

LSF

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South African Bus Manufacturing Industry Development Study



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ABOUT THIS STUDY

The study examines whether South Africa's current policy framework can meaningfully support the growth of the local bus manufacturing industry. The study begins by mapping the value chain and identifying where domestic capability already exists – particularly in bus body assembly – before reviewing the policy environment. This review finds that designation is inconsistently applied across tenders and frequently diluted by fragmented procurement.

The study then aims to quantitatively and qualitatively assess how stronger designation, combined with clearer enforcement, and demand aggregation mechanisms, may improve local content outcomes, stabilise production volumes, and reduce price volatility tied to imported components.

The report then explores whether designation is the right tool for this market. It reviews international experience, local procurement practices, and the limits imposed by South Africa's small annual demand.

The study concludes that designation is a necessary condition to bolster the local bus manufacturing sector, but only if paired with better enforcement, coordinated procurement and other policy measures.

ABOUT LSF

The Localisation Support Fund NPC ("LSF") was established as a non-profit company in 2021, funded by private sector contributors committed to localising manufacturing in South Africa. The LSF is a network orchestrator within the localisation ecosystem facilitating the connection between supply and demand participants, enhancing the value of the interactions by funding industry research and the deployment of technical expert resources to accelerate or unblock opportunities for localisation and growth in the manufacturing sector.

ABOUT SERVICE PROVIDER

EY (Ernst and Young Advisory Services (Pty) Ltd) is a global professional services firm with deep expertise in economic development, industrial policy, and localisation strategy. For this project EY was engaged by the Localisation Support Fund NPC (LSF) to lead all primary research, stakeholder engagements, quantitative modelling, and the drafting of this report, in accordance with an agreed scope of work. Any reference to EY in this report is for factual purposes only and does not imply endorsement by EY of the LSF, this report, the project, or any views or conclusions expressed herein.

DISCLAIMER

This report has been prepared to assess the current state and future potential of South Africa's bus manufacturing sector, with particular focus on two strategic growth pathways: strengthening domestic production through localisation and public procurement frameworks, and expanding market reach across the African continent. This report has been prepared to assess the socioeconomic effects of overcoming or allowing challenges to persist in the bus sector, with a final view outlining strategic pathways for growth to follow.

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This research was commissioned by the LSF and was conducted independently by Ernst and Young Advisory Services (Pty) Ltd. The lead consultant responsible for this report as well as the overall project was Ernst and Young Advisory Services (Pty) Ltd. The opinions or recommendations contained in this report represent the views of the authors and do not necessarily reflect the views and opinions of the LSF.

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Glossary of Abbreviated Terms

Abbreviation	Description
AfCFTA	African Continental Free Trade Area
AIS	Automotive Incentive Scheme
APDP	Automotive Production and Development Programme
APDP2	Automotive Production and Development Programme Phase 2
BBPT	Black Business Participation Target
BFI	Budget Facility for Infrastructure
BPP	Bureau of Public Procurement (Nigeria)
BRT	Bus Rapid Transit
BUSA	Business Unity South Africa
CAPEX	Capital Expenditure
CBU	Complete Built Unit
CESL	Convergence Energy Services Limited
CKD	Completely Knocked Down
CNG	Compressed Natural Gas
DART	Dar es Salaam Bus Rapid Transit (Tanzania)
DBE	Department of Basic Education
DBSA	Development Bank of Southern Africa
DoT	Department of Transport
dtic	Department of Trade, Industry and Competition
DVA	Domestic Value Addition
E4W	Electric four wheelers
e-buses	Electric buses
EIA	Economic Impact Assessment
EME	Exempted Micro-Enterprise
ENA	Ethiopian News Agency
EV	Electric Vehicle
FAME II	Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (India)
FEC	Federal Executive Council
FTE	Full Time Employment
GABS	Golden Arrow Bus Services
GADP	Ghana Automotive Development Policy
GDP	Gross Domestic Product
GNT	Great North Transport
GVA	Gross Value Added
HS	Harmonised System
ICE	Internal Combustion Engines
IDC	Industrial Development Corporation
IFC	International Finance Corporation
IPTN	Integrated Public Transport Network
JET-IP	Just Energy Transition Investment Plan
JV	Joint Venture

Abbreviation	Description
KEBS	Kenya Bureau of Standards
KZT	KwaZulu-Natal Transport
LAMATA	Lagos Metropolitan Area Transport Authority (Nigeria)
LSF	Localisation Support Fund NPC
MAN	Maschinenfabrik Augsburg-Nurnberg (Truck and Bus OEM)
MASLOC	Microfinance and Small Loans Centre
MCV	Medium Commercial Vehicles
MEPA	Mercato Elettronico della Pubblica Amministrazione (Italy)
MFMA	Municipal Finance Management Act
MHCV	Medium and Heavy Commercial Vehicle
MHCV-AIS	Medium and Heavy Commercial Vehicle Automotive Investment Scheme
MMT	Metro Mass Transit (Ghana)
naamsa	National Association of Automobile Manufacturers of South Africa
NADDC	National Automotive Design and Development Council (Nigeria)
NAIDP	Nigerian Automotive Industrial Development Plan
NEBP	National Electric Bus Programme (India)
NEMMP	National Electric Mobility Mission Plan
NEV	New Energy Vehicle
NGO	Non-Governmental Organisation
NLTA	National Land Transport Act
NPV	Net Present Value
NRRP	National Recovery and Resilience Plan (Italy)
NTSA	National Transport and Safety Authority (Kenya)
OEM	Original Equipment Manufacturer
OPEX	Operating Expenditure
PAYE	Pay-As-You-Earn
PI	Production Incentive
PPA	Public Procurement Authority (Ghana)
PPIAF	Public-Private Infrastructure Advisory Facility
PPP	Public-Private Partnership
PPPFA	Preferential Procurement Policy Framework Act
PPPA	Public Procurement and Asset Disposal Act (Kenya)
PPADR	Public Procurement and Asset Disposal Regulations (Kenya)
PTNG	Public Transport Network Grant
PTOG	Public Transport Operations Grant
QSE	Qualifying Small Enterprise
RACI	Responsible, Accountable, Consulted, Informed (matrix)
RFI	Request for Information
RFQ	Request for Quotation
RWF	Rwandan Franc
SAAM	South African Automotive Masterplan 2035
SABOA	South African Bus Operators Association
SABS	South African Bureau of Standards
SACU	Southern African Customs Union

Abbreviation	Description
SADC	Southern African Development Community
SALGA	South African Local Government Association
SAM	Social Accounting Matrix
SANS	South African National Standards
SARS	South African Revenue Services
SKD	Semi Knocked Down
SLAs	Service Level Agreements
SOEs	State Owned Enterprises
STS	STS Tech Group (charging infrastructure)
TBS	Tshwane Bus Service
TCR	Technical Compliance Review
TIPS	Trade and Industrial Policy Strategies
VALA	Volume Assembly Localisation Allowance
VAT	Value Added Tax
ZEB	Zero Emission Bus
ZEBRA	Zero Emission Bus Regional Areas (UK)

Executive Summary

PURPOSE AND CONTEXT

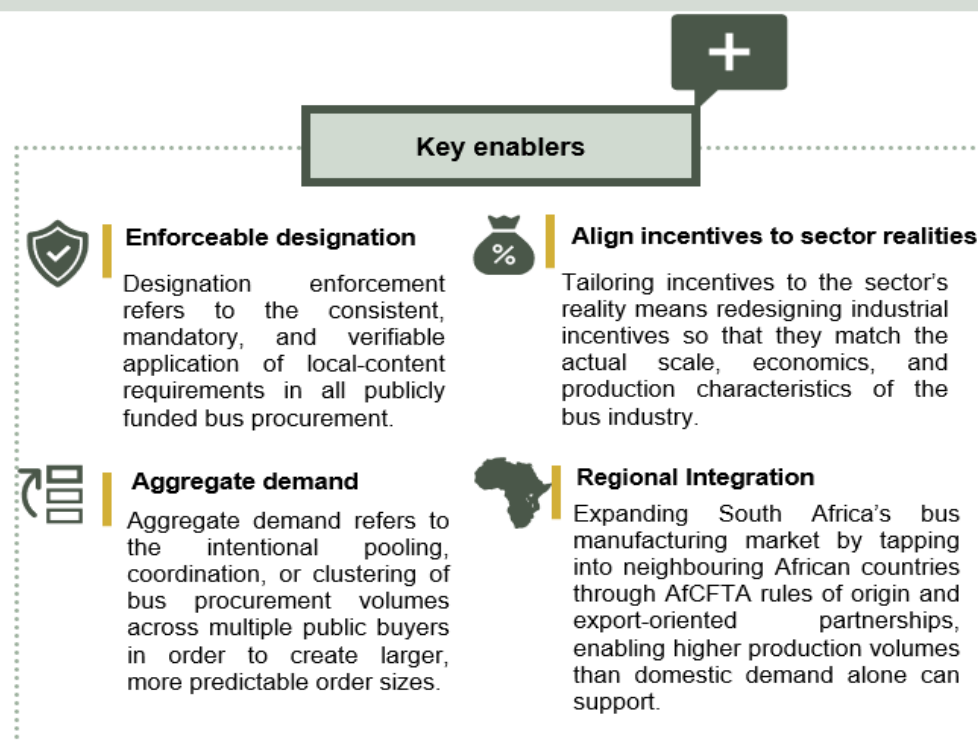
South Africa's bus manufacturing sector sits at the intersection of three national priorities: public mobility reform, reindustrialisation, and the transition to green transport. Buses play a central public service role and anchor a wide domestic industrial value chain spanning metal fabrication, interiors, seating, glazing, wiring, electronics, and aftermarket services. Yet the sector operates below its potential, and the gap between what exists and what is achievable is not primarily a function of capability or capital. It is a function of policy predictability, procurement coherence, and the consistent application of rules that already exist.

This study, commissioned by the Localisation Support Fund (LSF) in collaboration with NAAMSA and conducted by EY, assesses two strategic growth pathways: strengthening domestic production through localisation policy and public procurement reform, and expanding market reach into the broader African continent. The central question is whether strengthened designation implementation – supported by procurement reform and calibrated incentives tailored to the realities of the bus segment – can enable a sustainable, competitive domestic manufacturing industry with growing export potential.

The evidence from research, stakeholder engagements, and quantitative modelling is clear: when designation is stringently enforced, procurement is aggregated, and incentives align with sector realities, the industry can deliver materially stronger economic, employment, and affordability outcomes.

Figure 1: Overall Study Findings

Designation is a **necessary** condition for sustaining and expanding local bus manufacturing, but it is not sufficient on its own. Below are additional key enablers to ensure



METHODOLOGY

The study applied a mixed-methods framework integrating qualitative and quantitative analysis across three phases that ran concurrently and informed one another iteratively.

The qualitative component mapped South Africa's bus value chain in detail and documented the procurement, market, and regulatory challenges facing the sector through structured engagements with OEMs, Tier 1 suppliers, operators, municipalities, and policy stakeholders. These interactions enabled EY to refine model assumptions, validate behavioural patterns, and incorporate operational realities, ensuring that the quantitative analysis reflects current conditions.

The quantitative component built four integrated models: a bottom-up costing model disaggregating bus capital costs by propulsion type and size; a ticket-price passthrough model estimating how cost changes flow to consumers; a Social Accounting Matrix (SAM) multiplier model quantifying GDP and employment

contributions across the economy; and a Fermi-estimation benefits model capturing broader socioeconomic outcomes. These were applied across three scenarios (a high road, a baseline, and a low road) each representing a distinct policy trajectory with different assumptions about designation enforcement, procurement coordination, and fiscal conditions.

The comparative component drew on ten country case studies – Ghana, Ethiopia, Kenya, Nigeria, Rwanda, Tanzania, India, the United Kingdom, Italy, and Hong Kong – selected for the relevance of their bus manufacturing policies, procurement models, and localisation strategies to South Africa's situation.

Figure 2: Research approach

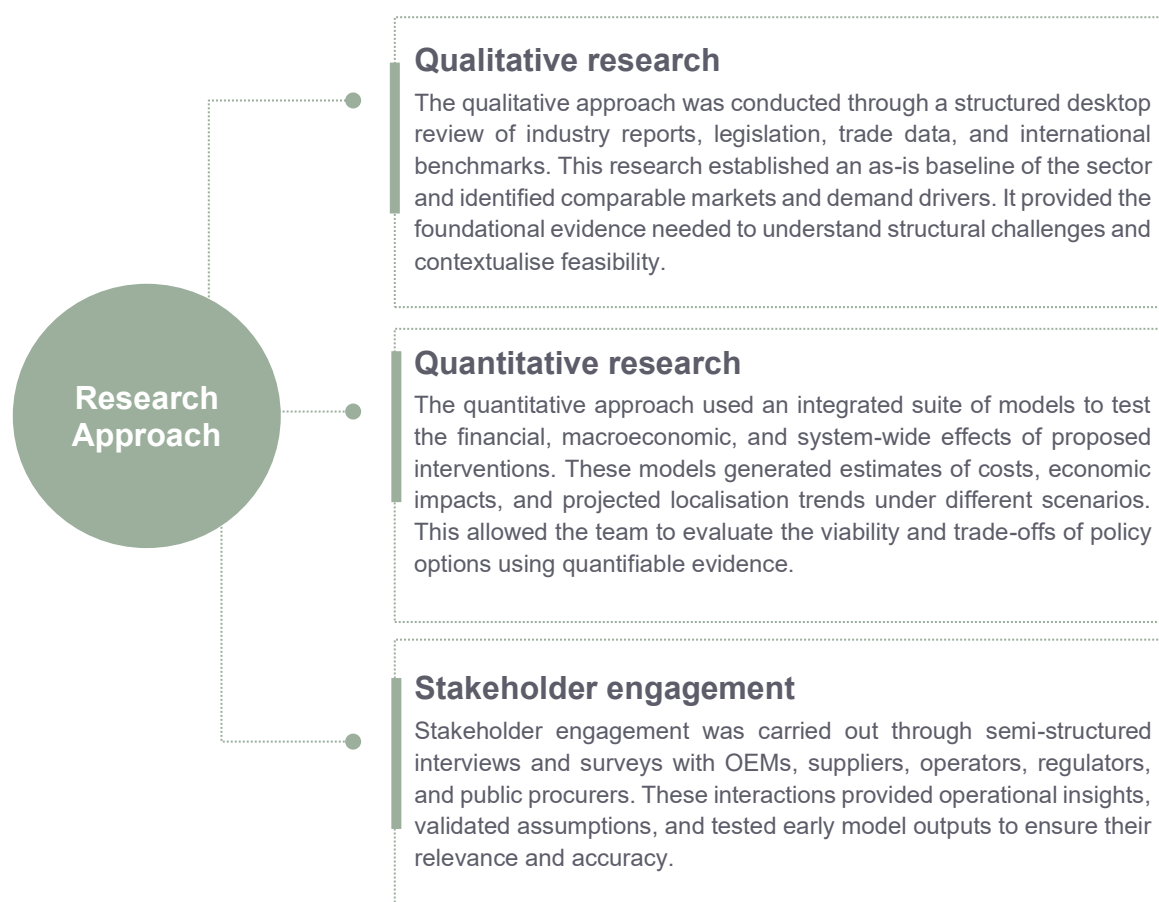
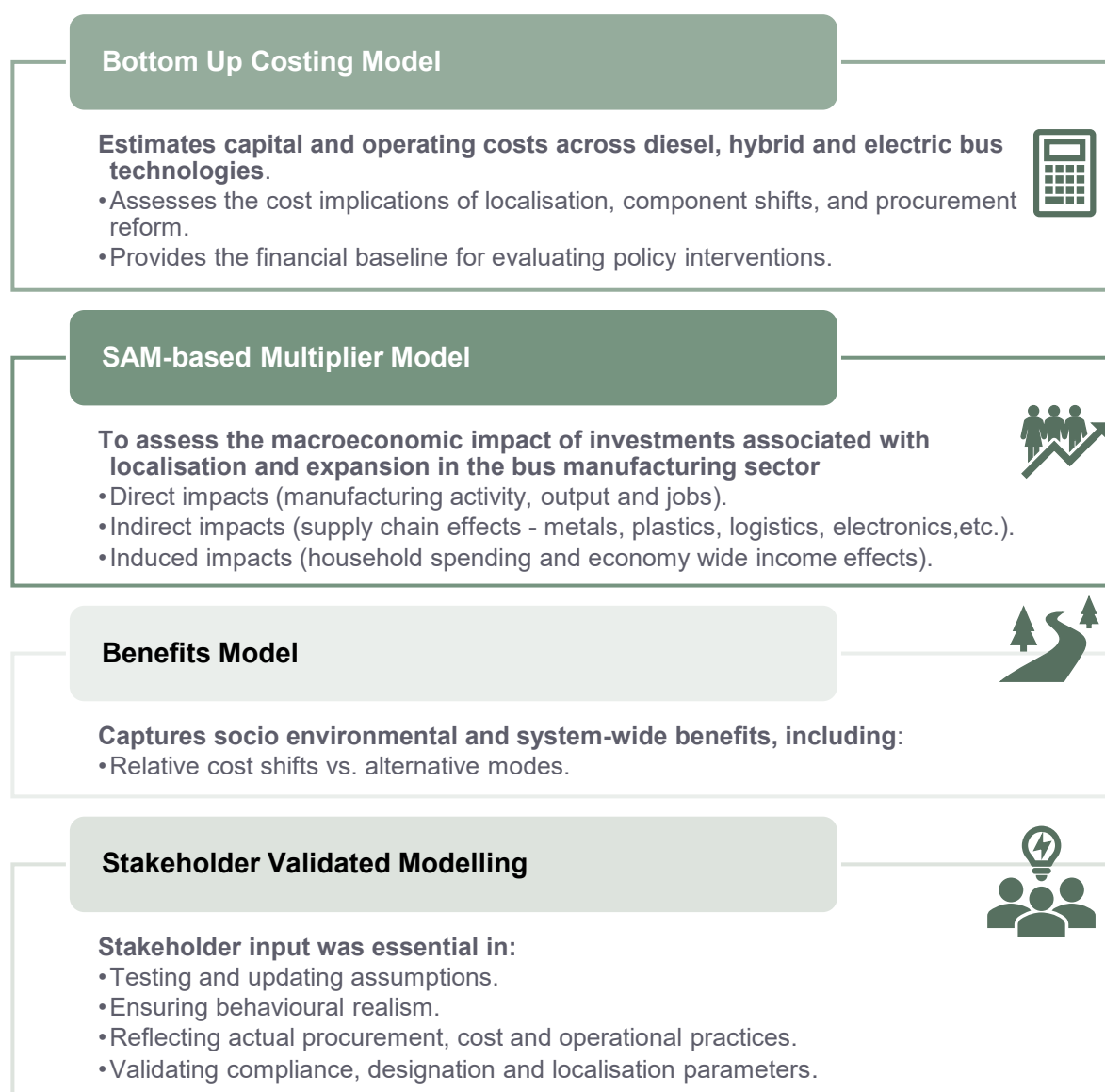


Figure 3: Quantitative methodology overview



SOUTH AFRICA'S BUS MARKET

South Africa's bus market is relatively small but strategically important. Annual demand averages 900–1 000 new buses, within a national parc of approximately 66 000 units concentrated largely in Gauteng, KwaZulu-Natal, and the Western Cape.

The sector already makes a material contribution to the economy, supporting 40 000–50 000 jobs through direct, indirect, and induced effects, and contributing to the automotive sector's ~5% share of GDP. Although the industry has the assembly capacity to produce more than 1 000 buses per year, actual output has consistently fallen short of this level, with annual sales declining from 1 099 units in 2017 to 665 in 2021 before recovering to 945 in 2024.

Local manufacturing capabilities are strongest in bus body production, where localisation typically reaches 70–90% by value, with some electric bus pilots achieving approximately 95%. However, on a full-bus value basis, imports account for 60–70% of total value, driven by near-complete dependence on imported chassis, powertrains, and advanced electronics. Many OEMs prioritise SKD over full CKD assembly because low and irregular production volumes reduce the business case for the tooling investment and skills development that deeper localisation requires.

Several structural constraints compound this challenge: fragmented procurement across dozens of procuring entities; inconsistent application of the designation framework; the absence of designation requirements for electric and hybrid buses; and the continued importation of fully built-up vehicles where CKD assembly is legislatively required. Together, these factors have created a low-volume, high-cost equilibrium that constrains manufacturers and procurers alike.

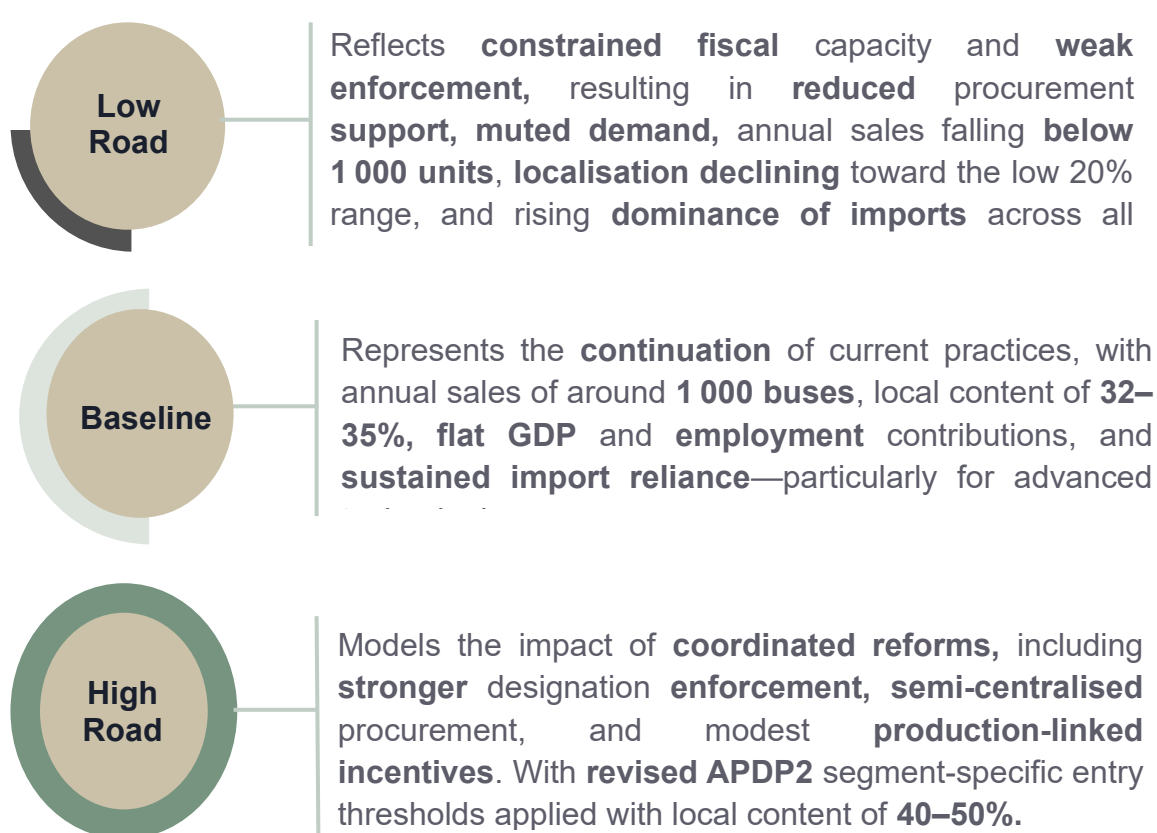
Figure 4: Key challenges facing the bus manufacturing sector



SCENARIO ANALYSIS

The sector's future depends heavily on policy choices and fiscal conditions. Three scenarios were modelled to capture the range of plausible outcomes:

Figure 5: Scenario descriptions



The variation across scenarios allows decision-makers to understand the consequences of different policy pathways and make evidence-based choices about the reforms most likely to deliver sustainable sectoral growth.

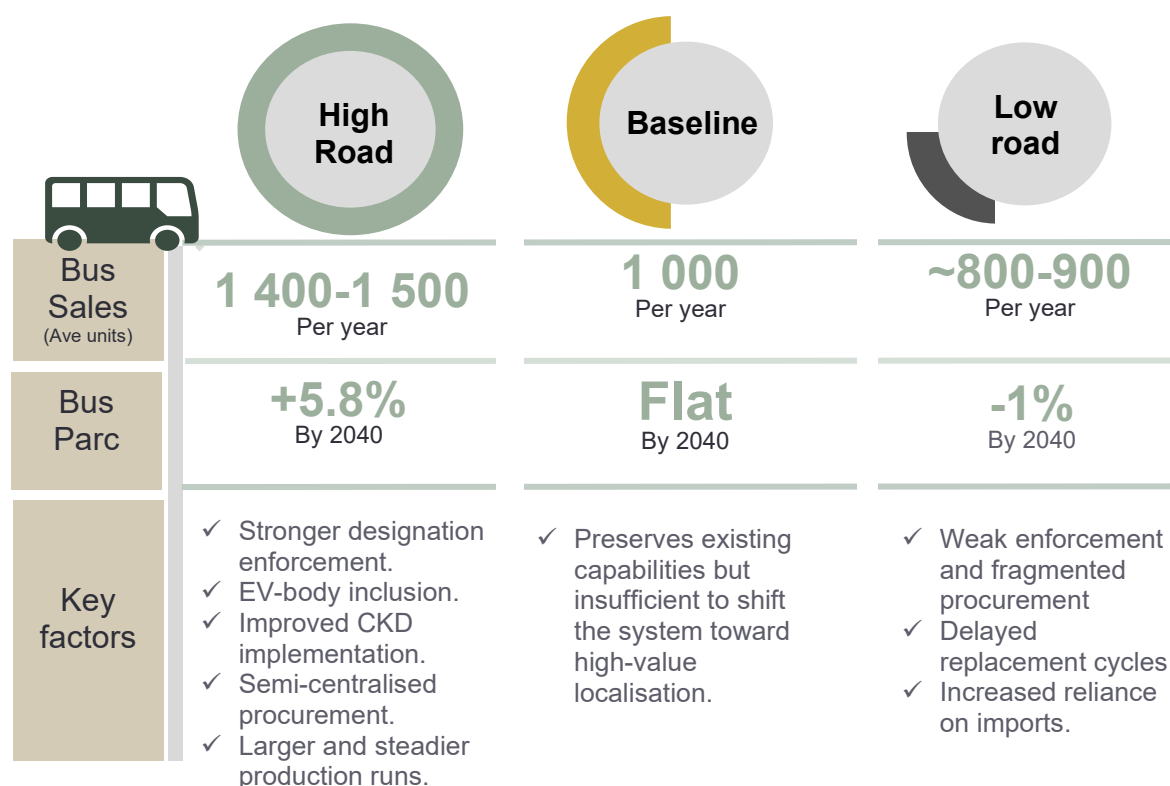
MODELLING OUTCOMES

The modelling outcomes are presented through four interconnected themes that together determine the sector's future trajectory: bus sales, local content, fare affordability, and economic impact.

Bus sales

Bus sales form the analytical foundation: the scale and predictability of annual purchases directly shape all downstream outcomes. Higher and more stable volumes create the production consistency required for OEMs and component suppliers to invest in local capacity; fragmented or fluctuating demand reinforces reliance on imported inputs and limits the scope for tooling investment and skills development. Under the high road, annual sales reach approximately 1 200–1 400 units by 2040; under the baseline, they stabilise at around 945–1 000; under the low road, reduced PTNG allocations and weakened enforcement push the sector toward contraction.

Figure 6: Sales and parc modelling outcomes



Local content

Local content moves directly with the credibility of designation enforcement and the consistency of procurement. The modelling estimates baseline local content at approximately 33%, reflecting current compliance weaknesses. Strong enforcement and predictable procurement under the high road raises this to approximately 50%, with an associated per-bus cost premium of approximately R300 000 – a cost that is justified by the employment, multiplier, and fare benefits that flow from it. The low road sees local content fall to around 20% as compliance weakens and CBU imports increase, reducing per-bus costs by approximately R50 000 but at the significant cost of domestic value addition and long-term employment.

Figure 7: Local content outcomes

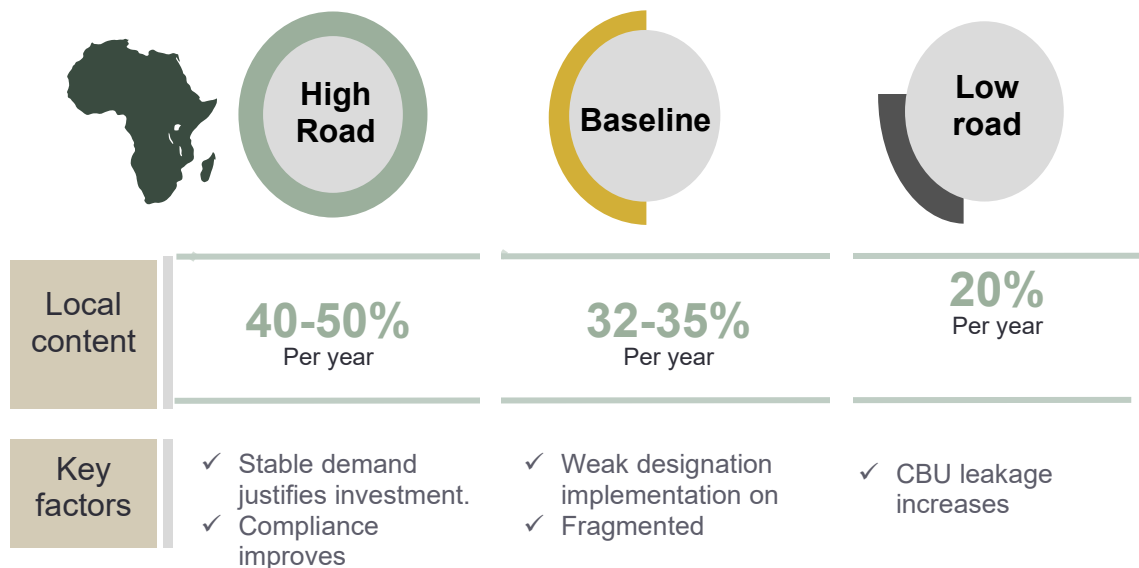
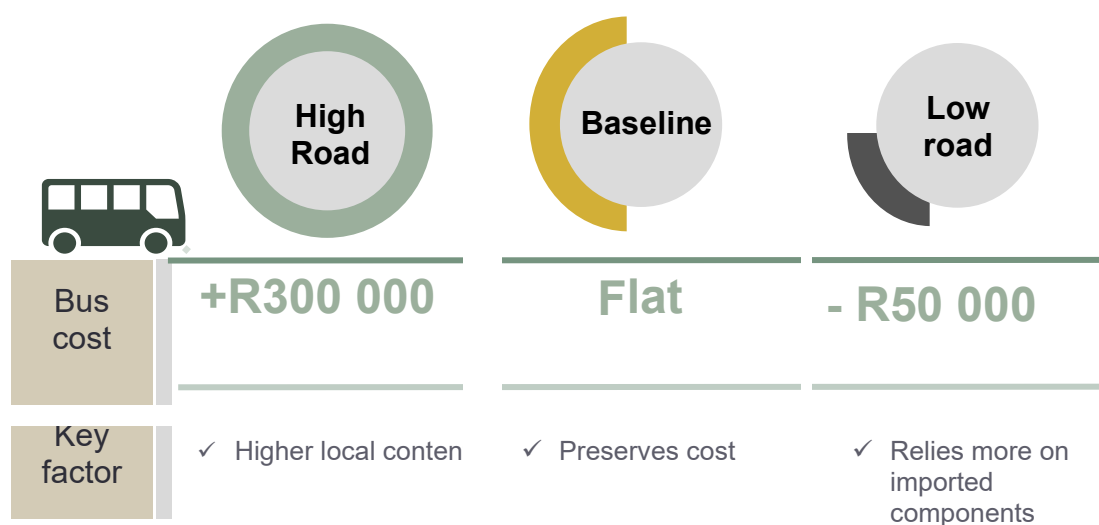


Figure 8: Bus cost implications



Fare affordability and cost passthrough

Applying VALA and the Production Incentive to reduce capital input costs – combined with the 10–15% cost reduction achievable through aggregated procurement – translates into ticket price reductions of between 50 cents and R1 per trip. Crucially, the benefit-cost ratio (BCR) of these interventions remains above 1 across all tested scenarios, meaning every rand spent on the incentive generates more than one rand in commuter savings. Industrial policy and public transport affordability are not in tension in this sector; they are mutually reinforcing.

Figure 9: Ticket price savings

	VALA rebate	Centralised procurement
Scenario	A 5% reduction in bus capital cost through VALA & PI	10–15% reduction in input costs through volume aggregation.
Ticket	Reduces the average ticket by 42 cents per trip.	Reduces the average ticket by R1.00 per trip.
Cost	~R5b between 2026–2040	No direct fiscal outlay
Result	Commuter savings exceed the fiscal cost. Yields a positive net benefit to society	Stimulates extra annual trips and adds ~R200m in ticket revenue.

Comparison

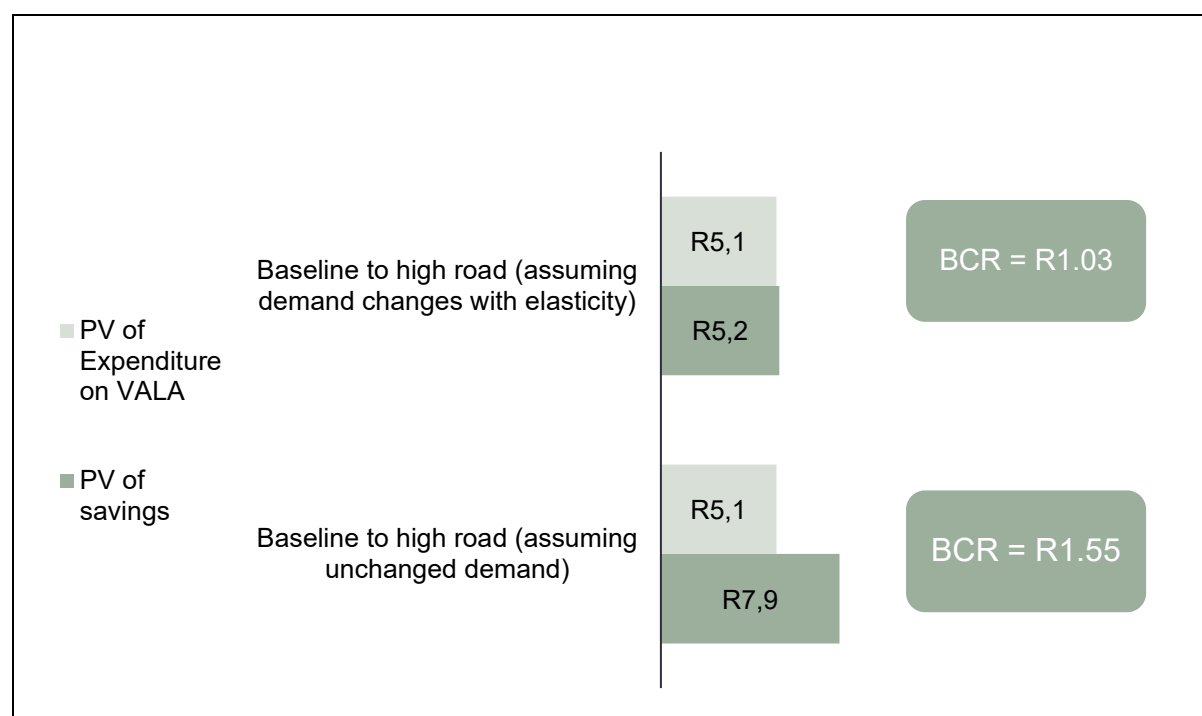
Both mechanisms deliver meaningful **fare reductions** of **3–5%**.

Both interventions reduce:

- ✓ Input costs
- ✓ improve affordability
- ✓ increase ridership, and
- ✓ strengthen localisation and competitiveness.

These outcomes hold even without induced demand, meaning the interventions pay for themselves through direct fare savings

Figure 10: Net Present Value (NPV - Rand, billions) of savings and expenditure on VALA from ticket price reductions, and benefit-cost ratio (BCR) from ticket price reductions



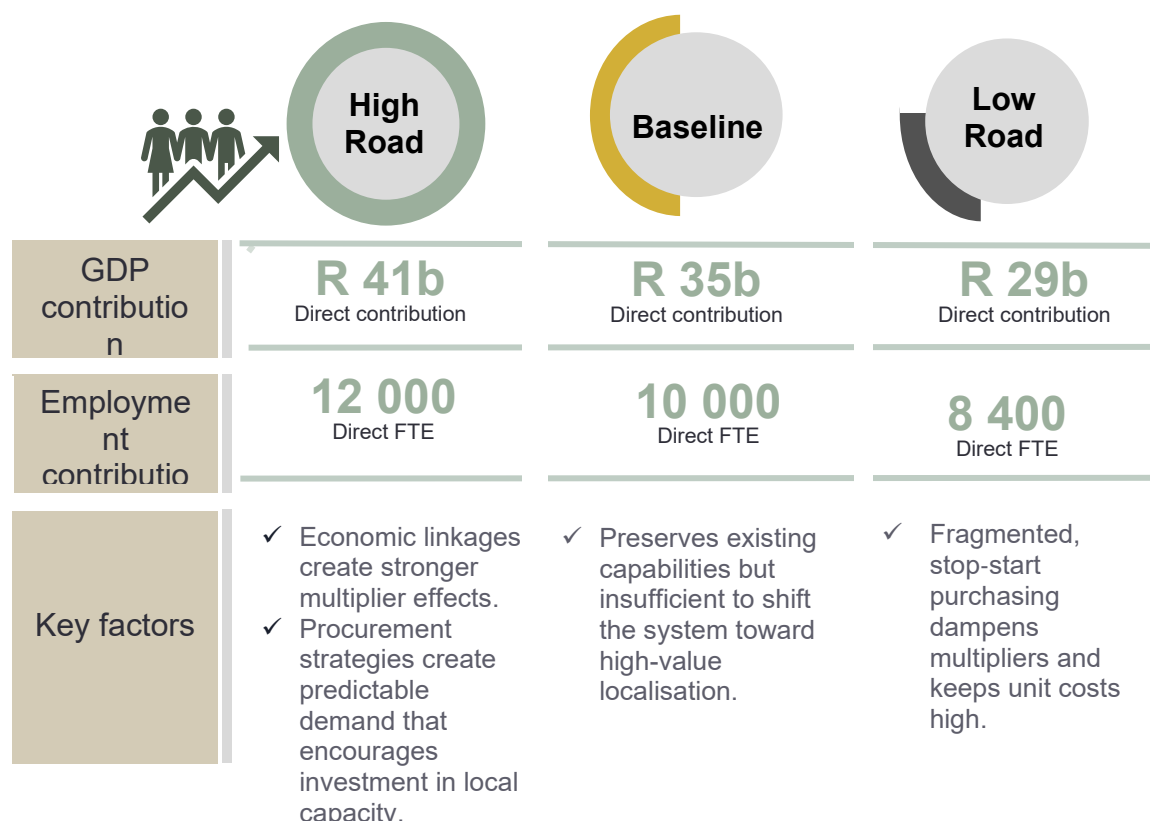
Economic impact

Using a SAM-based multiplier model calibrated to South Africa's economic structure, the analysis quantified the broader macroeconomic effects of shifts in production volumes, local content, and procurement behaviour. Annual GDP contributions – encompassing direct manufacturing activity, indirect supply chain effects, and induced household spending – range from approximately R55 billion under the low road to R68 billion under the baseline and R88 billion under the high road. A particularly powerful finding underpins the entire recommendation framework:

The modelling demonstrates that every 1% increase in local content generates an additional R1.0 billion in GDP (in 2025 prices) and supports 325 full-time equivalent jobs. This multiplier - confirmed across all three scenarios - makes consistent enforcement of designation the single highest-return lever available.

Higher volumes and greater domestic value capture reinforce strong multiplier effects across metal fabrication, plastics, electronics, seating, glazing, and maintenance services. These figures highlight that the bus sector, though small in annual volume, is a high-leverage industrial asset: every rand channelled into stable, locally produced bus procurement generates disproportionate gains in output, employment, and household income.

Figure 11: GDP and employment contributions



STRATEGIC RECOMMENDATIONS

Four high-impact recommendations emerge from the analysis. They are mutually reinforcing – each addresses a distinct structural constraint, but together they shift the sector from stagnation toward competitive, localised growth.

1. Strengthen designation and enforcement:

Raise the local content threshold to 85% for diesel bus bodies and bring electric and hybrid bus bodies within the designation framework over a phased five-year period. In practice, this means standardising tender fields to include local content as a mandatory specification, tightening CKD/CBU compliance monitoring, and improving the technical training of procurement adjudicators. Enforcement of rules that already exist is the highest-impact, lowest-cost lever available.

2. Aggregate demand through semi-centralised procurement:

Cluster smaller municipalities by operational terrain and service type into structured buyer groups, while allowing large metros to procure independently given their scale and specific requirements. This unlocks 10–15% capital cost reductions and creates the volume predictability that manufacturers need to justify tooling investment and local capacity expansion.

3. Tailor incentives to the realities of the sector:

Extend VALA to the bus segment at a production threshold of approximately 250 units per year. The BCR modelling confirms this yields a net-positive economic outcome as the intervention pays for itself in commuter savings alone. This requires no new policy architecture, only an adjustment to the existing APDP2 framework, linked to verified local value addition.

4. Leverage regional integration and improve export orientation:

Operationalise AfCFTA automotive rules of origin, align cross-border fleet financing with municipal procurement calendars, and position South Africa as a regional bus body manufacturing hub. Regional export volumes are not supplementary to the domestic agenda – they are an essential source of the additional production scale that the domestic market alone cannot provide.

CONCLUSIONS

The evidence is clear: with coordinated reform, South Africa can deepen localisation, grow jobs, reduce costs through scale effects, expand regional exports, and deliver more affordable and reliable public transport. The sector already has established body builders, a functioning designation framework, credible OEM participation, and emerging electric mobility opportunities. The foundations are in place.

What has been missing is predictability in procurement volumes, in policy, and in the consistent enforcement of existing rules. The modelling demonstrates that the gap between the low road and the high road is not determined by large-scale capital investment or new industrial policy architecture. It is determined by enforcement of designation, coordination of procurement into volumes that manufacturers can plan

around, and modest but well-targeted incentive adjustments. As the BCR analysis confirms, these interventions pay for themselves in commuter savings alone, before the broader employment and GDP gains are counted.

Stronger enforcement, smarter aggregation, and targeted incentives would tilt the sector decisively toward the high road of higher volumes, lower unit costs, and stronger localisation outcomes.

What the sector cannot afford is further drift. The low road is not a stable equilibrium but a path toward fleet ageing, capacity attrition, and growing import dependence that becomes progressively harder to reverse. The bus sector has the capability and the institutional foundation to deliver more. The conditions for doing so are within reach, if government, industry, and the procurement community act with the coordination and sustained commitment the opportunity requires.

Introduction

Purpose

The Localisation Support Fund (LSF), in collaboration with the National Association of Automobile Manufacturers of South Africa (naamsa), has commissioned EY to conduct a study to assess the current state and future potential of South Africa's bus manufacturing industry.

Primarily focused on South Africa's bus transportation sector, this study generates evidence to support policy and investment decisions in public mobility, with the following specific objectives:

Figure 12: Main research themes and objectives



Examine existing and future local manufacturing capabilities for buses



Understand the degree to which the designation (mandated governmental sourcing of part of a bus) process is implemented currently



Discuss production incentives available to prop up current bus production



Understand how pan-African bus demand can feed into local production capacity

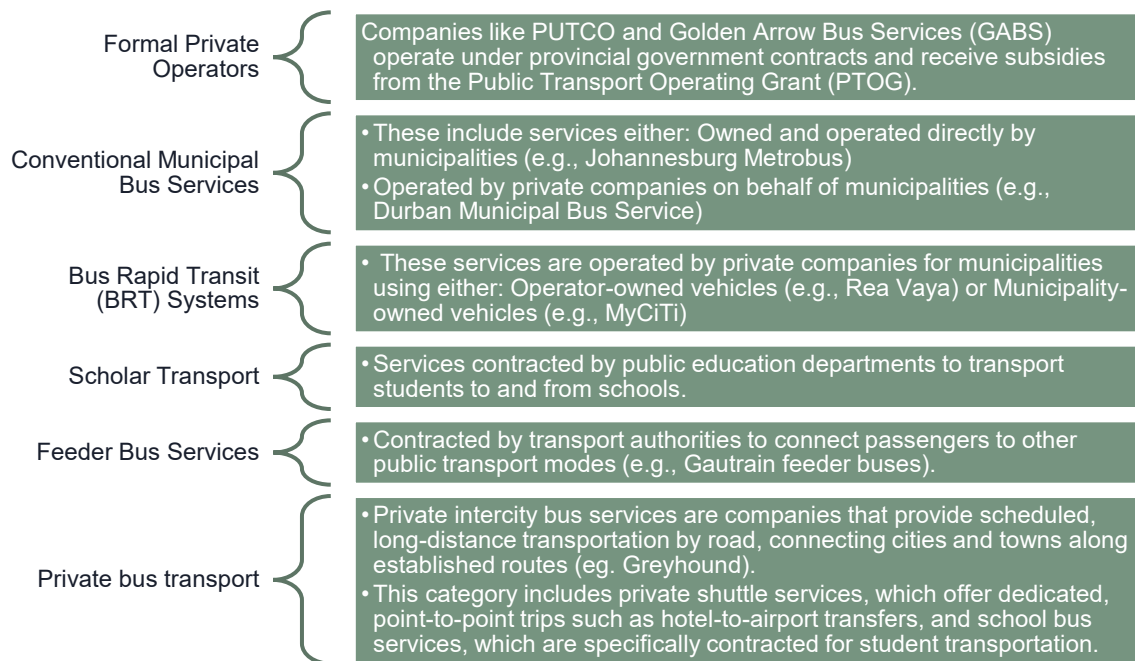


Evaluate the economic impacts associated with local production, vis-à-vis the costs associated with generating further local content in the bus manufacturing sector in a scenario-based model

Background

Bus transportation represents a critical component of South Africa's public transport infrastructure. Demand for buses flows through several key channels¹, including:

Figure 13: Key channels of bus demand



Source: (C40 Cities, 2024)

Public transportation channels represent strategic procurement levers to stimulate demand for locally manufactured buses, especially under the framework of the South African Public Procurement Act (Act 28 of 2024). Section 20 of the Act enables the designation of specific sectors for local production and content requirements, subject to established conditions and criteria. In the context of the automotive sector, particularly under the Public Procurement Act, designation refers to the formal process by which the government identifies specific products or sectors that must meet local production and content requirements when procured by public entities.

While the current application of this designation framework has yet to fully realise its potential as an incentive for local bus production, this study examines how its implementation within public procurement can be improved. Effectively recalibrating the framework is essential to create a robust mechanism that unlocks economies of scale and supports broader industrial transformation and underpins the analytical framework of this report.

¹ (C40 Cities, 2024)

Report structure

Chapter 1 maps the current state of the industry; Chapter 2 draws lessons from comparable markets; Chapters 3 and 4 present the modelling framework and outcomes; and Chapter 5 sets out the recommendations and implementation roadmap.

Ch 1: As-is Assessment

This section establishes a baseline for future strategic planning and policy development by providing a detailed “as-is” analysis of the current state of South Africa’s bus manufacturing industry, including OEM integration, supplier capacity, and policy alignment. It discusses the sector’s structure, challenges, and opportunities, with a focus on localisation, technology transfer, and fleet renewal.

Global overview of the bus industry

Key takeaways:

The global bus industry is rapidly evolving due to urbanisation, climate policies, and technological innovation, with the market expected to reach nearly USD 70 billion by 2034 with a CAGR of 5.2% between 2025 to 2034. Electric buses are the fastest-growing segment, driven by environmental imperatives and digital integration. While legacy OEMs and new entrants compete globally, regional segmentation and policy environments shape manufacturing strategies.

