



CORPORATE WHITE PAPER ON INTRODUCTION TO THE SCHOOL SHUTTLE TRANSPORTATION INDUSTRY

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HISTORY AND BACKGROUND TO THE INDUSTRY

The school shuttle transportation industry has evolved over the last 30 years into a fast growing segment of the transportation industry, largely due to the growth of the education sector and the economic growth witnessed over the period. The backbone of the industry can be traced from government parastatals providing government vehicles to their managers and managing pool vehicles for their staff which included pick up and drop off of school children in the early 1990s this system was rudely interrupted by privatization program whereby former government companies were sold off and support budgets shrank, this was quickly followed by a new class of workers without means of travel to work, the gap was quickly filled in by a group of people that used “COMBIS” to provide transport to people – this was the birth of the “TAXI” public service industry as we now know it today (UTODA) was quickly formed to take advantage of this opportunity and for many years controlled the use and licensing of Taxi operations even spreading from Kampala upcountry. During this time we began to witness importation of used Japanese vehicles with TOYOTA Corolla DX, TOYOTA Cressida, TOYOTA Crown and the other makes these were private cars and due to their cost many were bought and slowly Kampala began to experience slow traffic we traditionally call “JAM”. Some schools began to expand and needed to move their locations out of the city centre namely International School of Uganda –ISU which had acquired land in Lubowa, because of the distance they chose to invest in school shuttles to move children to school, it has worked well for them over the years with other schools picking the cue and investing in buses like Victorious Education Services and a number of others.

Due to pressure from school budgets and the need for parents to get to work in time and also drop children to work in time, there emerged an alternative means which was private school shuttle services, the pioneers may be long gone out of this business today but it is worth mention their names namely Metro Shuttles and another not so common name with Blue shuttles, these influenced the modern day private/outsourced school shuttle industry often shaping the operations and pushing the outreach through their efforts. The industry has grown from those humble beginning to where it is now and we are confident that it will continue to be vibrant over the foreseeable future.

The school shuttle vehicle is more than just a vehicle where school children are transported from home to school it's an innovative and integrated solution to the education system, parent and children welfare, and a guaranteed avenue to create youth employment both Direct and Indirect – skilled and semi skilled.

INTRODUCTION/EXECUTIVE SUMMARY

This White paper serves as an introduction to the school shuttle industry, its designed to support those seeking an authoritative source of information on the industry, to seeks to summaries' the industry in a broad sense for the benefit of a quick read or research for inclusion in a presentation on the school shuttle transportation industry.

This report offers an overview of the “BIG PICTURE” of the school shuttle transportation industry with a special emphasis on private school shuttle operators who provide approximately one-quarter of school shuttle transportation for schools. It is an explanation of the current state of affairs, a description of its history and a candid look at the future. In addition this report considers how transportation fits into the educational system, the economic issues that inform the industry and the public policy issues that are most significant to the industry.

WHY THE NEED FOR SCHOOL SHUTTLE TRANSPORTATION SERVICES

In times of both economic growth and slow down, the number of working mothers tends to increase with a resultant increase in the number of students requiring a reliable transport service, especially in the afternoons when the parents are not available.

Lack of public transport services, the ongoing increase in cost of running a personal motor vehicle, parents needing to go to work to ensure a constant income to run households, time wasted in traffic during the morning and the need to collect children during potentially difficult times of the day, has created additional pressure on these households.

Parents are therefore looking for alternatives (within personal budgets) to ease this pressure while finding a reliable and trustworthy service provider to do this for them.

INDUSTRY SIZE – SCHOOL SHUTTLE TRANSPORTATION

The school shuttle industry in Uganda is a USD 10 million industry, compared to the USA where it is a USD 10.5 Billion Industry; we still have a long way to go.

