a five-point Likert response format with different end points, namely, 1 (no extent) to 5 (very great extent), 1 (strongly disagree) to 5 (strongly agree), and ranking with end-point 1 (not important at all) to 5 (extremely important), and it was divided into three sections. Section A consisted of questions on the general operational information, section B consisted of questions on the procurement practices employed within the commuter bus industry and section C consisted of open-ended questions, to assist the researcher in reaching the final conclusions of the study.

The data collection was conducted by the researcher to maintain a close relation and build trust amongst the respondents (especially the commuter bus operators), who have proven to be sceptical about government's intentions on a number of occasions, as experienced by other researchers, such as Walters and Manamela, (2016: 4). The collected data was analysed using both the descriptive and inferential statistics through the Statistical Program for Social Sciences (SPSS, version 24). Descriptive statistics were used to describe the main features of the data in quantitative terms, and inferential statistics were used to determine statistically significant differences. The open-ended responses were used to give more meaning to the respondents' views on questions, where applicable (Gray, Williamson, Karp and Dalphin, 2007:44).

## **FINDINGS**

This section of the paper presents the findings and a discussion on procurement's contribution towards socio-economic objectives within the commuter bus industry in Gauteng. The findings of both the structured and unstructured questions are presented. The empirical analysis aimed to determine if procurement does contribute towards socio-economic objectives within the commuter bus industry in South Africa. From the descriptive analysis, it was evident that procurement contributes significantly towards job creation within the industry with a mean value of 4.00. This was followed by "the awareness of SBOs' on the tender processes" with a mean value of 3.33. This was followed by "the inclusion and protection of historically disadvantaged individuals" with a mean value of 2.83, then followed by the "SBOs' ease of access to contracting system" with a mean value of 2.67, which was followed by "promoting guarantees and training in the industry" with a mean value of 2.61 and the "breakout of procurement contracts" with a mean value of 2.44. The least evident contribution was "promoting sound financial management" with a mean value of 1.89. Therefore, the findings confirm the literature findings in Section 3.3.4, that there is still a lot of work to be done to improve and support this industry (Sibande, 2013:1).

A further analysis on procurement's contribution towards socio-economic objectives within the industry came from the interview questions and revealed that there was a general agreement amongst the respondents that procurement contributes a great deal towards job creation in Gauteng within the commuter bus industry. The findings also revealed that there is access to the contracting system, but there is limited information on the details of tendering, which limits the entrants of new operators, over and above the fact that there are no new advertised contacts.

The study also found out that there was almost a universal agreement from the respondents on SBOs' awareness of the tender processes within the commuter bus industry. The findings also revealed that there were mixed feelings between the respondents on the inclusion and protection of the HDIs, with most indicating that the HDIs have been fairly included in this industry. Majority of the respondents also indicated that the industry is not contributing towards being

financially sound and sustainable. Operators cannot survive without the governments' subsidies. Also the study revealed that there were mixed feelings from the respondents regarding the breakout of procurement contracts was recommended by the Green Paper on procurement on Public Sector Procurement of 1997.

From the above summary of findings it can be concluded that South Africa can benefit from effective procurement to promote socio-economic objectives within the commuter bus industry.

### **Contribution of the industry towards socio-economic objectives**

Respondents were asked to indicate on a 5-point Likert response format, their agreement to statements relating to the contribution of procurement to the commuter bus industry with end points 1 (strongly disagree) to 5 (strongly agree). The responses were measured in mean values and standard deviation as reflected in Table 1.

**TABLE 1:**  
**Perceptions of the respondents on procurement's contribution towards socio-economic objectives within the industry**

Statements	Mean		Std. Deviation
	Statistic	Std. Error	Statistic
The industry's contribution to job creation.	4.00	.162	.686
SBOs' ease of access to contracting system.	2.67	.256	1.085
SBOs' awareness of the tender processes.	3.33	.243	1.029
Inclusion and protection of historically disadvantaged individuals.	2.83	.232	.985
Promoting sound financial management.	1.89	.179	.758
Breakout procurement contracts	2.44	.258	1.097
Promoting guarantees and training in the industry	2.61	.293	1.243