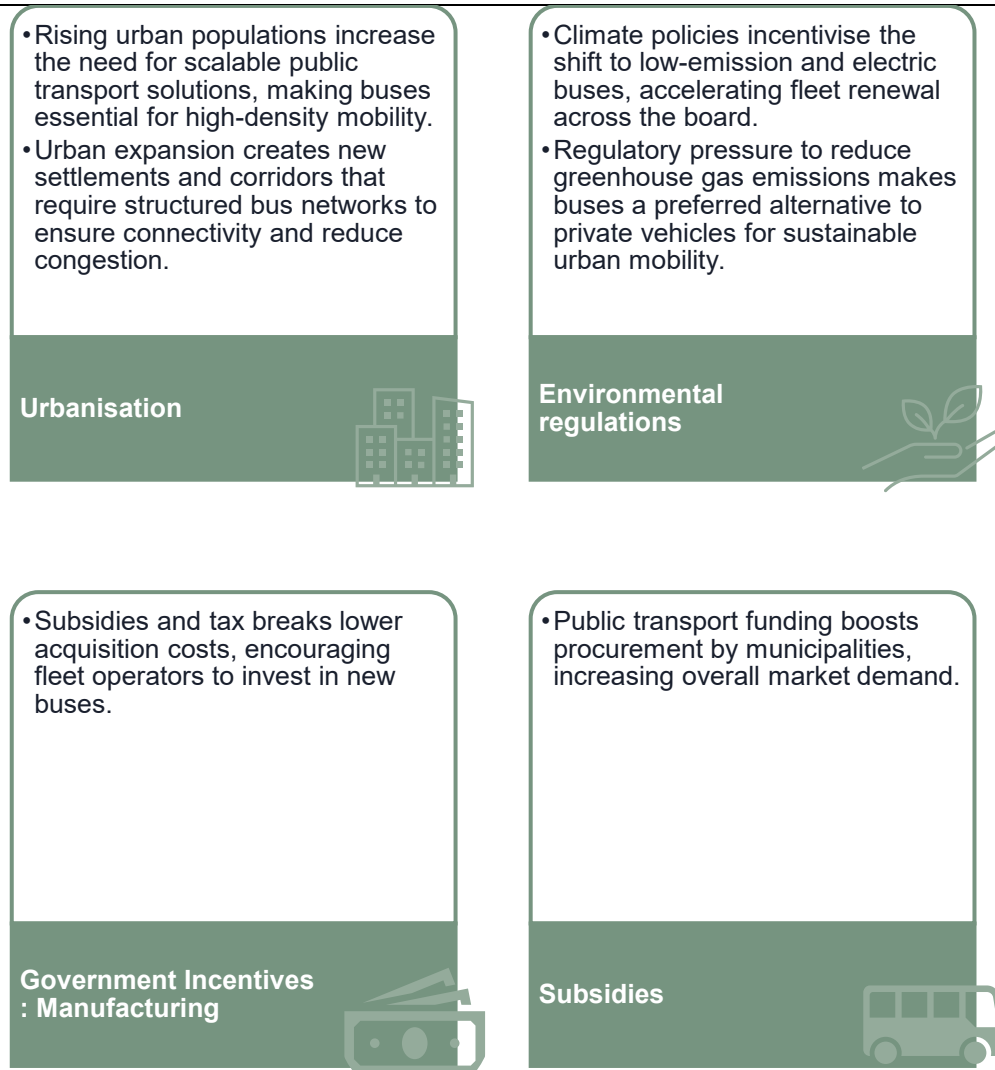
In Africa, challenges like supply chain constraints and reliance on imports persist, but innovations such as smart ticketing, eco-friendly models, and Bus Rapid Transit (BRT) systems are transforming urban mobility. Industrial policies across Sub-Saharan Africa are increasingly promoting local assembly and electric vehicle adoption, with varied procurement models and competitive dynamics influenced by affordability, financing, and strategic partnerships.

The global bus manufacturing industry is undergoing a period of dynamic transformation, shaped by technological innovation, environmental imperatives, and shifting mobility patterns. With strong projected growth across both traditional internal combustion engine (ICE) and electric bus segments, the industry is responding to rising urbanisation, climate policy, and evolving consumer expectations.

The global bus market is projected to grow by almost two thirds in size between 2025 and 2034 (with an expected market value at close to USD 70 billion), with the manufacturing segment valued at a quarter of this market size².

This growth is driven by a few critical factors, as highlighted overleaf³:

Figure 14: Drivers of bus sector growth



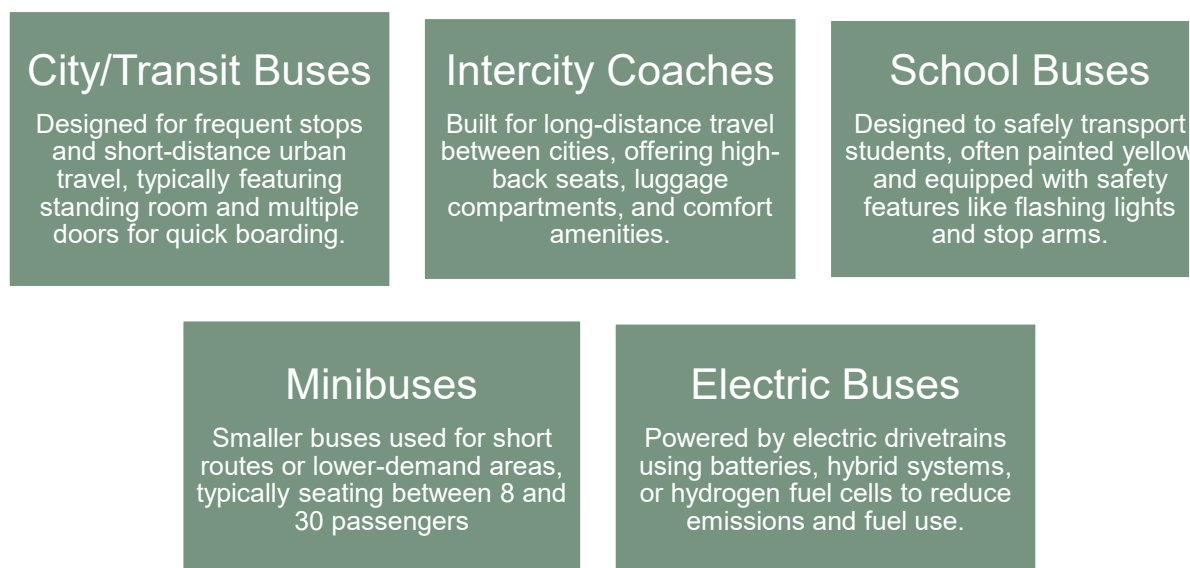
Source: (Business Research Insights, 2025)

The bus market is diverse, with segmentation based on use-case, size, and propulsion technology. This segmentation aids manufacturers in tailoring products to regional needs and regulatory environments, as outlined next.

² (Bus CMMS, 2025) (Research and Markets, 2025)

³ (Research and Markets, 2025)

Figure 15: Typical segmentation by bus types



Source: (C40 Cities, 2024)

Electric buses are the fastest-growing segment⁴ which is driven by new environmental imperatives. This growth is reshaping the competitive landscape, as established manufacturers and new entrants alike vie for leadership in an increasingly electrified and digitally integrated market.

Irrespective of segmentation, the global bus industry is dominated by a mix of legacy OEMs and emerging electric bus manufacturers. These firms vary in geographic focus, technological capabilities, and strategic direction; a view for each of these major players is provided overleaf⁵:

Figure 16: Key global manufacturers

⁴ (The Business Research Company, 2025)

⁵ (Research and Markets, 2025), (Carlstart, 2023)

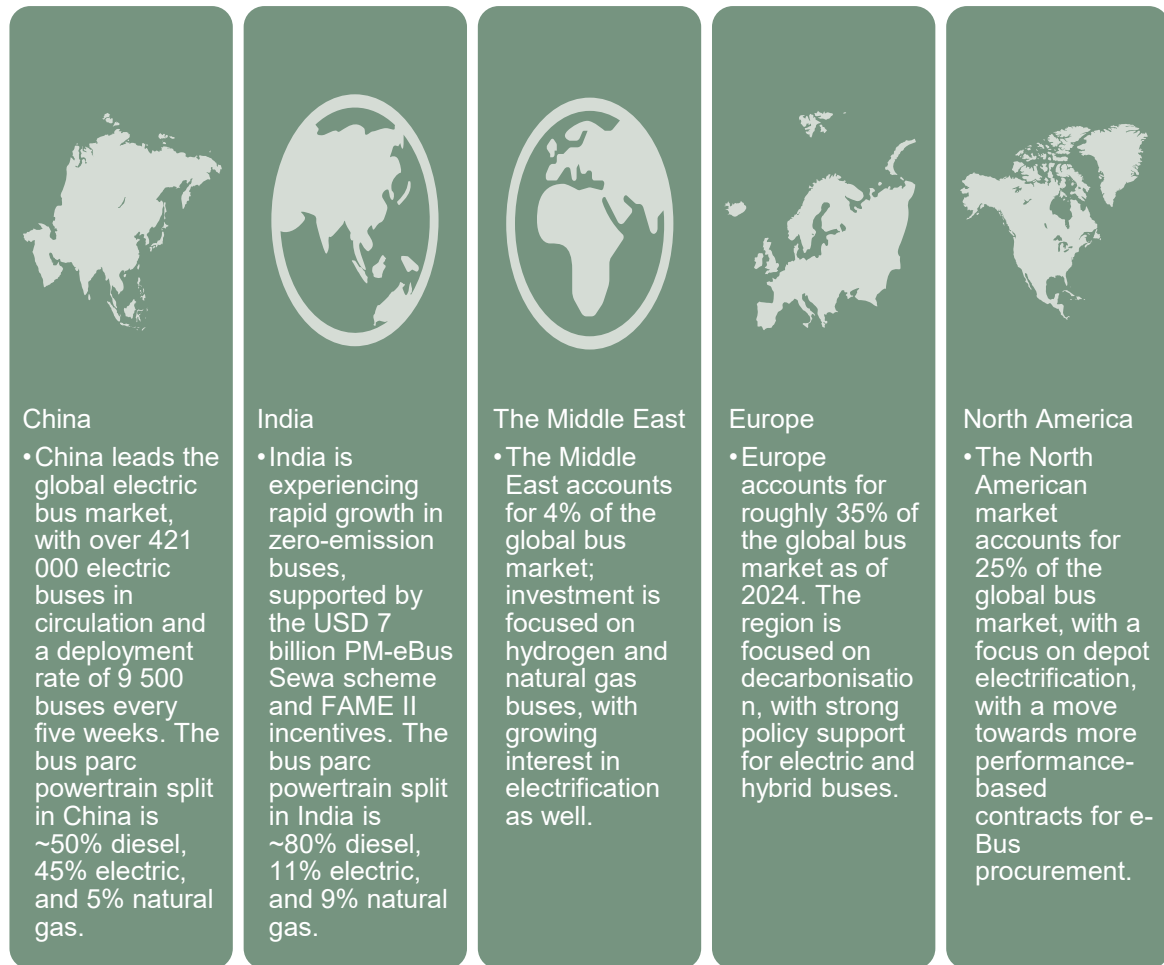


Source: (Research and Markets, 2025), (Carlstart, 2023)

Geographically, the global bus market is characterised by concentrated demand in densely populated urban areas, where the need for efficient public transport infrastructure – including BRT systems – is greatest. In many of these regions, bus systems also play a critical role in supporting lower-income households through subsidised transport services, reinforcing their importance in inclusive urban mobility strategies.

A detailed view on bus usage and trends by regional hub is provided in the figure next.

Figure 17: Global trends in key bus markets



Source: (The Business Research Company, 2025), (Carlstart, 2023)

The African bus market is at an earlier stage of development than the global average, though significant pockets of demand exist across the continent, driven largely by the affordability and accessibility of bus transport. A snapshot of the African bus market is provided below:

Figure 18: Africa dynamics

Northern Africa	Sub-Saharan Africa (SSA)
• Egypt is the largest bus producer in Africa, accounting for 57% of total production volume, followed by Morocco. • Urban centres like Cairo and Casablanca are expanding BRT systems and upgrading fleets to meet climate goals. • Diesel remains the dominant bus powertrain, but there is growing interest in CNG and hybrid buses due to air quality concerns and fuel cost volatility.	• Nigeria leads in market size due to its large population and reliance on public transport. • South Africa is currently the top bus body builders in SSA. • Electric buses are gaining traction in metropolitans like Cape Town and City of Johannesburg. MAN SA's Lion's Explorer E, for example, is the first locally assembled electric bus, with up to 95% local content in the body and solar-powered depot charging infrastructure.

Source: (The Business Research Company, 2025), (Carlstart, 2023)

The African bus market is undergoing significant transformation, driven by both structural challenges and emerging innovations⁶:

- Supply chain constraints remain a major hurdle, particularly in the availability of spare parts and servicing tools⁷.
- In many markets, second-hand buses are imported to reduce fleet costs and meet public transport needs. However, maintaining these older vehicles can be challenging, as spare parts may be difficult to source, particularly when components are no longer manufactured. Relatedly, bus operators often depend on imported components, which are subject to delays, customs duties, and currency fluctuations⁸.
- The lack of local manufacturing and distribution infrastructure and capacity results in longer vehicle downtimes and increased maintenance costs⁹.

These issues are especially pronounced in remote areas, where logistical support is limited. In such contexts, operators frequently resort to makeshift repairs, compromising vehicle performance and passenger safety¹⁰.

Despite these challenges, several key trends are reshaping the market:

⁶ (Research and Markets, 2025)

⁷ (United Nations Conference on Trade and Development, 2024)

⁸ (C40 Cities, 2024)

⁹ (Research and Markets, 2025)

¹⁰ (C40 Cities, 2024)

- The adoption of smart ticketing and contactless payment systems is improving commuter experience and operational efficiency¹¹.
- Digital fare collection tools such as mobile apps and QR codes are replacing traditional paper tickets, enabling better data collection and route optimisation¹².
- Simultaneously, there is a growing shift toward eco-friendly bus models, including Compressed Natural Gas (CNG), hybrid, battery electric and low-emission diesel vehicles¹³.
- Investment in BRT systems is increasing, with cities across Africa implementing dedicated bus corridors to improve traffic flow and reduce commute times¹⁴. Notable projects include Dakar's fully electric BRT system and Abidjan's East-West corridor, both designed to serve hundreds of thousands of daily passengers while promoting sustainability and inclusivity¹⁵. Looking domestically at major South African cities (City of Johannesburg, City of Cape Town, and City of Tshwane, launched BRT systems):

¹¹ (World Bank, 2021) (World Bank, 2021)

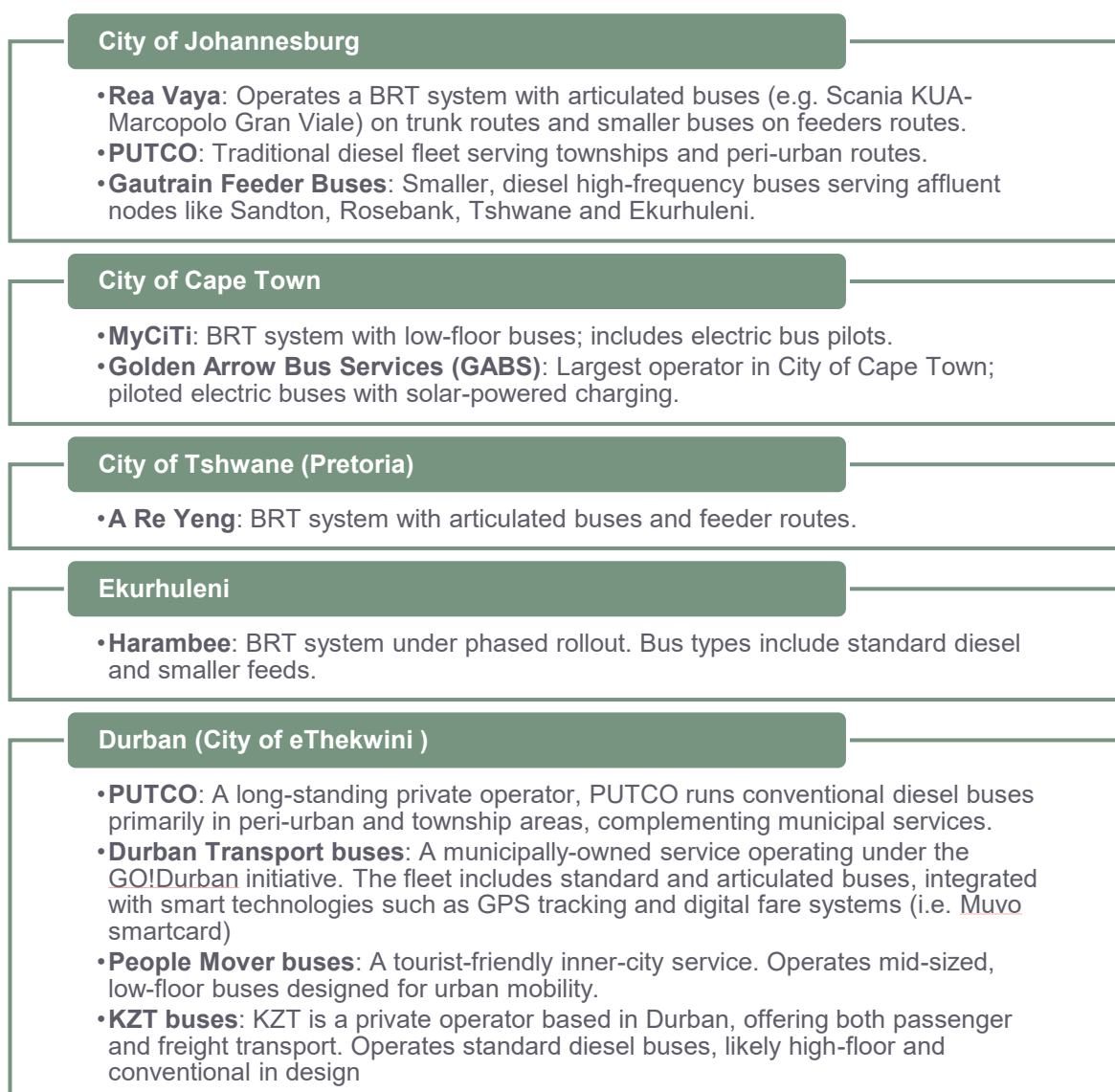
¹² (World Bank, 2021) (World Bank, 2021)

¹³ (C40 Cities, 2024)

¹⁴ (Institute for Transport & Development Policy, 2024)

¹⁵ (Institute for Transport & Development Policy, 2024)

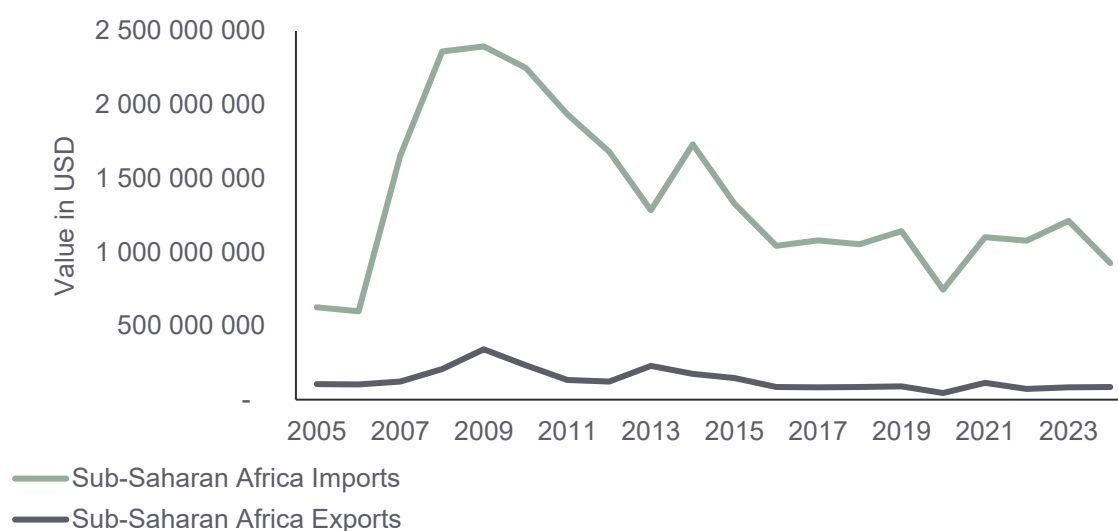
Figure 19: South Africa's metropolitan bus system overview



Source: C40 Cities

Despite these promising trends, bus uptake across the continent - shown below - has been relatively sluggish over the last two decades (notwithstanding pockets of high demand that correlate to large bus projects):

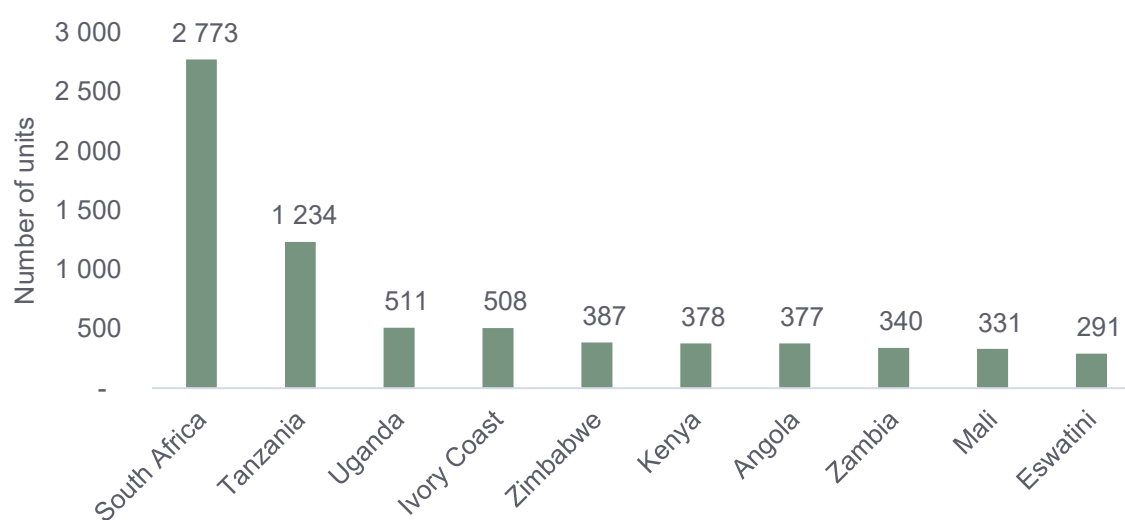
Figure 20: Trade trends for buses into and out of SSA (HS 8702)



Source: EY analysis of data from (International Trade Corporation, 2024) and (Quantec, 2025)

Note: The chart above does not correct for inter-regional trade or re-exports given data limitations but rather is an aggregate outlook on trade for buses.

Figure 21: Africa's import dynamics for 2024 (HS code: 8702)



Source: (The Business Research Company, 2025), (Carlstart, 2023)

Although volumes data will be determined going forward through the analysis, several crucial points are important to flag regarding import and export trends:

- As it stands, both import and export trends to and from SSA have been declining since 2009, indicating slowing traded demand for buses which could either be met by alternative modes of transport in some cases, or an uptick in domestic manufacturing in other instances (some of which are explored in the case study analyses).
- Imports and exports have shown a slight recovery post-COVID pandemic (i.e. post 2021), indicating a partial recovery in traded bus demand.
- Overall, imports have outstripped bus exports, suggesting a reliance on foreign manufactured buses.

Taken together, these dynamics indicate an African bus market navigating structural constraints – limited local manufacturing, dependence on imported components, and supply chain fragility – alongside emerging opportunities driven by urbanisation and public transport investment. These challenges lead to longer downtimes and higher maintenance costs, especially in remote areas. Nevertheless, pockets of supply and demand support exist across the continent as discussed next.

GOVERNMENT POLICIES AFFECTING BUS IMPORTS AND LOCAL BUS ASSEMBLY ACROSS AFRICA

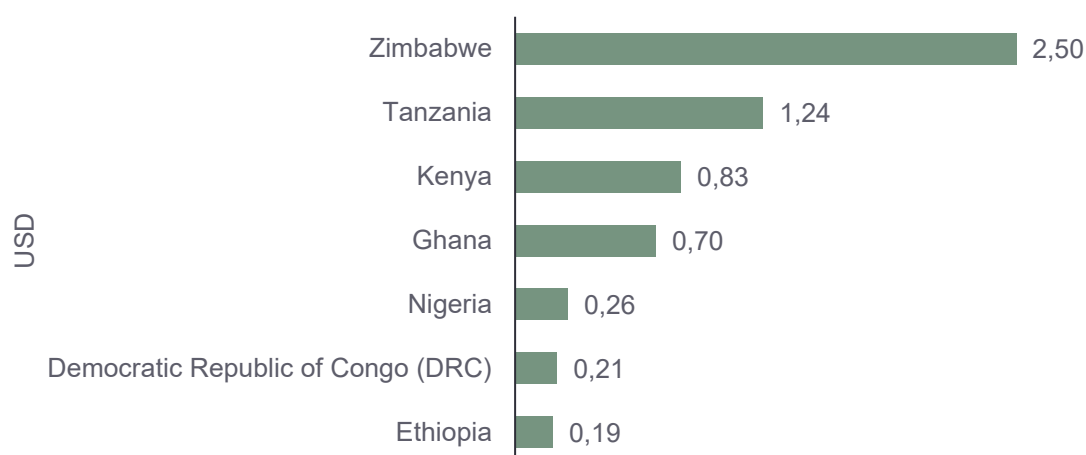
The African countries included in the study were selected based on how closely their market size and characteristics align with those of South Africa, with consideration given to their transport policies, and emerging or well-established reliance on buses. Based on this selection, the following table presents the bus purchases (only from an import perspective) for each market according to data from the International Trade Corporation (2025):

Table 1: Bus purchases in key African countries

Country	Bus purchases (Value in USD, 2024)
Nigeria	61 117 000
Kenya	46 683 000
Ghana	24 166 000
Zimbabwe	41 562 000
Ethiopia	24 941 000
Tanzania	84 772 000
Democratic Republic of Congo (DRC)	22 842 000

Given the varied market sizes, it is also important to evaluate these expenditures on buses on a per capita basis, as follows:

Figure 22: Bus import value in USD per capita



Source: (International Trade Corporation, 2024), (Oxford Economics, 2025)

Per-capita bus purchases vary sharply across the peer set, with Zimbabwe a clear outlier (2.50), well above Tanzania (1.24) and mid-tier markets such as Kenya (0.83) and Ghana (0.70), signalling a comparatively intensive cycle of acquisition. By contrast, Nigeria's low per-capita level (0.26), despite sizable absolute spend, suggests diffuse demand relative to population and headroom for scale if renewal accelerates. Ethiopia (0.19) and DRC (0.21) sit at the bottom, indicating thin purchasing intensity. Overall, the dispersion points to different starting positions for policy: near-term gains from targeted levers in mid-tier markets, versus deeper interventions needed in the lowest-intensity cases, all of which can be understood more deeply (and are expanded on in the annexures in many cases) to generate lessons for South African bus procurement processes.

In Nigeria, the Nigerian Automotive Industry Development Plan (NAIDP) which applies to all vehicles categories including buses, was effective from 2014 to 2024, created a high-tariff environment that effectively discourages the import of vehicles. Currently, Nigeria imposes a tariff of up to 70% (comprising 35% import duty and 35% levy) on fully built cars, with trucks and buses attracting slightly lower rates at 10%¹⁶. With

¹⁶ (Federal Government of Nigeria, 2025)

combined duties and levies, foreign suppliers face steep barriers unless they commit to local assembly. This has led to the emergence of domestic players like Innoson Vehicle Manufacturing and Stallion Group, who assemble buses using semi-knocked-down kits. Yet, the depth of localisation remains limited. The NAIDP's original target was to gradually increase local content (with a goal of 40% local content by 2023 in earlier plans), but an assessment conducted in 2021 found that the country is producing less than 10% of the vehicles it uses (meaning over 90% are imported used vehicles) and that even the produced vehicles were largely assembled from imported parts. In addition, the high cost of new buses has inadvertently sustained a market for used imports, often smuggled across borders to avoid duties, according to The National Economy¹⁷. The result is a fragmented competitive landscape where affordability trumps innovation, and fleet renewal is slow despite policy intentions.

Kenya presents a contrasting model. By banning the import of used buses and offering tax exemptions on locally assembled vehicles, the government has catalysed a rapid expansion of domestic manufacturing. Assemblers such as Isuzu East Africa and Associated Vehicle Assemblers have captured over 70.6% of new vehicle sales in 2021 to 78.1%, a record high by 2022¹⁸. The policy environment is further reinforced by standards like the proposed KS1515, which is aimed at boosting local parts usage and extend incentives across the supply chain. This has created a more predictable and competitive market, where foreign OEMs must either invest in local facilities or partner with existing assemblers to remain viable¹⁹.

Ghana has implemented the Ghana Automotive Development Policy (GADP), where additional policy interventions will be introduced during implementation for assembling medium and heavy-duty commercial vehicles, and for the assembly of buses. The current GADP bans the import of used vehicles older than 10 years and offers duty exemptions for local assembly. However, local content remains low, and enforcement of the age ban has been inconsistent, allowing used imports to persist in the market.

Zimbabwe provides a case of a smaller market using policy levers to regenerate its bus assembly industry. After years of decline, the government has revived local assembly through joint ventures, such as AVM Africa's partnership with Belarus's Minsk Automobile Plant partly constrained by limited foreign exchange reserves. By mid-2024, AVM set a target of assembling 50 buses per month, incorporating Zimbabwean-made steel and the potential to create up to 5 000 jobs²⁰. Simultaneously, the government suspended import duties to address acute fleet shortages, allowing over 1 500 buses to enter duty-free between 2023 and 2024²¹.

¹⁷ (Ibe, 2025)

¹⁸ (The Kenyan Wall Street, 2022)

¹⁹ (The Star, 2022)

²⁰ (The Herald, 2024)

²¹ (The Herald, 2026)

This dual-track strategy which balances immediate mobility needs with industrial development, illustrates the nuanced policy choices shaping competition in smaller markets.

Looking towards the green transition, Ethiopia has taken a more radical approach by banning the import of all ICE vehicles in 2024, including diesel buses as of 2024–2025, making it the first country in Africa to mandate an all-electric vehicle future²². This policy is supported by tax exemptions for electric vehicles and incentives for local assembly, leading to rapid growth in domestic EV production. Local firms like Belayneh Kindie Group and Marathon Motors are assembling electric buses and trucks in partnership with Chinese OEMs. Ethiopia has operationalised its EV-first transition by maintaining a 2024 prohibition on importing fuel-powered cars and by offering EV-specific tax relief (VAT/excise/surtax exemptions and reduced customs duty), alongside a national e-mobility strategy and charging regulations²³.

As Ethiopia is not yet a World Trade Organization (WTO) Member, these measures presently fall outside WTO disciplines; any alignment would be addressed during accession²⁴. Policymakers justify the incentives as fiscally prudent/neutral given the substitution of a ~USD 6 billion annual fuel import bill with domestically generated (largely renewable) electricity, while encouraging local assembly through CKD concessions and industrial-park policies²⁵.

In a similar vein, Tanzania is also shifting its focus towards clean energy. Electric four-wheelers and e-buses enjoy full exemption from excise duties, unlike conventional vehicles, which are taxed based on engine size²⁶. This policy shift has effectively forced all new bus procurement to be either electric or locally assembled²⁷.

The DRC, in late 2025, recognised safety and environmental issues of used vehicles, with the government looking to adopt a draft decree to tighten import regulations on used vehicles. While details are pending, officials signalled they will reduce the allowable age (potentially back to 10 years or less for buses) and enforce roadworthiness inspections. The new policy explicitly aims to “promote local assembly” as a long-term solution²⁸.

²² (Business Insider Africa, 2025)

²³ (International Energy Agency, 2025)

²⁴ (World Trade Organization, 2025)

²⁵ (Kuhudzai, 2025)

²⁶ (EV24 Africa, 2025)

²⁷ (EV Magz, 2025)

²⁸ (Bankable Africa, 2025)

COMPETITIVE DYNAMICS AMONG BUS MANUFACTURERS AND SUPPLIERS IN AFRICA

Beyond policy, market forces play a decisive role. The dominance of used vehicles remains a structural feature across SSA largely driven by affordability constraints and limited access to financing.

In Nigeria, the cost of a used bus has tripled (~USD 1 400 to ~ USD 4 200) in recent years due to (i) inflationary pressure that raised the base bus cost, (ii) tariffs that raise the landed cost of the bus, and (iii) the depreciation of the Naira in 2024 which worsened terms of trade, making fleet renewal prohibitively expensive for many operators ²⁹. Kenya's ban on used imports is forcing a shift toward new vehicles, but financing remains a bottleneck. These dynamics underscore the importance of subsidies and credit schemes in shaping procurement decisions and competitive outcomes.

International players, particularly from China and India, have consequently emerged as dominant forces, offering price-sensitive purchasers competitively priced options for fleet expansion and renewal.

Chinese OEMs like Yutong have delivered over 20 000 buses to Africa by 2024, often under government-to-government loans or export-credit arrangements. These deals frequently bypass local industry unless managed carefully. Yutong has set up semi-knocked-down kit assembly plants in Nigeria and Ethiopia to align with local policies ³⁰, while Indian firms like Ashok Leyland have partnered with Zimbabwe's Willowdale Motor Industries to supply semi-knocked-down kits ³¹. The competitive field is thus shaped not only by price and quality but by financing models and policy alignment.

In Ethiopia, local assemblers operate under strict policy alignment, but the influx of used electric vehicles is beginning to challenge their market share. In Tanzania, Chinese and Korean manufacturers are exploring local partnerships to gain a foothold, while local firms focus on niche segments like safari and tourism buses.

PROCUREMENT MODELS USED FOR ACQUIRING BUSES IN AFRICA

Government subsidies and financing mechanisms are central to contract viability. In Zimbabwe, the state-owned ZUPCO has procured hundreds of buses through sovereign wealth fund allocations and joint ventures. In 2023, the Nigerian government

²⁹ (Ibe, 2025)

³⁰ (Yutong, 2024)

³¹ (Towindo, 2025)

planned to invest USD 70.29 million in procuring CNG buses for mass transportation, offering transport companies access to credit at 9% per annum³² with a 60-month repayment period, effectively subsidising capital costs and rejuvenating the fleet (at the time of the announcement, the average bank lending rate exceeded 13%, making the 9% highly concessional)³³.

In September 2024, 64 buses were deployed for Nigeria's Independence Day; during 2024-25, 160 buses were operational through major transport unions. By mid-2025, the Nigerian National Petroleum Company (NNPC) had contributed 35 hybrid CNG buses and three were transferred to the Ministry of Finance, and by December 2025, an additional 50 CNG buses had been received, demonstrating clear implementation of the original plan.

Bus procurement in Ghana is a mix of state-led and open market transactions. In 2018, the Ministry of Finance approved the purchase of 50 new Daewoo buses for Metro Mass Transit (MMT) (state-owned city bus service) and initiated procurement of 100 buses for Intercity STC³⁴. These were direct government-funded purchases aimed at fleet renewal. While there has been limited Public-Private Partnership (PPP) initiatives in urban transport, using Accra's attempted BRT pilot as an example, relied on a donor-funded model with private operation of buses. However, the dominant procurement model remains government agencies procuring buses (often through international tenders or bilateral deals) for public services, while private companies and schools independently import buses as needed.

Similarly, procurement of buses in Tanzania occurs through both private-market purchases and public projects. Most intra-city and regional buses are procured by private operators on the open market where individual bus owners or companies simply import vehicles (usually used) and put them into service. This decentralised model results in thousands of independent bus owners. However, Tanzania has also pursued PPP models in mass transit. The flagship example is Dar es Salaam's BRT system (DART).

The infrastructure for DART was publicly funded (with World Bank/AfDB loans), but operations are contracted to a private bus operating company under a concession. The initial DART Phase 1 operator, UDA-RT, procured a fleet of 140 new buses (Scania chassis with locally outfitted bodies) to run the BRT routes, financed through local banks with government oversight. This PPP approach means government sets service standards and fares, while the private sector manages the bus procurement and operations, backed by viability-gap subsidies in some cases. Outside Dar es Salaam, public transport is less formal – government interventions are mostly limited

³² This is a highly concessional rate when compared to the average bank commercial lending rate of 13.7% at the time of the announcement of mass bus procurement.

³³ (The Street Journal, 2023)

³⁴ (Business Ghana, 2025)

to setting regulations. Tanzania's bus procurement is characterised by a dominant private sector (small operators) acquiring vehicles individually, and strategic PPP (like the BRT) where larger-scale modern bus procurement occurs under government facilitation ³⁵.

In Ethiopia, government procurement has focused on electric buses for public transit. The Ethiopian government and its state enterprises play a leading role in procuring buses, especially electric buses, to implement the new policies. One major avenue is municipal procurement for city buses. Addis Ababa's city administration, for instance, directly ordered 100 electric city buses in 2024 to launch its first BRT line. This purchase was handled by the city's Transport Bureau funding (and possibly supported by development banks or climate funds) ³⁶.

As shown above, procurement models vary widely across the continent, influencing competition and market access. State-driven bulk procurement, as seen in Zimbabwe and Ghana, favours suppliers who can meet policy goals and offer financing. Open market sales, prevalent in Nigeria, are dominated by price-sensitive private operators who often default to used imports unless supported by subsidies or credit. Public-private contracts, such as BRT systems in Kenya, require modern fleets and often mandate local assembly, creating opportunities for integrated bids that combine supply and operations.

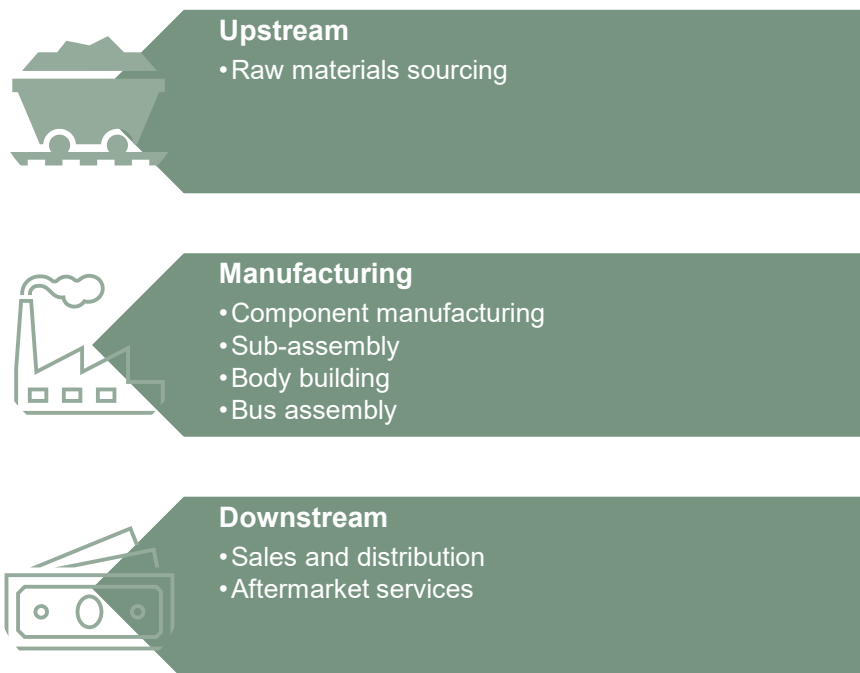
A quantitative examination of demand and production drivers is developed in the following subsection, providing the empirical foundation for the modelling presented in subsequent chapters. Status-quo of the bus value chain in South Africa

The value chain of buses encompasses the entire production lifecycle of a bus, covering every stage where value is added, beginning at raw material extraction and component manufacturing, through vehicle assembly and distribution, to its operational use, maintenance, the after-market and the end-of-life process. Similarly, South Africa's bus value chain encompasses three main stages as shown in the following figure:

Figure 23: Bus Value chain overview

³⁵ (The World Bank, 2023)

³⁶ (ENA, 2024)



Source: (Trade and Industrial Policy Strategies, 2023); (TIPS, 2023); (Khathi, 2018); (OECD, 2024)

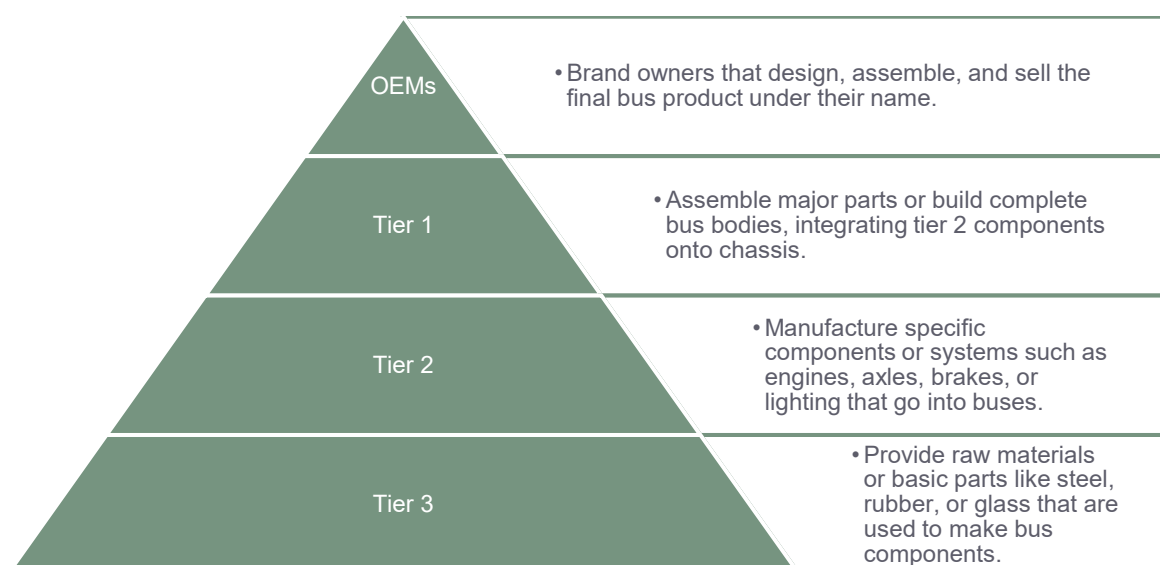
The upstream segment of the bus value chain begins with the extraction and production of raw materials that serve as foundational inputs for various bus components. In South Africa, this includes locally sourced materials such as steel, iron, and aluminium – used primarily in chassis and body frame construction – with key suppliers like ArcelorMittal South Africa and Hulamin. ArcelorMittal has faced operational and financial challenges, including plant closures, job cuts, and environmental compliance issues, which have disrupted steel supply and raised input costs. These constraints have prompted manufacturers to explore alternative sourcing and stockpiling strategies to mitigate production risks.

Beyond metals, the industry also relies on plastics and chemicals for interiors and coatings, rubber for tires and seals, and strategic minerals like copper and battery metals (e.g. lithium, nickel, cobalt, manganese), which are becoming increasingly important as manufacturers shift toward electric buses. These materials form the basis of structural and functional components used in bus manufacture; their availability directly influences production timelines, cost structures, and the feasibility of transitioning to cleaner technologies.

Once the raw materials are sourced, the automotive supply chain (which includes buses) is segmented into Tiers which denote each supplier's proximity to the OEM. Tier 1 suppliers provide complete systems or major components directly to the OEM; Tier 2 suppliers provide sub-components or specialised parts to Tier 1 suppliers; and

Tier 3 suppliers provide raw materials or basic parts to Tier 2 suppliers. This structure forms a pyramid, with the OEM at the top and Tier 3 at the base:

Figure 24: Automotive supplier differentiation



Source: (Competition Commission, 2020); (Royale International, 2022)

OEMs in the bus industry are the brand owners that design and assemble (or conduct final assembly) the complete bus. Major OEMs active in South Africa and their roles are outlined in the table below.

Table 2: Bus OEMs in (and expected to be in) South Africa

Name	Business Description	Products	Location	Assembly Type	Overview
 MAN Truck & Bus South Africa (MAN SA)	Subsidiary of the Volkswagen Group; assembles heavy buses and coaches, including chassis manufacturing and body integration	Commuter buses, luxury coaches, MAN Lion's Intercity, MAN Lion's Explorer E (electric)	Pinetown (KZN); Olifantsfontein (Gauteng)	CKD (chassis), full assembly	First OEM in SADC to locally manufacture an electric bus (Lion's Explorer E); Pinetown plant is now carbon-neutral
 Volvo Group Southern Africa (Volvo SA)	Assembles and distributes medium and heavy commercial vehicles under Volvo, Renault Trucks, UD Trucks	Bus chassis for BRT systems, transit buses	Durban (KZN)	CKD (chassis)	Supplied chassis for Cape Town's MyCiTi fleet; potential for future e-bus assembly as demand grows
 Scania South Africa	Assembles heavy trucks and buses; supplies to metro systems and regional markets	City buses, coaches	Aeroton (Gauteng)	CKD (chassis), full assembly	Key supplier to metro bus systems; no local electric or hydrogen bus production yet
 DAIMLER Daimler Truck Southern Africa (Mercedes-Benz buses)	Imports and distributes Mercedes-Benz and FUSO buses; historically assembled OH series chassis	Commuter bus chassis, luxury coach chassis	East London (Eastern Cape); modification centre near Pretoria (Gauteng)	Import and modification	Focus remains on ICE buses; no local EV or hydrogen bus production
 Iveco South Africa	Assembles trucks; supplies bus chassis for BRT systems	Afriway and Crealis bus models (diesel)	Rosslyn (Gauteng)	CKD (chassis), body integration	Supplied buses for Rea Vaya; no dedicated bus plant; electric

Name	Business Description	Products	Location	Assembly Type	Overview
	via partnerships			ion via partners	concepts abroad but not in SA
 Marcopolo Marcopolo South Africa (Pty) Ltd	Local arm of Brazil's Marcopolo; assembles and finishes luxury and commuter buses from imported kits	Luxury coaches, commuter buses (assembled from Marcopolo kits)	Germiston (Gauteng)	CKD	Produces a range of buses and coached from 16 seaters to 80 seaters
 Busco / Bus Africa	Niche/local body builder known for custom mid-size buses on truck chassis; serves specialised markets	Midibuses, school buses, armoured transport, other special-purpose buses (ICE platforms)	Germiston, Gauteng	CKD Custom body building on truck chassis	Current Technology is ICE; custom builds for niche markets; no electric models reported
 BYD / Build	Supplier of fully built electric buses; local sales and trials with operators, but no manufacturing or assembly in SA	12.5-m electric buses (65-seat), LFP-battery e-buses	NA	NA	Supplies SA's first large-scale e-bus fleet; secured 120-bus order with Golden Arrow after multi-year testing under local conditions.

Source: (Competition Commission, 2020); (Royale International, 2022); (Competition Commission, 2020); (Royale International, 2022)

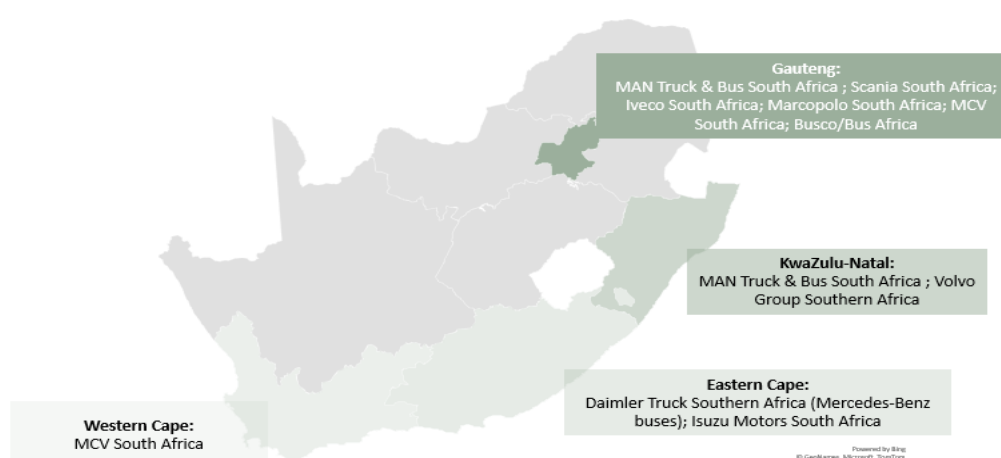
BYD (China) has entered the South African market through full-scale fleet deployment, though it currently maintains no local manufacturing capacity. The company is anticipated to expand its dealership network and strengthen its domestic presence in the near term³⁷.

³⁷ (Business Insider, 2025)

Tier 1 suppliers – firms that feed directly into OEM operations - are companies that integrate major components into complete bus bodies or chassis modules, supplying the finished or near-finished vehicles to the bus OEMs or directly to customers.