DRIVERS AND BUS ASSISTANTS

All school shuttle transportation vehicles are required to have a driver to operate the vehicle and depending on the vehicle seating capacity may hold a combination of driving permit classes or a single class permit which for a 14 seat van is Class DL, and a 28 seat vehicle is Class CM, the DL class can only be obtained with a minimum of 5 years driving experience and is in addition to the Class B for salon vehicles. Class CM can only be obtained after 5 additional years of driving experience. This checker helps to support the industry since the size of vehicles is not the same and one must demonstrate capacity to use and manage the vehicle that falls under his permit class. Bus Assistants by designation are supposed to support children during ON and OFF boarding of the van, also manage discipline on the bus, attend to communication with parents or school authorities and help the driver concentrate of driving the vehicle. They are desirable in shuttles for this purpose and for a professional fit must become part of the In shuttle personnel for a successful operation.

POLICY CONCERNS ON THE SCHOOL SHUTTLE TRANSPORTATION INDUSTRY

The school shuttle transportation industry in Uganda has no known regulatory framework save for the Transport Licensing Board which issues PMO/PSV licenses, KCCA for Operating Licenses and some membership options to travel industry associations namely TUGATA – The Uganda Association of Travel Agents or AUTO – Association of Uganda Tour Operators.

TAX POLICY ON THE SCHOOL SHUTTLE TRANSPORTATION INDUSTRY

This is generally nonexistent save for the Uganda Budget 2015-2016 which afforded a tax reduction to passenger vehicles. The only solid tax policy on the industry is the one related to the rules of origin that largely benefits bus manufacturers in the region namely ISUZU, HINO, SCANIA brands that maintain manufacturing facilities in Kenya. Some operators like we are conduct business across the industry and provide Tour and Safari services, we have been successful in getting a Tax waiver on Tour vehicles and this has helped bridge the gap in capacity building. As an operator of a school shuttle we would like to seek intervention of government to also accord us a similar Tax waiver for school shuttle transporting facilities this will go a long way in encouraging and attracting investment in the industry and generally underwriting the cost of these investments.

HEAD TEACHERS AS AN INFLUENCE OF THE SCHOOL SHUTTLE TRANSPORTATION CULTURE

Head teachers control the culture at school facilities influencing both students and parents and directing the policy of the school board, their contribution towards the growth and development of the school shuttle industry cannot be taken for granted, they must be courted as an influence of the school shuttle culture. A word from the school administrator to parents carries more weight than a 1000 words from the city planners; we should work together as this is a common problem from the school premises and the city planning authorities.

RISK MANAGEMENT IN THE SCHOOL SHUTTLE TRANSPORTATION INDUSTRY

Travel is a risk and where risk is involved mitigation must be sought as a means of protecting our loved ones and assets deployed for the execution of the business. 3rd party and comprehensive insurance are merely designed to cover regulatory requirements and provide relief to the owner of the asset for loss of assets, there are many incidents of in shuttle accidents that don't involve the body of the vehicle and are not covered under the loose 3rd party cover. Development of an insurance policy to cater for these incidents is a good opportunity for general insurers and represents an opportunity for growth of gross premium and as an add on to the traditional 3rd party insurance. This could be a starting point for regulation via risk management demanding that all school shuttles procure and prominently display this type of insurance cover or sticker on their vehicles providing parents with the Sticker Number and size of risk being covered. We have in the past worked and continue to work with forward looking insurers BRITAM Insurance to design and take up personal accident policies designed by us to manage the risk associated with the industry – SCHOOL SHUTTLE POLICY rates range from UGX 100,000 – 1,000,000 PA depending on the cover that the parent wants assigned to their child, Policy documents and numbers are assigned as per policy demand.

IMPACT OF STUDENT POPULATION ON THE GROWTH AND PROFITABILITY OF THE SCHOOL SHUTTLE TRANSPORTATION INDUSTRY

Every business has a Break-even point under which the operations can only be supported for a short while and as the number of students join the school shuttle transportation system increases, breakeven points will lower and thereby influencing the profitability of the operations and giving room for the operators to hire more people, open new routes and generally create employment opportunities.