Source: Author's own compilation

As indicated in Table 1, the most evident procurement contribution to the industry is "the significant contribution towards job creation" with a mean value of 4.00. This was followed by "the awareness of SBOs' on the tender processes" with a mean value of 3.33. This was followed by "the inclusion and protection of historically disadvantaged individuals" with a mean value of 2.83, then followed by the "SBOs' ease of access to contracting system" with a mean value of 2.67, which was followed by "promoting guarantees and training in the industry" with a mean value of 2.61 and the "breakout of procurement contracts" with a mean value of 2.44. The least evident contribution was "promoting sound financial management" with a mean value of 1.89. Therefore, the findings confirm the literature findings in Section 3.3.4, that there is still a lot of work to be done to improve and support this industry (Sibande, 2013:1).

### **Procurement's contribution to the industry**

In SA, procurement promotes preference and socio-economic objectives, as guided by the PPPFA and its Regulations (National Treasury, 2015:13). In fulfilling the socio-economic objectives, procurement needs to, amongst others, support the emerging black businesses and 'set aside' procurement for previously disadvantaged individuals. Following the conducted interviews, it was revealed that procurement contributes towards job creation, however, it still limits SBOs through ease of access to the contracting system, SBOs awareness of the tender

processes, inclusion and protection of HDIs, promoting sound financial individuals and breakout of procurement contracts.

Most of the respondents indicated that procurement contributes a great deal towards job creation in Gauteng.

*“Yes, of course. We are contributing a great deal on the part of job creation. If you look at big bus companies, they are employing more than 6000 employees, or even more, I do not know the number of their fleet now, but it’s more.” (Respondent 6)*

*“Yes! These buses bring forth employees to their work of place and this contributes to different sectors in terms of bringing forth labour and job creation through the sector its self, drivers, cleaners, ticket inspectors and many others. (Respondent 2)*

Some of the respondents indicated that there is access to the contracting system, but limited information on the details of tendering.

*“It’s not that there is no access at all, but we need the training part of how to do things within the contracts. How to tender and all those things, because most of the operators depend on consultants when it comes to tendering... and they charge a lot of money. (Respondent 2)*

Some respondents indicated that there is no access to the contracting system at all. The big companies with more contracts have to be forced to share some of their routes, as a means to include the SBOs and still they are abusive towards the SBOs.

*“There are a few SBOs participating in the subsidised commuter bus services, and they operate only as subcontractors. And they are not paid from the PTOG, but from the province. (Respondents 5)*

Some of the respondents indicated that SBOs’ are aware of the tender processes within the commuter bus industry.

*“Yes, but we have not been issuing any new contracts. However, they are aware. We have had a number of engagements on the tender processes with them.” (Respondent 1)*

There were mixed feelings between the respondents on the inclusion and protection of the HDIs, with most indicating that the HDIs have been fairly included in this industry.

*“I think, the government has fairly accommodated and included the SBOs. You can’t include them before you sort your house. You first need to deal with the challenges in the industry. Remember, we will include the HDIs when we issue the new contracts. The industry needs to sort out the contracting regime first, then when new contracts are issued out, then HDIs can be brought on board. The problem right now is that the system is not sustainable. You can’t bring new people to a collapsing industry. (Respondent 1)*

Most of the respondents indicated that, they do not think the industry is contributing towards being financially sound and sustainable.

*“The small ones no. even the big ones on the current contracts...operating on a month-to-month basis, no its no. Some of the operators there an there have even withdrew from some of their operations, because the operations were not sustainable.” (Respondent 5)*

The breakout of procurement contracts was recommended by the Green Paper on procurement on Public Sector Procurement of 1997, as part of the procurement reforms in SA. Through this paper, the government aimed at transforming the public procurement process in order to achieve its socio-economic objectives, and one of the procurement objectives included the breakout procurement. There were mixed feelings from the respondents regarding this. Some of the respondents advised that there is a bit of inclusion but not to a large extent.

*“It’s a very small portion. The government just asks the operators to comply with the sharing of the contracts, i.e. give 10% of your routes as a requirement to the SBOs and this is not enough for the SBOs, out of a 100%.” (Respondent 2).*

Table 2 presents the storyline on procurement’s contribution towards socio-economic contributions, based on the open-ended questions.