Bus body assembly operations strategically position themselves near OEMs enabling streamlined production, reduced logistics costs, and faster turnaround times, as shown below:

Figure 25: Geographic locations of bus assemblies and bus OEMs in South Africa



Source: EY analysis

Tier 2 suppliers produce essential components and systems that go into buses. Many Tier 2 parts for buses in South Africa are supplied by local subsidiaries of global automotive component companies or by diversified domestic manufacturers. Tier 2 suppliers include Bosch SA, Shatterprufe, Metair Group, among others.

Tier 3 suppliers provide the essential raw materials and basic components that underpin bus production. These include locally sourced steel from ArcelorMittal South Africa and aluminium from Hulamin for structural and exterior elements and rubber inputs from local tire and sealant producers. Hardware components such as fasteners, springs, and metal pressings are supplied by firms like Capewell Springs and Pressings. Electrical inputs, including wires, connectors, and harness kits, are provided by companies such as Electrothread and GTC Harness Solutions. Interior materials like seat fabrics can be supplied by Helm Textile Mills, while adhesives and sealants are sourced from Pratley and Sika South Africa. Tier 3 also includes suppliers of paint (e.g., Kansai Plascon), tooling, packaging, and standardised parts like hinges and ducting, often procured through local distributors.

Once buses are assembled, they enter the distribution and service network as follows:

- **Sales & Distribution:** OEMs and body builders typically sell buses either directly to large clients (e.g. city transit agencies via tenders) or through dealerships. In addition, these body builders may also customise or retrofit bus bodies for specific purposes, tailoring the design and functionality to meet unique operational needs. Major OEMs like MAN, Volvo, Scania, and Mercedes have established dealer networks or their own sales offices in South Africa that coordinate orders, financing, and delivery. Distribution is performed by local companies (the OEMs' South African subsidiaries or independent dealerships).
- **Aftermarket Support:** This includes maintenance, repair, spare parts supply and eventually end-of-life recycling or refurbishing. South Africa has a robust automotive aftermarket industry. For buses, OEM-authorised service centres (e.g. MAN's service network, Scania service workshops) handle warranty repairs and maintenance of fleets, with the OEM's importer supplying parts. Once out of warranty, fleet operators often rely on in-house teams or independent workshops, sourcing parts locally for common items and importing specialised components. Fleet operators typically maintain strong relationships with OEMs to streamline parts procurement.
 - Bus operators in South Africa generally rely on local capacity to maintain vehicles. Downstream activities like financing, insurance, and maintenance ensure that the value chain continues beyond manufacturing, capturing additional value in-country.

A snapshot summary of the strengths and weaknesses along the value chain is provided overleaf, highlighting areas that require refinement prior to further localisation efforts:

Table 3: Strength and weakness of South Africa's bus manufacturing value chain

Value Chain Segment	Strengths	Weaknesses
Raw materials	- Availability of aluminium, locally - Established suppliers like ArcelorMittal, Hulammin	- No domestic production of strategic EV minerals - Limited vertical integration leaving only a few suppliers with the capacity to supply raw materials - Potential closure of AMSA would hinder auto-specific grade steel
Tier 3 suppliers	- Supply basic parts (glass, rubber, plastics) - Serve multiple automotive segments	- Low investment in bus-focused tooling and innovation
Tier 2 suppliers	- Local production of tires, glass, body panels - Some capacity in mechanical parts	- Engines, electronics, and telematics mostly imported - Limited R&D and automation
Tier 1 suppliers	- High localisation potential (up to 89% locally produced components) - Strong players like, Marcopolo SA	- Dependence on imported chassis - Requires quick transition and costs for current Tier 1 suppliers to adapt the body structure, integration points, and overall vehicle architecture to meet EV-specific requirements.
OEMs	- Local assembly by MAN, Volvo, Scania - MAN SA's electric bus pilot with 95% local body content	- Most OEMs import chassis and drivetrain - EV production not yet scaled
Sales & distribution	- Established dealer networks - Financing and insurance ecosystem in place	- Fragmented procurement processes - Weak demand aggregation across municipalities
Aftermarket services	- Strong local maintenance and refurbishment capacity - Independent service providers supported by regulation	- Spare parts for advanced systems often imported - No formal bus recycling industry
Policy and incentives	- Automotive Production and Development Programme Phase 2 (APDP2), and MHCVAIS support localisation - Designation policy mandates local content	- Enforcement is uneven - Buses are not included in SAAM 2035 - Limited APDP2 benefit i.e. VALA entry levels too high therefore limited to PI only.
Technology and innovation	- Capacity to localise EV body and depot infrastructure - OEMs can adapt existing technology	- Limited domestic production of drivetrains - Skills gaps in electronics and software
Demand and procurement	- Public transport grants (explored in Section 5) stimulate demand - Designation thresholds (70–80%) exist	- Fragmented tenders - Low volumes undermine localisation investment - Buses are not a designated product in South Africa's local content policy framework, government procurement cannot require minimum levels of local

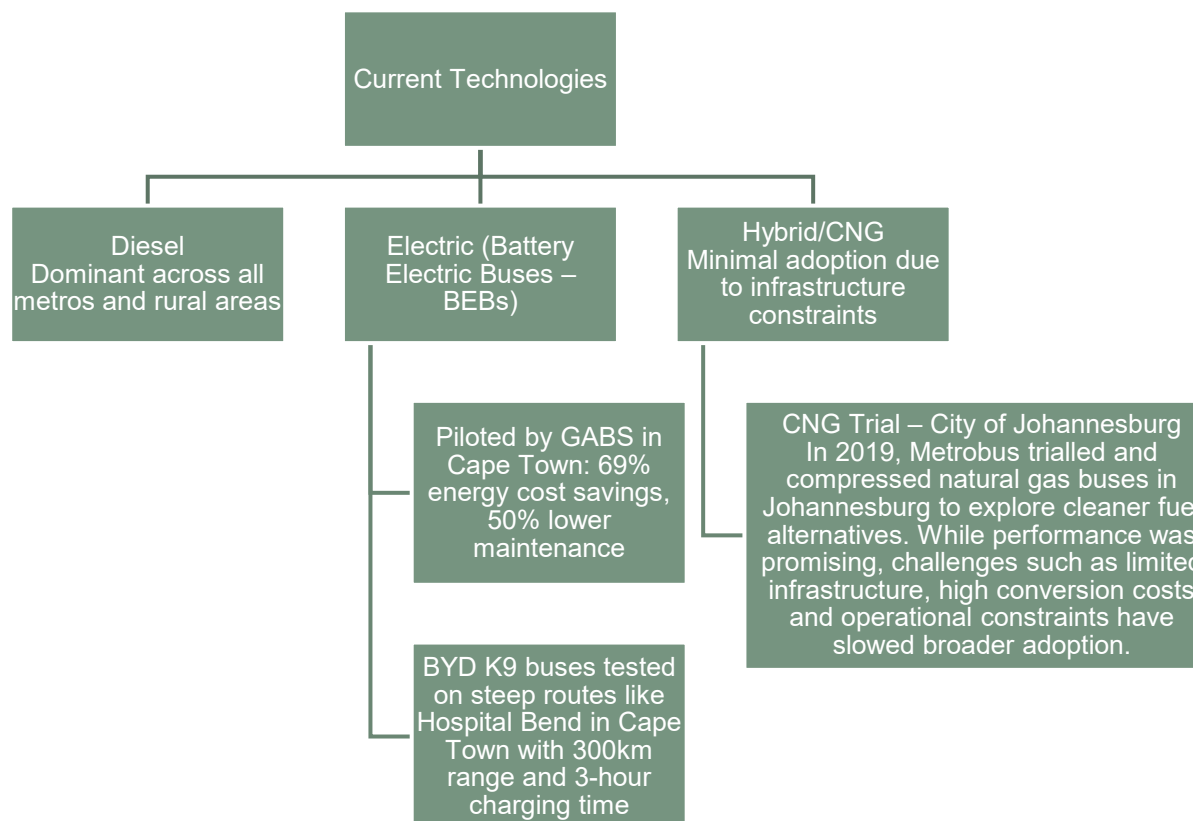
Value Chain Segment	Strengths	Weaknesses
		manufacturing, weakening incentives for localisation and allowing fully imported buses to compete directly with locally assembled models. - Compete with mini-bus taxi industry

Source: EY analysis

BUS TECHNOLOGY TYPES AND FEASIBILITY

The figure below provides a view of the As-is bus technology landscape within the country:

Figure 26: Bus technology in South Africa



Source: EY analysis, (Green Cape, 2023), (CNG Holdings, 2019)

The choice of bus technologies has implications for operational efficiency, environmental impact, and localisation potential.

Diesel buses remain the dominant mode across South Africa due to cost and infrastructure advantages, while electric buses – though promising in terms of energy efficiency and reduced maintenance requirements, despite their substantially higher cost – are currently viable primarily in metropolitan areas with reliable electricity supply ³⁸.

A 2023 field test conducted by Golden Arrow Bus Services (GABS) to evaluate the feasibility of electric buses in South African conditions found that electric buses are increasingly viable, particularly in urban operating environments ³⁹.

A 36-seater BYD e-bus achieved energy cost savings of nearly 69% compared to diesel, while a 65-seater model saved 70%, with energy consumption averaging 1.05-1.10 kWh/km ⁴⁰. Despite electric buses costing roughly twice as much as diesel models (including import duties), operators like GABS project annual fuel savings of USD 40 244 per bus, alongside significant reductions in maintenance costs – 50% in spare parts, 30% in labour, and 80% in oils and lubricants ⁴¹. These savings support a phased fleet replacement strategy, with GABS planning to invest USD 21.95 million annually to replace 60 buses per year from 2024 onward ⁴².

Localisation opportunities are particularly strong in bus body assembly and depot-based charging infrastructure:

- Bus body assembly lends itself well to localisation due to South Africa's existing well established manufacturing capacity of body builders and the high feasibility of sourcing components locally, as demonstrated by MAN SA's electric bus pilot. MAN SA's pilot manufactured the chassis in Pinetown (KwaZulu Natal) and the Olifantsfontein (Gauteng) factory produced the body of the bus ⁴³.
- Similarly, depot-based charging infrastructure presents viable localisation potential, especially through scalable, grid-integrated systems powered by solar energy, such as those implemented at MAN's Pinetown plant ⁴⁴. These examples highlight how domestic capabilities can support the transition to electric mobility while strengthening local value chains.

³⁸ (C40 Cities, 2024), (Green Cape, 2023)

³⁹ (C40 Cities, 2024)

⁴⁰ (C40 Cities, 2024)

⁴¹ (C40 Cities, 2024)

⁴² (C40 Cities, 2024)

⁴³ (Mail & Guardian, 2025)

⁴⁴ (Logist Africa, 2025)

Beyond the opportunities mentioned above, an analysis of the value chain also reveals bottlenecks that constrain localisation of bus manufacturing in South Africa.

At the Tier 2 level, domestic production of high-tech components – such as engines, drivetrains, and electronics – remains limited, with many parts imported or assembled from kits. This reliance on foreign inputs introduces cost volatility (passed through by exchange rate fluctuations) and supply delays, particularly for electric and hybrid platforms.

Additionally, Tier 1 body builders face scale constraints given low procurement volumes.

These structural gaps weaken the business case for full localisation and underscore the need for coordinated procurement, targeted incentives, and strategic partnerships to unlock domestic manufacturing potential.

The following subsection presents quantitative evidence on domestic bus demand – covering volume trends and drivetrain composition – to inform the modelling framework developed in subsequent chapters.

Additional information: E-bus manufacturing in South Africa

Industry consultations were undertaken to understand the extent to which local bus body builders and chassis suppliers can transition toward e-bus manufacturing, and to identify the practical factors that will shape this shift. Stakeholders commented on the technical feasibility of localisation, the adjustments required within existing operations, and the broader commercial and regulatory environment. Across these discussions, a consistent theme emerged: **South Africa has the technical capability to localise EV bus body manufacturing, but the pace of transition will depend heavily on market demand, cost competitiveness, and the development of supporting infrastructure.**

- **Feasibility**

Some stakeholders agreed that EV bus body manufacturing is feasible with the capabilities already present in the domestic industry. Body builders possess the core skills—structural design, fabrication, interior fitment, and integration across varied chassis platforms—to adapt to EV requirements. Because most body-building processes are drivetrain-agnostic, the shift from ICE to EV bodies is seen as an evolution rather than a redesign. With active participation from chassis OEMs, a full development and homologation cycle for an EV platform could be completed within 12–18 months. However, manufacturers noted that technical readiness alone is insufficient; commercial demand remains subdued due to the higher upfront cost of EV buses and the need for operators to invest in charging infrastructure.

- **Effort Required**

While the transition is technically manageable, it does require targeted adaptations. Body builders must redesign structures to accommodate battery placement, weight distribution, cooling systems, and high-voltage components. Engineering teams need exposure to EV-specific architecture, while production staff require training in high-voltage safety and new diagnostic processes. Some capital investment is needed for engineering development, training, and certification. Stakeholders also emphasised that close collaboration with chassis OEMs is essential, as platform-specific design requirements and compliance standards must be met to ensure successful integration.

- **Challenges**

The most significant barriers identified relate to commercial viability. EV buses remain more expensive than ICE equivalents, and operators face tight margins and uncertainty regarding long-term contract renewals—limiting appetite for large-scale investment. Technical challenges include navigating increasingly complex EV systems and ensuring that local teams build the necessary high-voltage and integration skills. Regulatory issues, particularly axle weight restrictions and total vehicle mass limits, may reduce passenger capacity unless adjustments are considered for urban fleets. While supply-chain constraints are not expected to be severe, stakeholders stressed that a lack of reliable, well-planned charging infrastructure poses a major risk to EV rollout.

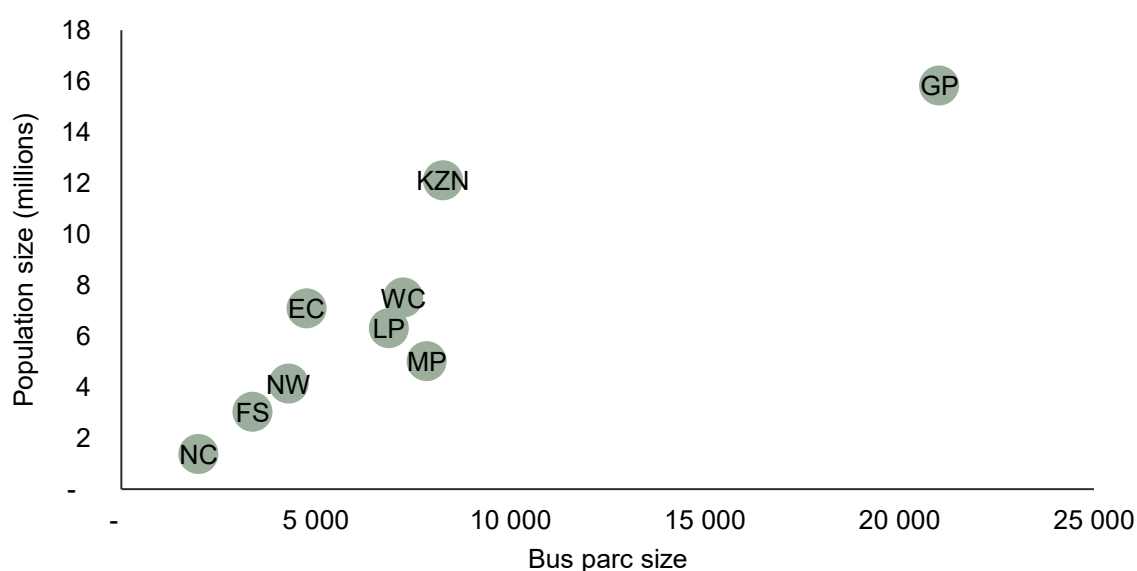
Stakeholders broadly state that South Africa has the technical foundation to localise EV bus body manufacturing, and that body builders can transition within a relatively short development cycle when supported by chassis OEMs. However, scaling the transition will require an enabling environment that improves commercial viability and reduces investment risk. Measures such as purchase incentives, tailored localisation incentives, skills development programmes, regulatory adjustments, and long-term procurement certainty would accelerate uptake. Ultimately, the industry's capability will be determined by market signals, policy clarity, and the rollout of supporting infrastructure.

QUANTITATIVE INSIGHTS FOR SOUTH AFRICAN BUS DEMAND

As it currently stands, South Africa's bus parc (i.e., the operational bus population within the country) is large, with bus populations varying between provinces. This bus parc (including midi-buses) trends in tandem with population size per province, as evidenced in the figure below. Segmenting the parc by size reveals opportunities to

align local manufacturing with demand: minibuses (up to 25 seats) ⁴⁵, midi buses (typically 8-11 metres in length, or between 25 and 50 seats) ⁴⁶, and full-sized city or intercity buses (over 50 seats) ⁴⁷ each serve distinct operational needs.

Figure 27: Bus parc and population size as of June 2025



Source: Own analysis of data from (NaTIS, 2024) and (Quantec, 2024)

Note: The analysis currently leverages e-Natis data to estimate bus population size. This e-Natis database suggests some 66 000 buses (excluding mini-bus taxis) registered and active in South Africa. However, SABOA has a slightly different estimate, which is leveraged for a sub-simulation in the annexures.

As of June 2025, the bus parc (including midi-buses) in South Africa stands at 66 000 units⁴⁸, concentrated in the major population centres of Gauteng, KwaZulu-Natal, the Western Cape, Mpumalanga and Limpopo. The larger provinces are hubs for frequent, long-haul passenger trips and serve as commercial hubs for people movement. In contrast, the likes of Limpopo and Mpumalanga tend to have higher per-capita bus parc concentrations due, in part, to the lack of transport substitutes for long-haul trips and large distances to cover in the more rural areas of South Africa, and in part due to

⁴⁵ (Lynch, 2025)

⁴⁶ (Allied Market Research, 2025)

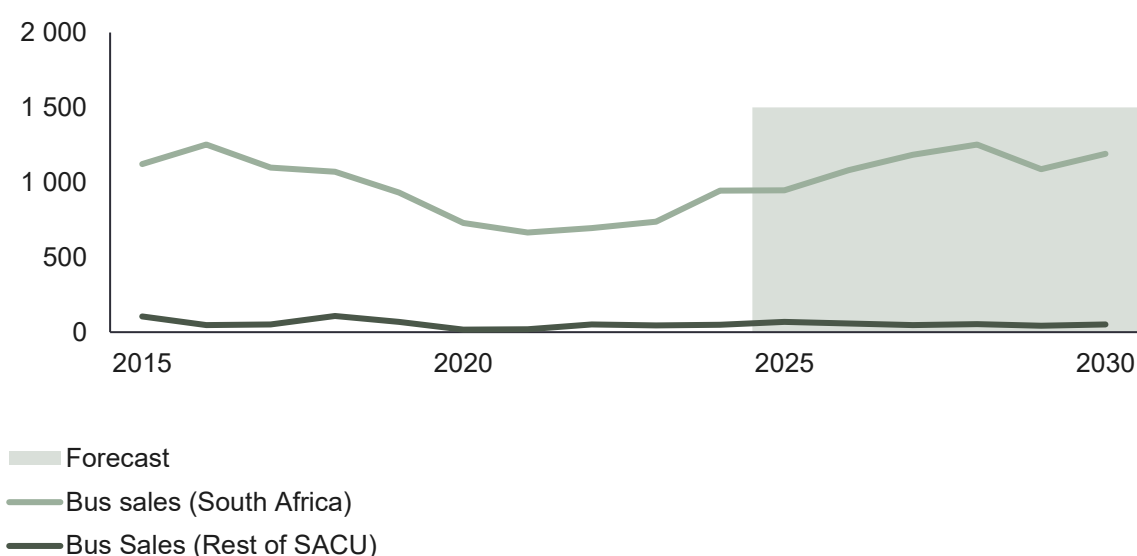
⁴⁷ (Lectura, 2025)

⁴⁸ (Road Traffic Management Corporation (RTMC), 2025)

population dynamics in the mining sectors in these provinces that necessitate some form of bus transportation.

The bus parc is increasing annually, although domestic sales slowed during the COVID-19 periods (2020 – 2021), and tends to be lumpy with procurement cycles (according to SABOA, some 70% of procurement events and the national bus fleet are allocated to the public sector), as provided:

Figure 17: Domestic bus sales (number of buses)



Source: Own analysis of data from (NAAMSA, 2015-2024)

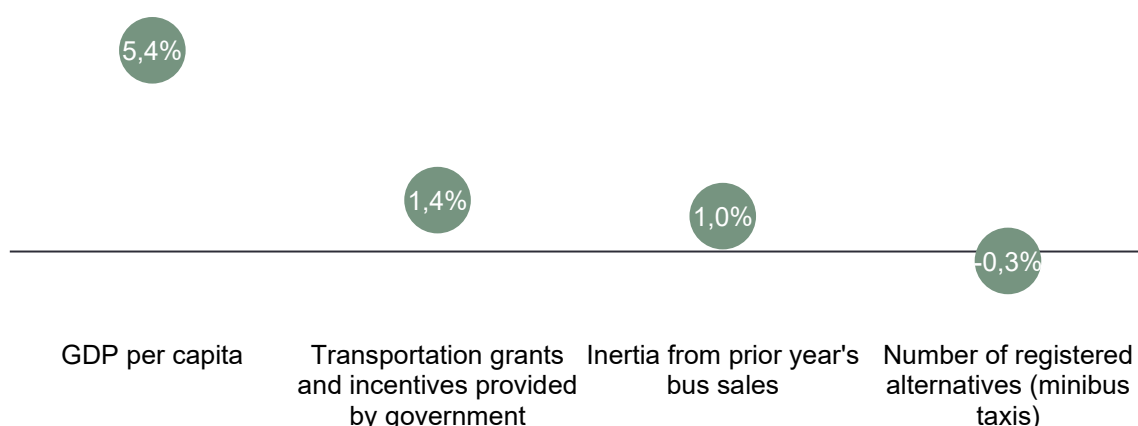
As per the prior three figures, some key insights are useful to mention:

- There is a clear, positive correlation between population size and bus demand. Stable population growth indicates the need for a ramp up in local bus parc size.
- Although there was a lull in bus sales across South Africa historically, with bus sales having been slow since 1994 and reaching a peak in 2008, simple forecasting based on past precedent indicates an uptick in bus sales anticipated over the next 5 years aligned with procurement cycles and population growth estimates.
- SACU-wide bus demand is, however, not substantively met by South African exports. South African exports remain below the historical highs of 351 units in 2008 and 207 units in 2014. Indicative forecasts based on past sales indicate

that this demand is anticipated to remain muted at between 50 and 100 units per annum. Additional considerations for the substitution of used buses for new buses, and its impact on the market within the region will be considered and evaluated with overarching, guided assumptions.

Historical data reveals that bus sales are influenced by a combination of macroeconomic conditions, government action, industry dynamics, and inter-modal competition, each of which plays a distinct role in shaping annual demand outcomes. Illustrated below is the quantitative measure of how bus sales are influenced by these key factors shown below:

Figure 28: Key drivers of bus sales from regression analysis



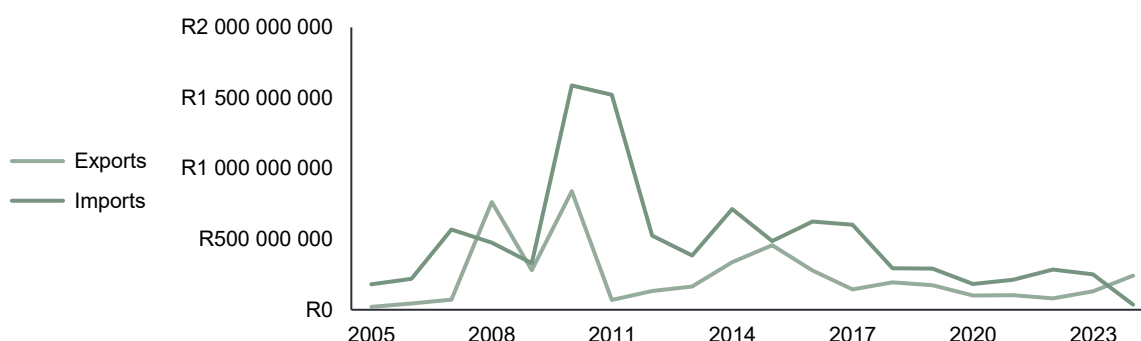
Source: Data, for the period 2016-2024, was sourced from (National Treasury, 2025) and (Quantec, 2025)

Based on the figure above:

- A 1% increase in GDP per capita yields a 5.4% increase in bus sales within the country. This indicator is, however, less in the control of policy makers and depends on economic conditions – typically, though, stronger economic conditions lend themselves to higher bus demand.
- Government incentives, in the form of a subsidisation, play a critical role in enabling bus sales within the country – an increase in government incentives (public transport operations grant) to support bus production by 1% yields an increase in bus demand by 1.4% based on historical analysis. Incentives and subsidies can be used to promote the production and subsequent sale of buses is well within a policy-makers ambit, and underpins the strong relationship between government support and bus uptake.
 - Relatedly, bus sales from prior years feed into current year sales due to inertia – this inertia is typically to correct for population size growth.
- As expected, transportation competition yields a decline in bus demand. An increase in the production and sale of minibus taxis in South Africa by 1% decreases bus demand by 0.3%. This ratio indicates a trade-off between the two modes of transportation, that hinge on affordability and frequency of trips – more frequent, lower cost bus trips tend to fare well as compared to the use of minibus taxis within the country, indicating the need for bus mobility solutions that are budget friendly and meet the frequency of taxi trips.

Notwithstanding these drivers of bus demand in the country, buses have historically been imported into South Africa, as is evidenced by the large value of bus imports shown overleaf:

Figure 29: Trade trends for buses into South Africa (HS 8702)



Source: Own analysis of data from (International Trade Corporation, 2024) and (Quantec, 2025)

Note: The modelling sub-sections derive an estimate for local content between 30 and 40%, implying that imports account for some 60% to 70% of all bus sales in the country.

The following observations can be made regarding the trade data presented above:

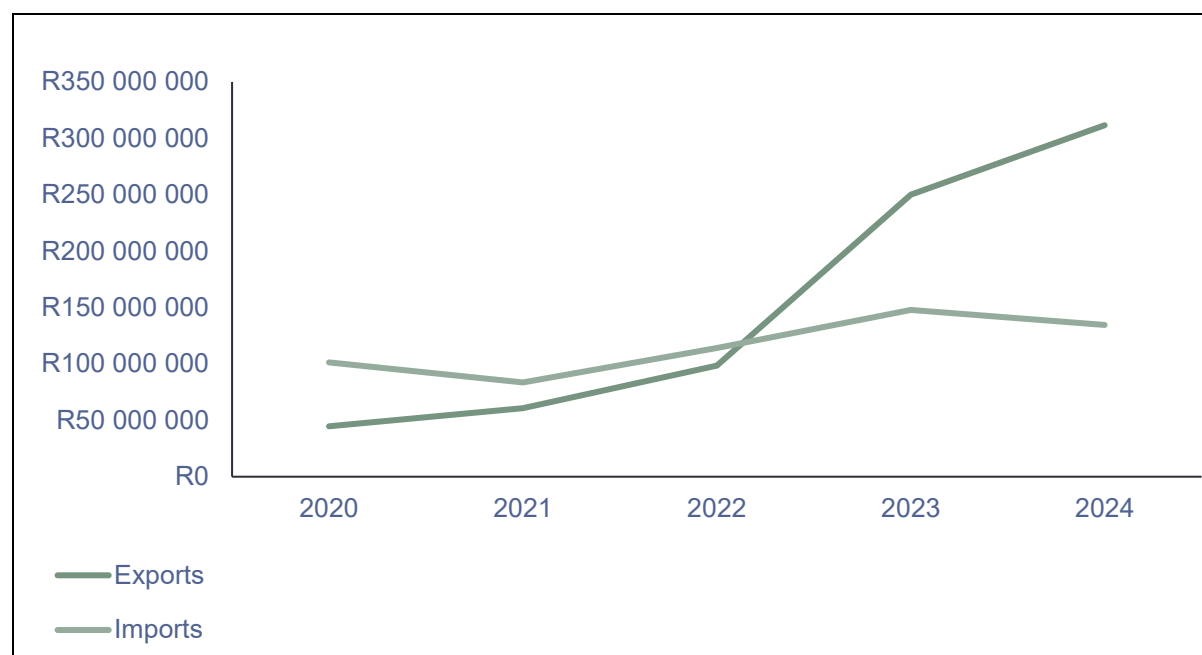
- As it stands, both import and export trends are in decline relative to the turn of the 2010s, indicating slowing traded demand for buses in real terms relative to the prior decade.
- Despite the decline, both imports and exports have increased post-COVID-pandemic, indicating a partial recovery in traded bus demand.
- Imports have outstripped bus exports for much of the period. Since 2014, South Africa has imported consistently at ~80% of sales, with limited variability. This is consistent with broader trade evidence that the country has relied on imported buses over the last decade. In 2024, however, an increase in exports coupled with a decline in imports resulted in a positive trade balance for buses (i.e., the export value of locally manufactured buses and bus bodies exceeded import values for the year⁴⁹), which indicates some potential improvement in local manufacturing capacity. This improvement in export performance in 2024

⁴⁹ According to average procurement cycles historically assessed from SABOA data

was driven by improved neighbouring country purchasing behaviours (Namibia, Botswana, eSwatini) during the year to adapt to replacement cycle needs⁵⁰.

The figure below illustrates South Africa's import and export trends for vehicle bodies (HS 8707.90), and includes data for HS 8702.90, excluding motor vehicles under HS 8703:

Figure 30: Trade trends for vehicle bodies into South Africa (HS 8707.90)

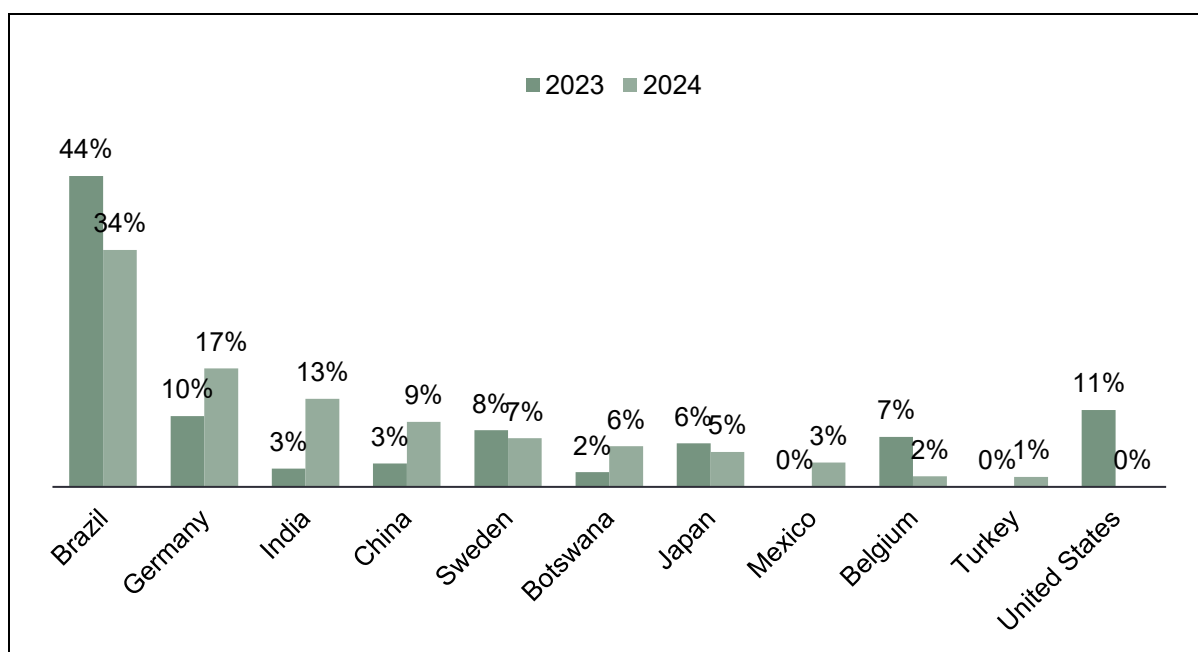


Source: Own analysis of data from (Quantec, 2025)

Looking into import data on vehicle bodies (including other vehicle bodies), the following figure highlights the top import partners for 2023 and 2024, with a description of trends beneath:

Figure 31: Import partners for vehicle bodies for 2023 and 2024 (HS8707.90)

⁵⁰ (OEC, 2025)



Source: Own analysis of data from (Quantec, 2025)

- Between 2023 and 2024, South Africa's other vehicle body imports saw a diversification in sourcing. Brazil, while still the top supplier, saw its share drop from 45% to 34%, likely due to rising costs and increased competition. Germany gained ground (from 10% to 17%) as demand grew for premium and electric bus technologies from brands like MAN and Mercedes-Benz ⁵¹. India (increased from 2023 share of 2.6% to 2024's 12.6% because of a more competitive pricing approach) and China (up from 3.3% to 9.3%) surged due to their cost-effective offerings and strengthened trade under BRICS+ ⁵². Botswana's rise from 2% in 2023 to 6% in 2024 reflects regional re-export or assembly activity, although in nascent phase. Meanwhile, the U.S. dropped to 0%, likely due to trade policy shifts and policy uncertainty ⁵³. Belgium and Sweden also declined, while Mexico and Turkey entered the market with modest shares.

From an export perspective, South Africa – given its manufacturing capacity – also exports to various countries (mostly in SSA), as seen in the figure below:

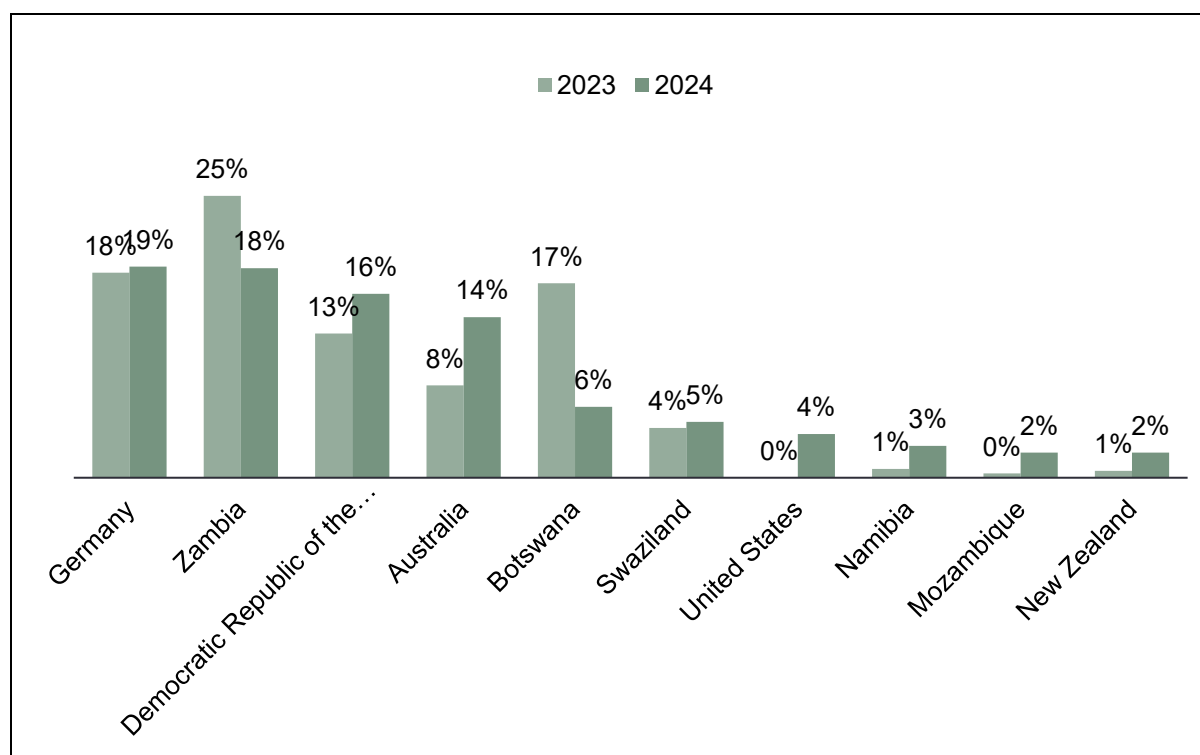
Figure 32: Export destinations for vehicle bodies for 2023 and 2024 (HS8707.90)



⁵¹ (Top Auto, 2024)

⁵² (BussinessTech, 2024)

⁵³ (ITA, 2024)



Source: Own analysis of data from (Quantec, 2025)

Some key insights noted from the export data include:

- In Zambia and the DRC, increased imports were driven by regional trade integration and rising demand in mining and infrastructure sectors ⁵⁴.
- Australia and New Zealand boosted imports of South African-built vehicles, supported by right-hand drive compatibility and improved logistics.
- Neighbouring SADC countries like eSwatini, Namibia, and Mozambique showed modest increases due to fleet renewals and duty-free access, although Botswana's share declined.
- The United States, previously at 0%, saw a spike to 4% in 2024—likely a pre-emptive export push ahead of anticipated U.S. tariffs ⁵⁵.

South African bus bodies incorporate a high proportion of locally made components, typically on the order of about 70–80% local content by value, driven in no small part by government designation efforts. Government policy has designated minimum local content thresholds of 70% for city buses and 80% for larger commuter or coach buses (with chassis and engines excluded from the calculation) ⁵⁶.

In practice, many domestically built bus bodies meet or exceed these levels – for example, some recent bus procurement projects feature locally manufactured bodies

⁵⁴ (DTIC, 2024)

⁵⁵ (Business Insider Africa, 2025)

⁵⁶ (DTIC, 2022)

with over 80% South African content. One newly assembled electric bus model achieved roughly 95% local content in its body structure ⁵⁷.

While there are some challenges in meeting this requirement including differentiating the bus body from the chassis and mechanical parts (which are not subject to the same local content rule) and ensuring a consistent pipeline of procurement for the industry to invest in training and capacity, the industry-wide local content spans from approximately 80–90%, with most manufacturers clustering toward the upper end of that range in line with the official localisation targets. **Key takeaways:**

South Africa has strong local capabilities in bus body assembly and maintenance. Most OEMs import chassis and drivetrains, and electric bus production is still limited. Tier 2 and 3 suppliers provide basic parts, but high-tech components are mostly imported. Localisation is possible but challenged by low volumes and fragmented procurement.

Diesel buses dominate due to cost and infrastructure. Electric buses are viable in metros and offer major savings. Localisation is feasible for bus bodies and depot charging systems. Hybrid and CNG buses face infrastructure and cost barriers.

Metropolitan municipalities use varied bus systems based on geography and commuter needs. Fleet types and service models differ, which affects localisation strategies.

South Africa has around 66 000 buses, mostly in Gauteng, KwaZulu Natal, and the Western Cape. Bus demand grows with population and economic conditions. Incentives boost sales, while minibus taxis reduce bus demand. Imports dominate, but local manufacturing is improving. Bus bodies often meet 70 to 95 percent local content targets.

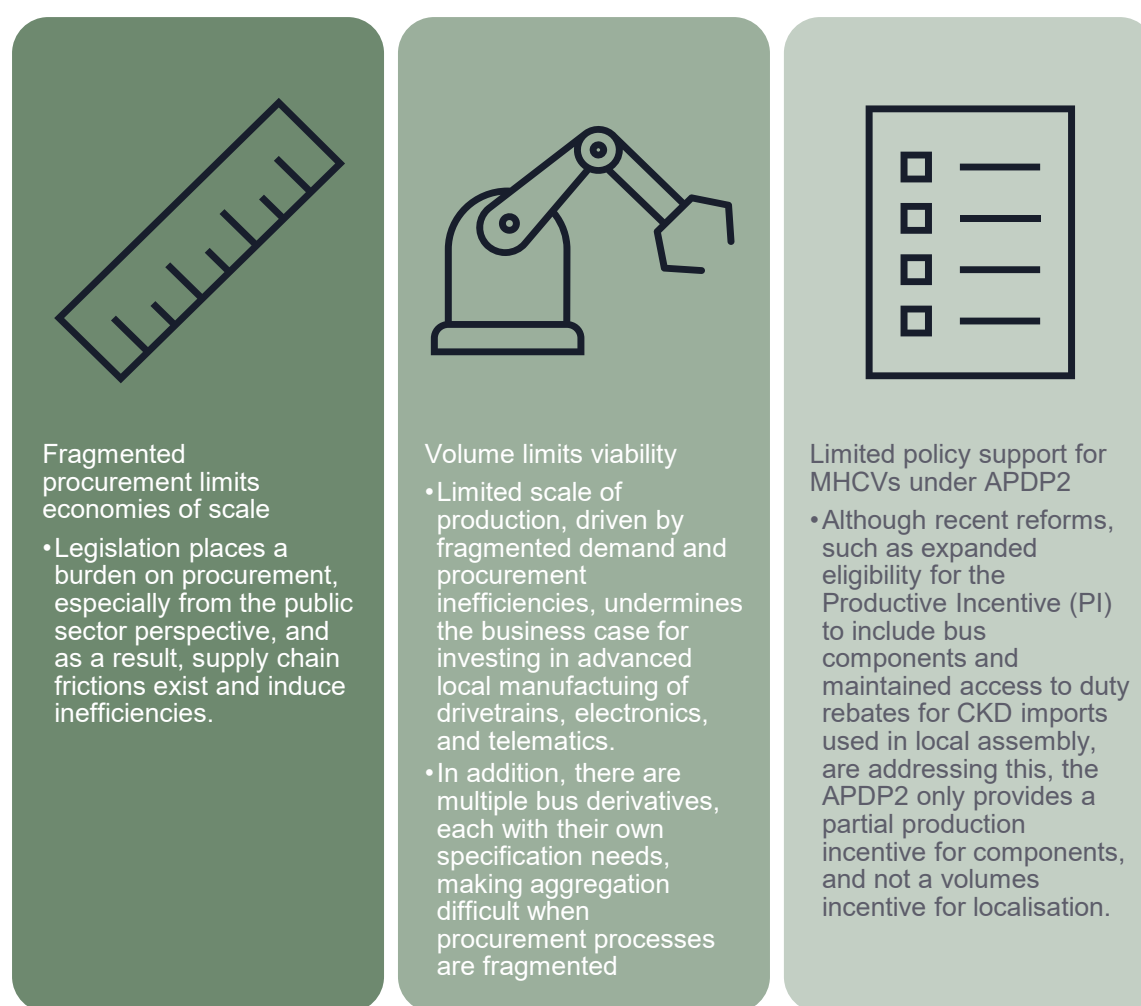
Challenges in the Bus Sector

South Africa's bus manufacturing sector is at a critical juncture, shaped by evolving technology, constrained municipal budgets and fragmented procurement practices. While the shift to electric mobility presents opportunities for localisation and industrial growth, it also exposes the lack of a dedicated e-bus policy and a unified national regulatory framework for e-bus procurement, standards and operations.

⁵⁷ (Engineering News, 2025)

For this study, challenges within the bus sector were explored through comprehensive desktop research and direct stakeholder engagements, as summarised in the following figure:

Figure 33: Challenges associated with local manufacture of buses⁵⁸



Source: Own analysis of data from (Auto Forum, 2025) (C40 Cities, 2024) (Ngcamphalala, 2024) (Southern African Bus Operators Association, 2020) (Southern African Bus Operators Association, 2021)

⁵⁸ (Auto Forum, 2025) (C40 Cities, 2024) (Ngcamphalala, 2024) (Southern African Bus Operators Association, 2020) (Southern African Bus Operators Association, 2021)

PROCUREMENT CHALLENGES

Procurement practices are central to the health of South Africa's bus manufacturing sector. The key challenges identified include:

- **Fragmented Procurement:** Procurement fragmentation is a recurring theme across research and stakeholder engagements. Municipalities and provinces typically run separate, small-scale tender processes, leading to sporadic and uncoordinated orders, of about 10-20 orders of bus units per tender cycle, typically within a single financial year, rather than cumulative multi-year volumes per time. Budget constraints further compound the issue. Municipalities rely heavily on conditional grants like the Public Transport Network Grant (PTNG) and Public Transport Operations Grant (PTOG), which are often insufficient to cover both fleet expansion and renewal needs. These combined challenges prevent manufacturers from achieving economies of scale, increases unit costs, and discourages investment in local capacity. In addition, the lack of coordinated, bulk procurement across municipalities results in small, irregular orders that undermine the business case for local manufacturing. Each entity applies its own specifications and timelines, leading to inefficiencies and missed opportunities for demand pooling.

Stakeholders described how separate tenders across cities and provinces result in small, sporadic orders, preventing manufacturers from achieving economies of scale. Unstable demand, explored further in the next section, severely impacts production planning, as manufacturers cannot forecast volumes with confidence, forcing them to operate on a build-to-order basis rather than maintaining steady production lines – these limits economies of scale and increases per-unit costs. The absence of systematic fleet recapitalisation and short-term contracts further undermine demand aggregation. Pooling orders and centralising procurement, potentially through accredited supplier lists and standardised specifications, could address these inefficiencies and support local manufacturing. Aggregating demand across municipalities through transversal contracting could improve economies of scale and make it more viable for local suppliers to invest in tooling and capacity, particularly for components currently excluded from designation ⁵⁹.

It should be noted that while centralisation can unlock economies of scale and improve standardisation, it also carries risks. A highly centralised system may

⁵⁹ (South African Local Government Association (SALGA), 2025)

reduce flexibility for municipalities to tailor specifications to local operational needs, such as route design or infrastructure constraints. It could also slow decision-making due to added layers of approval and create bottlenecks if the central authority faces capacity or funding challenges. Furthermore, over-centralisation may discourage smaller OEMs and local suppliers from participating, as they often lack the scale to meet large, aggregated orders, potentially limiting competition and innovation.

- **Standardisation:** Many tenders do not clearly specify localisation requirements for non-designated components. Standardised tenders, across specifications and municipalities, and clearer guidance could improve compliance and reduce ambiguity⁶⁰. Research suggests that national standards, including local content requirements, should be made universal. All bus contracts using public funds should be subject to the same localisation requirements. This involves applying designation criteria consistently across all subsidies and grants that support bus procurement and manufacturing, while addressing gaps that currently permit fully imported fleets, which can undermine designation requirements and localisation goals.

National government could set baseline criteria, such as minimum local content or final assembly in South Africa, that apply to all publicly funded bus procurement. This creates a level playing field and aligns procurement with industrial development goals. Stakeholders emphasised that standardisation of specifications across municipalities and OEMs is critical to enable localisation and reduce costs. Current fragmentation across cities, such as differing BRT station designs and door alignments, limits opportunities for interchangeable components. The lack of standardisation in technical specifications and procurement practices, have resulted in a wide variety of bus models and configurations being purchased—even within the same city or municipality. Such fragmentation complicates maintenance, increases costs, and undermines opportunities for economies of scale and demand pooling. Addressing this challenge through standardised specifications and coordinated procurement would help streamline operations, reduce costs, and support local manufacturing.

Policy interventions from the Department of Transport (DoT) and the Department of Trade, Industry and Competition (dtic) could play a pivotal role. The DoT could define common standards while considering operational environments and implement a structured fleet renewal strategy, while the dtic should enforce designation standards and local content requirements. Such measures would stimulate demand and provide certainty for investment.

⁶⁰ (Parliamentary Monitoring Group, 2020)

- **Legacy contracts and modernisation needs:** A significant challenge in South Africa's bus industry is the prevalence and extension of "legacy contracts", which are not evaluated by current procurement processes, by-passing designation processes as a result. Many of which were established decades ago, and do not account for these requirements, usually due to the underlying contracts. As a result, intended procurement outcomes are circumvented through the extension of these legacy contracts according to stakeholders. Further, these dated agreements often specify standards and procurement models suited to traditional diesel fleets, limiting the sector's ability to transition to cleaner, more efficient bus technologies. To enable the adoption of EVs and support industry innovation, it is essential that these legacy contracts are reissued or modernised, incorporating updated specifications, sustainability goals, and flexibility for new mobility solutions.
- **Enforcement of designation specifications:** Enforcing technical and localisation specifications is a persistent challenge in South Africa's bus industry. According to stakeholder discussions, monitoring of local content and technical standards is typically the responsibility of contracting authorities and grant frameworks, but in practice, enforcement is inconsistent and often limited by the technical capacity of municipalities. The discussions highlighted that while contracts may outline requirements for safety, local content, and operational standards, the lack of technical specifications and designation requirements across tenders and fragmented procurement processes leads to uneven compliance. This results in buses being procured that do not fully meet intended specifications, undermining policy objectives and slowing progress toward e-buses and localisation goals. The evaluation of local content in buses is said to be independently verified by third parties. Stakeholders emphasised the need for stronger oversight, routine audits, and clearer guidance to ensure specifications are consistently applied and industry standards are upheld.
- **Fleet renewal:** Fleet renewal in South Africa's bus sector faces several persistent obstacles. Both desktop research and stakeholder engagements highlight that many municipal and provincial fleets are aging, with buses often exceeding 20 years in service. The lack of systematic fleet recapitalisation is rooted in legacy contract regimes, where long-standing agreements—sometimes in place for over three decades—do not mandate regular replacement cycles or cater for new technologies such as electric vehicles (EVs). This results in slow fleet turnover and limited adoption of modern, low-emission buses.