RISE OF COMPETITION AMONGST SCHOOL OWNERS

The education industry is growing steadily and often not in proportion with the facilities available at most schools, some schools have opened up branches for their schools in high density locations especially Ntinda, Najjera while others have established Boarding sections to cater for the challenge of transportation of school going children.

Tomorrow school business shall be influenced mainly by availability of a school shuttle service to the schools location, the lack of an available school shuttle service will see competitors grow market share from those that don't have a school shuttle service.

It's no longer a choice it has now become a strategic issue that will test the resolve of the school administration on the growth and profitability demands of school owners and investors.

THE COMPETITIVE ADVANTAGE OF AN OUTSOURCED SCHOOL SHUTTLE TRANSPORTATION PROVIDER.

It is undeniable that investing in school shuttle infrastructure cost money, time and requires another set of skills to accomplish the task. Many school budgets are already competing for investment in infrastructure to accommodate students and teachers. Outsourcing the service however accords the school an opportunity to both benchmark on existing infrastructure and take advantage of the focus of the operator to only school shuttle operations.

PRICE PARITY IN THE SCHOOL SHUTTLE TRANSPORTATION INDUSTRY

The prices of school shuttle operators have often been influenced by ignorance especially of the economic reality of ever changing operating costs and ignoring the need for growth and sustainability, many have been caught in spiral cash flow traps and some even winding up the business due to poor planning. The economic reality is that the cost of capital in Uganda is high, the cost of the assets is equally high, consumables have recently increased especially fuel and tires, getting a good and reliable driver imply a cost, an experienced Bus Assistant would require good compensation. The price charged should be a reflection of the actual cost of operating and a profit margin for the operator. Parents or customers ought to be mindful and better still shy away from operators that propose to offer the service at UGX 3,000 per day this is not even the cost of a Driver or Bus Assistant, fuel for the day or maintenance provisions, the operator would need to have a passenger load of 61 passengers to pull off this pricing otherwise they will cut corners on safety and may have more breakdowns and late arrivals. The reality is that the minimum daily rate should be UGX 12,000 per day (as of December 2015 cost indicators) to remain competitive.

CHALLENGES IN FINANCING THE SCHOOL SHUTTLE TRANSPORTATION INDUSTRY

The school shuttle transportation industry like all other transportation industries face an ongoing challenge of financing, the school shuttle transportation business is unique and its demands can't be placed into a box like most financiers would prefer to approach their business. A proper solution for a school shuttle transportation business must include a short term and a long term loan – Over drafts is a NO NO as the cost of this type of financing easily eats up the small margins gained from the operations. In order to grow the industry there is a need for a specialized financing product perhaps offered by Development Banks or different funding institutions perhaps a government sponsored program just for the industry.

ANSWERING THE YOUTH UNEMPLOYMENT THROUGH SCHOOL SHUTTLE TRANSPORTATION INDUSTRY

Youth unemployment is a challenge to most governments in Africa Uganda is no exception, the biggest challenge is how to absorb and integrate the many unemployed youth into the School Shuttle transportation industry, for starters they need to be screened for skill set, trained and motivated for the industry.

CONCLUSION

The school shuttle transportation industry cannot be ignored nor taken for granted as the industry has changed over the last 30 years and will change in the coming decades, with introduction of new technology, empowerment of users, access to financing, change in public policy, urbanization, unemployment, entrepreneurship.

Doubting and Questioning parties need to take a broader look at our education industry since 1986, exploring the factors that lead to the rapid expansion of the education industry, including all the factors and implications of any issue affecting school transportation. Lack of Public Policy or regulatory framework or reporting has curtailed investment in the industry creating a supervisory lacuna for most operators and by default doubts by the school administrators or potential investors in the school shuttle industry.

The school shuttle has established itself and will remain as the safest and most efficient means of transporting students to school. Having a scheduled ride to school has been linked to higher attendance at schools and better performance for students. The importance of having a school shuttle serving a school community continues to grow in importance.