**TABLE 2:**

**Procurement’s contribution to the commuter bus industry**

Theme	Description
Job creation	<ul style="list-style-type: none"> <li>▪ Procurement contributes a great deal to job creation.</li> <li>▪ Commuter buses bring forth a large number of commuters to other sectors of business in SA.</li> </ul>
Access to contracting system	<ul style="list-style-type: none"> <li>▪ Operators have access to the contracting system, but lack training on the contracting processes.</li> </ul>
Awareness to contracting system	<ul style="list-style-type: none"> <li>▪ SBOs are aware of the tendering system, but there have not been any new contracts.</li> </ul>
Inclusion and protection of the HDIs	<ul style="list-style-type: none"> <li>▪ The stakeholders need to sort out the current contracting regime, before introducing HDIs into the industry.</li> </ul>
Sound financial individuals	<ul style="list-style-type: none"> <li>▪ Operators are struggling financially, that some have even surrendered some of their routes.</li> </ul>
Breakout of procurement contracts	<ul style="list-style-type: none"> <li>▪ A very small portion of the existing routes have been broken down into small contracts.</li> <li>▪ Large operators are still dominating.</li> </ul>
Promoting guarantees and training in the industry	<ul style="list-style-type: none"> <li>▪ Training is offered by government through. Transport Education Training Authority (TETA)</li> </ul>

Source: Author’s own compilation

**LIMITATIONS AND FUTURE RESEARCH**

There was a limited number of limitations to this study, because of the support from the personnel from the DoT that put in a word for the researcher which made the operators willing to participate in the study. However, there were limitations and these were:

- The limited information on the commuter bus industry in SA, with very little literature being available on procurement practices in the industry.
- The availability of the commuter bus operators for the interviews, was a bit of a challenge due to their busy schedules.
- The limitation regarding the sample size for the quantitative part of the study.

- The limited geographic scope of the study, since the study was only conducted in Gauteng.

This served as a foundation in highlighting the roots of the challenges facing the industry. However, for future research, it would be necessary to then now study deeper the dynamics of the procurement practices employed within the industry to find the best suitable method, suitable for South Africa's unique nature. It is also recommended that a further study is conducted for the whole country to be able to acquire a national solution to the industry's procurement problems.

## **CONCLUSION**

This paper investigated the role of procurement towards socio-economic objectives within the commuter bus sector in Gauteng. In South Africa, procurement is seen as a strategic tool for socio-economic development to address past imbalances and promote socio-economic development (Ambe, 2016:280; Motuba, 2014:12). The aim is to promote the principles of good governance, to enable easy access to tendering information and to provide simplified documentation.

In South Africa, public procurement aims to cater for diverse economic needs, such as the inclusion of women, black people and people with disabilities who were previously marginalised in economic activities (Vabaza, 2015:27). Part of this initiative involves fulfilling socio-economic objectives, including amongst others, job creation (Peters & Naicker, 2013:13). The findings of the paper revealed that procurement is and can contributing tremendously towards job creation in the commuter bus industry and the country at large. However, with regards to SBO's awareness of the tender processes and access to the contracting system, the findings indicated that the industry is lagging behind, especially on the training of the operators with regards to the tendering processes as a whole, followed by the limited promotion of job security in terms of new contracts, with a small number of contracts serviced by SBOs as sub-contractors and the limited promotion of sound financial management (with the current contracts being operated on a month-to-month basis). This means there is a gap that the government can utilise through procurement to promote socio-economic objectives within the industry. The findings also indicated that there was no progress at all regarding the inclusion of the HDIs within the commuter bus operations. These factors are definite opportunities of promoting socio-economic activities in the industry through procurement.

The findings also reveal that there is some form of contribution by the industry towards socio-economics objectives. However, this is minimal, with more room for improvement, especially in relation to the promotion of sound finances, the breaking of procurement contracts (the breaking of big contracts, to include new entrants in the operations), to provide SBOs with ease of access to the contracting system and the inclusion and protection of the HDIs. This also confirms that the inconsistencies in the implementation of the procurement practices, limits the benefits that could be acquired from this function.

Therefore, the key stakeholders in the industry need to revisit their policy formulation and implementation processes to ensure that there is proper consultation among the relevant parties. The government needs to continue working on the relationship with the operators. All operators need to be considered or consulted in all communication or planning, especially small bus operators, since they are not all the same.

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