MARKET CHALLENGES

Market dynamics also present significant challenges to the sector, as discussed below.

- **Low and Unstable Volumes:** South Africa's bus market is characterised by relatively low and volatile demand, with annual domestic sales fluctuating and often falling below levels needed to justify large-scale local manufacturing investments. Bus sales are closely tied to population growth, economic conditions, and government incentives, as validated through stakeholder engagement. However, bus sales are undermined by competition from minibus taxis and the cyclical nature of public procurement. Furthermore, bus manufacturing typically follows a limited, demand-driven production model, where units are built only upon confirmed orders. This bespoke approach results in low volume but highly specialised output.
- **Competition from Alternatives:** The continued proliferation of minibus taxis, which offer more frequent and flexible services, has eroded traditional bus demand. A 1% increase in minibus taxi registrations is associated with a 0.3% decrease in bus demand, highlighting the modal trade-off driven by affordability and service frequency.
- **Limited Strategic Control Over Supply Chain:** South Africa's reliance on imported materials, especially for EV minerals which affects input costs, remains a core challenge. The stakeholder discussions highlight that local steel supply is dominated by a single supplier (ArcelorMittal), resulting in inflated prices and limited competition. This monopoly, coupled with the exit of Arcelor Mittal after plant closures, has made it difficult for bus manufacturers to source affordable, high-quality inputs. The need for large bespoke facilities to accommodate build requirements, i.e. high roofing space needed for assembly, further complicates local production, and millions invested in supplier development have not always yielded sustainable results.
- **Low Bus-Specific Investment among suppliers:** Many suppliers serve the broader automotive sector rather than focusing on bus-specific innovation, resulting in limited R&D and slow adoption of advanced technologies. This is especially problematic for the transition to electric buses, where local capacity for battery systems and software is lacking. In engagements with a few stakeholders, it was further validated that while some Tier 1 suppliers (e.g., tubing, rubbers) are supported locally, the supplier base is generally limited, and high material costs persist. There is a lack of investment in bus-specific tooling and innovation, with many suppliers serving broader automotive segments. The closure of manufacturing plants has led to supplier exits, reducing the pool of specialised providers. Stakeholders emphasised the need for collaboration and economies of scale to make local bus-specific investment viable, noting that standardisation of components and specifications could help consolidate volumes and support supplier viability.
- **Dominance of Imports:** Despite some improvements in local manufacturing, South Africa remains heavily reliant on imported buses and components (as discussed in the ensuing modelling section, some 60% to 70% of buses and components – at least from a value perspective - are imported), particularly for

high-tech systems like drivetrains and electronics. Imports have historically outstripped exports, and local content is often limited to bus bodies and basic components. Engagements with industry stakeholders highlighted that current operations rely on importing SKD chassis frames for assembly into buses with local body builders supplying the bodies. While assembly processes are labour-intensive and supports local suppliers for components like wiring harnesses and tubing, the overall localisation remains limited to metal fabrication and body-building activities. Opportunities in South Africa, gauged from stakeholder engagements, include items for deeper localisation include producing chassis, fuel tanks, seats and tires locally. Electric bus development presents another avenue but requires infrastructure investment. Stakeholders also identified potential in standardising material sizes and wiring harnesses to achieve cost efficiencies.

- **Skills Gaps:** The skill availability in South Africa plays a crucial role in localisation. Skills shortages in toolmaking and machining remain a barrier, necessitating targeted training programmes. Refurbishment and repair work can also stimulate localisation initiatives if subsidised service contracts specify operational lifetime of a bus with refurbishment conditions. Stakeholders highlighted the need for clear, easy to reference bus industry skills and incentives from the government to support the development and localisation drive, as well as the importance of standardising technical specifications to facilitate training and capacity building. Labour-intensive processes and the reliance on semi-skilled technicians for CKD assembly underscore the need for targeted investment in workforce development.

POLICY AND REGULATORY CHALLENGES

Policy frameworks and regulatory environments play a decisive role in shaping the sector's prospects. Key players in the bus manufacturing sector have highlighted various challenges described hereafter.

- **Funding constraints:** Funding limitations for bus assemblers are a persistent challenge in South Africa's bus manufacturing sector. Stakeholder engagements reveal that government remains the primary driver of bus procurement, yet financing is often restricted to short-term approvals (sometimes as brief as six months) which undermines long-term planning and investment. Establishing or upgrading a bus manufacturing plant in South Africa requires substantial capital investment. The cost of infrastructure, including large-scale facilities, advanced material handling equipment, and specialised tooling, can be prohibitive, especially given the sector's relatively low and volatile production volumes. This financial barrier further discourages new entrants and limits the ability of existing manufacturers to expand or modernise their operations, ultimately constraining localisation as well as the adoption of new technologies such as electric buses.

- **Conditional Grant Uncertainty:** The National Treasury is reviewing the design and performance of conditional grants, highlighting systemic issues such as grant proliferation, weak alignment with planning processes, and poor utilisation by receiving institutions⁶¹. Although the PTNG is not being phased out, its persistent under-expenditure, with only 22% spent by municipalities in Q2 of 2024/25 financial year, underscores Treasury's concern about its effectiveness⁶². Recent budget cycles have also seen reduced PTNG allocations in practice, reinforcing Treasury's move toward more targeted and better-performing funding mechanisms⁶³.
- **Lack of Support Mechanisms:** For bus manufacturers, Automotive Production and Development Programme Phase 2 (APDP2) provide financial incentive to localise production. For example, if an OEM assembles buses locally and meets the localisation thresholds, it can rebate import duty on components by using the Production Incentive credits thereby improving its profitability. However, one challenge is scale. The APDP2 is based upon higher volumes exemplified in the passenger and light commercial vehicle assembly segment i.e. minimum 10 000 units per annum, whereas bus production volumes in South Africa are relatively low. The industry is advocating for APDP2 to cater to bus segment realities (e.g. lower volume thresholds or special allowances), an aspect under discussion in the South African Automotive Masterplan 2035 ("SAAM") review. The SAAM is expected to be reviewed in 2026 to include further support for sectors like buses that were not fully addressed in the initially.

Fuel Standards: An additional challenge to fleet renewal and localisation efforts is the delay in implementing updated fuel standards. South Africa's Cleaner Fuels 2 policy, which mandates lower sulphur content in diesel, is currently scheduled for implementation on 1 July 2027. The diesel fuel currently available in South Africa does not meet modern specifications, making it incompatible with newer engine technologies. Imported diesel vehicles often require adjustments to operate on this lower-spec fuel, which limits the adoption of advanced, cleaner engines. To enable progress, the fuel sector must upgrade its standards to align with modern vehicle technology as the continued circulation of lower-spec diesel buses provides a rationale for the fuel sector to postpone this transition. Desktop research highlights that this delay not only undermines environmental goals but also weakens the case for refreshing municipal fleets with modern, low-emission vehicles^{64 65}. Accelerating the fuel standards and the development of the fuel industry would support the adoption of electric and low-emission internal combustion engine buses, reinforce localisation

⁶¹ (National Treasury, 2025)

⁶² (Devdiscourse, 2025)

⁶³ (Chabalala, 2025)

⁶⁴ (C40 Cities, 2024)

⁶⁵ (BussinessTech, 2024)

efforts, and ensure that fleet upgrades are matched by improvements in fuel quality ⁶⁶.

In summary, addressing the challenges facing South Africa's bus manufacturing sector requires a coordinated approach across procurement, market dynamics, and policy. By streamlining procurement processes, responding proactively to shifting market conditions, and implementing targeted policy reforms, the industry can unlock greater localisation, innovation, and long-term sustainability. These factors, if adequate solutions are provided, could also further support the export market potential to service the African market.

Different procurement processes of Golden Arrow Bus Service (GABS) compared to Paruk Group

GABS operates primarily on public subsidised commuter routes, while the Paruk Group runs private contract-based routes. The Paruk Group is linked to Stabus and Gauteng Coaches with operations that include routes for the University of Johannesburg ⁶⁷. The Paruk Group's fleet comprises around 2 000 buses of which 1 500 are MAN buses ⁶⁸. GABS operates throughout Cape Town, with an existing fleet of around 1 200 diesel buses and an increasing number of electric buses. Golden Arrow is a vehicle operating company for the City of Cape Town's MyCiti service through its subsidiary, Table Bay Rapid Transit ⁶⁹.

EV adoption is emerging, with examples such as the GABS BYD fleet and the Paruk Group's MAN Lion's Explorer E buses. The procurement processes of GABS and Paruk Group differed in approach, scale, and strategic priorities. GABS conducted four years of pilot testing with BYD electric buses before committing to a bulk order of 120 units, supported by public-private partnerships and renewable energy integration for urban transport electrification.

In contrast, Paruk Group pursued a direct large-scale procurement of 100 MAN Lion's Explorer E buses without extended local trials, leveraging its longstanding relationship with MAN and emphasising full localisation of production to stimulate industrial growth and job creation. While GABS focused on operational readiness and sustainability through charging infrastructure and solar-powered depots, Paruk Group prioritised private-sector investment and regional intercity modernisation.

BYD has not specifically mentioned an electric bus support network for GABS, but it is investing in South Africa by expanding its dealer network (from 13 locations to 30-35 by the end of 2026), training technicians, and building charging infrastructure

⁶⁶ (Langerman, 2025)

⁶⁷ (Venter I. , Paruk group signs letter of intent to buy 100 made-in-SA electric MAN buses, 2025)

⁶⁸ (Lindner, 2025)

⁶⁹ (GABS, n.d.)

to strengthen overall after-sales capabilities ⁷⁰. The four-year testing period and subsequent bulk order indicates a close technical relationship has been established and that BYD and GABS likely have a service agreement in place. In contrast, MAN already has a well-established support network in South Africa and is leveraging its long-standing relationship with Paruk Group, along with local production, to ensure robust after-sales service for its electric buses.

⁷⁰ (Nkosi, 2025)

Ch 2: Lessons Learnt from Other Countries

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This section benchmarks global best practices and policy frameworks relevant to bus manufacturing and green mobility. It analyses case studies from countries like India, Ghana, Ethiopia, and the UK, focusing on local-content requirements, fiscal incentives, electrification policies, and procurement models. The case studies offer practical insights and tested approaches to bus manufacturing and localisation, each selected for its relevance to South Africa's industrial ambitions and public transport challenges. The findings incorporate input from stakeholder interviews and engagements with OEMs, municipalities, and industry experts. These findings capture operational insights, procurement practices, challenges, and recommendations from key players in the sector.

To provide a comprehensive understanding of electric bus (e-bus) adoption across diverse contexts, countries were selected that already have operational e-bus deployments and represent a range of geographic and socio-economic. This was guided by two key criteria: (i) market progression and (ii) stage of e-bus deployment. This approach ensures that the case studies capture varying policy frameworks, infrastructure readiness, and market dynamics. Regional dynamics and countries chosen for selection is shown below:

Figure 34: Case Study selection

Africa (Ethiopia, Uganda, Tanzania, Ghana, Rwanda, Kenya, Nigeria)	Africa is a rapidly evolving market for sustainable transport, characterised by unique challenges such as infrastructure constraints and financing models. Including multiple African countries allows a reflection on different stages of adoption within the continent. Countries were chosen based on their progress toward e-bus electrification, ranging from early-stage adopters like Ethiopia, which has advanced through policy incentives and regulatory tools, to countries such as Uganda, which are in the initial phases but showing improvements in policy and investment attractiveness.
India	As one of the largest emerging economies, India offers insights into scaling e-bus deployment in densely populated urban areas while balancing affordability and sustainability goals. Since 2020, India's e-bus stock has grown from fewer than 3 000 units to over 11 500 by the end of 2024, driven by favorable economics, government incentives, and expanded charging infrastructure.
Italy	Italy provides a perspective from a mature European Union market with strong environmental regulations and access to advanced technology. It now leads the EU in electric bus sales, more than doubling its stock from 2023 to 2024. Growth has been fueled by incentives totaling USD 58.5 million introduced in July 2022, with most registrations intended for urban use.
United Kingdom	The UK represents another mature market, with e-bus sales share rising from 7.1% to 17.1%. In 2024 alone, 1 570 zero-emission buses entered service, the majority being fully electric. Despite the absence of a formal ban on diesel buses, operators are transitioning to electric models due to improved customer satisfaction, lower total cost of ownership, and air quality benefits.

Each country was examined around a set of core themes that reflect the strategic priorities and challenges facing South Africa's bus manufacturing and localisation efforts. These themes provide a structured lens through which international experiences are assessed, enabling a comparative understanding of policy effectiveness, industrial development, and transport innovation.

The case studies are structured around key themes listed below:

Figure 35: Overview of the key thematic areas covered

Industrial Policy and Localisation Frameworks

This theme explores the role of government-led industrial strategies, including localisation mandates, incentives, and designation policies. It assesses how these instruments have shaped domestic manufacturing capabilities and influenced public procurement outcomes.

Public Procurement Practices and Market Stimulation

The report analyses procurement frameworks that have successfully stimulated demand for locally manufactured buses, focusing on transparency, efficiency, and alignment with industrial policy objectives.

Based on all the insights gathered from the ten country case studies, key patterns and contrasts have been identified as well as strategic levers that could assist with shaping South Africa's policy and industry response in a globally informed and locally grounded way.

The following table presents a high-level summary of the countries examined, offering insights that may support and inform strategic policy recommendations for South Africa.

Table 4: Summary table of benchmarked countries

Country	Localisation Mandate	Local content target	Green Mobility Policy	Procurement Model	Local Assembly/ Manufacturing	Key Incentives/ Barriers
Ghana	Yes (GADP, PPA)	Local content policy in development currently	Yes (EV Roadmap)	Formal + Informal, PPPs	Nascent, JV revival	Duty/VAT relief, low levels of enforcement
Ethiopia	Yes (30–35% target)	30–35% local content for incentives, 15% price preference for >35% value addition	Yes (ICEV ban, VAT)	Standard tender, PPPs	JV, local kits, nascent	Price preference, grid/FX constraints
Kenya	Yes (PPADR, AGPO)	PPADR: 40% local inputs, 50% local employment in govt-to-govt contracts; AGPO: 30% reserved for youth/women/disability enterprises	Draft e-mobility	BRT, PPPs, AGPO quotas	Growing, CKD, local firms	CKD incentives, local content clarity
Nigeria	Yes (NAIDP, BPP)	40% target (actual 5–10%, some EVs at 30%), local supply prioritised if available	Emerging (EV pilots)	BRT, PPPs, “Nigeria First”	Expanding, low content	CKD incentives, enforcement gaps
Rwanda	Yes (Made in Rwanda)	30% local value addition for 15% price preference, 20% e-bus target by 2030	Yes (20% e-bus target)	Govt-led, PPPs, e-procure	Early, imports, incentives	Tax breaks, price preference, capacity
Tanzania	Yes (15% margin)	Local content guidelines, margin of preference up to 15% in tenders	Yes (EV policy)	Hybrid, long-term PPPs	Early, local ops growing	Local content, donor flexibility
Uganda	Yes (30% PPDA)	30% of public contracts to local suppliers, 2030 full e-bus target	Yes (2030 e-bus)	Hybrid, PPPs, local content	Early, local assembly	Tax breaks, VAT, capacity/monitoring
India	Yes (FAME, PLI)	FAME-II: 50% DVA phased target for e-bus incentives; PLI: ≥50% for Class-I suppliers	Yes (FAME, NEBP)	GCC, demand aggregation	Advanced, strong supply chain	DVA mandates, PSM, VGF

Country	Localisation Mandate	Local content target	Green Mobility Policy	Procurement Model	Local Assembly/ Manufacturing	Key Incentives/ Barriers
UK	Soft (voluntary)	No mandatory quota; voluntary thresholds	Yes (ZEBRA, pipeline)	Franchising, partnerships	Advanced, strong OEMs	ZEBRA grants, local jobs/skills focus
Italy	Soft (NRRP, grants)	No explicit quota	Yes (NRRP, tenders)	Centralised, MEPA, PPPs	Rebuilding, incentives	NRRP funds, no quotas, lifecycle svc
South Africa	Yes, PPPFA, dtic designation, fragmented enforcement	70% bus bodies (dtic), not for e-buses	No e-bus designation,	Decentralised,	Mature (diesel), nascent (EV), CKD	APDP2, grants, low levels of enforcement, fragmented demand, no e-bus designation

Source: EY internal

The table below highlights key differences and similarities for South Africa and its' peers across themes:

Table 5: Comparisons of South Africa to benchmarked countries

Theme	South Africa	Peers
Localisation Mandate	Yes – PPPFA, dtic sector designation, local content required for bus bodies.	Yes – All have mandates, but enforcement and clarity vary. India: strict, phased; Ghana/Ethiopia/Uganda: % targets; UK/Italy: voluntary/incentive based.
Local Content Target	70% for bus bodies – translates to some 30%-40% of total bus value; not yet formalised for e-buses.	For the entirety of the bus value: India: 50% DVA; Ethiopia: 30–35%; Kenya: 40% inputs/50% employment; Uganda/Rwanda: 30%; UK/Italy: no mandatory quota.
Green Mobility Policy	No formal e-bus designation; pilots in some cities; incentives not linked to EVs.	India: FAME-II, NEBP, PM e-Bus Sewa link incentives to local manufacturing; Ghana/Ethiopia/Rwanda/Uganda: national EV roadmaps/targets; UK/Italy: decarbonisation, grants.

Theme	South Africa	Peers
Procurement Model	Decentralised, fragmented; e-procurement in some provinces, not national.	India: Centralised, demand aggregation ⁷¹ , GCC contracts; Ghana/Kenya/Nigeria: PPPs, aggregation; UK/Italy: centralised, national frameworks.
Local Assembly / Manufacturing	Mature for diesel buses, nascent for e-buses; high-tech components often imported.	India: advanced, strong supply chain; Africa: nascent/rebuilding, JV/CKD incentives; UK: advanced; Italy: rebuilding.
Key Incentives / Barriers	APDP2, MHCV-AIS, duty rebates, grants; low levels of enforcement, fragmented demand, no e-bus designation, benefit entry level is too high for buses	India: DVA mandates, payment security, VGF; Africa: duty/VAT relief, price preferences, tax breaks, blended finance; UK/Italy: grants, voluntary incentives, lifecycle contracts.
Enforcement & Monitoring	Fragmented, inconsistent; ambiguous definitions; weak linkage between subsidies and local content.	India: robust, centralised; Africa: variable, often weak; UK/Italy: voluntary, trade obligations limit strict quotas.

Based on the information presented above, key insights to note include:

- South Africa has strong legislative frameworks and incentives for conventional buses, but enforcement is inconsistent and fragmented. Additionally, specific frameworks on localisation designate local content for e-buses, separate to for ICE vehicles, based on what is feasible to obtain within the country given how nascent or evolved their e-bus manufacturing capabilities are.
- In India and a handful of other peers, procurement is centrally driven by government (typically linked to the DoT). This centralisation yields measurable benefits for the local sector across several dimensions:
 - A centralised approach to procurement harnesses economies of scale: the per-unit cost under an aggregated contract is consistently lower than under fragmented, smaller-volume arrangements.
 - In addition to this improved price competitiveness per bus, a centralised process enables broad sector decision making – the DoT can, for example, accept a price premium (typically between 10 and 20% across the benchmarked countries) for locally manufactured buses / components vis-à-vis their imported counterparts, provided the socioeconomic ramifications of the higher cost do not impede other aspects of governance.

⁷¹ The demand aggregation and standardisation of tender conditions related to technical specifications (buses, terminal and charging stations), access to national and state-level incentives, payment security mechanisms and service level agreements

- Centralised processes that are vetted in a decentralised manner (i.e., where the DoT issues the tender, but each municipality evaluates the efficacy of the tender's outcomes) enable more standardised manufacturing processes – as opposed to wide differentiation in specification across cities, a semi-standardised approach to procurement (where bus specifications are laid out clearly, but can tailor to weather conditions across cities, for example, with minor tweaks based on municipal inputs) are feasible to implement. In addition, standardisation bolsters the local bus sector – component manufacturers and body builders will have a clear view on anticipated bus demand and generate local content plans along those lines.

Overall, while localisation mandates and green mobility policies are widely adopted, their implementation and enforcement vary significantly across countries. Procurement models and manufacturing ecosystems also differ, reflecting distinct market maturity levels and policy priorities. These variations underscore the importance of a nuanced approach for South Africa, one that leverages global best practices while addressing local challenges in infrastructure, supply chains, and regulatory clarity.

Ch 3: Modelling and assumptions framework

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Beyond the qualitative analysis, this chapter develops a quantitative framework that estimates the sector's current economic contribution and the potential impact of the interventions recommended in Chapter 5, as well as the cost of inaction should the identified challenges persist.

The following modelling and assumptions framework is broken down into three parts per assumption set:

1. A refresh of the key challenges identified by the stakeholders and desktop review to this extent.
2. A discussion on potential recommendations (with some attention to their potential downsides).
3. A view on which assumptions ultimately feed into incorporating those recommendations, and how they were derived.

It must be noted that the modelling is conducted on a scenario-basis, along three main scenarios:

- **Baseline** – Outcomes are modelled based on the status quo of the industry, based on a blend of stakeholder insights, and a review of evidence.
- **High road** – Favourable outcomes are modelled where modest fiscal space allocations enable targeted production-linked incentives, an expanded designation net, and stronger localisation compliance. APDP2 benefits are assumed to apply to buses and trucks through segment-specific entry thresholds (i.e., more manageable for producers than the 10 000-unit passenger-vehicle benchmark), allowing incentives to be accessed by the market. High entry barriers are selectively relaxed to provide strategic advantages for local manufacturers.⁷²
- **Low road** – Fiscal space is constrained, reducing grants for bus procurement (at the least, the infrastructure expenditure thereon), and demand for bus services remains more muted than historically based on lower-than-current occupancy rates.

Each modelling theme is discussed in turn below, with the assumptions employed to account for the structural challenges identified in the preceding analysis.

⁷² With minimum production volumes of ~250 units, it is assumed in this scenario that bus manufacturers unlock VALA under APDP2 benefits.

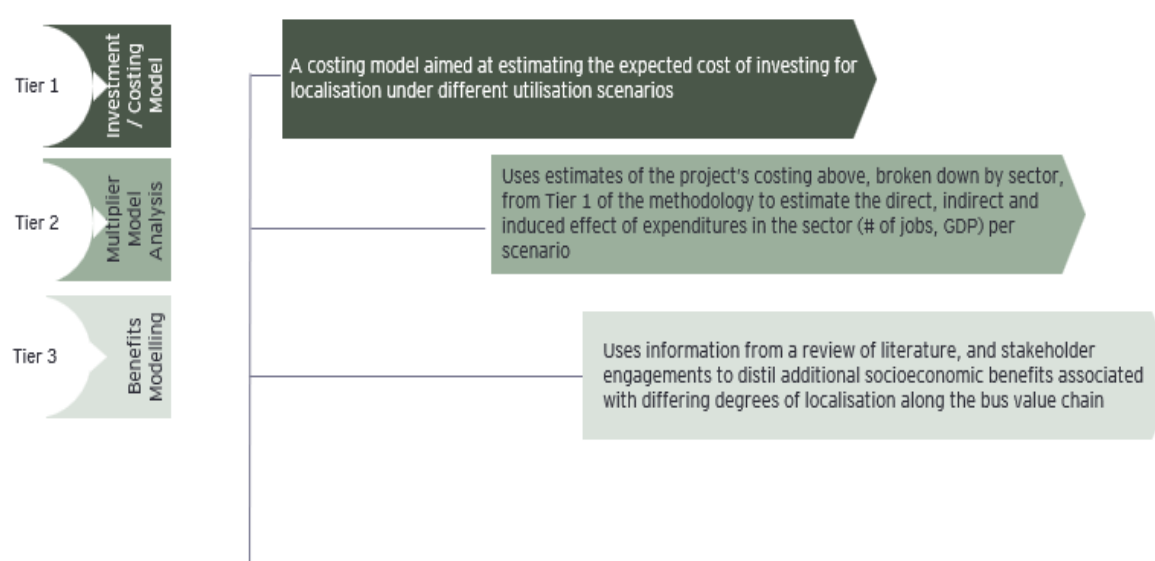
Modelling Framework

This section unpacks the financial and scenario-based models used to estimate costs, benefits, and economic impacts of different procurement and localisation strategies. They include assumptions, inputs, and outputs for bus parc size, fleet composition, cost breakdowns, and socioeconomic contributions.

METHODOLOGY

The figure below captures the overarching methodology employed to understand the socioeconomic contribution of the bus sector, and subsequently stress-test that contribution under different assumptions:

Figure 36: Quantitative approach snapshot



Each portion of this methodology is discussed in further detail from hereon.

INVESTMENT / COSTING MODEL

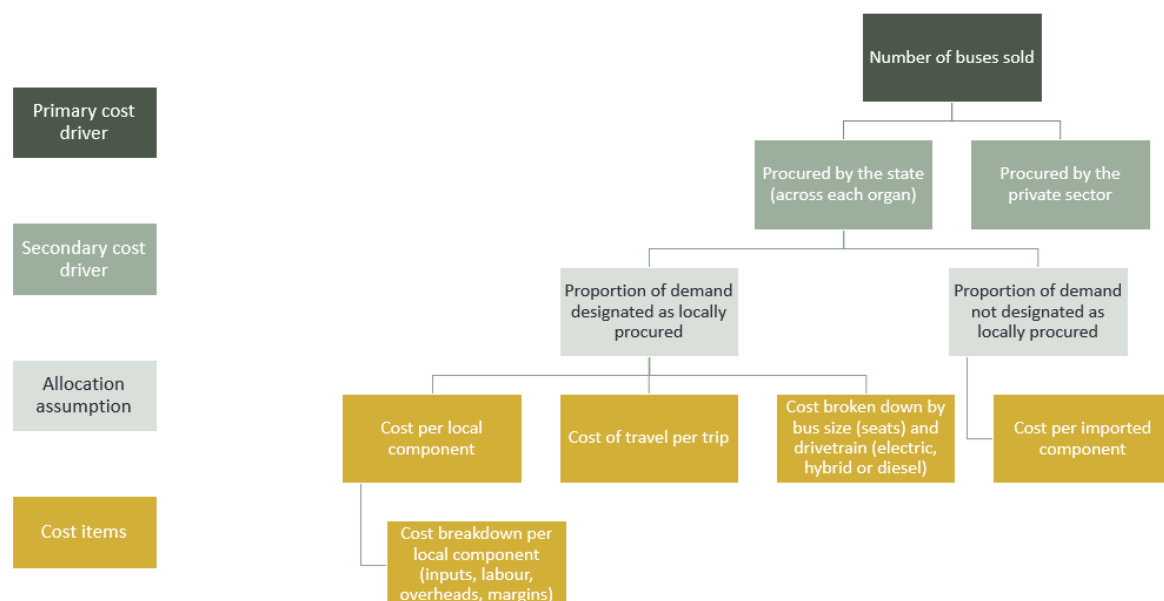
A costing model quantifies the expenditure associated with bus production and procurement in an itemised manner, enabling a cost comparison between locally manufactured and imported alternatives. This granularity is essential to ensure that government decisions on designation and procurement are grounded in accurate cost structures rather than broad estimates, and to assess the cost implications of additional regulatory or industrial policy objectives.

Costing models are generally developed using one of three approaches – top-down, bottom-up, or ethereal – depending on data availability and the level of precision required⁷³:

Top-down models provide a high-level view of project or company costs based on aggregate information. Ethereal models draw on third-party cost estimates, using them as a basis for approximating capital and operating expenditure. Both approaches, while useful for orientation, are insufficient for the granular analysis required here.

This study therefore applies a bottom-up costing model, which constructs costs from first principles across the full bus manufacturing value chain. The model captures the cost experienced at each stage of the system: the cost of manufacturing a bus, the capital expenditure incurred by public sector purchasers, and the broader societal costs associated with bus operation. This cost-driver approach – illustrated by Figure 37 below – disaggregates expenditure into its component parts, providing a transparent and auditable basis for scenario modelling and policy analysis.

Figure 37: Costing logic used in the current analysis



⁷³ (Rowland, 2019)

The model logic operates through four sequential layers of disaggregation:

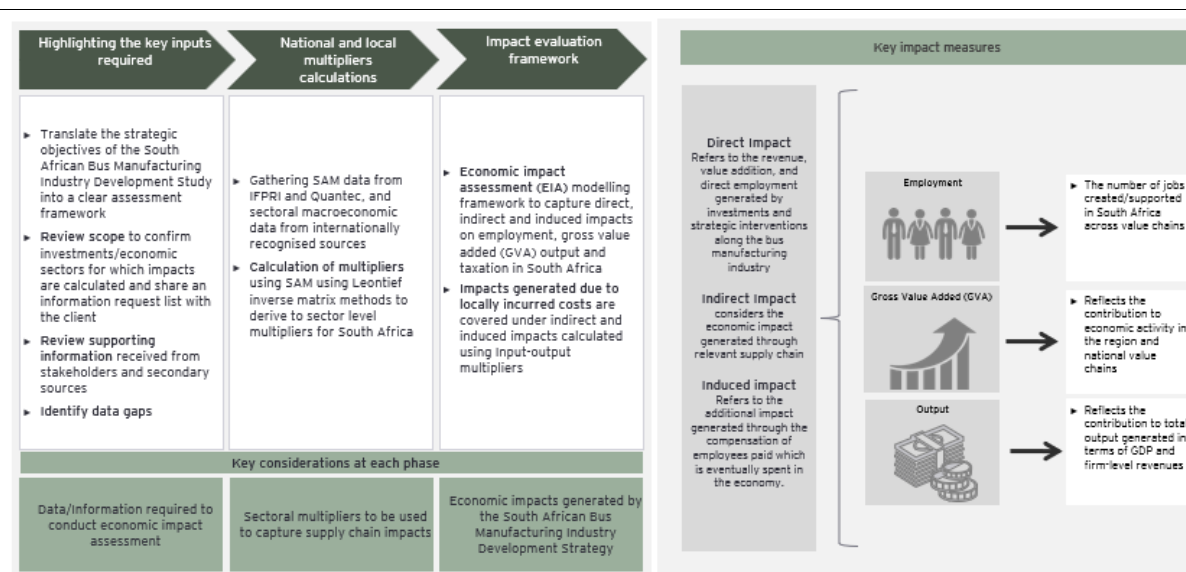
The primary cost driver is the number of buses built and sold in each period, which determines the overall scale of production and anchors all downstream cost estimates. Demand is then segmented into secondary cost drivers — buses procured by the state and those procured by the private sector — reflecting the distinct procurement processes, pricing structures, and local content requirements that apply to each buyer category. The model then applies allocation assumptions governing the proportion of demand that is locally procured versus imported. These assumptions allow the analysis to reflect government policy objectives around local manufacturing and to compare the cost implications of different supply configurations. At the most granular level, the model disaggregates expenditure into individual cost items — the lowest level of detail in the structure. For locally manufactured buses, this includes the cost per component broken down into inputs, labour, overheads, and margins, with further differentiation by bus size and drivetrain type, given the material influence of propulsion technology on both material and assembly costs. For imported buses and components, the model captures landed costs, incorporating tariffs, shipping, and foreign exchange effects. This structured, bottom-up approach ensures transparency by linking high-level demand forecasts directly to granular cost elements and provides a reproducible basis for testing the cost implications of changes in policy, procurement arrangements, or supply configurations.

This analysis serves a second purpose beyond cost modelling. The bus sector's contribution to GDP and employment has received limited quantitative attention to date, and understanding the scale of bus sector expenditure – and the degree of local content embedded in it – is a prerequisite for estimating that broader economic contribution. As a reference point, the South African Bus Operators Association (2020) estimates industry employment at approximately 34 000 full-time equivalents, a figure broadly consistent with the estimates derived through the multiplier modelling presented later in this report.

MULTIPLIER AND BENEFITS MODELLING

Conducting a Social Accounting Matrix (SAM) multiplier assessment for the bus manufacturing sector is crucial in understanding its current contribution to the economy, and how that economic contribution would change under different scenarios. A summary view of this approach is provided below:

Figure 38: SAM multiplier model process in use



This approach⁷⁴ quantifies the broader economic impact of local production beyond direct costs.

By tracing how expenditure on bus manufacturing flows through the economy (through wages paid to workers, purchases from suppliers, and induced household consumption) the SAM multiplier model quantifies the sector's contribution to GDP and employment across direct, indirect and induced channels. This provides policymakers with a rigorous basis for assessing the economy-wide consequences of procurement and localisation decisions, rather than limiting the analysis to the immediate cost of a bus purchase.

Alongside the SAM modelling, a Fermi estimation approach⁷⁵ is applied to calculate a set of broader socioeconomic benefits that are not captured by the multiplier model alone. Unlike the SAM analysis, which quantifies the economy-wide effects of shifts in production volumes and local content, the Fermi approach is specifically scoped to benefits attributable to changes in procurement practice and designation policy. The categories of benefit captured through this approach are summarised in the figure below.

Figure 39: Fermi benefits calculations relevant to this study

⁷⁴ Given the ubiquity of the approach, (McDonald, Scott; Thierfelder, Karen; 2004), among others, expanded this approach.

⁷⁵ A Fermi estimate is a rapid calculation technique that uses simple assumptions and approximations to arrive at an answer within an order of magnitude of the true value, typically by breaking a complex problem into smaller, estimable parts (Brilliant, 2022).

The effect of wider spread bus usage on the parc's emissions profile in South Africa noting the potential for designation for non-ICE buses

The effect of production incentivisation and designation on the cost borne by consumers of transport prices for travel.

The approaches to estimating both are expanded on in the analysis section of the report; however, before the analysis, the assumptions used in the model, and their sources are discussed in the next section. These assumptions are grouped under four key factors – localisation enforcement, integration of local value chains, procurement aggregation, and ancillary modelling levers– as they directly influence cost structures, production feasibility, and scenario outcomes.

Assumptions framework

ENFORCEMENT CHALLENGES WITH THE LOCALISATION MANDATES

As it currently stands, the dtic's view on localisation mandates is as follows:

Figure 40: Bus designation mandates in South Africa

Depending on the type and size of bus, bus bodies are designated at a local content threshold of between 70 and 80%

Noting the country's lack of chassis-manufacturing capacity, the chassis, engine, and transmission must be assembled Completely Knocked Down (CKD) in South Africa

Hang-on parts like fuel tanks, tyres, batteries, and wheel rims/tyres, etc. can be localised on a tender-by-tender basis.

Source: (National Treasury, 2020; The dtic, 2020)

Based on engagements with stakeholders, the following key challenges exist with respect to the implementation of the above:

- **The application of the above designation framework is inconsistent.** In some cases, public procurement processes follow this designation process, while in others, this designation process is not followed. Estimates from the sample of stakeholders engaged with indicate that one in four tenders – especially for smaller procuring arms of government - do not provide documentation on the designation of bus bodies ⁷⁶.
- In addition to the above, **the advent of electric and hybrid buses is not catered for** in the current designation framework. As it stands, there is no designation for these drivetrain equivalents, and as a result, these can – while still adhering to national procurement guidelines – be imported as full Completely Built Units (CBUs) without repercussion.
- Finally, and despite the designation, some OEMs in the **sector bring in CBUs for diesel buses, even though the legislation mandates CKD import** to allow for at least modest labour value addition processes ⁷⁷.

Taken together, these core risks pose threats to the successful localisation of bus production in the country.

Resultantly, the following assumptions are used to model for the various scenarios with respect to designation:

⁷⁶ Based on a sample review of tenders released in the prior three years, and discussions with stakeholders, as many as one in two tenders (especially for smaller orders) do not follow the designation framework. This challenge is less prevalent for large procurers.

⁷⁷ As it stands, this local labour component stands between 200 and 300 hours of work per CKD assembly (200 hours for smaller bus chassis', and 300 hours for larger bus chassis' according to the various stakeholders engaged). At an average manufacturing salary of ~R182 per hour (Own analysis of data from Statistics South Africa, 2025), foregone value addition on a CKD when a CBU is imported ranges between R40 and R50 000 per bus unit. Scaling to the ~1000 units sold per annum implies local value added foregone of between R40 and R50 million per year in 2025 prices.

Table 6: Designation modelling assumptions

Assumption	Baseline	High Road	Low Road	Sub-Simulations in annexures
Bus bodies (ICE buses): Maintain designation at 80% local content.	80%	90%	50%	80%
Electric bus bodies: Designate bus bodies in the base and best cases	0%	0%	0%	- 20% (years 1-3) - 40% (years 4-6) - 60% (years 7-9) - 80% (years 10+)
Phased localisation of components: Tyres, wiring harnesses, seats, automotive glass, batteries	0%	0%	0%	- 20% (years 1-3) - 30% (years 4-6) - 40% (years 7-9) - 50% (years 10+)
Proportion CKD (versus CBU imports)	81%	91%	71%	81%

There are several key factors to take note of:

- On designation, the base case reflects an 80% local content target for bus bodies. This is, as per most bus body builders, the middle of the road scenario (i.e., what is relatively easily achievable, and what is mandated from a legislative perspective). In contrast:
 - The high road scenario indicates a local content value of 90%. This is a local content level that bus body builders and OEMs feel is feasible to achieve given the current make up of bus bodies (mostly metal, which is locally sourced), excluding the flooring (given imported supply) and some minor componentry (which would account for the remaining 10% of content otherwise imported).
 - The low road scenario, however, indicates a deterioration of local content enforcement going forward to as low as one in two tenders (where stakeholders feel the local content will equal to the medium term provided that enforcement remains poor).
- In addition, a sub-simulation is run where (i) electric bus bodies, and (ii) componentry like tyres, wiring harnesses, seats, automotive glass and batteries

are designated and localised (currently, tenders tend not to include these designations).

- On the CBU versus CKD split, in 2024, South Africa imported some USD 90 million worth of Diesel buses under Harmonised System (HS) code 8702.10 (i.e., CBUs); in contrast, CKD kits imported amounted to USD 391 million in 2024 under HS code 8702.99. As a result, the baseline reflects a CKD proportional value of some 81% in the base case.
 - More lax enforcement of this designation on CKDs would potentially ramp up the importation of CBUs, while more stringent enforcement would enable a close to 100% compliance rate on importing CKDs.
 - As a result, the scenarios simply present sensitivities around that 81% CKD split – 10% above and below that number for both the high and low road scenarios.

BETTER INTEGRATION OF LOCAL VALUE CHAINS

Currently, the APDP2 threshold for qualifying for a Value-Added Local Assembly (VALA) incentive is some 10 000 units produced locally per annum⁷⁸. As will be shown further on, bus sales barely exceed 1 000 units per annum in strong years. As a result – and perhaps by design of the APDP2 – Medium and Heavy Commercial Vehicles (MHCVs), including buses, are effectively excluded from the VALA production incentive under the current APDP2 structure.

This trend is anticipated to persist even after a review of the APDP2 (deferred to 2026 with implementation changes expected from 2026). Importantly, some evidence should be generated regarding the efficacy of implementing VALA for the MHCV segment considering this review – of particular focus in this instance is in the bus sector, particularly for the assembly of buses.

Given the size of the market, there is no precedent for what a VALA threshold would be for buses; as a result, and given the relatively small producer market, a simple threshold of 250 units should be tested in only the high road scenario. For ease of analysis, the current VALA structure will be applied⁷⁹.

As will be shown in the analysis, this VALA allocation amounts to a nominal amount per annum given the size of the market; the benefits therefrom (presumably,

⁷⁸ (SARS, 2021)

⁷⁹ Effectively, the VALA calculation represents the locally added value of the vehicle—calculated as the difference between the FOB value and imported content—multiplied by the applicable customs duty rate. Based on stakeholder engagement, these duties can be substantial, reaching up to 45% for certain bus configurations (such as those without onboard bathrooms, which make up the bulk of public-sector fleets). (Acts Online (South Africa), 2002).

translating the rebate into price efficiencies) have their own positive knock-on effects that will be shown to yield more benefit, than the actual cost of the incentive.

It is important to note, however, that, should the government not be able to provide such an incentive, similar (and greater) price efficiencies can be gained through two mechanisms not yet explored:

- In the first case, price efficiencies can be unlocked through the local sourcing of componentry. The components mentioned above can, in some cases, be sourced locally more affordably. A mandate on local sourcing, especially of replacement parts during the refurbishment and servicing of the vehicles, may generate such price efficiencies.
 - A sub-simulation of the modelling outcomes is provided in the annexures regarding the price efficiency effect of this local sourcing without changes to other model levers.
- In the second case, a more centralised approach to procurement would also yield strong per-unit cost efficiencies. This approach is discussed in more detail next.

AGGREGATE DEMAND THROUGH SEMI-CENTRALISED PROCUREMENT

Bus procurement in South Africa is highly fragmented and decentralised, involving multiple procurer types with distinct mandates and funding arrangements:

- Formal private operators such as PUTCO and GABS operate under provincial contracts and receive subsidies through the PTOG.
- Conventional municipal bus services are either owned and operated directly by municipalities, like Johannesburg Metrobus, or outsourced to private companies, as in Durban.
- BRT systems add further complexity, with some fleets owned by municipalities (e.g., MyCiTi) and others by operators (e.g., Rea Vaya).
- Additional layers include scholar transport contracted by education departments and feeder services managed by transport authorities to link passengers to other modes, such as Gautrain.

This fragmented approach, with multiple small-scale orders across different entities, prevents the realisation of economies of scale and does not generate cost savings per bus unit, ultimately inflating procurement costs compared to centralised bulk purchasing.

Resultantly, the core suggestion is to move towards a more agglomerated model of procurement across procurer entities to align better with global precedent, as outlined below:

Table 7: Global Lessons on Centralised Procurement and Cost Savings

Country	Procurement Approach	Economies of Scale – Cost Outcome
India ⁸⁰	Centralised demand aggregation for e-buses under the FAME-II national programme. Government coordinates large bulk orders instead of isolated city tenders.	Up to 15% reduction in per-unit bus price achieved through volume aggregation. India's FAME-II saw procurement costs drop ~15% when tenders were pooled at the national level
Ghana ⁸¹	Enforceable local content rules in bus procurement, paired with fiscal incentives. Primarily decentralised but strong policies to favour local assembly.	15–20% “local preference” margin in bids to encourage domestic manufacturing. In practice, Ghana allows local bus suppliers to win tenders even if priced ~15% higher, effectively offsetting cost disadvantages from smaller scale.
Ethiopia ⁸²	National programmes & funding for fleet electrification. Central government provides financing and sets targets for e-bus adoption countrywide	~10–15% cost advantage via incentives. Ethiopia uses subsidies and price preferences (on par with ~10–15% of cost) to make local or electric buses affordable. Aggressive national procurement has jump-started a market for e-buses, leveraging bulk orders to cut costs.
United Kingdom ⁸³	Coordinated procurement frameworks (national bus contracts and long-term funding commitments). The UK doesn't fully centralise all purchases but employs national frameworks and multi-year funding for fleets	Stable demand pipeline has seen lower costs. The UK's 10-year pipeline of zero-emission bus orders provides manufacturers volume certainty. This scale commitment encourages domestic production and leads to cost efficiencies over time (through continuous production runs and supplier investment). While a specific % saving isn't quoted, the guaranteed high volume has

⁸⁰ (India Economic Times, 2024)

⁸¹ (Maryan, 2018)

⁸² (Huluager, 2025)

⁸³ (Switch Mobility, 2022)

		made the UK a cost-competitive hub for bus assembly.
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As is discussed in more detail further into the report's recommendations sections, "buyer groups" can be formed along the following themes:

- It is possible to organise a bus purchasing group (funded as the municipalities and provinces are currently funded, through DoT grant allocations) for the largest segment of bus purchasers. To avoid one-batch procurement (i.e., procuring entirely at the national level) which risks both competition concerns (one bidder might win an entire order, and while this may be price competitive for the government, this would place undue strain on the remaining manufacturers who would have to fight for a modest remaining public demand sub-set) and an over-standardisation of approach to specification, this would practically entail having large procurers (the City of Johannesburg, the City of Cape Town, the City of Tshwane and the City of eThekweni) sourcing in their own capacity, and agglomerating smaller municipalities with similar terrains into a handful of groups where bus specification would be similar.
- The second largest buyer segment is in the basic education sector, where buses are purchased for routes in rural areas. This procurement occurs at the national, and provincial Department of Basic Education (DBE) level, as well as at the individual school level in some cases. These organisations should and would benefit from a standardised and centralised bidding process, especially given the typical usage patterns of school buses (mostly in rural areas, necessitating a similar bus configuration across regions; these buses also typically stop at or close to schools, and so lower cost, low-floor designs are often feasible).
- Other entities (State Owned Enterprises - SOEs, universities, and airports) each have relatively small bus fleets that only necessitate modest renewal, and as a result, these procurement events could either continue as is, or form part of a more standardised process (but as will be shown, as the modelling shows, less than 5% of the bus parc is housed in these organisations, and so the price benefits would be negligible).
- Importantly, the National Treasury is already piloting one such initiative for BRT system buses (RT57 - 2022) various specifications for BRTs (both diesel and electric) are defined on the Treasury website ⁸⁴, and procurement occurs at

⁸⁴ The transversal contract with technical requirements can be found here: [National Treasury : Additional Technical Specifications](#)

the centralised level for those BRTs based on an aggregated demand approach for large municipalities.

This approach is not, however, without its downsides, as discussed next (along with their mitigations):

Figure 41: Drawbacks and mitigations to centralised demand planning



Source: (UK Government, 2023; Defense Acquisition Magazine, 2025; The World Bank Group, 2025; Merrell, 2025)

ANCILLARY MODELLING LEVERS

Beyond the core modelling levers mentioned above, there is a set of ancillary modelling assumptions that the composition of the bus parc, the rate of fleet growth, trip volumes, and the macroeconomic trajectory over the forecast period (2025-2040). A discussion of each theme is critical at this stage, and highlights why certain additional assumptions were made:

- The bus parc size is assumed to follow the e-Natis data starting position as of 31st December 2025, suggesting some 66 000+ buses in the country of varying sizes (excluding minibus taxis, importantly) ⁸⁵. A sub-simulation of a different bus starting population (using SABOA's estimates for the parc) is provided in the annexures.
- Discussions with stakeholders reveal a fleet replacement rate of 1.5 to 3% per annum. In contrast, best practice is almost double that replacement rate ⁸⁶. For consistency, the most conservative replacement rate assumption is utilised to provide a realistic uptick in procurement processes under fiscal constraints (this reality is unlikely to change, even in the high-road instance).
 - Relatedly, bus maintenance is mandatory but not enforced well in public fleets – as many as one in four buses is not maintained properly throughout a year according to stakeholders, leading to the need for larger services and maintenance as service issues accrue. As a result, a minor policy lever enables a shift in maintenance cycles – in the baseline and the low road, a 75% regular maintenance cycle is anticipated, whereas in the high road scenario, a 90% regular maintenance cycle is expected.
- Based on stakeholder engagements, (i) 15% of the parc houses less than 40 seats; (ii) 80% of the parc houses between 41 and 60 seats, and (iii) the remaining 5% is allocated to larger 60+ seater vehicles. In addition, stakeholders also mentioned a parc that is currently 99% diesel, and 1% EV/hybrid split.

⁸⁵ (eNatis, 2025)

⁸⁶ (Colorado Transit, 2025)

- The parc's EV evolution is guided by the implementation of the Green Transport Strategy in a sub-simulation in the annexures⁸⁷. This sub-simulation is done in the annexures to allow for a like-for-like comparison on designation and recommendation effects alone.
- In the annexure, the parc's EV evolution suggests that by 2025, 7% of the procured fleet must be a green solution and increase procurement of green solutions by 1-2% per annum thereafter. While this is not likely to occur in the base case given current procurement trends, by 2040, this cumulates to over 30% in the sub-simulation in the annexures to evaluate the comparative effects of a drive towards EV procurement.
- The average fare trip is calculated using data from commercial ticket sales platforms, discounted, as stakeholders mentioned, given that government run buses are subsidised and run at a loss of up to 60%. Trip numbers are derived from South African Bus Operators Association (SABOA) (2020) data and driven by occupancy rates based on stakeholder engagements of between 30 and 60% (in the worst and best cases, with the median serving as the baseline).
- All macro assumptions (population growth, inflation, etc.) are lifted from reputable data sources including Quantec ⁸⁸ and Oxford Economics ⁸⁹.

The resulting modelling framework is discussed in the subsequent sections.

⁸⁷ (SABOA and the Department of Transport, 2018)

⁸⁸ . (Quantec, 2024)

⁸⁹ (Oxford Economics, 2025)

Ch 4: Model outcomes

For ease of reference, the model outcomes are presented across several useful themes. While the model produces a broader set of estimates, the following section highlights the most relevant analyses aligned to the project requirements.

Bus parc analytics

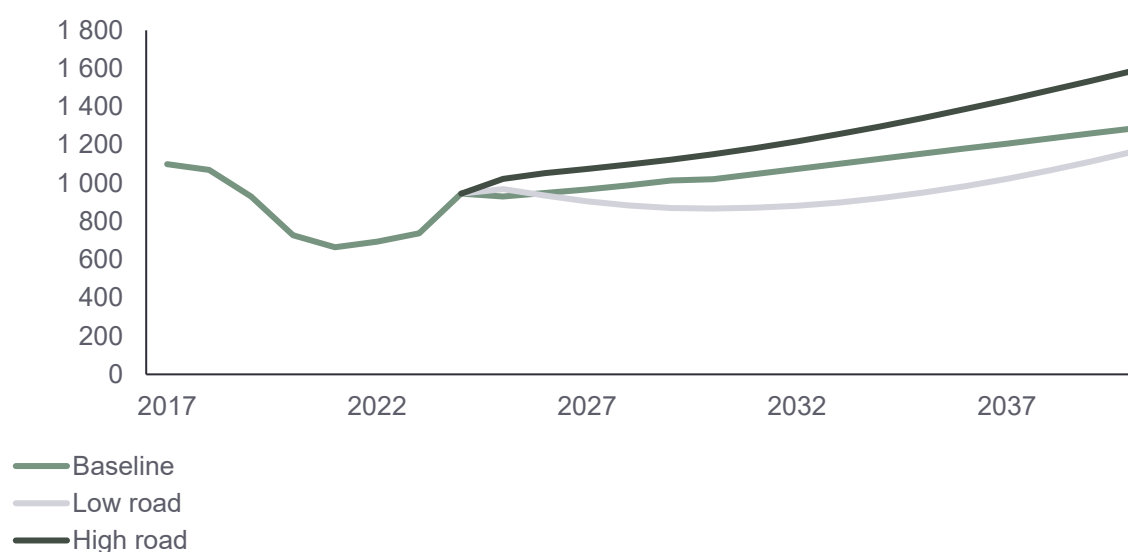
This subsection provides a forward-looking view of South Africa's bus market, combining quantitative forecasts with an assessment of fleet composition. The analysis draws on scenario-based projections and ownership patterns to highlight structural dynamics shaping the industry's future. Understanding these trends is critical for localisation policies, designing procurement strategies, and investment frameworks that align with national transport objectives and industrial development goals.

Historical context (2017–2024) shows annual bus sales fell from 1 099 units in 2017 to 665 in 2021, before recovering to 738 in 2023 and stabilising at 945 in 2024 - the common starting point for all scenarios that have been modelled.

Using a macro-fundamental model described in the initial set of analysis conducted in the as-is report ⁹⁰, and the various macroeconomic assumptions discussed before, the figure below provides a snapshot of bus sales per annum across the various scenarios:

Figure 42: Bus sales forecasts (number of units per annum)

⁹⁰ A regression that predicts bus sales as a function of GDP growth, prior bus sales, taxi sales, and incentives provided by the government for procurement, and has been discussed in the as-is section of the analysis



Source: Own analysis of macroeconomic and bus sales data

- Under the baseline scenario, annual sales average 1 097 units of buses in the current forecast analysis, resulting in a cumulative total of ~17 500 buses sold locally between 2025 and 2040. This level of growth is sufficient to sustain body builders and component suppliers but does not create the scale required for major investment in high-value parts or advanced tooling.
- In the high road scenario, sales rise from 945 units in 2024 to 1 588 units by 2040 (per annum), delivering an average annual growth rate of 3.3%. Annual sales between 2025 and 2040 average 1 266 units, totalling 20 252 buses (2 704 more than the baseline cumulatively). Larger and more predictable production runs enable suppliers to invest in tooling for key components, while unit costs decline as set-up expenses are spread across bigger batches. By 2030, volumes are 12.8% above baseline, underscoring how improved funding and procurement coordination accelerate growth. Operationally, production reaches 1 250 to 1 300 units mid-period and approaches 1 600 units by 2040, creating improved conditions for component-level localisation and stronger price competition.
- The low road scenario sees sales decline from 945 units in 2024 to a trough of 868 units in 2030 (as a result of a reduction in grant allocations⁹¹), before recovering gradually to 1 165 units by 2040, with an average annual growth rate of just 1.3%. Over 2025–2040, annual sales average 957 units, totalling 15 306 buses (2 242 fewer than the baseline). For most of the 2020s and early 2030s,

⁹¹ (South African Bus Operators Association, 2022; Times Live, 2025)

volumes remain below 1 000 units, leaving little scope for investment and pushing buyers toward imports for advanced systems. This slow recovery reflects the impact of fragmented procurement and funding constraints, which limit economies of scale and delay industry modernisation.

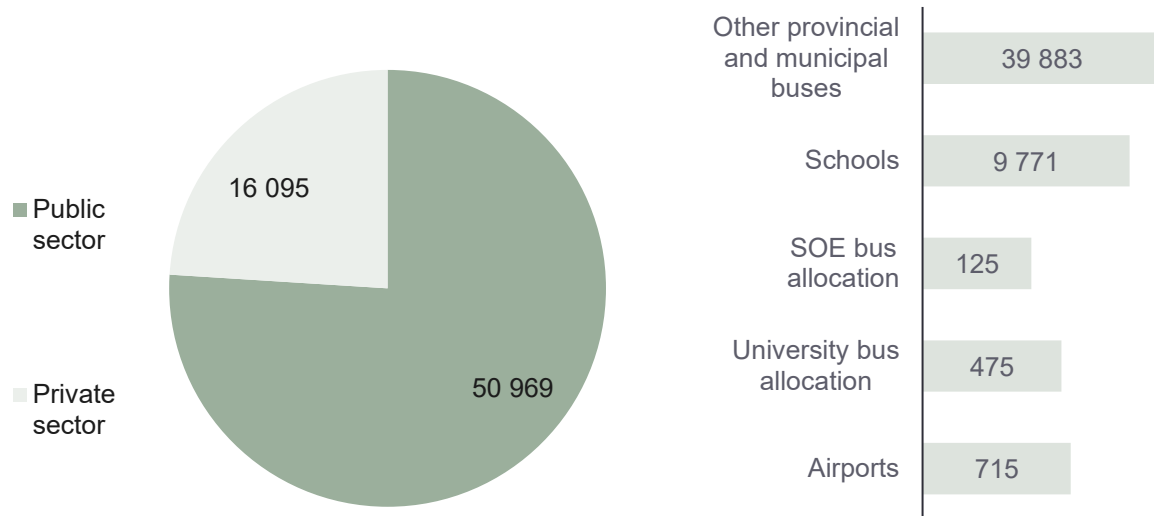
As underscored above, the most critical lever for the industry is the predictability of volumes:

- Aggregated tenders issued on a national calendar, supported by a standard specification framework and independent local-content verification, transform the high road scenario from aspiration into certainty.
- Introducing a ring-fenced replacement tranche within PTNG that is carry-over eligible when procurement slips will significantly reduce trough risk as it allows unspent funds to roll over into the next year would stabilise procurement cycles. This approach prevents funding lapses, reduces sharp drops in bus orders, and gives manufacturers predictable demand, enabling investment in localisation and tooling.

These changes will assist in creating a stabilised procurement rhythm for the bus sector, which creates the confidence needed for manufacturers and suppliers to invest, and ultimately props up the domestic economy.

These sale numbers add to a bus parc, which, coupled with an analysis of complementary data sources, yields a bus parc composition with the following characteristics:

Figure 43: Bus parc decomposition (2025 – total fleet size estimate)

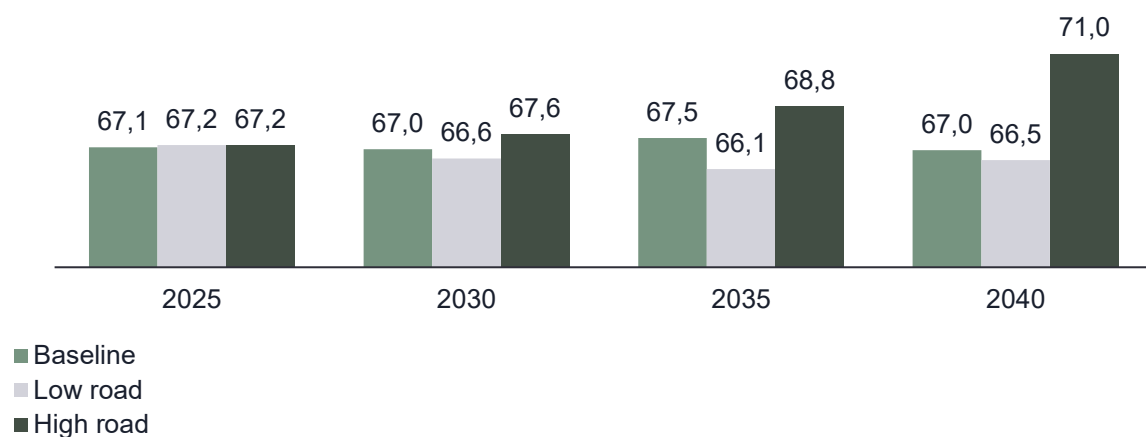


Source: Own analysis of data from (Auditor-General South Africa, 2024) (Quantec, 2025) (Airports Company South Africa, 2025) (Airside, 2021) (Altbeker & De Jager, 2021) (South African Bus Operators Association, 2020)

Note: "Other Provincial and Municipal Buses" relates to all other buses procured through spheres of government, that are difficult to isolate given a lack of source information.

This set of bus purchaser dynamics adds credence to clustering in procurement groups (given potential agglomerated volumes). Importantly, these dynamics are not anticipated to change, and so, in proportion, the bus parc (estimated below) is anticipated to evolve similarly to the proportions above:

Figure 44: Bus parc size (thousands of units)



Source: Own analysis of data from (eNatis, 2025)

Under the baseline scenario, the total parc remains broadly flat, shifting only marginally from 67 064⁹² in 2025 to 66 951 in 2040 - a decline of just 0.17%. This suggests that vehicle replacements are keeping pace with retirements, but there is no meaningful expansion of the fleet.

The parc under the high road scenario grows from 67 156 in 2025 to 71 017 in 2040, a 5.75% growth, reinforcing that higher and more predictable procurement supports renewal and measured expansion, consistent with the stronger sales trajectory. Meanwhile, the parc shrinks under the low road scenario, from 67 156 in 2025 to 66 528 in 2040 by ~1%. Clearly, constrained procurement (as evidenced by a core input assumption that the PTNG allocation is cut) reduces replacement and slows expansion, leading to ageing fleets and rising maintenance burdens.

Overall, results from this subsection have important implications for bus manufacturing localisation, procurement and operations.

Figure 45: Key takeaways on bus parc compositional dynamics

Bus sales	Bus fleet composition
• A flat or shrinking bus parc under the baseline and low road scenarios increases maintenance pressure on ageing fleets, raises downtime risk and diverts budgets away from renewal. • In contrast, the high road's larger and younger parc creates consistent demand for mid-life refurbishment and a stable aftermarket, both of which support local component production and service localisation. • Better demand profiles also improve the likelihood that municipalities adopt standard platforms such as low-floor urban models, reducing unit costs through shorter variant lists.	• With 76% of the fleet publicly owned, the potential for standardisation is significant. • A national template defining core specifications such as floor height, door layouts and electrical interfaces, with an annex for local route constraints, would reduce bespoke builds. • Aggregating orders across cities through transversal contracting would convert this standardisation into scale, enabling longer production runs and more competitive pricing. • Private operators, although smaller, can support early adoption of innovative models and provide pilots in public university and airport contexts where operating conditions are simpler.

⁹² 'The modelling baseline of 67,064 reflects adjustments for buses registered but not yet reflected in the active e-Natis count as of 31 December 2025

Cost modelling outcomes

The financial modelling of South Africa's bus manufacturing sector requires a robust and transparent framework that accurately reflects the industry's operational, market, and policy realities.

Drawing on the qualitative insights and stakeholder engagements presented in the report, this section establishes the foundation for the cost analysis by setting out the key assumptions and parameters underpinning the analysis.

The model incorporates a detailed breakdown of capital and operating expenditures, local content proportions, and scenario-based adjustments to subsidy levels and market demand. By anchoring the analysis in observed industry practices and validated benchmarks, the modelling aims to provide a credible baseline for assessing the sector's economic impact and guiding strategic decision-making.

BUS COST MODELLING

This model is underpinned by a set of pricing assumptions, sense-tested with various stakeholders. These pricing assumptions suggest a market price per bus to the following tune:

Table 8: Bus cost breakdown by type and size

Diesel bus	
Bus size	Cost (R)
Midi bus (26–40-seater)	2 780 000
Standard bus (41–60-seater)	3 500 000
Articulated bus (61+ seater)	5 000 000S
Hybrid bus	
Bus size	Cost (R)
Midi bus (26–40-seater)	3 250 000
Standard bus (41–60-seater)	4 150 000
Articulated bus (61+ seater)	6 000 000
EV bus	
Bus size	Cost (R)

Midi bus (26–40-seater)	5 070 000
Standard bus (41–60-seater)	6 930 000
Articulated bus (61+ seater)	10 000 000

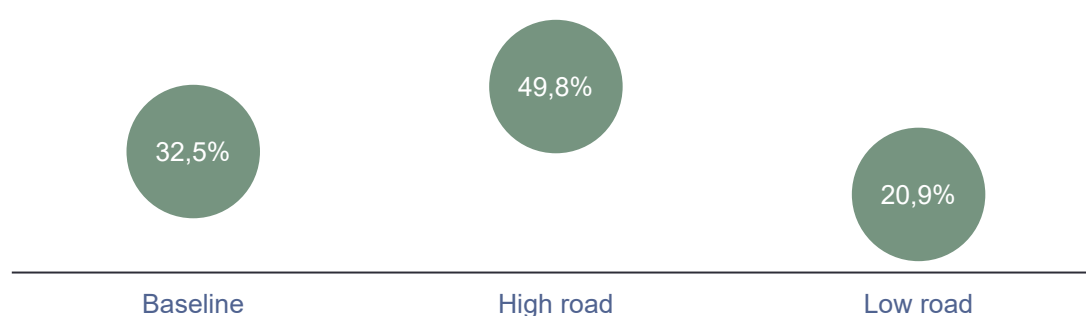
Note: Bus values are rounded to the nearest ten thousand Rand and reflect the average sale price, based on stakeholder engagement and analysis of available market data.

The capital cost of buses in South Africa varies significantly according to both propulsion technology and seating capacity. Diesel buses remain the most common and cost-effective option, averaging around R3.5 million per unit. Hybrid buses, which offer improved fuel efficiency and lower emissions, typically cost about R4.5 million, reflecting a moderate premium over diesel. Electric buses (e-buses), representing the latest in green mobility, are the most expensive, with average prices near R7 million per unit.

This significant cost gap underscores the financial challenge of transitioning to low-emission technologies without targeted incentives or economies of scale. In addition, cost differentiation is driven by the complexity of technology, battery systems, and infrastructure requirements for EVs, as well as the additional components and systems integrated into hybrid models. The segmentation by bus size further reflects the increased material, engineering, and assembly costs associated with larger vehicles.

On a per-bus basis, based on the assumptions made in the modelling exercise, it is also critical to point out the degree of local content over the lifetime of the bus across the various scenarios. This average lifetime local content proportion is provided below for each bus type, according to what is localised/designated, and including labour costs for CKD assembly:

Figure 46: Achievable local content estimates (average, 2025-2040)



Source: Own analysis of costing data, corroborated by stakeholders

Note: These estimates for local content are for publicly procured contracts. Based on stakeholder engagement, between one half to three quarters of new tenders are not designated – as a result, and although bus bodies account for between 45 and 50% of the value of the bus itself, the lax application of designation worsens local content outcomes in the base case (75% designation compliance rate), and low road (50% designation compliance rate). An effective implementation of the designation

framework could increase the local content proportion forecasted by 5-10% in each scenario, making the possible localisation scenario between 46 and 49% in the true best case.

A few points need to be noted regarding this local content estimation per scenario:

- In the baseline, as alluded to by stakeholders, the bus body accounts for some 45-55% of total bus market value, while the chassis accounts for the remainder in typical diesel buses. Local content estimates on a weighted parc basis (i.e., with very few EVs, and mostly standard sized buses). However, designation implementation is lax and worsening, and as a result, forecasted local content – presuming the *status quo* persists and designation implementation lags – implies a realised local content amount in the base case closer to 33%.
- At the same time, the cost per bus in the baseline sits between the two alternative scenarios: in the high road, a bus is approximately R300 000 more expensive than the baseline estimate due to higher local content (and therefore lower reliance on imported kits); and in the low road, a bus is around R50 000 cheaper because it relies more heavily on imported content.
- In contrast, the high road signals higher designation targets (presuming improved designation application) indicate an increase in local content to ~50% of the bus value; this outcome is the average outcome for the forecast period to allow the system to improve designation approaches, although the end-line outcome (by 2040) indicates a local content outcome closer to 45%. This shift also carries a cost implication: as noted above, the per-bus cost is about R300 000 higher than in the baseline, reflecting the substitution of imported inputs with more expensive local alternatives.
- Finally, and unsurprisingly, in the low road scenario, local content slips markedly (driven by worse designation outcomes, local content can fall as low as the 20% mark) especially if CBUs are increasingly imported into the country. Furthermore, the cost per bus is roughly R50 000 cheaper than the baseline because the production process becomes increasingly import-intensive.

Ticket price passthrough modelling

The composition of the fleet under analysis, coupled with the allocation of subsidies, has an effect on the average fare paid by consumers. Any change in the parc or designation should be net-beneficial for society and pass through to consumers as minimally as possible to be considered a reasonable recommendation.

As a result, there is a clear need to estimate potential ticket passthrough under (i) the scenario where VALA is applied and this rebate is used as a means to reduce the capital cost of the bus, and (ii) the sub-simulation where centralised procurement unlocks a 10-15% price discount on the capital cost of the buses themselves, passing through to a reduction in ticket prices accordingly.

For this ticket price analysis, the study examined ticket price passthrough, price sensitivity, and fare composition as follows:

- Public transport demand is moderately sensitive to fare changes, with elasticity estimates generally ranging between -0.2 and -0.6. This means that a 1% increase in fares typically reduces ridership by about 0.2% to 0.6%, depending on trip type and timing. Peak-period trips tend to be less responsive, while off-peak travel shows slightly higher sensitivity. Overall, these bounds indicate that fare hikes have a noticeable impact on demand, suggesting that any discount to capital allocation costs has a substantial benefit to consumers⁹³.
- Using data from SABOA⁹⁴, the average number of bus trips taken is roughly 1 billion per annum⁹⁵.
- Based on data from (SABOA and the Department of Transport, 2018) and (Quantec, 2024), trip length data indicates that some 93.2% of trips are short (0–2 hours, typically less than 120kms in travel) and 6.8% are long (2+ hours, and beyond 120kms), resulting in a weighted average ticket cost of R61.
 - Recognising that 60% of public transport fare revenue is typically lost based on stakeholder engagements, the average ticket price in the base case realised by the government is between R20 and R30.
- Finally, ticket prices were analysed to understand how they typically cover operating costs and capital costs. A 2025 GreenCape study estimates the total cost of ownership for a diesel bus at roughly R12 million, with about 23% attributed to capital expenditure and 77% to operating costs, while an electric bus averages R9 million, with the split reversed around 74% Capex and 26% Opex⁹⁶. Based on these cost structures, it is feasible to allocate a weighted proportion of these costs (weighted by the parc split of EVs versus diesel buses) to the ticket price (i.e., the weighted average cost of a bus ticket, considering both diesel and EV buses, allocates 25.7% to operating costs and 74.3% to capital cost allocation.).

In the event where a VALA adjustment would rebate some 5% of the bus value in the high road scenario, this translates to a discounted ticket price of R23.73 from an average weighted ticket price of R24.15 (weighted for different bus mixes in the parc, and the losses associated with government subsidies on tickets).

⁹³ (Litman, Transport Elasticities: Impacts on Travel Behaviour. Understanding Transport Demand to Support Sustainable Travel Behaviour, 2013) (Hayes & Venter, 2025) (Mbonu, 2024) (Venter C. , 2011) (Litman, Transit Price Elasticities and Cross-Elasticities, 2004)

⁹⁴ (Southern African Bus Operators Association, 2020)

⁹⁵ Under baseline occupancy rate assumptions

⁹⁶ (Puchert, 2025)

Where the capital cost of the bus was to reduce by approximately 15% in the event of public procurement, the ticket price would reach levels closer to R23.16 per ticket, translating to 9.7 million increase in the number of annual trips, and R237 million in additional bus ticket expenditure.

In both cases, there is an opportunity for ticket prices to be reduced by between 50 cents and 1 Rand per ticket (between a 3 and 5% ticket price reduction on average).

After a more detailed evaluation of the sensitivity of ticket prices to a rebate or discount (for instance, applying a 5% of value VALA), the following analysis suggests favourable ticket price reductions passed onto consumers (in 2025 prices), as shown next:

Figure 47: Net Present Value (NPV - Rand, billions) of savings and expenditure on VALA from ticket price reductions, and benefit-cost ratio (BCR) from ticket price reductions

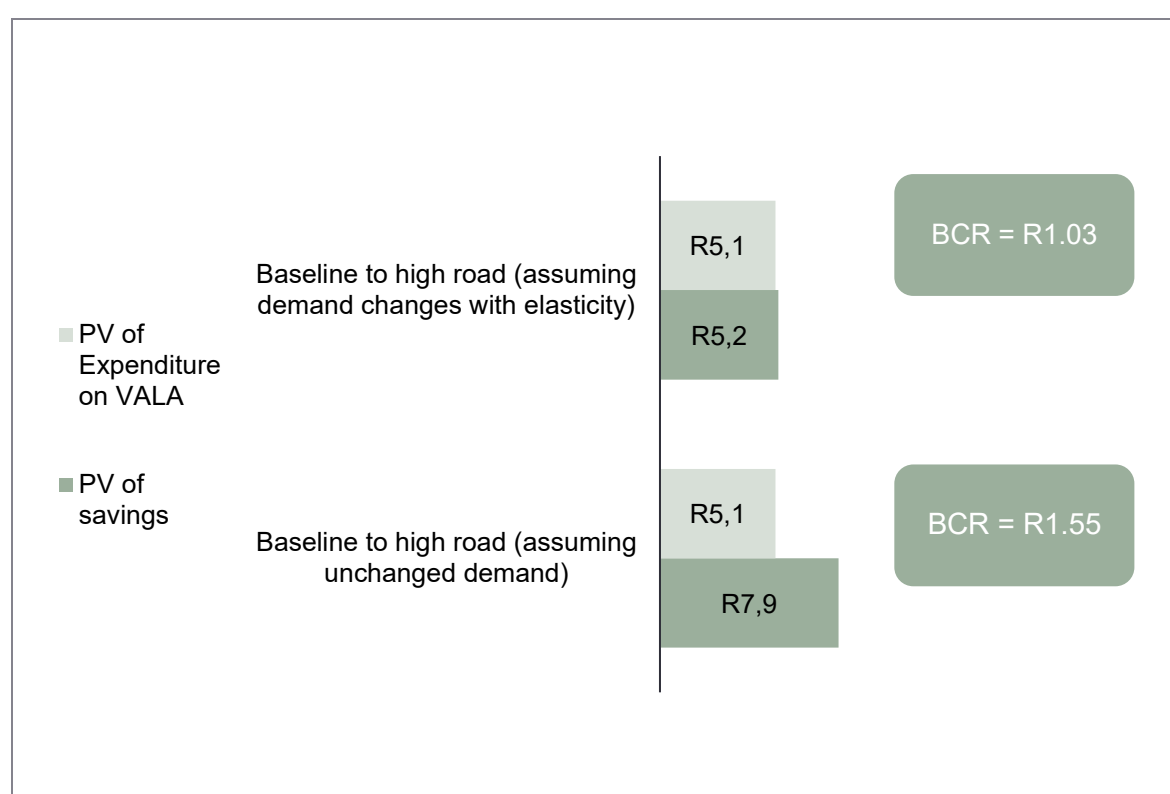
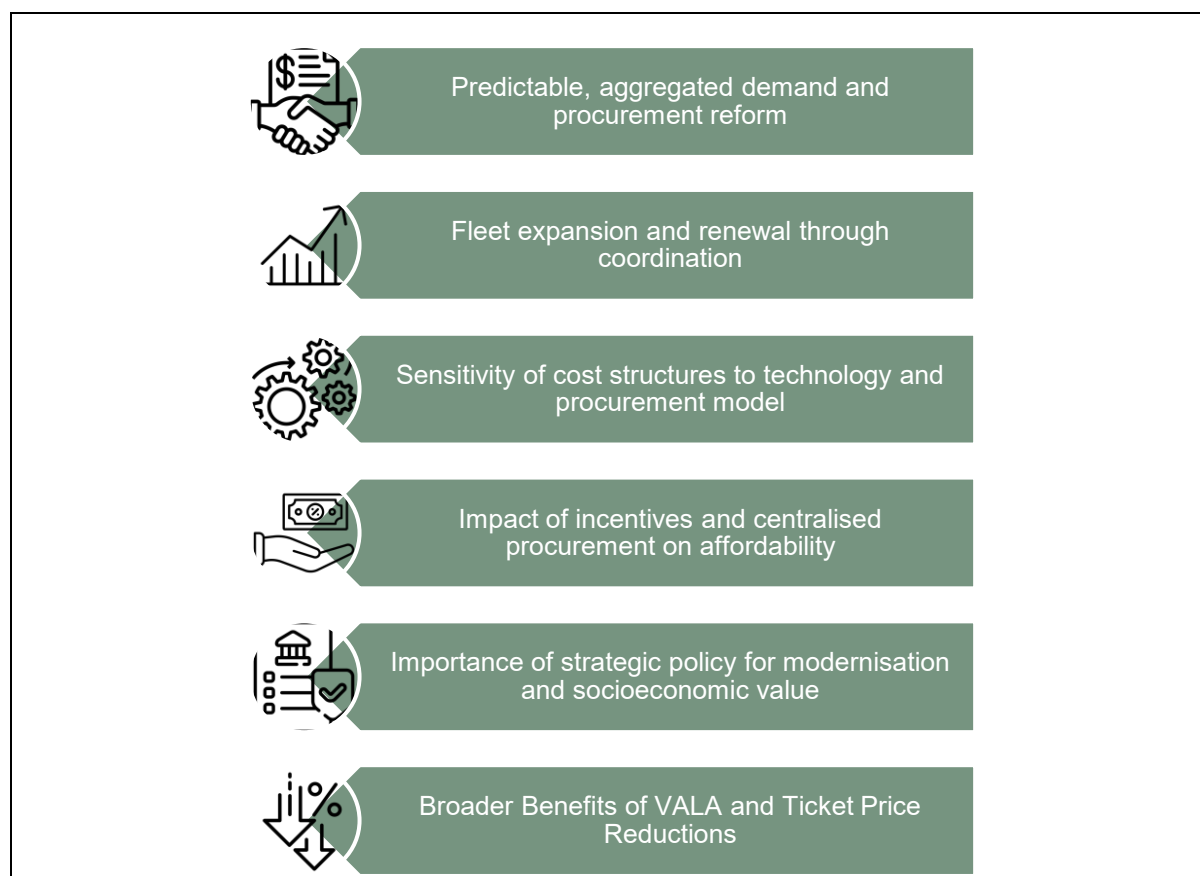


Figure 47 presents the NPV of ticket savings against VALA expenditure under each scenario, confirming a positive benefit-cost ratio across all tested cases. In the high-road scenario, VALA of R5 billion (between 2026 and 2040, roughly R265 million per annum on average in 2025 prices) is anticipated to unlock large societal cost savings with respect to ticket price outcomes. In particular, the analysis reveals an incentive aimed at production value compensation yields a net-beneficial economic outcome for consumers of bus trips – even in an instance where demand for bus trips does not increase as a result of a reduction in fares, the net-benefit of bus ticket savings outweighs the cost of the VALA incentive.

Based on this, and the preceding analysis, the following underscores several critical drivers shaping the sector's future as outlined in the figure next:

Figure 48: Key drivers for advancing South Africa's bus manufacturing sector

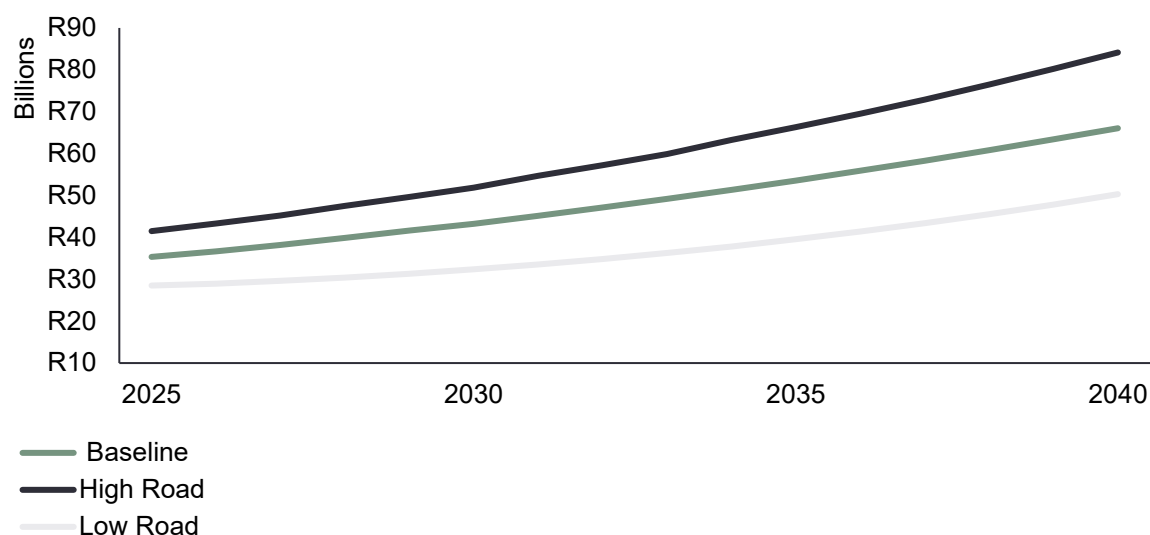


The figure above captures the six key drivers identified in the analysis that are expected to generate positive economic outcomes for the bus manufacturing sector and the broader industrial economy. Together, these factors illustrate that the future success of South Africa's bus manufacturing sector relies on a holistic approach; one that combines stable demand, efficient procurement, technological advancement, supportive incentives, and effective policy.

By addressing these areas in tandem, the industry can achieve greater localisation, cost efficiency, and broader economic benefits for all stakeholders.

Broader economic outcomes modelling

Beyond the cost modelling, the multiplier model provides a view on the macroeconomic benefits of each scenario. An estimate of the direct GDP contribution of the sector is critical to first point out – irrespective of scenario, this contribution is large (accounting for just over 5% of automotive sector GDP):

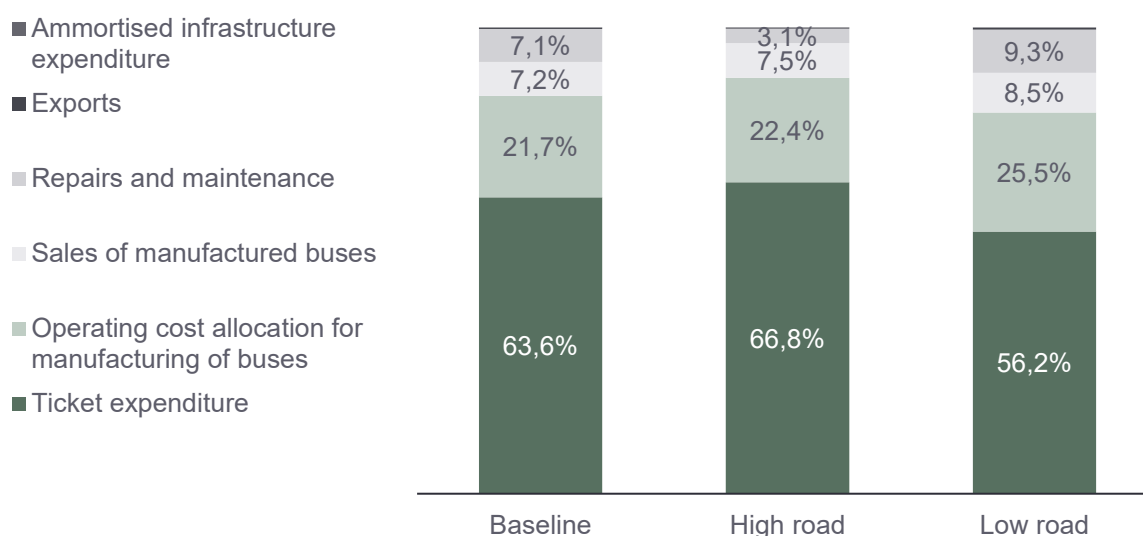
Figure 49: Direct GDP contribution (R billions) of the bus sector over time

Source: Own estimates of GDP contributions based on costing model

The larger the degree of local content (and the more buses sold), the larger the economic contribution of the sector to local economic outcomes.

Although the model contains exact details regarding the breakdown of this GDP outcome per annum, a proportional snapshot per GDP component expenditure item, is provided:

Figure 50 : Direct GDP contributions (average %, 2025-2040)



Source: Own estimates of GDP contributions based on costing model

This analysis nets off any imported component to provide only a local content expenditure view on GDP allocations by theme. Interestingly:

- The actual manufacturing process accounts for only 30% of total GDP contributions, indicating more agglomerated benefits if more tickets are sold.
- Given the size of the fleet, and the value of new sales per annum (some ~1000 units), infrastructure contributions to GDP (amortised each year) are only marginal.
- Exports play only a marginal role in the current GDP mix, with the majority of exports from South Africa benefiting other African countries. A breakdown of current export trends from the International Trade Corporation⁹⁷:
 - Africa imported between USD 40 and USD 50 million worth of CBU buses from South Africa in 2024 (some of which are re-exports, and some of which were assembled in South Africa, although the data available does not provide a sufficient breakdown to gauge this split –

⁹⁷ (International Trade Corporation, 2024)

hence, they have not been included in the GDP calculations above or below).

- Major importers include Namibia (25% of imports), Zimbabwe, Botswana and eSwatini (20% of imports each), while other SSA countries making up the remainder of the importation
- South Africa exported ~USD 9 million of bus bodies into Africa in 2024. A third of this demand was absorbed by Zambia, 30% by the DRC, and 15% by Botswana, with other SSA countries importing the remainder

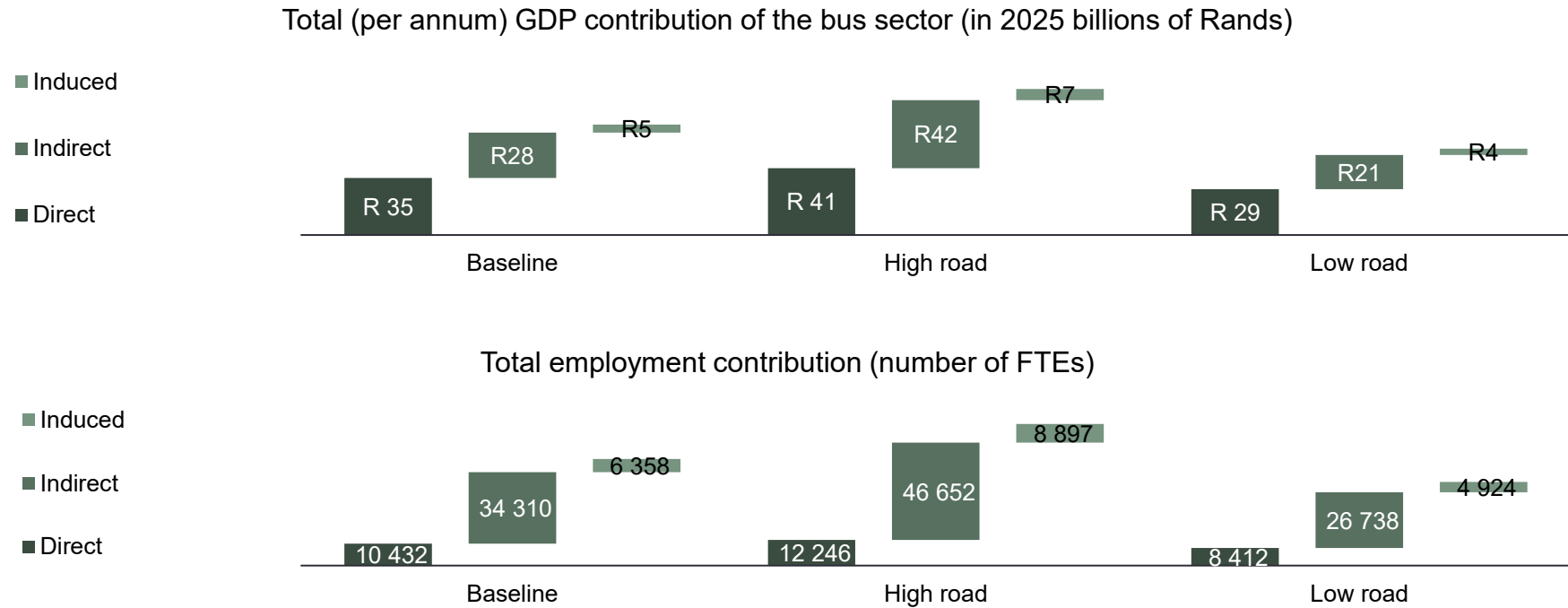
Exported bus bodies, in particular, are highly price sensitive into Africa – a 1% increase in the landed price into another country reduces the number of bus bodies demanded by between 0.5 and 0.7%. This translates into a reduction of some 0.4% of traded value⁹⁸.

A VALA incentive that lowers the cost of exported goods by about 5% could boost the exported value of bus bodies from South Africa and raise traded values by roughly 2% annually. This would add around R50 million to export GDP between 2025 and 2040 and result in 30–50 more bus bodies being exported compared to the current baseline.

In addition to this direct GDP contribution, a summary view of total GDP and employment contributions of the bus-sector is provided next. This view indicating positive outcomes where designation is high and enforced, and more modest gains where enforcement on designation is lower:

⁹⁸ Own regression analysis of data from (International Trade Corporation, 2024)

Figure 51: Annual GDP (2025 prices, R millions) and employment (# of FTEs) contributions of the bus sector



Source: Own multiplier analysis based on OECD SAM data (OECD, 2025)

Note: Employment FTEs are calculated excluding bus operating and driving (given the remit of this study, the focus is on manufacturing and the effects therefrom). Bus drivers number some 30 to 60 000 in the country, and they each would have a positive induced effect beyond what is calculated here

The bus sector contributes notably to South Africa's economy with annual GDP impacts ranging from R68 billion under the baseline scenario to R88 billion in the high road scenario, and R55 billion in the low road scenario. These figures include direct manufacturing and operations attached to manufacturing, indirect supply chain effects, and induced household spending. As is evident from the analysis, higher (and more localised) procurement volumes under the high road scenario amplify economic linkages and create stronger multiplier effects across industries such as metals, plastics, and electronics.

Employment impacts are equally notable. The sector supports between 40 000 and 50 000 Full-Time Equivalent (FTE) jobs, depending on the scenario, with direct employment in manufacturing and operations complemented by thousands of indirect and induced jobs in supplier networks and local services. This scale underscores the sector's role not only as a transport enabler but as a driver of industrial activity and livelihoods, particularly when procurement strategies create predictable demand that encourages investment in local capacity.

This multiplier assessment highlights the bus sector as a powerful economic catalyst: spending on bus manufacturing and operations echoes through metals fabrication, plastics, electronics, seating, glazing, tyres and maintenance services, lifting total output well beyond the initial spend and anchoring thousands of formal and informal jobs across the supply chain. Wages paid in these sectors translate into higher household income and induced consumption in retail, food and local services, while supplier purchases expand Small and Medium Enterprise (SME) activity and deepen localisation.

In short, every Rand channelled into the bus sector generates disproportionate gains in production, employment and incomes, with the strongest effects where orders are predictable and aggregated enough to justify tooling and component-level investment.

Beyond production-side gains, the sector's socioeconomic footprint is broad:

- Fare revenues and tax receipts – including VAT, PAYE, and municipal levies – recycle into public finances, strengthening fiscal capacity at all levels of government.
- Scholar and feeder services improve access to education and jobs, raising labour participation and reducing spatial inequality.
- Lower operating costs from modern fleets can temper fare growth, protecting affordability for low-income riders.

The analysis also highlights that coordinated procurement amplifies these benefits by unlocking localisation, reducing import leakages and stabilising supplier cashflows. In contrast, fragmented, stop-start purchasing dampens multipliers and keeps unit costs high.

Modelling snapshot

In summation, it is crucial to highlight the broad themes associated with the modelling outcomes:

- First and foremost, designation is a necessary condition to unlock additional sectoral value. Its (designation's) effective application is a crucial sufficient condition to allow designation benefits to flow through the economic system, propping up local content, and with that, improved local socioeconomic outcomes.
 - For every 1% increase in local content in the bus industry, an additional R1.0 billion of GDP (in 2025 prices) is unlocked for the economy.
 - That same 1% increase in local content supports 325 FTE jobs through positive economic growth expansion effects.
- These benefits are compounded by demand aggregation – suppliers benefit from persistency in contracted volumes, while buyers benefit from an improved price-per unit, harvesting economies of scale.

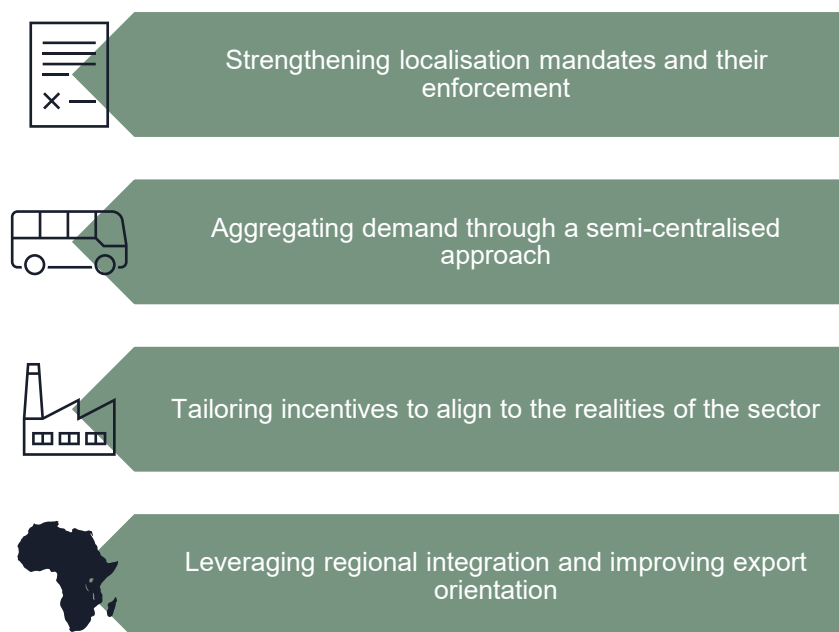
Ch 5: Recommendations and Implementation Roadmap

Given the preceding analysis (and the deeper insights developed through the annexures), four overarching themes emerge as high-impact recommendations. The most fundamental of these is that designation must be maintained and strengthened, with greater enforcement, noting the socioeconomic benefits associated with designation, and the trail off in locally manufactured bus demand without such a framework in place.

The analysis indicates that designation should be set at 85% of the bus body for diesel buses, with a phased approach over a five-year transition period for EV bus bodies to be designated, to allow manufacturers to retool and reskill as needed (noting some capacity within the country to produce such bus bodies already).

In addition, the following recommendations represent a coherent set of interventions that directly address the structural and operational challenges facing South Africa's bus sector and lay the foundation for a more competitive, localised, and resilient industry. These themes are summarised below:

Figure 52: Recommendation themes to buttress localisation in the South African bus sector



Each of these themes is discussed in more detail in the following sub-sections

Strengthening localisation mandates and their enforcement for public bus contracts

The bus sector continues to face significant challenges in the implementation of localisation policy, primarily due to inconsistent application of the designation framework across procuring entities. While some public institutions adhere to the required designation processes (flagging the 70-80% local content threshold as a prerequisite on tenders for buses), others omit them entirely.

This inconsistency is further compounded by gaps in the policy framework itself: the current designation does not extend to electric or hybrid buses, allowing these units to be imported as fully built vehicles without triggering localisation obligations. At the same time, even within the diesel segment where designation is well-established, some OEMs continue to import CBUs despite legislation mandating the use of CKD kits to ensure at least a modest level of domestic labour value-addition.

In addition, and although current court proceedings have been heard in this regard making the designation of replacement parts legally unenforceable, there are positive economic outcomes associated with locally procuring maintenance and service parts for public bus fleets which have, as yet not been fully tapped into.

Collectively, these gaps and inconsistencies undermine policy intent, weaken the industrial base, and limit opportunities for deeper localisation across the bus manufacturing value chain.

This approach to applying the designation framework necessitates several distinct interventions as follows:

- a) **Mandatory Standardised Tender Fields Within a Flexible Template:** A national tender template should be introduced that establishes a set of mandatory localisation-related fields—including designation thresholds, a bidder attestation confirming that no CBUs will be supplied where CKD assembly is required, and a declaration supported by independent local-content verification while still allowing procurers the flexibility to adapt technical specifications and operational requirements to their local contexts. Rather than fully standardising all tender content, this approach ensures that the core elements necessary to enforce localisation are consistently applied across all procuring entities, without constraining municipalities and agencies that require

customised technical, operational, or service-delivery specifications. By balancing mandatory compliance fields with configurable sections, the template strengthens designation enforcement while maintaining the procurement system's responsiveness to diverse operational needs.

- b) **Pre-Issuance Compliance Check:** Prior to publication, every tender should pass a short, standardised compliance checklist confirming inclusion of designation thresholds, the prohibition on CBUs, and the requirement for verified local-content submissions. This gatekeeping step reduces downstream disputes and ensures that key localisation elements are embedded before tenders are released.
- c) **Amendment to Include Electric and Hybrid Buses in Designation:** A once-off regulatory correction could and should amend the designation notice to explicitly include electric and hybrid buses, closing the gap that allows these vehicles to be procured as CBUs without localisation obligations. The evidence for this can be found in the annexures from a purely cost-based perspective, noting lifetime vehicle cost outcomes.
- d) **Mandatory Adjudicator Training and Compliance Sign-Off:** All adjudication committee members should complete a short training module on designation, local-content assessment, and CKD vs CBU compliance, followed by a formal compliance sign-off at award stage. This approach empowers adjudicators with new skills and strengthens enforcement at evaluation by ensuring adjudicators understand requirements and document compliance decisions clearly.
- e) **Third-Party Local-Content Verification Requirement:** While this has been historically required where designation was enforced, bidders should *still* be required to submit independent local-content verification certificates for the buses tendered. This approach reduces misreporting, provides credible evidence for evaluators, and supports consistent application of local-content requirements.
- f) **Introducing Clear Penalties for CBU Non-Compliance:** Standard penalty clauses should be embedded in all tender and contract documents to deter non-compliance with CKD requirements. Consequences such as disqualification, or a reduction in points received reinforce that localisation rules are enforceable obligations rather than guidelines.
- g) **Optional Evaluation Points for Localised Replacement Parts in Maintenance Tenders:** An optional scoring incentive should award additional points to bidders who commit to localising specified replacement parts over the vehicle lifespan, more so with a focus on the replacement parts mentioned in the annexures where production capacity is high in the country currently (i.e., does not require component sector expansion). This approach encourages deeper value-addition without imposing mandatory conditions and leverages significant lifecycle spend on maintenance and refurbishment.

For each of these recommendations, it is crucial to do the following:

- Provide an implementation process flow including a view on the responsible and accountable parties for each,
- Unpack risks and unintended consequences associated with the implementation of the recommendation, and
- Discuss potential mitigants to those risks

This analysis is provided in the ensuing table:

Table 9: Strengthening localisation mandates implementation roadmap

Recommendation	Mandatory Standardised Tender Fields Within a Flexible Template	Introducing Clear Penalties for CBU Non-Compliance	Amendment of regulation to include Electric and Hybrid Buses in Designation	Pre-Issuance Compliance Check:	Optional Evaluation Points for Localised Replacement Parts in Maintenance Tenders	Mandatory Adjudicator Training and Compliance Sign-Off
Activities associated with implementing recommendation	1. Develop template with mandatory localisation fields 2. Circulate for comment to large procurers 3. Finalise and issue instruction note 4. Rollout through procurement briefings 5. Monitor uptake via sampling	1. Draft standard penalty clauses 2. Insert into national tender template 3. Brief procurers on enforcement rules 4. Require bid-stage acknowledgement 5. Apply penalties to tender adjudication (or ex-post, if CBUs are used in an already-won tender)	1. Draft revised designation notice 2. Conduct Internal legal review 3. dtic approval and signature 4. Publish in Government Gazette for comment 5. Communicate amendment to procurers, OEMs, and industry bodies	1. Draft simple SCM checklist and align to mandatory designation fields 2. Require attachment before publishing tender 3. Introduce random post-hoc audits 4. Update SCM policies to formalise requirement	1. Identify eligible localisable components (already done in annexures) 2. Draft evaluation criteria and scoring 3. Integrate into maintenance/sub-fleet tenders 4. Review scoring impacts after first cycle and tweak if found to be too preferential	1. Develop short training module 2. Deliver training to adjudicators 3. Monitor effectiveness of training via compliance audits
Degree of implementation complexity	Low–Moderate	Low	Low	Moderate	Moderate	Moderate–High
Responsible	DoT SCM and National Treasury SCM Governance	DoT SCM Technical Team and National Treasury SCM Governance	dtic Industrial Policy / Designation Unit	Procuring entities' SCM units	Procuring entities (Municipal SCM)	National Treasury SCM Governance (and budget office), the DoT and dtic
Accountable	National Treasury Director-General	Accounting officers of procuring entities and	Minister of the dtic	Procuring entity management structure	Municipal Accounting Officers	Municipal CFOs

Recommendation	Mandatory Standardised Tender Fields Within a Flexible Template	Introducing Clear Penalties for CBU Non-Compliance	Amendment of regulation to include Electric and Hybrid Buses in Designation	Pre-Issuance Compliance Check:	Optional Evaluation Points for Localised Replacement Parts in Maintenance Tenders	Mandatory Adjudicator Training and Compliance Sign-Off
		procurement officers of procuring entities				
Consulted	All procurers and OEMs	OEMs and Bus body builders	DoT, National Treasury SCM Governance and OEMs	DoT, dtic and the National Treasury	OEMs, Component manufacturers and suppliers, and the dtic	Procurer treasuries
Informed	Tender adjudicators	Local and Provincial Treasuries (where any financial penalties would invariably flow)	Municipal SCM units and bus body builders	OEMs and bus body builders	Procurement auditors	OEMs and the dtic
Short term (<1 year)						
Medium term (<3 years)						
Long term (>3 years)						
Potential risks associated with implementing the recommendation	Procurers might deviate from the template, or misuse mandatory fields.	Procurers may hesitate to apply penalties due to perceived supplier relationship risks	Regulatory drafting delays or internal backlogs could slow publication. Legal challenges may ensue.	SCM staff may treat checklist as a formality and not enforce meaningfully.	Bidders may over-claim on localisation.	Low attendance or inconsistent training uptake.

Recommendation	Mandatory Standardised Tender Fields Within a Flexible Template	Introducing Clear Penalties for CBU Non-Compliance	Amendment of regulation to include Electric and Hybrid Buses in Designation	Pre-Issuance Compliance Check:	Optional Evaluation Points for Localised Replacement Parts in Maintenance Tenders	Mandatory Adjudicator Training and Compliance Sign-Off
Potential impact of risk if materialised	Moderate	Low–Moderate	Moderate	Moderate	Moderate	High
Mitigation strategies	- Mandating via circular - Conduct spot audits - Conduct municipal SCM training	- Issue national circular clarifying legal authority - Conduct procurement training and escalation protocol for non-compliance	- Early engagement with dtic legal, while following case precedent on designation framework - Concurrent communication preparation regarding change	- Require manager-level sign-off - Add to audit scope - Provide training to adjudicators	- Require supplier agreements as proof - Periodic validation	- Make training mandatory for evaluation committee participation - Track certification - Include in audit findings

Given consistent enforcement, independent verification, and cleaner tender architecture, localisation and designation become far more than compliance mechanisms, translating procurement spend into domestic production, jobs, and capability development. The modelling demonstrates that even small improvements in local-content enforcement meaningfully increase the sector's economic contribution, reduce import leakages, and deepen value-chain participation. By embedding standardised tender fields, tightening CKD/CBU compliance, expanding designation to include electric and hybrid buses, and strengthening adjudicator training, the bus sector can generate strong economic gains that outweigh the cost of reforming sector practices.

Additional Considerations for Strengthening Localisation Compliance:

While the introduction of a mandatory, standardised tender template forms a foundational reform, it is important to recognise that complementary interventions may also be required elsewhere in the procurement and regulatory ecosystem to fully enable effective localisation outcomes. These reforms extend beyond the scope of tender documentation but are relevant for consideration by policymakers and industry stakeholders:

Joint Local-Content Compliance Between OEMs and Body Builders:

Current verification processes place disproportionate responsibility on body builders, despite OEMs controlling major cost components such as chassis and drivetrains. Introducing a shared verification obligation, supported by dtic/SABS guidelines, would distribute accountability more equitably across the value chain and reduce verification gaps.

Differentiated Local-Content Thresholds by Bus Category:

A universal threshold may not reflect technological and market realities across bus types (e.g., diesel vs. EV, standard vs. articulated). Category-specific thresholds would allow for more feasible localisation pathways while still incentivising progressive deepening of domestic production.

Linking Subsidies and Fiscal Support to Demonstrated Local Content:

Procurement grants (PTNG/PTOG), as well as potential APDP2 or VALA-aligned incentives for buses, could more explicitly reward verified local value addition. Conditioning portions of subsidy support on achieved local content would create stronger price signals for localisation without requiring large increases in fiscal outlay.

These reforms are not strictly part of the tender-template architecture but **reinforce it** by addressing systemic constraints that limit localisation compliance and enforcement. They may therefore be considered as complementary policy levers.

Aggregating demand through a semi-centralised approach

Throughout the analysis, a critical challenge to both procurers and producers is the lack of economies of scale in order quantities. As a result of smaller than ideal order quantities, bus manufacturers and body builders are unable to pass any quantity-driven discounts onto the procurers and – instead – focus on small batch production.

A coordinated bus-purchasing approach would ease these challenges if structured correctly, particularly for the largest segment of public bus buyers. To avoid the risks associated with a single national tender (discussed before), the most practical model is a hybrid agglomeration approach. Large metros (City of Johannesburg, City of Cape Town, City of Tshwane, and City of eThekweni, for example) would continue procuring individually given their scale and unique operational requirements, while smaller municipalities with comparable terrains and service needs could be grouped to source jointly under shared specifications.

The next-largest buyer segment is the basic education sector, where buses support predominantly rural routes. Procurement currently occurs at national DBE, provincial DBE, and sometimes individual school level. This segment would benefit meaningfully from a standardised, centralised tendering process because school transport needs are relatively uniform across regions: rural operating conditions, lower passenger turnover, and predictable stop patterns near schools all support a consistent, lower-cost, low-floor bus design.

Other entities (SOEs, universities, and airports) operate comparatively small fleets with modest replacement needs. Their procurement could either continue independently or be incorporated into a broader aggregated process, though the impact on overall pricing would be minimal given that they collectively account for less than 5% of the national bus parc. This blended approach to centralised demand planning has clear advantages but is not without drawbacks, which are outlined on the following page alongside potential mitigations.

This approach necessitates a step-wise implementation process, as discussed next:

- **Policy approach and governance setup**
 - Draft an overarching policy circular (DoT + National Treasury) enabling aggregated procurement frameworks and metro opt-outs while clarifying competition safeguards and specification flexibility.
 - Establish a steering committee (DoT chair) with National Treasury, purchasers (including provinces, municipalities, the DBE and other purchasing entities) to agree on decision rights, escalation paths, and reporting cadences.
 - Develop template procurement documents (RFP/RFQ, framework agreements, standing offer contracts) which align to procurement and competition legislation.
- **Demand planning and clustering/buyer group definition**

- Compile a national bus parc inventory (age, specs, routes, terrain, energy/fuel type, accessibility features), and 5–10-year replacement schedules from metros, municipal operators, and DBE.
- Group smaller municipalities by terrain/operating profile (e.g., mountainous, coastal, flat urban/rural) and service modality (scheduled vs scholar transport), forming practical clusters with shared specification envelopes.
- **Technical specification and market engagement**
 - Draft modular technical specs per cluster (e.g., floor height, seating, door configuration, emission/drive type, accessibility features) with allowed variance ranges to avoid over-standardisation.
 - Consult OEMs and body builders to test feasibility of the approach, and receive industry buy-in.
- **Procurement execution**
 - Issue cluster-based framework agreements (multi-supplier where possible) with ceiling prices and performance SLAs; metros run their own tenders under compatible templates.
 - Use value-for-money scoring (price, quality, delivery, local content/industrial participation, transformation) and appoint multiple suppliers on a lot-by-lot basis to preserve competition and resilience.
- **Contract management and assurance**
 - Set up a central PMO (most likely through the DoT) to track delivery, defects, SLA adherence.
 - Define audit trails (procurement files, evaluations, contract changes) and public reporting.
 - After each cycle, review specifications, supplier performance, pricing trends, and lesson-learned adjustments.

This semi-centralised approach is not without challenges, which require mitigation. A detailed view on these is provided next:

Table 10: Aggregating Demand Implementation Roadmap

Recommendation	Policy approach and governance setup	Demand planning and clustering/buyer group definition	Technical specification and market engagement	Procurement execution	Contract management and assurance
Degree of implementation complexity	High	Moderate	Low-Moderate	Moderate–High	High
Responsible	DoT (policy & steering committee), National Treasury (procurement policy) and SALGA	DoT PMO, DBE (school transport desk), Metros and municipal clusters, with provinces potentially providing coordination oversight per department	DoT technical team, buyer technical working groups	DoT and procuring entities	Procuring entities, the DoT PMO and AGSA/internal audit (the latter, for assurance)
Accountable	DoT DG (Chair, steering committee); NT Chief Procurement Officer	DoT DDG: Public Transport; DBE DDG: School Transport; Municipal Managers/HODs for submissions	Steering Committee Chair (DoT) and Accounting Officers (AOs) of participating entities	AOs of procuring entities (Municipal Managers, HODs DoT/DBE)	AOs of contract owners; AGSA oversight; DoT PMO for consolidated reporting
Consulted	Provinces, SALGA, Competition Commission and the dtic	Provinces, operators, SALGA, OEMs, Treasury budget teams	Competition Commission, dtic (local content), SABS/NRCS (standards), operators/unions, and OEMs/bus body builders	National Treasury, Competition Commission, dtic, OEMs and body builders	AGSA and National Treasury
Informed	Ministers (Transport, Basic Education, Finance), Parliamentary Committees, public	Municipal councils, school governing bodies	Industry associations (naamsa, SABOA), public	Council committees, suppliers not bidding	Public, communities served, media
Short term (<1 year)					

Recommendation	Policy approach and governance setup	Demand planning and clustering/buyer group definition	Technical specification and market engagement	Procurement execution	Contract management and assurance
Medium term (<3 years)					
Long term (>3 years)					
Potential risks associated with implementing the recommendation	- Intergovernmental misalignment - Legal challenge on process design - Role confusion	- Incomplete/poor-quality data - Mis-sized clusters - Budget misalignment	Over-standardisation of procurement processes	- Supplier concentration and potential delivery delays given scaling and administrative challenges	Difficulty in providing assurance across multiple organs of state
Potential impact of risk if materialised	High	Moderate–High	Moderate–High	High	High
Mitigation strategies	- Early National Treasury and Competition Commission engagement - Issuance of clear mandates via circular (including roles, responsibilities, etc.) - Development of clear escalation pathways - Publication of all documentation for ease of reference	- Standardised data templates and validation check processes - Ensure purchaser body (SALGA, DBE, etc.) coordination - Contingency in demand plans to allow for uncertainty in bus sector outlook and bus uptake	- Use spec envelopes with allowed variance - Pilot runs before scaling purchases - Conduct market sounding with OEMs and body builders, as well as industry associations	- Multi-supplier awards with maximum share caps - Robust evaluation documentation	- Contractual SLAs with performance expectations between parties - Continuous monitoring exercises (dashboards, analyses etc.) - AGSA and internal audits

When the buyer-group model is paired with the modelling evidence showing that aggregated procurement reliably delivers 10–15% reductions in capital costs and stabilises annual production volumes, the case for semi-centralised clustering becomes compelling. By converting today’s fragmented purchasing cycles into predictable multi-year demand signals that manufacturers can plan around,

cost efficiencies can benefit both producers and procurers alike. The knock-on effects are equally powerful: improved affordability for municipalities, greater certainty for suppliers, and a procurement environment in which even modest standardisation unlocks meaningful localisation opportunities. Implemented carefully, with specification envelopes, multi-supplier frameworks, and buyer clusters aligned to operational terrain, this reform substantially strengthens the economic foundations of the bus industry.

Tailoring incentives to align to the realities of the sector

Given constrained fiscal space in South Africa, it is unsurprising that the bus sector only enjoys modest production and purchase incentives. Noting the pending review of the APDP2 in 2026, there is, however, growing demand to allow the MHCV segment of the automotive sector to benefit from some additional incentives, like VALA.

Noting tight fiscal conditions, a modest VALA incentive (e.g., ~250 units/year, as tested in the modelling) yields substantive benefits to the sector, while retaining the core APDP2 logic of rewarding verified domestic value addition.

Implementing this change would require coordinated regulatory work, some of which has been discussed before. From a process perspective, though, particular focus should be placed on:

- Revising the APDP2 schedule to incorporate buses under the VALA structure,
- Setting a transparent local-value formula for bus bodies and eligible components,
- Embedding VALA eligibility into procurement templates so that OEMs can pass the duty-rebate benefit directly into tendered prices.
- Aligning efforts with SARS/APDP2 reporting systems, and
- Issuing guidance notes for procurers to ensure the incentive uptake is successful.

The complexity of this reform is modest given that the structure for the incentive is already in place and need only be expanded.

Key risks to this expansion include (much like with the initial implementation of VALA for passenger vehicles):

- OEMs claiming VALA eligibility without genuine incremental localisation,
- The incentive being absorbed as OEM margin rather than lowering bus prices,
- Dispute risk if thresholds for CKD/EV assemblies are unclear,
- Limited fiscal space constraining the uptake or sustainability of the allowance, and
- Insufficient volumes even at a reduced threshold for smaller OEMs, leading to uneven benefit distribution.

If not designed carefully, a bus-specific VALA could unintentionally lock in low-value localisation (e.g., body-only content) without stimulating component-level investment.

These risks can be mitigated through several safeguards as discussed next:

- Tie VALA eligibility to verified incremental local content, not just baseline body-building, and phase in component-level localisation for tyres, harnesses, glass, seats and, over time, selected EV components.
- Require a pass-through mechanism in public tenders—i.e., bidders must demonstrate how the VALA reduces total cost of ownership or per-bus pricing, with auditability by the procuring entity or National Treasury.
- Clarify CKD vs CBU definitions for diesel, hybrid, and electric buses to prevent circumvention (especially for EV platforms where global OEMs are vertically integrated).
- Link VALA qualification to multi-year procurement calendars or framework agreements to stabilise volumes and strengthen the investment case.
- Implement annual verification audits to ensure compliance and maintain credibility.

When these mitigants are combined with the modelling evidence from the report—showing that even a modest 5% rebate meaningfully reduces capital cost and yields favourable benefit-cost ratios—the revised VALA becomes a viable, targeted intervention for stimulating localisation, reducing ticket-price pressure, and de-risking South Africa’s bus industrialisation pathway⁹⁹.

Table 11: Expand APDP2 to explicitly carve out bus incentives under a tailored VALA structure

Recommendation	Expand APDP2 to explicitly carve out bus incentives under a tailored VALA structure
Activities associated with implementing recommendation	1. Revise APDP2 schedules to incorporate buses under the VALA instrument. 2. Define and publish a transparent local-value calculation for bus bodies and eligible components (initial focus: bodies, tyres, seats, harnesses, glass; phased EV components thereafter). 3. Embed VALA eligibility and rebate pass-through requirements into national procurement templates.

⁹⁹ Additionally, and although the programme is not yet well-embedded across most government procurement events, it is also crucial to mention the National Industrial Participation Programme (NIPP) at this stage which acts, in a way, as an incentive for localisation. The NIPP enforces an obligation onto public sector procurers who procure imported products more than USD10 million by re-investing 30% of the purchased value of the procurement back into the local sector.

Recommendation	Expand APDP2 to explicitly carve out bus incentives under a tailored VALA structure
	4. Align new VALA codes, documentation, and verification mechanisms within SARS/APDP2 reporting systems. 5. Issue implementation guidance notes and conduct training for procurers (municipal SCM, DT, DBE, SOEs) to ensure correct uptake.
Degree of implementation complexity	
Responsible	dtic; SARS Customs (for duty code integration); National Treasury
Accountable	dtic; National Treasury
Consulted	OEMs and body builders; NAAMSA; NAACAM; SABOA; National Treasury; Municipal SCM units and SALGA; SABS/SANS verifiers
Informed	Provincial & municipal transport departments; DBE transport desks (for scholar transport); Operators (PUTCO, GABS, municipalities); Industry associations and component suppliers
Short term (<1 year)	
Medium term (<3 years)	
Long term (>3 years)	
Potential risks associated with implementing the recommendation	- OEMs claiming VALA eligibility without genuine incremental localisation, - The incentive being absorbed as OEM margin rather than lowering bus prices, - Dispute risk if thresholds for CKD/EV assemblies are unclear, - Limited fiscal space constraining the uptake or sustainability of the allowance, and - Insufficient volumes even at a reduced threshold for smaller OEMs, leading to uneven benefit distribution.
Potential impact of risk if materialised	- Weak localisation outcomes - Limited price reductions, reducing benefit-cost ratio for the state. - Market distortions or disputes between OEMs and government. - Concentration of benefits among one or two OEMs; reduced competition. - Inability to stimulate component manufacturing; investment stagnation.
Mitigation strategies	- Tie VALA eligibility to verified incremental local content, not just baseline body-building, and phase in component-level localisation for tyres, harnesses, glass, seats and, over time, selected EV components. - Require a pass-through mechanism in public tenders—i.e., bidders must demonstrate how the VALA reduces total cost of ownership or per-bus pricing, with auditability by the procuring entity or National Treasury. - Clarify CKD vs CBU definitions for diesel, hybrid, and electric buses to prevent circumvention (especially for EV platforms where global OEMs are vertically integrated). - Link VALA qualification to multi-year procurement calendars or framework agreements to stabilise volumes and strengthen the investment case.

Recommendation	Expand APDP2 to explicitly carve out bus incentives under a tailored VALA structure
	- Implement annual verification audits to ensure compliance and maintain credibility.

Leveraging regional integration and improving export orientation

As touched on before, modest annual sales averaging some 900 to 1 000 units undermines economies of scale and discourages investment in local tooling and component production. While the designation framework has helped local bus bodies, its impact is limited by market size.

Even with stronger enforcement and incentives, volumes may likely remain below the threshold needed to localise along the bus value chain more deeply.

Global examples discussed in Chapter 2, indicating that scaling the industry meaningfully requires (1) aggregated demand locally, but (2) international demand that supplements said local demand meaningfully.

Without meaningful access to regional markets, South Africa risks remaining locked in a low-volume, high-cost production equilibrium that undermines the investment case for deeper localisation. To break this cycle, South Africa should pursue interventions that promote regional integration and export growth, including:

- **Ratify and Operationalise AfCFTA Automotive Rules of Origin:** South Africa is already a signatory to AfCFTA, and automotive rules of origin have been agreed in principle. Implementing these rules is highly feasible because it builds on existing trade agreements and aligns with the dtic industrialisation objectives. This step requires coordination between customs authorities and industry bodies but does not demand major legislative overhaul. It immediately

expands market access and creates predictable demand, which is critical for scaling local production.

- **Regional Manufacturing Hub Strategy with Export-Linked Incentives:** Positioning South Africa as a regional hub is feasible because the country has the most advanced automotive infrastructure in Sub-Saharan Africa. Export-linked incentives can be integrated into existing frameworks like APDP2 with moderate adjustments, and bonded logistics zones can be established within current industrial development zones. This intervention builds on South Africa's competitive advantage and signals long-term commitment to localisation.
- **Cross-Border Fleet Financing and Green Mobility Instruments:** Financing solutions are realistic because South Africa already partners with development finance institutions like DBSA and AfDB on transport projects. Structuring regional fleet procurement funds and green bonds leverages existing financial ecosystems and aligns with global climate finance trends. This intervention addresses the biggest barrier—funding constraints—without requiring structural changes to manufacturing processes.

Operationalising the above recommendations necessitates an implementation strategy, which, as outlined hereafter indicates how each recommendation can be actioned:

Table 12: Leveraging Regional Integration Implementation Roadmap

Recommendation	Ratify and Operationalise AfCFTA Automotive Rules of Origin	Regional Manufacturing Hub Strategy with Export-Linked Incentives	Cross-Border Fleet Financing and Green Mobility Instruments
Activities associated with implementing recommendation	1.Map AfCFTA automotive rules of origin to SA customs procedures 2.Draft and gazette implementation notices. Set verified local-content thresholds and exporter attestation requirements 3.Configure SARS systems/SOPs 4.Train customs officials and exporters 5.Pilot exporter onboarding 6.Publish guidance notes and timelines.	1. Design calibrated VALA-style capex rebate for buses linked to verified local content and export commitments 2.Designate bonded logistics/industrial zones for CKD throughput 3. Streamline customs and distribution processes 4. Stand-up after-sales networks (parts depots, service centres, training) in priority markets 5. Publish unified hub value proposition and investor pack.	1.Structure regional fleet procurement funds with AfDB/DBSA 2.Design export credit facilities tied to verified local content 3.Issue green bonds/concessional lines for e-bus and charging infrastructure 4.Define eligibility and TCO-based appraisal 5.Establish application portal and TA facility 6.Align with municipal/provincial tender calendars.
Degree of implementation complexity	Moderate	Moderate	Moderate-High
Responsible	dtic; SARS Customs & Excise	dtic (incentive design), Transnet/SEZ (zone operations/logistics), OEMs/bodybuilders (after-sales deployment)	DBSA (programme design/administration), National Treasury (policy/guarantees), dtic (industrial conditionalities)
Accountable	dtic, SARS.	dtic	Department of Finance, DBSA
Consulted	OEMs/body builders, NAACAM/AAAM, Provincial investment agencies, Export Councils	Provincial investment agencies, export councils, AAAM/NAACAM, Metros/municipalities	Metros/municipalities, Provincial transport departments, AfDB/DFIs, OEMs/body builders
Informed	DoT, National Treasury, DIRCO (AfCFTA liaison), Provincial MECs for Economic Development	National Treasury (fiscal oversight), SARS (zone customs), DoT (policy alignment)	Metros/municipalities, Provincial transport departments, AfDB/DFIs, OEMs/body builders
Short term (<1 year)			

Recommendation	Ratify and Operationalise AfCFTA Automotive Rules of Origin	Regional Manufacturing Hub Strategy with Export-Linked Incentives	Cross-Border Fleet Financing and Green Mobility Instruments
Medium term (<3 years)			
Long term (>3 years)			
Potential risks associated with implementing the recommendation	Slow or uneven uptake by partner countries, inconsistent interpretation by border agencies, and weak exporter evidence for local content could delay duty-free clearances, trigger disputes at the border, and undermine confidence in the regime.	Limited fiscal headroom for incentives, lagging build-out of after-sales networks in priority markets, and logistics congestion across key corridors may blunt investor appetite, constrain service reliability, and erode the hub's competitiveness.	Foreign exchange volatility, borrower capacity and credit risk concerns, procurement slippage, and policy shifts across jurisdictions can raise funding costs, delay disbursements, and weaken the pipeline of bankable fleet and charging projects.
Potential impact of risk if materialised	Moderate	High	Moderate-High
Mitigation strategies	- Joint customs working groups - Standardised documentary templates - Independent local-content verification - Phased grace periods - Exporter helpdesk and training	- Cap incentive exposure and stage disbursements - Public-private partnerships for service networks - Logistics SLAs/performance monitoring - Diversified corridors/warehousing	- FX hedging/local-currency tranches - Borrower capacity-building - Ring-fenced escrow mechanisms - Performance-based disbursements - Pipeline management aligned to tender calendars

Given predictable market access, harmonised standards, and export-linked incentives, regional integration becomes more than a trade ambition, converting public and private spend into longer production runs, deeper localisation, and price-competitive exports. By ratifying and operationalising AfCFTA automotive rules of origin, establishing cross-border fleet financing that aligns with municipal procurement calendars, positioning South Africa as a regional manufacturing hub with calibrated VALA-style incentives and bonded logistics zones, and embedding mutual recognition of homologation and EV-charging standards, aggregated regional demand can reduce per-unit costs, cut import leakages, and expand supplier participation across priority components. The evidence shows that

even incremental gains in duty-free clearance, specification standardisation, and corridor reliability translate into larger, more predictable order books that justify tooling and skills investment; taken together, these measures unlock economic benefits that outweigh the administrative cost of reform, while accelerating the transition to modern, lower-emission fleets across the region.

Concluding Statement

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South Africa's bus manufacturing sector is not facing a capability problem. The body builders exist, the OEMs are present, the designation framework is in place, and the domestic value chain – from steel and glazing to wiring and seating – is largely available. What has been missing is the policy coherence and procurement discipline needed to convert that existing base into a competitive, predictable industry.

The analysis in this report makes three things clear. First, designation works but only when enforced. The gap between what designation mandates and what procurement delivers is not a policy design failure; it is an implementation failure, and one that is correctable without new legislation. Second, scale is the binding constraint. South Africa's bus market is too small, on its own, to justify the tooling investment and component-level localisation that would make the sector genuinely self-sustaining. The solution lies in aggregating domestic demand into predictable volumes and supplementing it with regional export growth through AfCFTA. Third, the economics of reform are favourable. The modelling demonstrates a benefit-cost ratio above 1 in all tested scenarios – meaning the interventions proposed in this report pay for themselves in commuter savings alone, before employment and GDP gains are counted.

None of this requires large-scale new spending or an overhaul of existing policy architecture. The APDP2 needs an adjustment, not a replacement. The designation framework needs consistent enforcement, not a new framework. The procurement system needs clustering and coordination, not nationalisation. These are modest, targeted reforms with disproportionate returns, and the modelling confirms this at every level of the analysis.

The low road scenario is not a stable holding position; it is a trajectory toward fleet ageing, capacity attrition, and a progressively deeper reliance on imported vehicles that becomes harder to reverse with each passing procurement cycle. South Africa has built the foundations of a bus manufacturing industry capable of serving the country's public transport needs and competing for a share of the continent's growing demand. Whether that foundation is deepened or allowed to erode is a policy choice, and the evidence in this report makes clear which choice the data supports.

Annexures

Industry associations

South Africa's bus manufacturing sector is supported by a broad coordination ecosystem made up of industry bodies, standards authorities, procurement structures and transition platforms. Together, these organisations generate the evidence required for designation, ensure credible verification, connect OEMs and body builders with local suppliers, aggregate public-sector demand, and translate lessons from e-bus pilots into scalable practices, all of which are essential for strengthening the country's bus sector.

This coordination system includes NAAMSA (OEM policy and data), NAACAM (component localisation and buyer–supplier linkages), and SABOA (operator policy and procurement interface), as well as regulatory institutions such as SABS (local-content verification under SATS 1286) and NRCS (VC 8023 homologation). Policy actors like the dtic and ITAC shape designation and trade mechanisms, while SALGA convenes municipalities around BRT/IPTN planning and procurement standards. For the e-bus transition, SANEDI and DBSA pilots act as practical testing grounds for localising depot systems and components before requirements are scaled into wider PTNG tenders.

Collectively, these platforms enable evidence-based localisation thresholds, enforceability, and effective supply-chain matchmaking—providing the institutional foundation needed to grow a competitive domestic bus manufacturing industry.

Table 13: Industry associations

Industry associations			
	National Association of Automobile Manufacturers of South Africa (NAAMSA)	National Association of Automotive Component & Allied Manufacturers (NAACAM)	Southern African Bus Operators Association (SABOA)
i	NAAMSA is an umbrella body for automotive OEMs across light and heavy segments; convenes industry data, advocacy and thought-leadership.	Recognised voice of the component sector and a key localisation partner.	The “voice of the bus and coach industry,” representing contracted and unsubsidised operators and participating in policy forums (e.g., Competition Commission, public transport policy dialogues).
+	Useful channel for OEM positions on standards, localisation and market outlook that intersect with bus chassis/powertrain supply.	The NAACAM Show is the flagship buyer–supplier platform where OEMs/Tier-1s table parts with localisation potential and engage emerging suppliers, who are relevant to bus body, electrical, seating, glazing and charging-equipment ecosystems.	Critical counterpart for procurement models (PTOG/PTNG services), fleet renewal timing, and operational standards affecting body design and maintenance
Standards, testing and regulatory authorities			
	National Regulator for Compulsory Specifications (NRCS)	South African Bureau of Standards (SABS)	The dtic / ITAC
i	The custodian of VC 8023 (Compulsory Specification for M2/M3 buses and minibuses) and the homologation interface with NaTIS; leads model approval and market surveillance.	Administers local content verification for designated products under SATS/SANS 1286 and issues verification certificates for tenders; also hosts technical standards referenced by NRCS VCs.	Policy owners for designation and APDP2. ITAC is the implanting agency within the dtic for the APDP2 amendments (e.g., 2024 draft to include EVs and associated components) and issues programme information documents used by SARS.
+	Engagement is essential where e-bus layouts (battery mass/distribution) intersect with homologation.	A core partner for tightening verification protocols in bus-body designation.	These consultations are key platforms to align bus-specific constraints (low volumes, EV architectures) with incentive rules.
Public procurement and intergovernmental coordination			
	Public Procurement Act, 2024 – Section 20 designation framework	South African Local Government Association (SALGA)	National Treasury (NT) / eTenders
i	Formalises how sectors are designated (thresholds, evidence base, notice-and-comment) and obliges procuring institutions to disqualify bids not meeting	National/provincial working groups and forums that convene municipalities on transport, procurement and planning.	Should be mirrored in all bus-body procurements

	local content thresholds once in force.		
+	Provides a clear engagement route (gazette + departmental website) for stakeholders to comment on bus-body thresholds and lifecycle localisation (maintenance/spares).	Useful for demand aggregation (IPTNs/BRT), peer learning on tender templates (local content clauses) and aligning PTNG-funded fleet plans.	The NT/eTenders are a source of: SBD/MBD 6.2 local content templates and guidance The SBD 6.2 pack hard-locks SATS 1286 calculations into tender submissions.
Flagship engagement events and platforms			
	NAACAM Show	SA Auto Week (naamsa)	Parliamentary/Ministerial consultations
i	Buyer-supplier linkage meetings, localisation showcases and policy panels.	Cross-value-chain forum for policy, trade and technology (including NEV transition), with dedicated sessions on localisation, infrastructure and skills.	TAC/dtic gazette consultations on APDP2 amendments for EVs, and committee hearings on localisation and verification (SABS/dtic briefings).
+	Recommended avenue to table bus-specific subassemblies (HV cabling, HVAC, glazing, seats, wiring harnesses, charger components) for near-term localisation.		These provide formal records that can be cited in the designation review dossier.
Energy transition, financing and pilot deployment platforms (e-buses)			
	South African National Development Fund (SANEDI)	Development Bank of Southern Africa (DBSA)	City-level project forums (PTNG/BRT governance)
i	Implements and finances pilots (e.g., 39 e-buses across Tshwane and eThekweni under GEF funding) with structured engagement on charging, depot upgrades and operations.	Implements and finances pilots (e.g., 39 e-buses across Tshwane and eThekweni under GEF funding) with structured engagement on charging, depot upgrades and operations.	MyCiTi/Rea Vaya/Harambee operating committees and tender briefings remain critical venues to embed designation clauses, SATS 1286 verification checklists and OEM accreditation for maintenance.

Source: (ITAC, 2024), (NRCS, 2023), (SABOA, 2021), own analysis

Benefits, costs and risks for stakeholders

The table below describes the benefits, costs and risks of the designation for relevant stakeholders.

Table 14: Costs and benefits for relevant stakeholders

Stakeholder	Benefits	Costs	Risks
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the dtic	The dtic advances national industrial policy and strengthens the enforcement of designation requirements.	The dtic faces a higher administrative and monitoring burden.	There is a risk that verification systems may remain weak.
National Treasury	National Treasury benefits from improved procurement integrity and gains from positive fiscal multipliers.	National Treasury may face potentially higher upfront capital expenditure.	There is a risk that municipal tenders may remain fragmented.
Other government departments and institutions that use the product to provide services (e.g., Eskom, Transnet, Departments of Health, etc.)	These departments experience better maintenance outcomes and improved asset uptime, and they gain valuable learnings from e-bus pilot programmes.	These departments may incur transition costs and may need to undertake re-specification of products or systems.	There is a risk of procurement delays if these departments are misaligned with national processes.
Final consumers of government services, whether households or businesses	Final consumers benefit from improved reliability of public services.	They may face possible short-term fare or tax pressures.	They may experience slower fleet replacement if the process is mismanaged.
Workers and communities	Workers and communities benefit through job creation and enhanced skills development.	They may face training and upskilling costs.	Employment may become volatile if demand is inconsistent or lumpy.
Agents and distributors of imported goods	These agents and distributors have an opportunity to pivot toward CKD, SKD, or localisation-aligned business models.	They experience margin pressure and incur compliance-related costs.	They risk losing market share for fully imported products.
Local OEMs/body builders	Local OEMs and body builders gain demand certainty and predictability, as well as access to investment incentives.	They may face working-capital pressures and incur certification-related costs.	They risk under-utilisation of capacity if demand remains fragmented.
Regulators (NRCS/SABS)	Regulators benefit from a stronger and more coherent compliance ecosystem.	Their workload increases as they process more approvals.	Approval bottlenecks may emerge if capacity is not expanded.
Municipalities/provinces	Municipalities and provinces benefit from standardised procurement templates and from the efficiencies of aggregated demand.	They face additional administrative burden to plan, implement, and verify compliance.	They may experience higher unit costs if procurement is not aggregated.

Source: own analysis

As-is Assessment: Legislative and Policy Environment for the bus industry in South Africa

Key takeaways:

South Africa supports bus procurement and operations through grants like the Public Transport Network Grant (PTNG) and the Public Transport Operations Grant (PTOG), with additional funding from Just Energy Transition Investment Plan (JET-IP) and APDP2 to promote localisation and electric vehicle adoption.

Electric buses are funded via public grants, green bonds, vendor financing, and international climate funds. Infrastructure is being developed by municipalities and private firms using smart charging systems and hybrid servicing models.

Local content thresholds (70–80%) apply to bus bodies, but enforcement is inconsistent. Short contracts and legacy agreements limit investment in local manufacturing, while updated legislation aims to improve compliance.

Bus services operate under varied models, with opportunities to support Black-owned businesses through maintenance, operations, and infrastructure contracts.

Municipalities prefer OEM parts, sidelining capable local suppliers. Maintenance plans and disposal processes follow structured policies, but reforms could improve localisation and supply chain resilience.

As the prior section alluded to, policy, grants and incentives have a large effect in shaping the South African bus industry, influencing everything from fleet procurement to local manufacturing and service delivery.

Recent trends highlight a steady increase in public investment, with cities and municipalities relying on conditional grants—such as the PTNG and the PTOG—to fund infrastructure, operations, and fleet renewal in alignment with national transport strategies such as the National Public Transport Subsidy Policy (draft dated December 2023), gazetted 23 February 2024 and the JET-IP¹⁰⁰.

In particular, the JET-IP proposes NEV investment programme from 2023 to 2027 at a cost of USD 7.8 billion. Of this, USD 370 million has been allocated to public transport transition. This is for support to investments in public transport such as buses, taxis and fleets, funding the charging infrastructure and energy storage (including associated infrastructure) and for supply chain investments in local

¹⁰⁰ (WWF South Africa, 2025)

assembly. In addition, the South African Automotive Masterplan 2035 (SAAM 2035), looks to increase production incentives benefit – relevant to buses – by 25% on components (from 10% to 12.5% of value addition) utilising the APDP2 as the implementation mechanism. The Medium Heavy Commercial Vehicle Automotive Incentive Scheme (MHCV-AIS) applies to trucks and buses, which is a grant related to investment.

These funding mechanisms, underpinned by a robust framework of acts and regulations, not only drive demand for new buses but also embed localisation requirements that support domestic industry development. As the sector evolves, understanding the interplay between legislation, procurement practices, and broader industrial policy is essential for stakeholders seeking to navigate and leverage opportunities within South Africa's dynamic public transport landscape.

FUNDING MECHANISMS IN SOUTH AFRICA

Cities in South Africa typically procure buses for public transport using government grants, primarily the PTNG and occasionally through municipal budgets or other national infrastructure funding mechanisms.

- The National Treasury helps fund public bus transportation services for 12 municipalities in South Africa, all of which meet the criteria of the PTNG which is intended to help cities create and improve public transport systems in line with the National Land Transport Act (Act 5 of 2009) (NLTA).
- Municipalities can supplement the PTNG with their own funds.
- The Budget Facility for Infrastructure (BFI) is a government initiative designed to support large-scale infrastructure projects through rigorous project planning, appraisal, and selection process. Cities like the City of Cape Town have secured BFI funding to expand MyCiTi BRT services¹⁰¹.
- The Development Bank of Southern Africa (DBSA) has a mandate to promote economic growth and regional integration for sustainable development projects in South Africa, SADC and the wider Sub-Saharan Africa. A pilot project is currently being partially funded from the Global Environment Facility (GEF) to introduce e-buses in City of Tshwane and City of eThekweni and managed by DBSA and the South African National Energy Development Institute (SANEDI).

¹⁰¹ (Department of Transport and Public Works, 2021)

The potential for the remaining funding to come from various sources, including the DBSA (and others) concessional facility, South African Government EV fiscal incentives, or City Government budgets.

The commuter bus operations are funded by the government, using the Division of Revenue Act, Act 3 of 2017 (DORA), through two grants: the PTNG (Public Transport Network Grant) and the PTOG (Public Transport Operational Grant)¹⁰².

The PTNG administered by the Dot, helps cities to create or improve public transport systems in line with the NLTA (Act 5 of 2009) and the Public Transport Strategy (2007). The PTNG is a conditional grant to selected municipalities to support the development and operation of Integrated Public Transport Networks (IPTNs). Municipalities must submit business plans with expenditure estimates to receive PTNG allocations. The grant funds:

- Accelerated construction and improvement of public and non-motorised transport infrastructure that form part of a municipal IPTN such as:
 - Bus rapid transit systems,
 - Dedicated bus lanes,
 - Stations and depots,
 - Conventional bus services,
 - Non-motorised transport infrastructure (e.g., pedestrian and cycling infrastructure).
- Operational support for municipal public transport services.
- Procurement of buses.
- The planning, regulation, control, management and operations of fiscally and financially sustainable municipal public transport network services.

The PTOG is a national conditional grant allocated to provinces to subsidise commuter bus services. It helps ensure that provinces meet their contractual obligations and provide services efficiently. The grant supports:

- Operational costs of commuter bus services under interim, tendered and negotiated contracts.
- Private bus operators based on kilometres operated on subsidised routes.

¹⁰² (Parliamentary Budget Office, 2021)

- Supplementary funding towards public transport services provided by provincial departments of transport.

PTOG contracts are made up of mostly legacy contracts, with the majority having remained closed to competitive tendering since the early 2000s with no local content designation enforced due to these contracts predating the relevant regulations¹⁰³. Under the 2023 amendment to the NLTA (Section 11 (g) (8)), contracting authorities are now obligated to collaborate with bus operators to ensure that suitable new agreements are established to replace outdated contracts¹⁰⁴.

In addition to these key funding mechanisms, a handful of other grants and incentives apply to the production of buses more broadly.

In particular, the Automotive Production and Development Programme (APDP) is South Africa's automotive industry incentive programme. It was revised as APDP Phase 2 (APDP2) for 2021–2035. Historically, APDP catered mainly to light vehicles, but APDP2 explicitly includes Medium and Heavy Commercial Vehicles (MHCV) such as buses.

APDP2's goal is to stimulate local manufacturing through a combination of import duty rebates and production incentives:

- *Customs Duty Rebates*: Rebate Item 317.07 under the APDP2 refers to the rebate of customs duties for automotive components used in the manufacture of medium and heavy motor vehicles. Bus manufacturers operating under APDP2 can benefit from reduced import duties when sourcing components for local assembly. Specifically, Rebate Item 317.07 under Chapter 98 allows duty-free importation of designated bus chassis parts, provided they are used in domestic manufacturing. This significantly lowers input costs and supports localisation. Under this mechanism, the duty liability is brought to account quarterly, meaning manufacturers calculate their total duty obligations every three months. The net duty liability, after applying eligible rebates, is then paid to South African Revenue Service (SARS). This process ensures compliance while enabling manufacturers to optimise their cash flow and benefit from incentives aligned with local production.

¹⁰³ (Heyns, 2024)

¹⁰⁴ (National Land Transport Amendment Act, 2023)

- *Production Incentive (PI)*: The PI under APDP2 provides import duty rebate credits based on the value of local production, rewarding manufacturers for local value addition. Bus assemblers earn PI credits in proportion to the local content they achieve in their vehicles. A critical detail is that these duty credits are issued at duty value, meaning the credit reflects the actual customs duty that would have been payable on the imported components. This makes the incentive directly tied to the cost-saving potential for manufacturers, as higher local content translates into more substantial credits that can be used to offset future import duties. APDP2 rules were adjusted to better support component suppliers and exporters, and to explicitly include MHCVs, such as buses, within its scope.
- *VALA*: The APDP2 gives an additional duty rebate to OEMs that produce above a certain volume and use local content. For light vehicles it's 10 000 units/year threshold¹⁰⁵ The VALA is a non-transferable import duty credit calculated on local manufacturing value addition. It incentivises increasing local content: e.g., with 40% local content an OEM gets a 3.2% rebate, and with 60% local content that rebate can rise to ~4.2%. This pushes OEMs to localise more to maximise their benefit.
- *Medium and Heavy Commercial Vehicles Automotive Investment Scheme (MHCV-AIS)*: The MHCV-AIS is a dedicated sub-programme of South Africa's broader Automotive Investment Scheme (AIS), administered by the dtic. While AIS supports capital investment across the automotive sector, MHCV-AIS specifically targets bus and truck manufacturing projects. The MHCV-AIS provides for a non-taxable cash grant of 20% of the value of qualifying investment in productive assets by medium and heavy commercial vehicle manufactures and 25% of the value of qualifying investment in productive assets by component manufacturers and tooling companies for MHCVs, as approved by the dtic This incentive is designed to de-risk OEM investment in local bus assembly lines and technologies, especially in a market where

¹⁰⁵ (NAAMSA, 2024)

production volumes are relatively low, offering direct financial support for localisation efforts.

For bus manufacturers, APDP2 thus provides financial support to localise. For instance, if an OEM assembles buses locally and meets the localisation thresholds, it can import remaining components with reduced or zero duty by using the import duty PI credits thereby improving its profitability.

However, one challenge is scale: APDP2 rewards higher volumes, and bus production volumes in SA are relatively low. The industry is advocating for APDP2 to cater to bus segment realities (e.g. lower volume thresholds or special allowances), an aspect under discussion in the SAAM 2035 review. The SAAM 2035 is expected to be reviewed in 2025 to potentially bolster support for sectors like buses that were not fully addressed in the initial plan.

As the preceding review of funding instruments confirms, no dedicated financing mechanism currently exists for the procurement of electric buses specifically (instead, these financing mechanisms deal with overarching bus procurement or production). An exploration of possible options to fund such incentives are provided in the ensuing sub-section.

POTENTIAL FUNDING AND FINANCING MECHANISM FOR PURCHASING E-BUSES

To facilitate the adoption of electric buses, customised financial strategies can help address high initial costs and support long-term affordability.

Potential public funding and financing mechanisms¹⁰⁶:

- **Farebox Revenue:** Main source of commercial income for bus operators, used to cover operational expenses and invest in vehicles. However, it often falls short of fully funding the business, necessitating supplementary grants.
- **South Africa's JET-IP:** South Africa's response to its electricity crisis includes a strategic shift from coal to renewable energy, anchored by the JET-IP. Supported by international partners through the JET Partnership, concessional funding has been pledged to de-risk investments and attract private capital. Public transport (buses and taxis) is a key focus area, with funding allocated for

¹⁰⁶ (C40 Cities, 2024)

vehicle procurement, charging infrastructure, and local manufacturing. Implementation involves direct agreements with international financiers or through national intermediaries like Development Bank of Southern Africa (DBSA), which leads public transport-related initiatives.

- **Grants:** The main South African public transport grants are the PTOG and PTNG. Limited grant pools mean that spending on costly e-buses reduces the availability of funds for infrastructure and other priorities.
- **Bus Scrapping Schemes:** Implemented by national or local governments, can incentivise the transition to e-buses by mandating the retirement of older vehicles and offering financial allowances toward new, low-emission fleets. While such schemes have supported minibus-taxi renewal in South Africa, current fiscal constraints make their short- to medium-term implementation unlikely.
- **South Africa's Public Sector Development Finance Institutions:**
 - **DBSA:** Mandate to promote economic growth and regional integration for sustainable development projects in South Africa, SADC and the wider Sub-Saharan Africa.
 - **Industrial Development Corporation (IDC):** Priorities aligned with national policy directions as set out in the National Development Plan (NDP), Industrial Policy Action Plan (IPAP) and industry Master Plans. Its mandate is to maximise its development impact through job-rich industrialisation, while contributing to an inclusive economy. While it may not finance the purchase of e-buses, it would likely play a key role in financing the establishment of e-bus manufacturing in South Africa.

Potential private funding and financing mechanisms include the following¹⁰⁷:

- **Green Bonds:** A green bond can be issued by bus operators or local authority, for example to finance the transition to e-buses. These bonds function like traditional bonds but are earmarked for green initiatives and may include tax

¹⁰⁷ (C40 Cities, 2024)

incentives to attract investors. While municipalities like City of Cape Town have experience with green bonds, their effectiveness in reducing borrowing costs is not guaranteed.

- **Tax Breaks:** Tax incentives are effective tools for supporting EV adoption, especially when direct grants are limited. In South Africa, the tax system currently disadvantages e-buses compared to diesel. While import duties can promote local manufacturing, punitive taxes on e-buses should be avoided where local production is not feasible.
- **Vendor Financing:** Where manufacturers offer loans to purchasers, which can support vehicle acquisition, especially in competitive markets. It allows for easier repossession and resale in case of default, making it a practical tool for financing EVs. This mechanism is expected to gain traction where market conditions are favourable.
- **International Funding Sources:** There are several financing sources that support the introduction of e-buses due to their benefits for air quality and the climate. These sources include the Clean Technology Fund (CTF), the Green Climate Fund (GCF), and the Global Environment Facility (GEF), which offer various financing mechanisms, including grants, concessional loans, guarantees, and equity (ownership stakes).
- **South Africa's Private Financial Sector:** All the banks have a corporate lending arm that would arrange bus or charging infrastructure finance with current private bus operators and municipalities.

A successful transition to electric buses requires coordinated financial planning that balances affordability with long-term sustainability. By aligning public and private efforts, South Africa can unlock investment, reduce financial barriers, and accelerate the shift to cleaner public transport.

A view on public and private sector procurement and ownership practices is provided next, and describes the ways in which buses are procured fundamentally

PUBLIC PROCUREMENT PRACTICES AND GUIDELINES

As touched on before, the dtic has designated bus bodies for local procurement by organs of state in the 2012/2013 financial year, with the aim of promoting domestic industry across Tier 1 to Tier 3 suppliers. While chassis and powertrains are excluded from this localisation requirement, it is stipulated that the chassis, engine, and transmission must be assembled in South Africa from CKD kits.

Additionally, components such as fuel tanks, tyres, batteries, and wheel rims—referred to as ‘hang-on parts’—which are capable of being locally sourced, should be specified within individual tenders.

Table 15: dtic - Bus Designation, stipulated minimum thresholds of local content

Types of Bus	Stipulated Minimum Threshold of Local Content
4X2 Commuter Bus, 36-seater and more, 8500 kg GVM or more	80%
6X2 Commuter Bus, 56-seater and more, 18 000 kg GVM or more	80%
4X2 City Bus, 21-seater and more, 8500 kg GVM or more	70%
City Bus, 50-seater or more, 18 000 kg GVM or more	70%
6X2 Semi-luxury, 50-seater or more, 18 000 kg GVM or more, DVD player, parcel racks, luggage lockers, saloon heater, tinted windows and curtains, cloth seats	70%
General Clause: Any other bus / bus body whether it be commuter, city or semi luxury coach not fitting the specific descriptions, whether of a monocoque structure or not	80%

The dtic’s stipulated local content thresholds are technically feasible for body assembly and certain components like tyres, batteries, and fuel tanks, which can be locally sourced. However, in practice, achievement of these thresholds has been uneven. While some manufacturers have exceeded the requirements in designated areas, localisation remains limited for drivetrain and chassis components, which are often imported or assembled from CKD kits¹⁰⁸.

Enforcement is, however, constrained by fragmented procurement and limited technical capacity within municipalities to rigorously assess compliance, resulting in inconsistent application across tenders¹⁰⁹.

Localisation in South Africa’s public procurement system is also shaped by a layered framework of legislative instruments, including the Preferential Procurement Policy Framework Act (Act 5 of 2000) (PPPFA), the Public Finance Management Act (Act 1

¹⁰⁸ (Ngcamphalala, 2024), (BUSA, 2022)

¹⁰⁹ (Ngcamphalala, 2024), (BUSA, 2022)

of 1999) (PFMA), and the Municipal Finance Management Act (Act 56 of 2003) (MFMA). These acts have historically guided how organs of state procure goods and services, with an emphasis on promoting socio-economic objectives such as industrial development and job creation.

This framework has now been supplemented and modernised by the Public Procurement Act (Act 28 of 2024), which consolidates and strengthens procurement governance, introduces clearer compliance mechanisms, and reinforces the enforcement of local content thresholds, particularly for designated sectors like bus manufacturing.

Notwithstanding some challenges, recent procurement activity suggests that localisation in the bus industry is evolving beyond the manufacturing of bus bodies. A full list of tenders evaluated can be found in for example, Tender Number: 30296-1J issued by the City of eThekweni includes explicit localisation requirements for the maintenance of the buses to be procured, indicating a shift towards embedding local capability across the full lifecycle of fleet operations.

This trend, if adopted more broadly, could significantly expand the scope of localisation in public transport procurement, creating opportunities for local service providers, technical training institutions, and component suppliers.

Private sector organisations, depending on the contracts held with government, typically form part of this broader procurement network when enjoying PTNG access, although legacy PTOG contract re-negotiations do not endeavour to impose designation standards onto private sector actors typically – a view on these procurement and ownership practices is provided below for key bus operators in the country.

Table 16: South African bus operator business models

Model Groups		Who is Responsible?	Funding Arrangement		Contractual Arrangement		Designation
Model	Examples	Bus Ownership and Operations	Subsidy	Subsidy Mechanism	Contract Type	Procurement	
Formal private operators contracted mainly by provincial government and subsidised from the PTOG	PUTCO & GABS	Mostly operated by private operators, who also own their own fleet	PTOG	Subsidies are paid, ostensibly, on a vehicle km basis, although in many cases in reality, the subsidy amount is based on historical allocations and the amount paid per kilometre derived on the basis of regular negotiations between the service provider and the provincial govt. <i>(GAP: Potential for grant to have a form of designation – increase % in route subsidy or enforce designation)</i>	Net contract (the operator receives these revenues, and uses it as a source of income to operate the service)	Constitution requires that such services must be procured through competitive tendering for contracts. The NLTA provides that such tenders are limited to a maximum period of seven years, with provision (s41 of NLTA) for a once-off 12-year contract to be negotiated under certain circumstances to facilitate system restructuring.	Not currently

Model Groups		Who is Responsible?	Funding Arrangement		Contractual Arrangement		Designation
Model	Examples	Bus Ownership and Operations	Subsidy	Subsidy Mechanism	Contract Type	Procurement	
Legacy conventional municipal bus services: Municipally owned and operated	Johannesburg Metrobus, Tshwane Bus Services & Ekurhuleni Bus Service	Bus services are fully operated by the cities, who also owns the buses	Municipal taxes: Durban municipal bus service also gets PTOG	Where owned by municipal entity, they have their own financial statements, but these form part of the consolidated financial statements of the parent municipality. In effect, their finances are guaranteed by their parent municipality. Otherwise operated as a city department. In Durban the provincial government pays PTOG to municipality to part cover deficit		While the objective is to cover costs, deficits are common and ultimately paid for by the parent municipality, with the exception that in the case of the Durban municipal bus service there is a contribution from PTOG. But effectively, new bus purchase is financed by the municipality.	Yes
Legacy conventional municipal bus services: Municipally owned and privately operated	Durban municipal bus service	Buses are city owned and maintained. Operations contracted to private company					

Model Groups		Who is Responsible?	Funding Arrangement		Contractual Arrangement		Designation
Model	Examples	Bus Ownership and Operations	Subsidy	Subsidy Mechanism	Contract Type	Procurement	
BRT with private operators using their own vehicles	Rea Vaya (Johannesburg)	City contracts operations to private operator, who owns the buses.	PTNG and Municipal Taxes	PTNG is intended to be primarily for capital expenditure, however, a significant subsidisation of operating spending has been permitted. The PTNG may also be used to fund a portion of the per kilometre rate to subsidise up to 100% of the capital cost (including interest and related fees) of vehicles purchased by the vehicle operating company.	Gross contract (fare revenue accrues to the City, and the City pays the operator to operate the service)	Contracted in terms of the NLTA as follows:	Yes
BRT with private operators using municipally owned vehicles	MyCiTi (Cape Town), A Re Yeng (City of Tshwane)	The city owns the buses, which the private operator operates				- For a once-off maximum 12-year contract negotiated under certain circumstances to facilitate system restructuring (s41). - Or awarded by tender for a maximum of 7 years (s42 or s43). Alternatively issued in exceptional circumstances in terms of city supply chain management policy.	

Model Groups		Who is Responsible?	Funding Arrangement		Contractual Arrangement		Designation
Model	Examples	Bus Ownership and Operations	Subsidy	Subsidy Mechanism	Contract Type	Procurement	
Feeder bus services	Gautrain	Some buses owned by Province, some by the sub-contractors to concessionaire	Province, with national support	Ridership guarantee	Concession	Public Private Partnerships, in compliance with National Treasury rules	Yes
Other, private, unsubsidised bus operators	There is a range of further operators that provide various forms of transport of people, but which do not fall within the core of the public transport system. These include, for example, tourist services. These operators are all private and unsubsidised.						No

Case study on GABS recent e-bus procurement

GABS is a privately owned organisation, whose operating expenditures are funded in part by own-revenues generated through the private and public sector operation of buses, and in part through government grant revenues¹¹⁰. The large private bus service operated by GABS, and in contract with the Western Cape Mobility Department, plays an important role in the City of Cape Town's public transport system, in particular.

This grant aforementioned - the PTOG – is allocated to GABS to procure services (i.e., the operation of GABS' bus fleet on public routes)¹¹¹.

GABS partnered with BYD, a leading Chinese manufacturer specialising in electric vehicles, in 2020 to test two electric buses that were officially introduced into service in 2021¹¹². In 2024, GABS signed a deal to acquire 120 electric buses from BYD. While the exact breakdown of funding sources is not publicly detailed, GABS indicated that this purchase was financed through South Africa's commercial banks¹¹³ (the Western Cape Government and Department of Transport and Public Works were not involved in the procurement, which complied with subsidy regulations)¹¹⁴.

GABS plans to work with a local bus body builder (the supplier has not been stated) to develop a South African body to fit on the imported electric chassis "in the future"¹¹⁵. The project is supported by:

- uYilo Kick Start Fund in 2020 for the 12-month pilot programme to test two electric buses. uYilo is a national electric mobility programme established to support applied research and development.
- The two BYD electric buses introduced by the Minister on 5 July 2021 were originally part of a cancelled City of Cape Town tender from 2018. They were owned by BYD and later acquired by GABS through a private transaction.
- Eskom, through a Memorandum of Cooperation, to support electric vehicle infrastructure and potential renewable energy wheeling agreements.

¹¹⁰ (C40 Cities, 2024)

¹¹¹ (Department of Transport and Public Works, 2022)

¹¹² (Meyer, 2024)

¹¹³ (Venter I. , Golden Arrow to acquire 120 electric buses from BYD, 2024)

¹¹⁴ (Department of Transport and Public Works, 2021)

¹¹⁵ (Venter I. , Golden Arrow to acquire 120 electric buses from BYD, 2024)

- GABS has installed 30 charging units, with two dispensers each -the charging facility will be expanded to 60 chargers with a total of 120 dispenser during the second half of 2025.
- Autel Energy, in partnership with STS Tech Group, installed South Africa's largest EV bus charging hub at the Arrowgate Depot.
- GABS has invested in solar energy infrastructure since 2017, achieving carbon-neutral electricity status at some facilities. These efforts are aligned with broader government climate strategies and may receive indirect support through incentives or partnerships.

According to C40 Cities, "... GABS envisages replacing its existing fleet with 60 e-buses every year, starting from 2024, until its full fleet of 1 100 diesel buses has been replaced. This represents an estimated annual investment of approximately USD 21.95 million¹¹⁶." (~18 years. est. USD 402 million)

Notable considerations for public procurement from the GABS case study

As it stands, there is no designation mandate for GABS given that the organisation is a private company, and as a result, is entitled to allocating its capital as it sees fit. Discussions with stakeholders revealed two potential views on this non-application of designation:

1. In most cases, stakeholders agreed that GABS – as a private sector organisation – was not necessitated to comply with the designation framework, noting however that this approach to procurement – especially in the service of the public – might waylay localisation potential.
2. In some cases, stakeholders noted that – given GABS benefit from public sector funds, more consideration should be placed on the proportion of their revenues generated through public sector subsidies and the application of the designation framework. Put differently, the proportion of revenues that GABS obtained in any given year through the PTOG that acted as a financial assistant to the procurement of the BYD buses could be considered for designation.

¹¹⁶ (C40 Cities, 2024)

Importantly, this report does not decide as to whether the grant portion of GABS' revenue should fall under the designation framework or not given the merit of both arguments above. However, this case study highlights the complexity of procurement practices which warrants further analysis and consideration going forward.

OPPORTUNITIES TO STRENGTHEN LOCALISATION THROUGH PUBLIC PROCUREMENT

Based on the evidence evaluated thus far, and despite the presence of enabling legislation, several opportunities exist to more effectively support localisation in the bus industry. A view of these is provided below:

- i. **Tender Structuring:** Many tenders do not clearly specify localisation requirements for non-designated components¹¹⁷. Standardised tender templates and clearer guidance could improve compliance and reduce ambiguity. A review of historical tenders can be found in the annexures to this report.
- ii. **Monitoring and Accountability:** There is limited public reporting on localisation outcomes at the project level¹¹⁸. Introducing routine audits and publishing compliance metrics could enhance transparency and accountability.
- iii. **Capacity Development:** Procurement officials often lack the technical expertise to assess localisation claims¹¹⁹. Targeted training and support from the dtic or National Treasury could strengthen enforcement.
- iv. **Collaborative Procurement:** Aggregating demand across municipalities could improve economies of scale and make it more viable for local suppliers to invest in tooling and capacity, particularly for components currently excluded from designation¹²⁰.

¹¹⁷ (Parliamentary Monitoring Group, 2020)

¹¹⁸ (Parliamentary Monitoring Group, 2020)

¹¹⁹ (PUBLIC SERVICE ACCOUNTABILITY MONITOR (PSAM), 2021)

¹²⁰ (South African Local Government Association (SALGA), 2025)

- v. **Broader view of the value chain combined with other procurements:** Manufacturing industries are an ecosystem of suppliers of both products and services. Support industries crucial to bus manufacturing can only be sustainable if they attain scale beyond that which bus manufacturing specifically can provide. For this reason, public sector procurement should take a broad view of the value chain and seek to identify supply that serve not only buses specifically, but other public sector procurements (such as earthmoving equipment, which shares similar heavy-duty components and manufacturing inputs like steel structures and large-scale fabrication), and focus on these as integrated elements of the broader public sector supply chain¹²¹.
- vi. **Inclusion of certified non-OEM parts:** Current procurement practices often mandate OEM or OEM-approved parts, excluding capable Tier 2 and 3 suppliers who produce certified components that meet technical standards. Revising specifications to allow for certified non-OEM alternatives could unlock local manufacturing potential, reduce dependency on imports, and support transformation goals.

Longer-term contracts to enable local investment: Short contract durations limit the ability of service providers to invest in local bus assembly and component manufacturing. Extending contract periods – within the bounds of the MFMA and Treasury regulations – could provide the financial stability needed for operators to commit to local procurement and support industrial development.

These interventions could help identify strategic opportunities to support domestic manufacturing and improve the effectiveness of public procurement as a lever for industrial development.

¹²¹ (Crompton, Fessehaie, Kaziboni, & Zengeni, 2017)

TECHNICAL, OPERATIONAL AND EV CHARGING INFRASTRUCTURE CONSIDERATIONS

- **Maintenance and repair plans**

Effective maintenance and repair plans for public transport buses in South Africa play a vital role in enhancing service reliability, safety, and supporting industry development. A maintenance and repair plan for public transport buses, as outlined in various South African municipal tender documents, typically includes a structured and comprehensive approach to ensuring vehicle reliability and operational efficiency.

The tender documents of City of eThekweni and the City of Johannesburg's Rea Vaya service indicates that these plans are governed by formal maintenance agreements with suppliers and require detailed costing on a cents-per-kilometre basis. Routine servicing is scheduled during off-peak hours (e.g., 08h00–15h00), with extended support hours at depots to handle breakdowns and minor repairs. The plans also specify technical standards, such as driveline durability (600,000 km without major failure), brake system requirements (disc or drum with minimum service life), and OEM-approved parts. Bidders must submit a provisional maintenance strategy that guarantees fleet reliability (typically 98%) and includes staffing details, depot infrastructure, inspection protocols, and contingency measures for excluded services. These requirements are often aligned with Schedule 4(v) of the Model Tender and Contract Documents published in the Government Gazette, ensuring consistency across municipalities.

Maintenance initiatives stimulate job creation by employing skilled technicians and support staff and often involve sub-contracting to small and medium enterprises, thereby boosting local economies.

- **Spare parts procurement by municipalities**

While national legislation such as the MFMA, Supply Chain Management Regulations, the Public Procurement Act and the PPPFA promotes fair and cost-effective procurement, it does not legally mandate the use of OEM parts. However, municipalities often enforce OEM requirements in their tender specifications to ensure compatibility, safety, and warranty compliance, especially for critical fleet components.

Municipalities in South Africa procure spare parts for public transport buses primarily through open tender or Request for Quotation (RFQ) processes, often awarding multi-year contracts. These tenders typically specify requirements for OEM parts. For example, the City of Tshwane's tender for the supply and delivery of bus spares mandates that bidders submit valid OEM authorisation letters from MAN and

Mercedes-Benz South Africa, confirming they are approved distributors. Similarly, the City of Johannesburg's Metrobus tender explicitly requires all supplied parts to be OEM or OEM-approved by Mercedes-Benz. Similarly, Great North Transport (GNT), a state-owned bus company operating in Limpopo and Mpumalanga, maintains its own fleet and sources parts from a panel of approved suppliers. GNT's technical requirement specifications states that "generic items must meet OEM standards."

The consistent preference for OEM or OEM-approved parts in municipal bus tenders reflects a risk-averse procurement culture prioritising safety, warranty compliance, and fleet compatibility. While this approach ensures operational reliability, it inadvertently sidelines South Africa's Tier 2 and Tier 3 suppliers—many of whom can produce high-quality, certified components. These smaller manufacturers and distributors often lack formal OEM authorisation, despite meeting technical standards, and are therefore excluded from participating in public sector contracts. This limits opportunities for localisation, industrial diversification, and inclusive economic growth. The current procurement trend reinforces dependency on imported components and entrenched OEM networks, undermining the objectives of the PPPFA and the broader goals of the South African Automotive Masterplan (SAAM). Without policy reform that enables certified non-OEM suppliers to compete on quality and value, the bus industry risks missing a critical opportunity to build a more resilient and inclusive local supply chain.

- **Disposal of public buses**

Public buses are written off and considered for disposal when they exceed age or mileage thresholds, become unserviceable, or are no longer economically viable to repair. The decision to dispose of a vehicle is guided by municipal fleet policies and national legislation such as the MFMA and the PFMA.

Before disposal, a committee evaluates the vehicle's condition, book value, and market value. Disposal methods include auction, tender processes, or internal transfer between government departments. Vehicles should ideally be withdrawn once their economic life ends to maximise residual value, and each department must have a clear replacement and disposal policy that accounts for costs, lifespan, and available funding.

The Supply Chain Management policy as published by City of Cape Town indicates the following regarding the goal of the disposal management system¹²²:

- "To give effect to:

- Regulation 40 of the Supply Chain Management Regulations which requires an effective system for the disposal or letting of assets including unserviceable, redundant or obsolete assets, and
 - the Municipal Asset Transfer Regulations, subject to sections 14 and 90 of the MFMA and any other applicable legislation.
- As far as possible, assets to be disposed of must be made available to recycling. Disposal to landfill is not allowed unless no recycling options are available.
 - Subject to the provisions of the Municipal Asset Transfer Regulations: moveable assets may be sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous to the City”

In accordance with the MFMA, the process for transferring municipal assets must follow a structured process. The municipality must first assess whether the buses are still needed for service delivery. If not, the municipal council decides to dispose of them and selects an appropriate transfer method. The proposed transfer is then advertised for public input if required. Offers are evaluated, and the preferred one approved. The transfer is formalised, ensuring compliance with the Municipal Asset Transfer Regulations throughout the process.

The disposal of public buses is a critical component of municipal asset management, requiring careful evaluation, adherence to legislative frameworks, and strategic planning. A structured, transparent process guided by municipal policies helps maximise value while promoting sustainability.

E-BUS INFRASTRUCTURE AND MONITORING

Based on current and future EV bus projects reported on in South Africa, infrastructure for electric buses is installed by a combination of:

- Municipalities and government agencies:
 - Projects in cities like City of Tshwane and City of eThekweni are managed by the SANEDI and funded by the DBSA. These entities will oversee the rollout of charging infrastructure. SANEDI has not yet announced a specific charging infrastructure provider for its current electric bus project

but stated that some charging equipment will be sourced from South African suppliers¹²³.

- The City of Cape Town will acquire 30 fully electric buses from Volvo Bus Southern Africa for its MyCiTi service, with delivery expected in 2027. Funded by the Public Transport National Grant, the buses will combine imported Volvo chassis with locally manufactured bodies. A separate tender for charging infrastructure will be issued soon. The city will own the buses, while operations will be outsourced¹²⁴.
- Private companies:
 - GABS has signed a Memorandum of Co-operation with Eskom to support the rollout of South Africa's first electric bus fleet. The partnership focuses on developing charging infrastructure in the City of Cape Town and enabling broader electric vehicle integration. GABS plans to introduce 120 electric buses by year-end, powered by Eskom electricity and supplemented by renewable energy from independent producers, with Eskom facilitating future wheeling agreements.
 - Autel Energy, in partnership with STS Tech Group, installed South Africa's largest EV bus charging hub at the Arrowgate Depot. They have deployed 30 MaxiCharger DC Fast units (150–240 kW), with plans to expand to 50 by the end of 2025. These chargers support 68 BYD B12 electric buses, each with a 240 km range and 65-passenger capacity, scaling up to 120 buses. The MaxiChargers offer modular design, 98% efficiency, universal connector compatibility, weatherproof protection, and smart cloud-based management for high-volume fleet operations¹²⁵.

Three types of infrastructure servicing models exist:

- In-house servicing: The charging infrastructure is maintained by technicians employed directly by the municipality or transit agency, who are trained to handle routine servicing and basic repairs.

- **Outsourced servicing:** Some municipalities and transport operators may choose to outsource the maintenance of charging infrastructure to OEMs or specialised providers such as Autel or GridCars, who offer professional support, remote monitoring, and technical expertise.
- **Hybrid servicing models:** Some projects may adopt a hybrid approach, where public entities collaborate with private companies, combining in-house oversight with outsourced technical servicing to ensure efficient and sustainable infrastructure management.

Electric bus power usage is tracked using a combination of on-board sensors and data analysis tools that measure energy consumption and factors influencing it, such as battery state-of-charge, speed etc. along with charging station data management systems. These systems will enable the accurate monitoring of bus and battery performance. There is also the use of smart charging infrastructure systems like Autel's MaxiCharger DC Fast units, which include cloud integration for remote monitoring, smart load management, and diagnostics. These allow operators to track energy consumption per bus and optimise charging schedules. GreenCape, in collaboration with the City of Cape Town, has released a case study highlighting the successful deployment of electric buses by GABS. The study confirms the feasibility of electrified public transport, and the data informs charging schedules, load shedding strategies and potential solar PV integration¹²⁶.

South Africa's electric bus infrastructure is being developed through a mix of public and private initiatives, with municipalities, national agencies, and companies like GABS playing key roles. Servicing models may vary to ensure flexibility and sustainability. Smart charging systems and data-driven energy monitoring are central to optimising fleet performance and supporting the country's transition to cleaner public transport.

OTHER FACTORS THAT MAY AUGMENT LOCALISATION

Public procurement of buses can present multiple opportunities to develop Black-owned businesses beyond just building and supplying the vehicles. There are several areas where inclusive procurement strategies can create broader economic impact:

- **Fleet maintenance and servicing** can be awarded to black-owned workshops or service providers.

- E.g., City of eThekweni Municipality Tender (Manufacture, supply, delivery and maintenance of various commuter buses for a period of 36 months):
 - “The Black Business Participation Target (BBPT) is at least **40% for the maintenance portion** only of the contract.”
 - “The specific empowerment requirement for this tender is for the tendering entity to form an agreement with a Black Business Enterprise (BBE) which is **at least 51% Black owned for the maintenance portion of this contract** only.”
 - Empowerment Charter Declaration Affidavit for Maintenance: The tendering Entity shall develop a **BBE company** to be fully accredited within 3 years as an official service provider for the OEM’s products including but not limited to buses, within the City of eThekweni region.
- **Fleet service/operation providers**
 - E.g., City of Johannesburg Rea Vaya Phase 1A Tender (Appointment of service provider for the bus operating services for a period of 7 years):
 - “Tenderer(s) (including a Joint Venture entity) must have a level 1 or level 2 B-BBEE certificate issued by an authorised body or person.”
 - “Tenderer(s) (including a JV entity) **must sub-contract a minimum of 30% of the contract to an Exempted Micro-Enterprise (EME) or Qualifying Small Enterprise (QSE)**, as stipulated and limited to section, 4(1) (c) (i) to (vii) in the PPPFA Regulations 2017. Such EME businesses should be sourced from the areas in which the contracts are operational.”
 - “Appointment of sub-contractors must comply with the requirements of Regulations 9 of the Preferential Procurement Regulations, 2017 and other applicable laws that seek to empower historically disadvantaged persons in respective categories with an EME or QSE which is **at least 51% owned**.”
- **Infrastructure development** (e.g., bus depots, charging stations for electric buses) can prioritise black-owned businesses.
- **Training and skills development** can be awarded to black-owned training providers.
- **Security, cleaning, station maintenance services**

- E.g., City of Ekurhuleni (Appointment of a service provider to render cleaning, maintenance and security services at the Harambee bus stations on an as and when required bases from date of award until 30 June 2026):
 - “The proposed projects must be measurable with specific focus on vulnerable groups such as: Job creation particularly for the unemployed or young people including the recruitment of long-term job seekers and handicapped people; and targeting the following designated group: **EME**.”

Inclusive public procurement in the bus sector offers a powerful mechanism to stimulate Black-owned business growth across multiple service areas beyond vehicle supply. By embedding empowerment targets and subcontracting requirements into tenders, municipalities can drive long-term economic transformation and skills development within historically disadvantaged communities. An overview of the tender documents evaluated can be found in: *Table 17: Historic and active tenders* evaluated

OVERVIEW OF TENDERS EVALUATED

Table 17: Historic and active tenders evaluated

Tender No.	Tender Description	Municipality	Scope	No. of Buses	Conditions
Bus Procurement					
30296-1J	Manufacture, supply, delivery and maintenance of various commuter buses for City of eThekweni for a period of 36 months	City of eThekweni	Manufacture, supply, delivery and maintenance of various commuter buses. Bidders must be OEMs or its accredited agents with at least five years' experience in bus manufacturing and must provide proof of a production facility. They must also have access to comprehensive support services (workshop and spares) in the City of eThekweni Municipal Area, and site inspections will be conducted to verify these facilities.	Not explicitly stated	The Black Business Participation Target is at least 40% for the maintenance portion of the contract. The tendering entity must partner with a Black-owned enterprise (minimum 51% black ownership) for this portion.
TSD23-2024/2025 A	Supply and delivery of new single deck electric buses and charging infrastructure including full maintenance for a period of 36 months on as and required basis	City of Johannesburg	The objective of this bid is to appoint a suitable independent service provider for the supply and delivery of new single deck Electric buses and charging infrastructure with full service and maintenance plan to Metrobus. Metrobus is in favour of local procurement. Metrobus' preferences regarding the local procurement are therefore	This tender will be based on rates, cost per bus and maintenance cost as the estimated quantities will be subject budget availability. However, for the purpose of evaluation, the pricing schedules	Bidders should provide a strategy to address skills enhancement, training and OEM accreditation certification to Metrobus technicians/mechanics at the end of the training.

Tender No.	Tender Description	Municipality	Scope	No. of Buses	Conditions
			emphasised and explained in the tender document	that will be used is the one with the quantity of 20 buses and 10 charging infrastructure.	
CoJ/TRP001/22-23	Appointment of service provider for the Rea Vaya Phase 1A bus operating services for the City of Johannesburg for a period of seven (7) years	City of Johannesburg	Provide public transportation on designated routes as prescribed. The contractor must provide their own buses, personnel and equipment necessary to perform operations, maintenance and repair work. Phase 1A Bus Operating Company (Pioneer Transport Company) operates Rea Vaya service between Soweto and Ellis Park through the CBD.	Not explicitly stated	Tenderer(s) (including a JV entity) must have a level 1 or level 2 B-BBEE certificate and must sub-contract a minimum of 30% of the contract to an EME or QSE
Spare Parts					
TSD25-2024/2025	Provision for a panel of service provider(s) for the supply and delivery of various Mercedes-Benz buses spares/parts and related items for a period of three years on as and when required basis.	City of Johannesburg	Supply and deliver OEM or OEM-approved Mercedes Benz parts within 24 hours of order receipt to ensure Metrobus vehicles remain safe and reliable for commuter service. All parts will be inspected upon delivery, and any counterfeit items must be replaced at no cost to Metrobus.	Metrobus has a fleet of 419 buses, of which 294 of the fleet consists of Volvo Buses	All parts must be OEM (Mercedes Benz), or OEM (Mercedes Benz) approved parts.
RTD 05-2023/24	Supply and delivery of bus spares for city of Tshwane's buses as and when required for a three-year period	City of Tshwane	This tender provides for the supply and delivery of buses engine, coolant system, suspension system, electrical system, braking systems and	TBS has a total running fleet of 254 buses comprising of 220 single decker's, 34 double decker's	The bidder must comply with mandatory requirement such as submitting proof of the specified items for

Tender No.	Tender Description	Municipality	Scope	No. of Buses	Conditions
			body components to be used by the mechanical maintenance workshops for Tshwane Bus Services (TBS). The products offered must comply with the required specifications in all respects. Proof may be required by the City of Tshwane.	including one open top bus used mainly for promotional events. These fleets of vehicles were manufactured in different years by two different manufactures being MAN and Mercedes-Benz.	which each category must be accompanied by the valid OEM letter for authorised spares distributor from MAN South Africa and Mercedes-Benz South Africa.
Q36-2025-26	Appointment of a service provider for the supply, delivery and offloading of bus parts to City of Tshwane stores	City of Tshwane	The purpose of this quotation advertising request is for the Supply, delivery, and off-loading of bus parts to City of Tshwane Stores on an as-and-when-required basis. Group Financial Services must approve specifications prior to advertisement.	Not explicitly stated	The city might require samples for certain items before they are delivered (SABS Certificates; SANS 1411 Part 1, SANS 1411 Part 2; SANS 151 400kPA approved)
GNT/SPARTS/02/2024-25	Appointment of a panel of service providers for the provision of spares, parts and consumables for the period of three years		Great North Transport (GNT), a state-owned bus passenger transport company, is seeking to establish a panel of qualified service providers to supply original mechanical, electrical, consumable, and body parts for bus repairs and maintenance on an ad hoc basis over a 36-month period.	Operating over 200 buses in Limpopo and parts of Mpumalanga, maintaining a fleet that includes Scania, MAN and Mercedes Benz models.	GNT reserves the right to award this bid to a purely empowerment company or may award this bid on condition that a joint venture with an empowerment company is formed. This will be added to the criteria when evaluating the bids
Other Services					

Tender No.	Tender Description	Municipality	Scope	No. of Buses	Conditions
A-PT-01-2024	Appointment of a service provider to render cleaning, maintenance and security services at the Harambee bus stations within the City of Ekurhuleni on an as and when required basis from date of award until 30 June 2026	City of Ekurhuleni	The appointment of a service provider to render cleaning, maintenance, and security services at Harambee Bus Stations. The Station Management services to be executed by the Station Management Contractor are customer information and passenger assistance, monitor and access control (fare validation and fare gate surveillance); cleaning; repairs and maintenance; security; ticket selling point rental; and lost property.	Not applicable	Preference points must be awarded to a bidder for attaining specific goals such as that of a designated group, EME.

CASE STUDY ON BUSMARK

In 2018, the Parliament's Portfolio Committee on Trade and Industry started its Inquiry into Compliance with the Localisation and Local Public Procurement Policy¹²⁷, with a focus on bus procurement. The inquiry aimed to assess whether government and state-owned entities were adhering to local procurement requirements as designated by National Treasury, and to identify challenges within the transport sector. The overarching goal of product designation is to stimulate domestic production, create employment, and build inclusive industrial capacity. The inquiry revealed significant challenges faced by local bus manufacturers, particularly around the verification of local content. Busmark, a leading bus body builder, emerged as a case study illustrating both the potential and the systemic gaps in the current framework.

Busmark exceeded the 80% local content requirement in constructing bus bodies, conducting detailed audits of its suppliers and tracing materials to their original sources. Despite this, the South African Bureau of Standards (SABS) charged R1 million for verification – a process perceived as procedural and lacking substantive support by Busmark in the Parliamentary Monitoring Group hearing¹²⁸. The dtic did not allocate a budget for the SABS to perform this verification, leaving Busmark to absorb the full cost. Busmark expressed concerns about the lack of recognition for first-Tier OEMs, who were excluded from body building incentive schemes. The procurement cycle for rapid transport buses by local governments raised concerns among stakeholders about governance risks. Despite these challenges, Busmark developed innovative products such as the Integrated Bus and the iBox, achieving 96% local content in bodywork and sourcing chassis steel locally. Bus chassis were often constructed from steel sourced from Atlantis, with only the drive chain, axle, engine, and drive core needing to be imported.

However, this Busmark case study highlights an imbalance, with the burden of verifying local content compliance falling disproportionately on body builders, even when the supply contract is held by an OEM. This raises the question of whether OEMs should share responsibility for verification.

While no regulatory changes have yet mandated OEM involvement, awareness of the issue has grown. In 2019/20, the dtic allocated USD 1.34 million to SABS to subsidise verification audits across 14 designated products, enabling 70 projects

¹²⁷ (Parliamentary Monitoring Group, 2018)

¹²⁸ (Parliamentary Monitoring Group, 2018)

and visits to over 374 sub-suppliers^{129 130}. This positive intervention, from the view of local manufacturers, set a precedent for government-funded compliance checks. In the years following this, the dtic did plan for targeted funding (~USD 732 000 per year through to 2022/23) to support SABS in verifying local content compliance which significantly bolstered oversight of local procurement during those years. After 2022/23, no further top-up was announced; instead, the focus shifted to new mechanisms such as the SABS's self-sustaining certification scheme and tighter auditing and procurement rules to enforce compliance¹³¹. In the absence of a new dedicated subsidy, the verification burden and costs are gradually transitioning to become part of normal procurement governance and proactive certification options for suppliers, rather than by a standalone government-funded project.

Further developments in the regulatory landscape have emerged, through the Public Procurement Act of 2024 which strengthens the legal framework for enforcement. Under Section 20, dtic can formally designate products for local content, and organs of state must implement these requirements¹³². This opens the door for procurement rules to require OEMs to cooperate with SABS audits or submit certified local content reports. National Treasury has indicated that new regulations will include reporting frameworks that could shift the verification burden more equitably.

In parallel, comparisons with the automotive sector reveal disparities in support mechanisms. The APDP, updated to APDP2 (2021–2035), offers substantial support to car and truck manufacturers through duty rebates, grants, and localisation allowances. Buses were formally included under MHCV-AIS in 2014, but uptake has been limited due to misalignment with sector needs.

Busmark, for example, did not apply for AIS support for its USD 12.2 million Cape Town plant due to lack of awareness. APDP2 now includes adjusted parameters for buses, such as lower volume thresholds and production incentives based on local value-add. However, the impact remains modest due to low production volumes.

Industry associations are advocating for further adjustments, including dedicated incentives for bus electrification and lower thresholds for rebate eligibility. The SAAM 2035 is under review, with potential enhancements for bus sector support under consideration.

Other bus manufacturers have echoed Busmark's challenges, which have been summarised below:

¹²⁹ (Parliamentary Monitoring Group, 2020)

¹³⁰ (The DTIC, 2020)

¹³¹ (The DTIC, 2019)

¹³² (National Treasury, 2025)

- **Unstable Demand:** Irregular procurement cycles hinder investment and capacity planning. Industry stakeholders are calling for coordinated procurement schedules across municipalities.
- **Cost Pressures:** Local production remains more expensive than imports, prompting calls for tender criteria that reward higher local content.
- **Administrative Burden:** Verification processes are complex and resource intensive. Manufacturers are streamlining supplier bases and advocating for simplified tools and guidelines.
- **Limited Incentives:** Unlike the automotive sector, bus manufacturers lack targeted grants. Some have pursued informal partnerships to localise components and reduce costs.

In response to these challenges, several reform areas have been identified, with the following table summarising key reforms, stakeholders and their expected impact:

Table 18: Reform Areas

Reform Area	Stakeholders	Expected Impact
Public Procurement Act, 2024	The dtic, Treasury, Organs of State	Legal clarity, structured designation, long-term policy stability
Funded Verification	The dtic, SABS, Treasury, OEMs	Reduced burden on suppliers, improved audit coverage
Monitoring Mechanisms	Auditor-General, Treasury, Proudly SA	Enhanced accountability, data-driven enforcement
Tailored Incentives	The dtic, naamsa, IDC	Increased investment, reduced cost gap, supplier development
Procurement Planning	SALGA, Treasury, Municipalities	Stable demand, economies of scale, smoother production cycles
Industry Innovation	Manufacturers, Universities, the dtic	Technology leadership, skill development, export potential

The Busmark case underscores the need for a more equitable and coordinated approach to local content verification in South African bus manufacturing. While OEMs are not yet formally required to share the verification burden, policy momentum is moving in that direction. Legislative reforms, improved oversight, and targeted incentives are laying the groundwork for a more resilient and competitive local bus industry.

If implemented effectively, these reforms could validate the efforts of local manufacturers, encourage deeper localisation, and fulfil the broader goals of South Africa's industrial policy of creating jobs, building capacity, and fostering innovation.

Detailed Case Studies

CASE STUDY: GHANA

In recent decades, Ghana has been actively seeking to modernise its urban and inter-city bus transport infrastructure, shifting from a reliance on older imported buses and informal operations towards more structured procurement, assembly and local servicing frameworks¹³³.

Ghana's public bus transport is primarily dominated by the informal sector, with a widespread network of privately-run buses and minibuses known as "Trotro" being the most popular mode of transport. The formal sector (which services a smaller portion of the population) includes government-owned services like Metro Mass Transit and the Intercity STC Coaches Limited. The formal sector's overall efficiency is constrained by factors like poor road infrastructure, inadequate investment, and limited enforcement of regulations, as discussed below.

a) Policy frameworks

Ghana's industrial policy for automotive development is anchored in the Ghana Automotive Development Policy (GADP), which aims to position the country as a regional vehicle assembly hub under the AfCFTA. The GADP prioritises local assembly in public procurement and offers fiscal incentives such as import-duty exemptions on completely knocked down (CKD) kits and VAT relief for registered assemblers. The Public Procurement Authority (PPA) enforces a margin of preference for locally assembled vehicles and is developing a comprehensive local-content policy to deepen domestic participation¹³⁴. Joint ventures, such as Ghana Heavy Equipment Ltd partnering with Chinese firm ZEV, seek to revive domestic bus assembly and build export potential.

The Ghanaian government has laid out a framework to support electric mobility through the National Electric Mobility Policy and Roadmap. This policy aims to transition 60% of the government's vehicle fleet to electric by 2035 and achieve 32% total EV penetration, across electric buses and cars, by 2032¹³⁵. Key incentives include import duty and VAT waivers for electric buses and cars. Additionally, an inter-ministerial E-Mobility Policy Working Group was inaugurated in November 2024 to

¹³³ (Afrane, 2025)

¹³⁴ (PPA Ghana, 2019)

¹³⁵ (Eninrac, 2025)

guide strategic implementation and coordinate efforts across sectors¹³⁶. The roadmap includes a phased deployment of 1 000 e-buses and related charging and maintenance infrastructure for intra- and intercity transport, with 50% of these buses to be assembled locally, promoting industrial growth and job creation¹³⁷.

Despite these initiatives, Ghana faces structural challenges: limited component manufacturing, reliance on imported parts, and insufficient economies of scale.

b) Public Procurement Practices

Governance relies on the Public Procurement Act, 2003 (Act 663) and sector agencies, but enforcement gaps and fragmented planning hinder progress. The PPA regulates procurement processes, enforces compliance, and applies margins of preference for locally assembled vehicles. Ministries, Departments, and Agencies (MDAs), such as the Ministry of Transport, oversee technical specifications and tendering for bus fleets.

Sections 44 and 60(1) of Ghana's Public Procurement Act, 2003 (Act 663), as amended, promote the involvement of local participants in National Competitive Tendering and makes provision for Margin of Preference respectively¹³⁸. Section 60(1) grants local suppliers an advantage during tender evaluations by awarding extra points for incorporating local inputs. Under the Public Procurement Act, goods with at least 15% local content by ex-works price can attract up to a 20% preference margin, while those with a lower threshold (e.g., minimum 10% Ghanaian value added) may receive a 15% margin¹³⁹. These provisions aim to safeguard Ghanaian businesses, stimulate local economic activity, and encourage investment within the country.

Initiatives such as the Microfinance and Small Loans Centre – Ghana Private Road Transport Union (MASLOC-GPRTU) hire-purchase programme demonstrate how subsidised financing can expand fleet access for private operators while stimulating demand for new buses. Emerging procurement models are also shaping the market. Demand aggregation for electric bus projects in cities like Accra and Kumasi aims to achieve economies of scale and attract investment in local assembly¹⁴⁰. Public-private partnerships (PPPs) are being explored to finance fleet renewal and integrate informal operators into formal systems, reducing reliance on fragmented procurement. An example of this is the mobility project in Kumasi, where the World Bank launched the Kumasi Urban Mobility and Accessibility Project (KUMAP) in November 2022. Aligned with Ghana's goals to reduce poverty, expand basic services, manage climate

¹³⁶ (UNEP, 2024)

¹³⁷ (Eninrac, 2025)

¹³⁸ (Maryan, 2018)

¹³⁹ (PPA Ghana, 2019)

¹⁴⁰ (University of Ghana, 2022)

risks, and build resilience, KUMAP supports the development of modern, sustainable transport in the city. A key component of the project is a BRT system to be delivered through PPPs.¹⁴¹

Despite strong policy intent, enforcement remains inconsistent. Local-content requirements are often undermined by ambiguous definitions of “locally assembled”¹⁴², which allow imports to qualify without genuine domestic value addition. Informal dominance in the transport sector limits aggregated demand for new buses, weakening the industrial impact of procurement policies. To fully leverage procurement as an industrial policy tool, Ghana must strengthen compliance monitoring and clarify local-content criteria. Expanding demand aggregation for electric bus projects will create predictable volumes for local assemblers. Pairing procurement mandates with financing solutions will make locally assembled buses affordable for operators and ensure that procurement drives industrialisation as intended.

Figure 53: Key takeaways from Ghana



¹⁴¹ (PPIAF)

¹⁴² Referring to products that undergo minimal assembly within the country without substantial manufacturing or value addition taking place domestically. This ambiguity allows imported goods to qualify as local content despite limited local economic contribution, if not clearly regulated or mandated by law with specified local content thresholds.

CASE STUDY: ETHIOPIA

The Ethiopian bus market plays a critical role in the country's transportation infrastructure, serving a population of over 130 million and connecting urban and rural areas. Bus imports from China dominate the market; however, local assembly and manufacturing initiatives are emerging.

The Ethiopian government has surpassed its 2030 vehicle electrification goals due to favourable economic policies, supporting a rapid move to e-buses and other electric vehicles, along with a ban on new internal combustion engine vehicle purchases¹⁴³.

a) Policy frameworks

Ethiopia's industrial policy in the transport sector is evolving to support domestic manufacturing and reduce reliance on imports. The country's approach is anchored in its National Transport Policy and the 10-year Transport Sector Perspective Plan (2020–2030)¹⁴⁴ which emphasise localisation and technology transfer. While the automotive assembly sector remains nascent and dominated by imported components, government directives encourage local assembly and joint ventures.

Policy instruments include informal targets for approximately 30% local content to qualify for tax incentives, although no formal enforceable threshold has been published¹⁴⁵. Federal authorities are accelerating the transition to domestically assembled EVs through a landmark directive that prioritises their inclusion in public procurement. Supported by the Ministries of Transport, Logistics and Industry, the policy introduces a 15% price preference for local assemblers achieving more than 35% value addition. This measure aims to stimulate domestic production despite ongoing competition from lower-cost imports¹⁴⁶.

Additionally, Ethiopia's industrial strategy supports localisation through fiscal incentives such as VAT exemptions, duty-free imports for electric vehicle components,

¹⁴³ (Africa E-Mobility Alliance, 2024)

¹⁴⁴ (International Trade Administration, 2022)

¹⁴⁵ (Auto Parts Africa, 2023)

¹⁴⁶ (Huluager, 2025)

and corporate tax breaks for manufacturers. These measures aim to stimulate domestic production capacity, attract foreign investment, and create jobs.

Ethiopia's localisation framework is complemented by its aggressive electrification policy, which includes a ban on new internal combustion engine (ICE) vehicles. This policy not only accelerates the transition to electric mobility but also creates opportunities for local assembly and component manufacturing. However, challenges remain in enforcing localisation targets and scaling up domestic supply chains to meet growing demand.

b) Public Procurement Practices

Public bus procurement in Ethiopia is guided by the National Transport Policy and executed through standard tendering mechanisms. Procurement frameworks increasingly incorporate localisation and sustainability objectives. Authorities apply a 15% price preference for locally assembled vehicles with at least 35% local value addition, signalling a commitment to industrial development. The government also uses procurement as a tool to stimulate market demand for electric buses, aligning tenders with its electrification goals.

Financing for Ethiopia's public transport projects comes from multiple sources, including government budgets, private sector investment, and international development loans. The French Development Agency has committed approximately USD 99.5 million for the construction of the B2 BRT line in Addis Ababa, while the World Bank supports fleet expansion through the Transport Systems Improvement Project. PPPs are encouraged to mobilise capital for fleet procurement and charging infrastructure. These procurement practices aim to balance affordability, transparency, and industrial development, ensuring that Ethiopia's transition to green mobility also strengthens its domestic manufacturing base.

Figure 54: Key takeaways from Ethiopia



Embed localisation incentives in procurement law: Fiscal incentives and price preferences can accelerate industrial development when clearly defined and enforced.



Aggressive electrification policies drive adoption: Banning ICEVs and offering tax exemptions can rapidly increase the uptake of electric buses.



Strategic partnerships are essential: Long-term collaborations with foreign manufacturers can build local assembly capacity but must be paired with investments in skills development and technology transfer.



Procurement as a market stimulus: Using procurement frameworks to favor local content and green mobility objectives can stimulate demand and support domestic industry growth.



Implementation and enforcement matter: Clear targets and robust monitoring are necessary to ensure that localisation and sustainability goals translate into real outcomes.

CASE STUDY: KENYA

Kenya's public bus transport sector plays a critical role in the country's urban mobility system, particularly within major cities such as Nairobi, Mombasa, and Kisumu. The market is characterised by a mix of formal and informal operators, dominated by privately owned minibuses ("matatus") and supplemented by larger public and corporate bus services.

Growing urbanisation, traffic congestion, and rising environmental concerns have prompted government efforts to modernise the sector through initiatives such as the BRT programme and the promotion of locally assembled electric buses. Kenya's position as a lower-middle-income economy with a developing automotive assembly base mirrors many of South Africa's structural and policy characteristics. Both countries are leveraging public transport investment as a driver of industrialisation, job creation, and localisation within the broader automotive value chain.

a) Policy Frameworks

Kenya's industrial policy for the automotive sector is anchored in the National Automotive Policy, which seeks to promote local assembly, technology transfer, and

employment creation. While there is no dedicated bus-specific industrial strategy, localisation objectives are embedded in broader frameworks such as Vision 2030 and the Public Procurement and Asset Disposal Regulations (PPADR), 2020.

Fiscal incentives further support localisation: imports of CKD kits for vehicle assembly are exempt from import duty and excise tax, while CBU imports attract up to 25% import duty and 35% excise duty, making local assembly more competitive¹⁴⁷.

Despite these measures, implementation challenges persist. Studies by the Kenya Association of Manufacturers highlight ambiguities in defining “locally manufactured,” allowing imports to qualify for local preference without genuine local value addition. This gap was evident in the controversial 2019 importation of BRT buses from South Africa, which local assemblers argued undermined Kenya’s assembly industry¹⁴⁸. Strengthening compliance monitoring and clarifying local content criteria remain critical to achieving industrial policy objectives.

Kenya is positioning itself as a leader in green mobility in East Africa. The government has introduced VAT and tariff exemptions for EV parts and buses under the Finance Act 2023/24. However, policy inconsistency has posed challenges, with the 2024/25 Finance Bill initially proposing the removal of these incentives before being withdrawn, and the 2023/24 Act subsequently suspended by court ruling. Despite this, the government has drafted an e-mobility strategy which proposes a robust regulatory framework, standardised charging infrastructure, and integration with Kenya’s clean energy grid. Companies like BasiGo and Roam are driving adoption through innovative financing models and partnerships, supported by concessional funding from institutions such as the African Development Bank (AfDB) under the Green Mobility for Africa (GMFA) project¹⁴⁹.

The Kenya Bureau of Standards (KEBS) has announced a major policy shift affecting the importation of used cars in Kenya. The policy shift will block the importation of used motor vehicles first registered before 2019 starting January 1, 2026, tightening compliance with the country’s eight-year age limit rule. The new rules are expected to reshape the used-car import market, which heavily relies on older, more affordable units from Japan and the UK.¹⁵⁰

b) Public Procurement Practices

Kenya’s public-bus procurement operates within a structured legal and policy framework that governs all public purchasing and asset management. The Public Procurement and Asset Disposal Act (PPADA), 2015, anchored in Article 227 of the

¹⁴⁷ (Kenya Revenue Authority, n.d.)

¹⁴⁸ (Wanjohi, 2019)

¹⁴⁹ (Muthoni, 2023)

¹⁵⁰ (Elijah Ntongai, 2025)

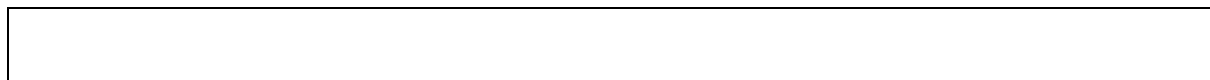
Constitution of Kenya, establishes the principles of fairness, equity, transparency, competition, and cost-effectiveness in public procurement ¹⁵¹. The Act is complemented by the Public Procurement and Asset Disposal Regulations (PPADR), 2020, which provide detailed procedures for tendering, contract management, and oversight mechanisms. These instruments ensure that government procurement, including the acquisition of public buses and transport services, aligns with national objectives of value for money and public accountability.

In practice, the governance of bus procurement involves multiple agencies at both national and county government levels. The Public Procurement Regulatory Authority (PPRA) oversees compliance and enforcement, while sector-specific bodies, such as the Ministry of Transport and Infrastructure, Kenya KURA, and NTSA, play central roles in project design and specification, especially for BRT systems.

A key feature of Kenya's procurement regime is the integration of local content and inclusive participation requirements. The government's Access to Government Procurement Opportunities (AGPO) programme reserves at least 30% of public contracts for enterprises owned by youth, women, and persons with disabilities ¹⁵². In addition, under the PPADR 2020, government-to-government procurements must include a local content plan, stipulating that at least 40% of project inputs and 50% of employment be locally sourced ¹⁵³. These provisions seek to ensure that large public procurements, such as bus fleet acquisitions, contribute directly to domestic industrialisation and job creation

Overall, Kenya's governance and procurement framework demonstrates a strong institutional alignment between public procurement law and industrial policy goals, but its effectiveness relies heavily on implementation discipline and inter-agency coordination. The country's approach mirrors South Africa's in its reliance on government procurement as an anchor for industrial development and localisation. However, Kenya's experience also underscores the importance of clearly defining local content criteria, ensuring compliance monitoring, and balancing open competition with strategic industrial participation.

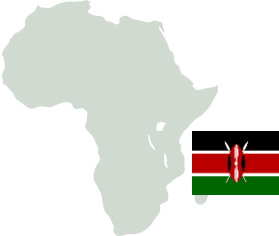
Figure 55: Key takeaways from Kenya



¹⁵¹ (International Trade Administration, 2024)

¹⁵² (Peter, 2025)

¹⁵³ (Tharani, 2020)



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Integrate local content requirements into procurement regulations: This can drive industrialisation, but enforcement and clarity are critical.
- 

Fiscal incentives matter: Duty exemptions and tax policies for CKD assembly can make local production competitive
- 

Blended financing models accelerate adoption: Combining public investment, concessional loans, and private capital can modernize fleets and support green mobility.
- 

Public-private partnerships foster innovation: Collaboration between government and private sector can scale electric bus deployment and foster local value addition.
- 

Clear definitions and monitoring are essential: Ambiguities in "locally manufactured" criteria can undermine policy objectives; robust compliance systems are needed.

CASE STUDY: NIGERIA

Nigeria's public bus transport sector operates within a dynamic environment shaped by rapid urbanisation, population growth, and an urgent need for efficient, affordable mobility solutions. As Africa's most populous country, with over 230 million people and expanding metropolitan areas such as Lagos, Abuja, and Port Harcourt, Nigeria faces growing pressure to modernise its public transport systems.

The sector remains dominated by informal minibuss operations, while formal mass transit and BRT initiatives are gaining traction. Government-led projects such as the Lagos BRT and new intercity bus terminals are driving demand for bus procurement and fleet renewal. Growing industrial activity is emerging as a key driver of demand for locally manufactured buses in Nigeria. Innoson Vehicle Manufacturing's capacity to produce 30 000 CNG buses annually, coupled with its achievement of up to 70% local parts integration, is creating sustained requirements for domestic component suppliers and skilled labour¹⁵⁴. These industrial commitments align with federal electrification objectives, underpinned by a USD 106.9 million programme for electric buses, tricycles, and BYD EVs in public transport systems.¹⁵⁵ Parallel to this, Nigeria's industrial policy, led by the National Automotive Design and Development Council (NADDCC), seeks to localise vehicle assembly and strengthen domestic manufacturing capacity.

a) Policy frameworks

Nigeria's industrial policy for the automotive sector is anchored in the National Automotive Industry Development Plan (NAIDP), which promotes local assembly, technology transfer, and component manufacturing. The NADDCC sets localisation targets and provides fiscal incentives to attract investment in assembly plants and parts manufacturing. However, high import duties (of 10%¹⁵⁶), VAT (7.5%), and other taxes significantly raise the cost of e-buses, making them less affordable and slowing adoption. Tax reforms could play a crucial role in accelerating the transition.

Localisation is further supported by CKD incentives: imports of CKD kits for assembly attract lower tariffs compared to fully built-up vehicles, making local assembly more competitive. However, according to Business Day, there is low levels of enforcement, with average local content in the automotive sector estimated at only 5–10%, far below the government's 40% target¹⁵⁷. Strengthening compliance monitoring and

¹⁵⁴ (Daily Trust, 2024)

¹⁵⁵ (Nairametrics, 2025)

¹⁵⁶ (Federal Government of Nigeria, 2025)

¹⁵⁷ (Anagor-Ewuzie, 2024)

incentivising component manufacturing are critical to achieving industrial policy objectives.

Nigeria's automotive manufacturing ecosystem is evolving, supported by NADDC policies and CKD incentives. Local assembly plants operated by companies such as Innoson Vehicle Manufacturing, Stallion Group, and Yutong/Oando. These operators primarily serve public transport routes between Lagos and Abuja. The buses, which have an average range of 150 kilometres per charge, are mostly imported from China, although around 30% are assembled locally¹⁵⁸. There is a growing national effort to enhance domestic production capabilities for electric vehicles. NEV Electric Ltd, is a key player in shaping that vision, currently building electric buses with 30% local content¹⁵⁹. Unlike the broader automotive sector, which struggles with fragmented supply chains and reliance on imports, NEV Electric illustrates that the electric bus initiative was designed from the start to integrate local components, as they deliberately adopted a model that combines local assembly, Nigerian-made parts, and domestic labour.

b) Public Procurement Practices

Nigeria's public procurement system is governed primarily by the Public Procurement Act of 2007, which establishes the Bureau of Public Procurement (BPP) as the central regulatory authority overseeing federal procurement processes. The BPP sets out procurement standards, issues guidelines, and ensures transparency and value for money across all MDAs¹⁶⁰. Within each MDA, such as the Federal Ministry of Transportation, dedicated procurement departments act as secretariats to internal Procurement Planning Committees, conducting needs assessments, market surveys, and bid evaluations in line with the Act¹⁶¹.

In 2025, the Nigerian Federal Executive Council (FEC) introduced the "Renewed Hope Nigeria First" policy, a major policy reform designed to strengthen domestic participation in government procurement¹⁶². The policy mandates that federal agencies prioritise locally manufactured goods and services and prohibits the procurement of foreign alternatives where viable local options exist, unless formally justified and approved by the BPP. This reform supports local contractors and signals a shift toward using public procurement as an industrial policy tool to stimulate local manufacturing and employment.

¹⁵⁸ (Africa E-Mobility Alliance, 2024)

¹⁵⁹ (Anagor-Ewuzie, 2024)

¹⁶⁰ (All Africa, 2025)

¹⁶¹ (All Africa, 2025)

¹⁶² (Federal Government of Nigeria, 2025)

Public bus procurement in Nigeria operates through a mix of direct government purchasing, development finance–supported projects, and PPP models.

For large public transport projects, such as the Abuja and Lagos BRT systems, procurement and financing models often combine public funding with development finance and public–private partnerships. The Lagos Metropolitan Area Transport Authority (LAMATA), for instance, has implemented several BRT projects through partnerships with private operators and international financiers. In 2022, the International Finance Corporation (IFC), provided a USD 50 million local currency loan to the Lagos State Government to support bus corridor development¹⁶³, while the AfDB financed feasibility and procurement planning for Abuja’s BRT initiative¹⁶⁴.

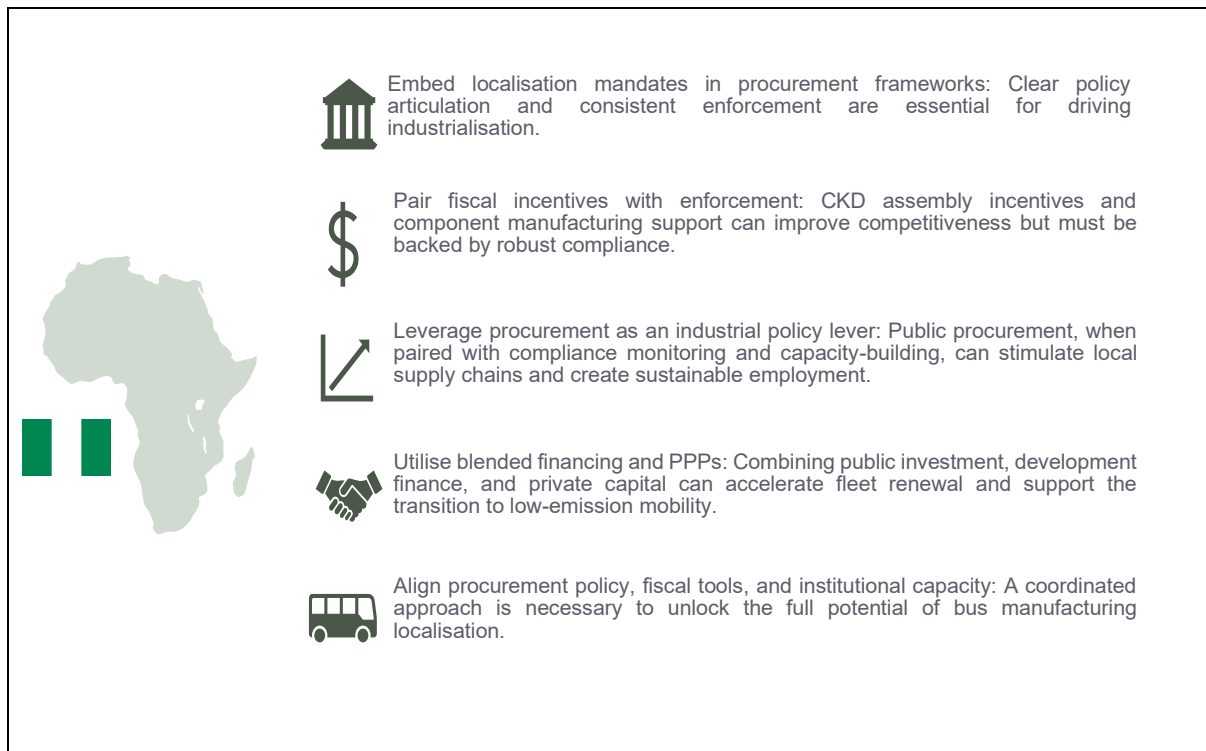
Financing for bus procurement and related infrastructure in Nigeria is sourced from multiple channels. Federal budget allocations remain the primary source for government-led fleet procurement and infrastructure development, such as the USD 100 million recently approved by the Federal Executive Council for constructing modern bus terminals across six zones across the country¹⁶⁵.

¹⁶³ (Anagor-Ewuzie, 2024)

¹⁶⁴ (IFC World Bank Group, 2022)

¹⁶⁵ (AfDB, 2022)

Figure 56: Key takeaways from Nigeria



CASE STUDY: RWANDA

Rwanda's bus market is undergoing rapid transformation, driven by urbanisation, sustainability goals, and government initiatives under Vision 2050 to modernise public transport. The sector is characterised by growing demand for efficient, eco-friendly mobility solutions, particularly in Kigali and intercity routes. Traditional diesel buses remain prevalent, but the market is shifting toward electric models, supported by policies promoting green transport and reduced emissions.

BasiGo, a Kenyan-based electric bus manufacturer, has expanded into Rwanda, committing to deploy 100 electric buses by 2025¹⁶⁶ through its Pay-As-You-Drive model, that includes vehicle charging, maintenance and insurance. This delivery marks the first phase of the company's plan to deploy 100 electric buses across the country by 2025. BasiGo's Pay-As-You-Drive approach bundles vehicle provision with ongoing operational services — charging, servicing, insurance and a 90% uptime guarantee — with customers effectively paying per-use rather than owning the asset, thereby internalising maintenance risk with the provider¹⁶⁷. This move aligns with Rwanda's target to electrify 20% of its bus fleet by 2030, positioning the country as a leader in sustainable mobility in East Africa.

a) Policy frameworks

Rwanda's industrial policy is anchored in its Vision 2050 and the National Strategy for Transformation (NST1), which emphasise economic diversification and local manufacturing. The Made in Rwanda policy explicitly links public procurement with industrial development objectives. Under this framework, locally manufactured goods with at least 30% local value addition receive a 15% price preference in government tenders. This policy aims to stimulate domestic production, reduce import dependency, and create jobs¹⁶⁸.

The government has introduced targeted incentives for manufacturers and assemblers, including corporate tax reductions (15% compared the standard of 30%¹⁶⁹), tax exemptions on electric vehicles and components, and free access to government land for charging infrastructure¹⁷⁰. These measures are complemented by Rwanda's Industrial Policy and the Manufacturing Sector Strategy, which prioritise automotive assembly and electric mobility as key growth areas.

¹⁶⁶ As of 6 March 2025

¹⁶⁷ (Factually, 2025)

¹⁶⁸ (Visit Rwanda, 2025)

¹⁶⁹ (Generis, 2024)

¹⁷⁰ (Africa Press, 2023)

Rwanda's approach reflects a structured model that integrates localisation mandates into procurement law, supported by fiscal incentives and capacity-building programmes. However, challenges remain in scaling local manufacturing capabilities, particularly for electric buses, which are currently imported. The government is exploring partnerships with regional players and global OEMs to accelerate technology transfer and develop a sustainable supply chain. While AfCFTA provides a framework to tackle Africa's bus import challenge by creating a unified market, harmonising tariffs, and fostering regional manufacturing hubs, it requires strong implementation, infrastructure investment, and industrial policy alignment¹⁷¹.

Rwanda's manufacturing ecosystem for buses is still in its infancy. While the Made in Rwanda policy provides a strong foundation for localisation, most electric buses are currently imported from China due to limited domestic production capacity. However, there is growing interest in developing local assembly capabilities, supported by fiscal incentives and partnerships with regional firms.

b) Public Procurement Practices

Rwanda's public procurement system is governed by the Rwanda Public Procurement Authority under Law N°63/2007, which promotes transparency, efficiency, and competition. The country operates a national e-procurement platform, Umucyo, enabling open contracting and public access to tender information. In 2024, Rwanda introduced a Sustainable Public Procurement Policy Framework, embedding environmental and social value considerations into procurement practices¹⁷².

Public bus procurement is coordinated by the Rwanda Transport Development Agency and the Rwanda Utilities Regulatory Authority, in collaboration with private operators. Under Rwanda's Public Procurement Law, "local goods or supplies" are defined as goods or supplies produced in Rwanda for which labour, raw materials or components originating from Rwanda account for at least 30% of the ex-works price¹⁷³. Financing for bus procurement combines government allocations, concessional loans, and private-sector investment. In 2023, the government allocated USD 20 million to address fleet shortages and incentivise bus investment through tax waivers and credit facilities¹⁷⁴.

Strategic partnerships, such as the agreement between Vivo Energy Rwanda and government agencies to introduce 200 electric buses, demonstrate how procurement can stimulate market demand while advancing sustainability goals. However, the lack

¹⁷¹ (Brookings, 2025)

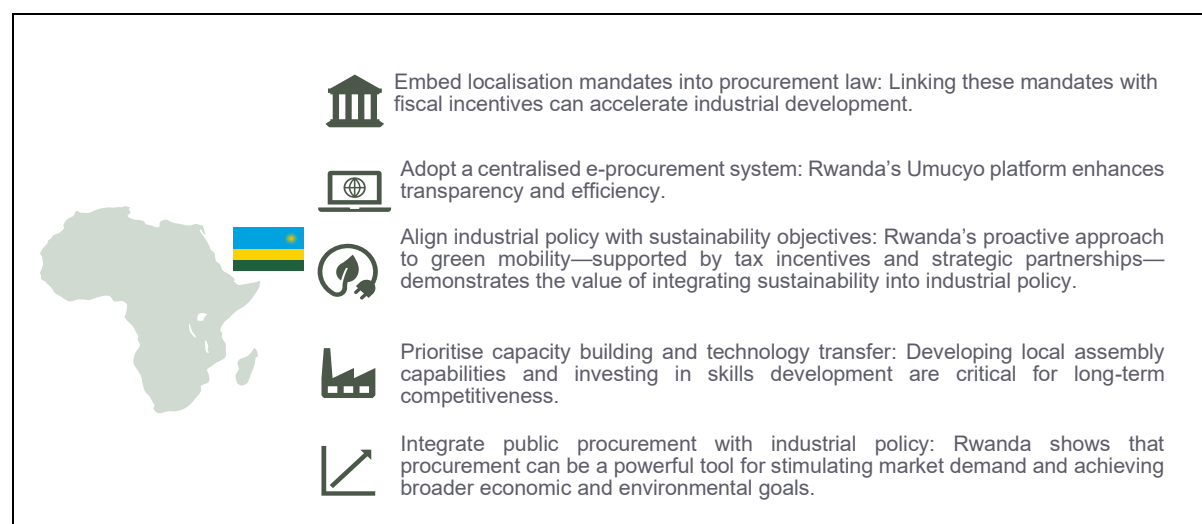
¹⁷² (RPPA, 2024)

¹⁷³ (Visit Rwanda, 2025)

¹⁷⁴ (Africa Press, 2023)

of local manufacturing capacity remains a challenge, requiring interim reliance on imports and long-term investment in domestic production capabilities.

Figure 57: Key takeaways from Rwanda



CASE STUDY: TANZANIA

The Tanzanian government is actively developing a national electric vehicle policy framework aimed at regulating and promoting e-mobility across the country. This includes incentives for electric bus adoption, such as tax reforms, infrastructure development, and training programmes for EV maintenance. Tanzania's tax reforms for electric buses include excise duty waivers, zero import duty, VAT exemptions, and special duty-free schemes, all aimed at reducing upfront costs and accelerating e-bus adoption. Tanzania introduced its first set of tax incentives by exempting electric four wheelers (E4W) and e-buses from excise duty, which can range from 0% to 44%¹⁷⁵. The framework is being shaped through multi-stakeholder workshops in collaboration with policymakers, Commission for Science and Technology, the Ministry of Transport, the Tanzania Electric Mobility Association and other stakeholders aiming to revolutionize Tanzania's e-mobility ecosystem.¹⁷⁶

a) Policy frameworks

Tanzania's industrial policy in the transport sector demonstrates how government-led strategies can stimulate domestic manufacturing while meeting mobility needs. The foundation of this approach lies in the Public Procurement Act and its associated

¹⁷⁵ (ESI Africa, 2023)

¹⁷⁶ (Tanzania Government Gazette, 2002)

regulations, which explicitly allow preference margins¹⁷⁷ of up to 15% for locally manufactured goods in tenders¹⁷⁸. This legal provision is significant because it embeds localisation objectives into competitive procurement processes without breaching international trade norms.

Complementary Local Content Guidelines, administered by the Ministry of Industry and Trade, identify manufacturing and transport as priority sectors for localisation, skills transfer, and technology development¹⁷⁹. These guidelines enable procurement authorities to include conditions such as domestic assembly requirements for buses, the use of locally sourced components where feasible, and mandatory training programmes for Tanzanian personnel to build technical capacity.

The government is also developing a unified Local Content Policy to harmonise sectoral guidelines and improve oversight. This is expected to address fragmentation and aims to strengthen compliance through reporting mechanisms and penalties for non-adherence.

Strategically, Tanzania's approach reflects a structured but flexible model. The approach balances industrial objectives with donor requirements for transparency and competition. By leveraging procurement as a tool for industrial development rather than treating it as a purely transactional process, it also creates predictable demand through long-term operating concessions, which incentivise private operators to invest in local assembly and supply chains.

b) Public Procurement Practices

Tanzania's procurement model is a hybrid system that combines public infrastructure investment with private sector-operated fleets, designed to improve service quality while mobilising private capital. The Dar es Salaam Bus Rapid Transit (DART) system exemplifies this approach. Public funding covers infrastructure such as dedicated lanes, terminals, and depots, while private operators manage fleets under long-term performance-based contracts of 10 to 12 years¹⁸⁰. These contracts provide predictable revenue streams and encourage investment in fleet procurement and maintenance.

Key features of Tanzania's procurement framework include competitive tendering, which ensures transparency and fairness in all contracts. The Public Procurement Act grants a margin of preference of up to 15% for locally manufactured or produced goods and related services. The framework also offers flexibility for donor-funded projects,

¹⁷⁷ Margin of Preference means the extra mark up on price allowed any domestic contractor or supplier bidding under International Competitive Bidding without being otherwise disadvantageous to the bid in terms of price.

¹⁷⁸ (Tanzania Government Gazette, 2002)

¹⁷⁹ (NEEC, 2019)

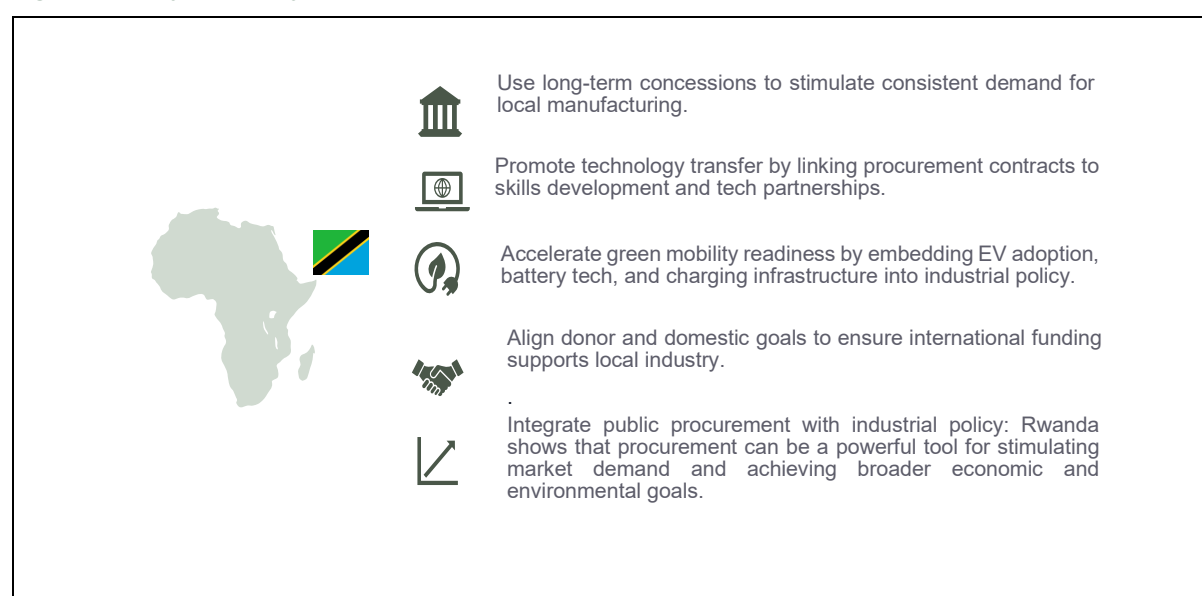
¹⁸⁰ (AFD, 2020)

allowing international financing to coexist with national industrial objectives without compromising local participation.

While Tanzania's bus supply chain remains nascent, procurement frameworks create opportunities for local participation. Long-term operating contracts of 10 to 12 years awarded to private operators provide predictable demand that can underpin domestic assembly and component manufacturing. Financing sources for Tanzania's public transport system include the Government of Tanzania for infrastructure, multilateral development banks such as the AfDB, the World Bank, and the French Development Agency for concessional loans and technical assistance, and the Green Climate Fund, which is expected to provide USD 260 million for Phase 6 to support sustainable mobility and reduce emissions¹⁸¹. Public-private partnerships also play a significant role, with private operators financing and managing fleets under concession agreements.

This procurement model stimulates market demand while creating opportunities for industrial development. By embedding localisation conditions and leveraging long-term contracts, Tanzania ensures that procurement serves as a catalyst for broader economic objectives rather than a short-term transactional process.

Figure 58: Key takeaways from Tanzania



CASE STUDY: INDIA

India's bus transport sector is undergoing transformative growth, driven by proactive government policies, innovative service models, and a strong push toward greener

¹⁸¹ (Tanzania Digest, 2023)

mobility. With approximately 150 000 public buses in operation today, against an estimated need of nearly 500 000 by 2031, India has prioritised expanding and modernising its fleets. Over 8 000 electric buses have been deployed in the past seven years, with 30 000 more slated for addition by 2025–27 under ambitious national programmes. A strong policy impetus, including localisation mandates requiring more than 50% local content in manufacturing, has simultaneously stimulated local industry.

a) Policy Frameworks

India's industrial policy for electric buses is among the most comprehensive globally, combining fiscal incentives, localisation mandates, and strategic procurement alignment. At its core are initiatives such as the National Electric Mobility Mission Plan (NEMMP), the Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME-I and FAME-II) schemes, the PM e-Bus Sewa programme, and the Production-Linked Incentive (PLI) scheme. These programmes collectively aim to accelerate electric bus adoption while building domestic manufacturing capacity.

A defining feature of India's approach is the localisation mandate embedded in subsidy and procurement frameworks. Under the FAME-II, electric buses must meet phased Domestic Value Addition (DVA) targets, culminating in 50% local content to qualify for incentives. Similarly, the PLI scheme offers financial rewards for advanced automotive and component production, contingent on achieving localisation thresholds. The PLI Scheme for Advanced Chemistry Cell Battery Storage has been awarded under which, within two years, the beneficiaries must ensure at least 25% DVA, scaling up to 60% within five years¹⁸². These measures have catalysed investment in domestic supply chains, prompting global OEMs to localise production and encouraging partnerships such as Volvo-Eicher and expansions by Tata Motors and Ashok Leyland.

The Make in India initiative reinforces these efforts by prioritising domestic manufacturing in public procurement. For example, the PM e-Drive scheme mandates strict localisation of critical components, traction batteries, HVAC (heating, ventilation and air conditioning) systems, and control units, while prohibiting imports of battery modules and CKD kits from single foreign suppliers¹⁸³. Suppliers are classified into Class-I ($\geq 50\%$ local content), Class-II (20–50%), and non-local ($< 20\%$), with procurement preference given to Class-I suppliers¹⁸⁴. This structured approach ensures that industrial policy objectives are deeply integrated into procurement decisions, creating a virtuous cycle of demand and capacity building.

The PM e-Bus Sewa scheme targets smaller cities, introducing viability gap funding and payment security mechanisms to improve service reliability. These reforms reflect

¹⁸² (PIB, 2025)

¹⁸³ (Azhar, 2025)

¹⁸⁴ (The Economic Times, 2024)

India's commitment to modernising public transport while ensuring affordability and accessibility.

b) Public Procurement Practices

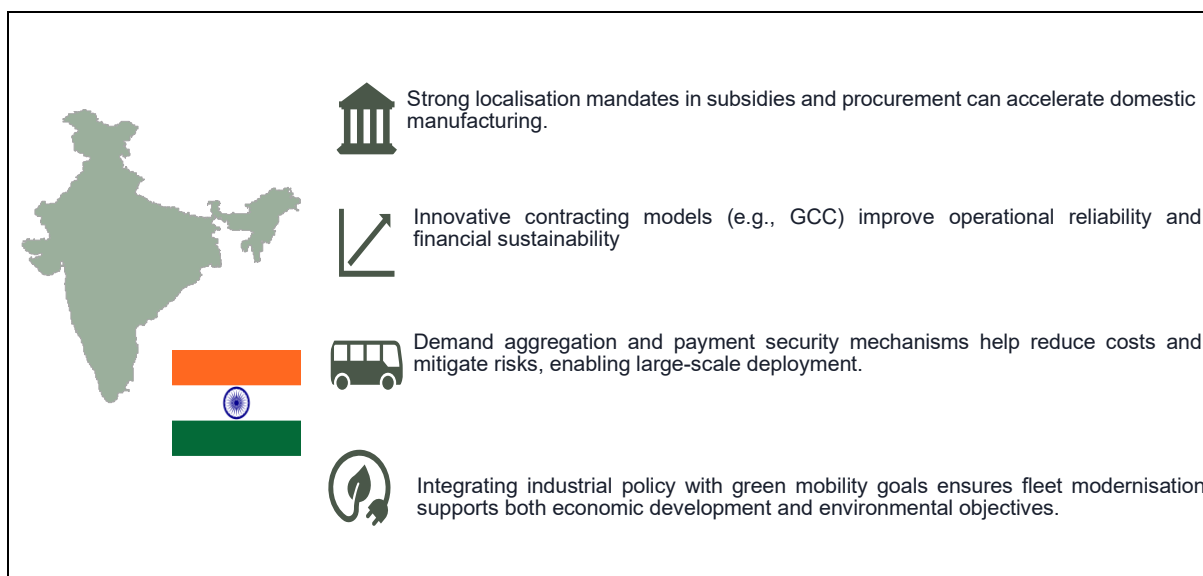
India's procurement framework is a powerful instrument for stimulating market growth and aligning industrial policy with sustainability objectives. Public bus procurement is primarily managed by State Transport Undertakings (STUs) under the oversight of the Ministry of Road Transport and Highways, supported by municipal agencies and central programmes. Historically reliant on outright purchase models, procurement has shifted toward Gross Cost Contracts (GCC), where private operators supply, maintain, and operate buses while governments pay per kilometre. This model reduces upfront capital burden on public authorities and ensures predictable revenue streams for operators.

To qualify for subsidies under FAME-II, STUs must adopt GCC models, which transfer operational responsibility to OEMs and private operators. This requirement has improved service reliability and incentivised OEMs to invest in maintenance infrastructure. Large-scale tenders under Convergence Energy Services Limited (CESL) exemplify demand aggregation strategies that reduce costs through economies of scale. The Grand Challenge tender for 5 450 buses and subsequent tenders under the National Electric Bus Programme (NEBP) illustrate how centralised procurement can accelerate deployment while lowering per-unit costs.

Procurement norms also prioritise localisation through the Public Procurement (Preference to Make in India) Order, 2017, which categorises suppliers based on local content and excludes imported items from local content calculations. This ensures that procurement decisions favour domestic manufacturers and component suppliers. Additionally, contracts often integrate long-term maintenance obligations, optimising lifecycle costs and operational reliability. For instance, tenders under the PM e-Bus Sewa scheme include viability gap funding and a Payment Security Mechanism (PSM) to guarantee timely payments to operators, mitigating financial risks and encouraging broader participation.

By combining localisation mandates, innovative contracting models, and financial safeguards, India's procurement framework not only delivers cost-effective solutions but also acts as a catalyst for industrial growth and green mobility transitions.

Figure 59: Key takeaways from India



CASE STUDY: UNITED KINGDOM

The United Kingdom's (UK) bus market occupies a vital position in its transport ecosystem, enabling mobility and access, and increasingly serving as a vehicle for decarbonisation of public transport. In recent years, the UK has set out to transform its bus sector by accelerating the roll-out of zero-emission buses (ZEBs), strengthening its domestic manufacturing base, and providing local authorities with greater powers to shape bus services.

a) Policy frameworks

The UK's industrial policy for the bus sector is embedded within its broader automotive and clean transport strategies, which prioritise decarbonisation and domestic capability building. This framework combines regulatory instruments, financial incentives, and collaborative governance structures to accelerate the adoption of ZEBs while strengthening local manufacturing capacity.

Strategic funding allocations, such as those provided through the Zero Emission Bus Regional Areas (ZEBRA) scheme, ensure predictable demand and reduce upfront costs for operators. Infrastructure investment complements these efforts by expanding charging and hydrogen refuelling networks, supported by central government grants and local authority co-funding. Innovation is encouraged through research and development grants for battery technology, hydrogen propulsion, and lightweight materials, while workforce training programmes linked to green mobility ensure that domestic manufacturers have access to skilled labour for advanced bus production.

Although the UK does not enforce mandatory local-content quotas due to World Trade Organisation (WTO) and European Union (EU) trade obligations¹⁸⁵ – because under the WTO's Government Procurement Agreement, measures cannot be applied to afford protection to domestic suppliers or discriminate among foreign suppliers – it leverages soft localisation levers to promote domestic participation. This approach balances industrial objectives with compliance, avoiding trade disputes while still incentivising domestic participation. Procurement frameworks require bidders to demonstrate contributions to UK jobs, skills, and innovation, while manufacturers such as Switch Mobility advocate for voluntary local-content thresholds starting at 40–45% of vehicle cost¹⁸⁶. The government's commitment to a 10-year pipeline of ZEB orders provides certainty of production for UK-based manufacturers, encouraging investment in domestic capacity. This integrated approach positions the UK as a competitive hub

¹⁸⁵ (Crown Commercial Service, 2023)

¹⁸⁶ (Switch Mobility, 2022)

for zero-emission bus manufacturing while balancing trade compliance with industrial objectives¹⁸⁷

b) Public Procurement Practices

Public procurement in the UK serves as a strategic lever for market development, aligning purchasing decisions with industrial policy and sustainability objectives. The governance framework emphasises transparency, competition, and compliance while embedding mechanisms that stimulate demand for locally manufactured buses.

Market stimulation strategies include national framework agreements, such as the partnership between The Procurement Partnership Ltd and Commercial Services Kent Ltd, which offers compliant procurement routes for various fuel types including electric and hydrogen buses. Contracts increasingly require bidders to demonstrate contributions to UK employment, skills development, and innovation, indirectly promoting localisation. Central coordination of procurement pipelines through expert panels aggregates demand, ensuring economies of scale and predictable order volumes that reduce risk for manufacturers.

The Department for Transport reported in 2024 that the government has allocated over USD 557.55 million across 41 local transport authorities to fund the deployment of zero-emission buses¹⁸⁸. In 2025, an additional USD 51.3 million was announced to support the rollout of 319 electric buses across England by 2027, with each USD 1 of government investment matched by USD 4.05 of private funding¹⁸⁹. These measures underscore the UK's commitment to climate resilience and sustainable urban mobility, ensuring that electric buses become a cornerstone of future transport systems.

The impact of these measures is evident; approximately 60% of zero-emission buses funded under government programmes are manufactured in the UK, reflecting procurement's role in shaping industrial outcomes. Advocacy for local-content thresholds by industry players suggests that procurement could evolve into an even stronger localisation tool without breaching trade obligations. By combining compliance with strategic objectives, UK procurement frameworks deliver cost-effective solutions while acting as catalysts for industrial growth and green mobility transitions.

Figure 60: Key takeaways from UK

¹⁸⁷ (UK Government, 2025)

¹⁸⁸ (Department for Transport, 2024)

¹⁸⁹ (Daly, 2025)



Policy certainty with a clear, long-term pipeline of zero-emission bus orders builds manufacturer confidence and attracts investment.



Collaborative platforms linking government, industry, and local authorities strengthen supply chains and improve procurement planning.



While trade obligations limit mandatory local-content quotas, incentives and voluntary thresholds can encourage domestic production without breaching international agreements.



Integrated funding models blending public and private financing accelerate adoption and ensure sustainability.

CASE STUDY: ITALY

Italy's public-bus market is undergoing transformation, underpinned by the convergence of fleet renewal, zero-emission bus deployment and a strategic push to revitalise domestic manufacturing capacity. Italian procurement agency, Consip, recently launched USD 760.5 million in tenders for approximately 600 electric buses, covering urban, regional and inter-city operations¹⁹⁰.

Italy is among the leaders in terms of new bus registrations in 2024 but has progressively lost production capacity, with most vehicles manufactured abroad, with rare exceptions¹⁹¹. This highlights the lack of an industrial policy that focuses on enhancing national production capacity. Currently, Menarini (former Industria Italiana Autobus) maintains bus production in Italy and major bus manufacturer Iveco Bus is re-launching production in Italy with a plant geared to low- and zero-emission buses, supported by investments under the National Recovery and Resilience Plan (NRRP)¹⁹².

a) Policy Frameworks

Italy's industrial policy for buses is evolving but remains less defined compared to other European leaders. While there is no dedicated bus-specific industrial strategy, localisation objectives are embedded within broader frameworks such as the NRRP and Transition Plan 5.0. These initiatives prioritise domestic manufacturing through fiscal incentives and grants for firms investing in production facilities within Italy. The NRRP allocates resources to rebuild national capacity in bus manufacturing, which has declined due to offshoring, and to ensure that public procurement stimulates local industrial growth. Iveco Bus's expansion of its plant for electric and low-emission buses illustrates how public contracts and funds from the EU NextGeneration EU recovery fund, specifically the Recovery and Resilience Facility (RRF)¹⁹³, can be leveraged to support local production and supply chains. However, Italy does not impose explicit local-content quotas, relying instead on investment incentives and industrial funding to encourage localisation.

Italy's manufacturing ecosystem for buses is in a rebuilding phase. Historically strong, the sector has weakened due to offshoring, leaving limited domestic capacity. Menarini continues production locally, and Iveco Bus's investment marks a significant step toward restoring national capability. Supported by NRRP funding and industrial incentives, these developments aim to create a competitive supply chain for electric

¹⁹⁰ (Westerheide, 2025)

¹⁹¹ (Basco&T Consulting, 2024)

¹⁹² (May, 2023)

¹⁹³ (European Commission)

buses. Beyond NRRP allocations, the government has prioritised localisation through grants for plant modernisation, tax credits for capital investment, and dedicated support for electric bus component suppliers. Legislative Decree 209/2023 introduced a reshoring incentive excluding 50% of profits from corporate and regional taxes for up to six years, signalling a strong push to bring production back from non-EU jurisdictions¹⁹⁴.

The Italian Ministry of Economic Development has established a USD 351 million fund to support the creation of a domestic production chain, offering grants and incentives for innovation and workforce development¹⁹⁵. Funding criteria favour projects that embed domestic value addition, including battery pack assembly and drivetrain manufacturing, moving beyond assembly-only operations toward full-scale production¹⁹⁶. These measures, combined with NRRP's broader industrial policy framework, reflect a deliberate push to restore Italy's manufacturing footprint and position the country competitively as demand for electric fleets rises.

These measures indicate a strategic effort to re-establish Italy as a hub for sustainable bus manufacturing.

b) Public Procurement Practices

Italy's public procurement for goods and services is governed by the domestic implementation of the EU public procurement directives, and also under obligations of the WTO Government Procurement Agreement. At the national level the purchasing agency Consip (owned by the Italian Ministry of Economy and Finance) acts as central purchasing body, and public administrations also leverage the "MEPA" e-marketplace platform for sourcing¹⁹⁷.

Italian contracts integrate vehicle supply with long-term maintenance and service obligations, supporting lifecycle cost optimisation and operational reliability. For example, Iveco Bus won an electric bus tender for the supply of over 400 buses with a ten-year full-service maintenance plan for each bus¹⁹⁸.

Figure 61: Key takeaways from Italy

¹⁹⁴ (Impatria, 2025)

¹⁹⁵ (European Commission, 2022)

¹⁹⁶ (European Commission, 2022)

¹⁹⁷ (International Trade Administration, 2024)

¹⁹⁸ (Iveco Group, 2024)



Instead of local-content quotas, Italy uses fiscal incentives and strategic investments to promote localisation without breaching trade obligations.



Integrating maintenance services into procurement contracts ensures operational sustainability and adds value for domestic suppliers.



Combining procurement strategies with industrial development goals is key to achieving both economic and environmental outcomes.

INSIGHTS FROM HONG KONG

While Hong Kong does not constitute a full case study, several observations from prior analyses conducted by the research team are relevant to the themes of this report and are summarised below.

A snapshot of Hong Kong's Transport Decarbonisation Blueprint¹⁹⁹

Hong Kong's journey toward carbon neutrality by 2050 places the transport sector at the heart of its decarbonisation strategy. Buses, as a major component of public transport, contribute significantly to the city's greenhouse gas and air pollutant emissions. This case study summarises the critical role of buses in Hong Kong's decarbonisation efforts, highlighting the opportunities, challenges, and recommended actions for transitioning to a cleaner, more sustainable public transport system.

The focus on buses in the decarbonisation efforts is because:



Disproportionate Emissions : Buses and trucks make up 19% of vehicles but emit 81% of NOx pollution in Hong Kong.



Decarbonisation Priority : Focusing on buses is vital to achieving Hong Kong's 2050 net zero emissions target.



Environmental and Health Impact : Reducing bus emissions improves urban air quality and benefits public health and sustainability.

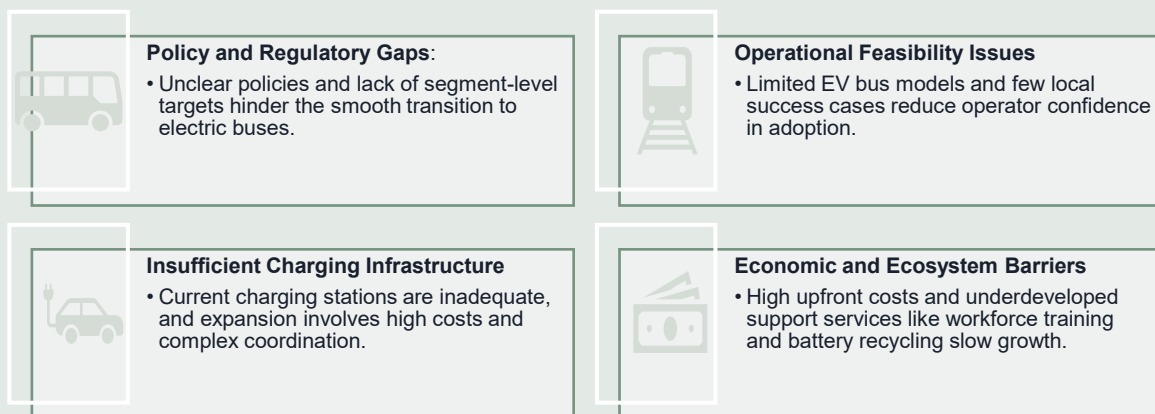
¹⁹⁹ (EY, 2025)

This called for Policy Action: The Hong Kong SAR Government released the Green Transformation Roadmap for Public Buses and Taxis in December 2024, aiming to accelerate the transition to low-carbon alternatives.

Electrification was found to be the Preferred Pathway

- **Best Fit for Hong Kong:** Battery Electric Vehicles (BEVs) are identified as the most feasible and impactful technology for decarbonising buses, given Hong Kong's compact geography and the typical daily ranges required for commercial vehicles (70–220 km), which are well within BEV capabilities
- **Grid and Infrastructure:** Hong Kong's existing electricity grid and the momentum in EV adoption provide a strong foundation for scaling up BEV infrastructure for buses. Targeted investment in fast and ultrafast charging stations, especially at depots and public transport interchanges, is crucial.

However, there are challenges such as:



The following has been recommended:

- **Develop Segment-Level Targets:** Set phased, ambitious targets for bus electrification.
- **Central Taskforce:** Establish a central coordinating body to oversee planning and implementation.
- **Streamline Regulations:** Update vehicle weight and charging infrastructure regulations to better accommodate electric buses.
- **Pilot Programmes:** Launch pilot programmes to boost operator confidence and create local success stories.
- **Robust Charging Network:** Develop a comprehensive charging network for buses, focusing on strategic locations like depots and public transport interchanges.
- **Targeted Incentives:** Provide subsidies and incentives for high-impact segments like buses.
- **Support Ecosystem Development:** Invest in workforce training and battery recycling to support the transition

In Summary

Buses are central to Hong Kong's transport decarbonisation strategy due to their disproportionate contribution to emissions. Electrification is both technically and economically viable, but requires coordinated policy, infrastructure investment, and ecosystem support to overcome current barriers.

The case studies presented in this section provide South Africa with concrete, practical lessons for developing its own bus manufacturing sector. By examining the successes and challenges faced by countries such as Ghana, Ethiopia, Kenya, Nigeria, Rwanda, Tanzania, Uganda, India, the United Kingdom, and Italy, South Africa can identify which policy frameworks, procurement models, and localisation strategies are most effective. These insights can help South Africa design a bus manufacturing strategy that is resilient and tailored to the country's unique industrial landscape and future ambitions.

Quantitative Assessment: Sub-simulations

The report has alluded to sub-simulations in the model that – while not warranting fully fledged scenarios – are important to highlight the results for. These sub-simulations are as follows:

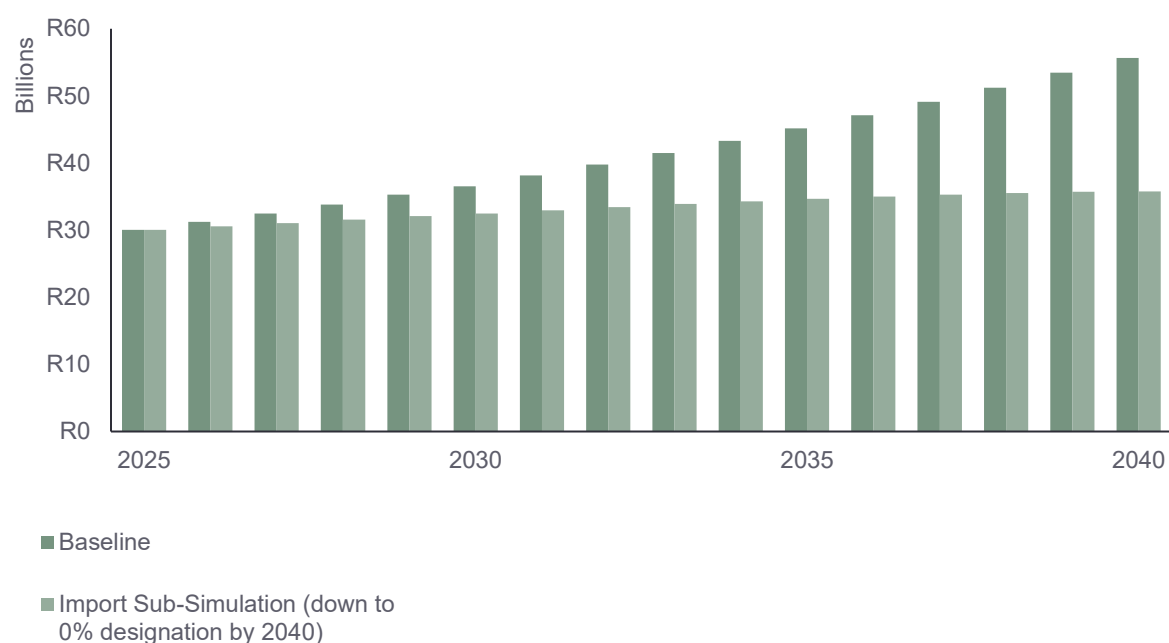
- Standard modelling practice necessitates understanding the effect of a “do nothing” approach – in this case, removing designation in its entirety to evaluate the effect thereof. This sub-simulation tacitly assumes that the designation framework is not implemented at all, and that CBUs are fully relied on going forward (i.e., that the industry slowly deteriorates over the forecast horizon).
- In addition, the analysis simulates the effect of local sourcing on prices at the component level, on a per-bus basis. As mentioned in the report, price efficiencies can be achieved by sourcing components locally, particularly for replacement parts used during refurbishment and servicing. Local sourcing of the suggested parts may yield cost benefits that do not leave manufacturers open to currency fluctuation.

Each sub-simulation is discussed in the following sub-sections:

FULL IMPORT CASE

In the case where demand is increasingly met by imports, the following analysis indicates the economic effect of such a shift (especially in the event where CBUs become more price sensitive than locally produced bodies and chassis assembled through CKD). This transition is modelled to happen gradually, and for the purposes of the modelling, extends to 0% local content by 2040, and displayed below:

Figure 62: Baseline versus sub-simulated GDP outcomes – full import case



Source: Own estimates of GDP contributions based on costing model

In 2025 prices, the loss in GDP potential would equate to some R30 billion, equivalent to the actual size of the sector in the baseline in 2040 (implying the loss of some ~10 000 direct jobs in the process)

COMPONENT LOCALISATION ANALYSIS

Embedded in the analysis is designation of local componentry based on (i) what manufacturers believe can be localised, and (ii) what manufacturers of these components believe can be achieved and done locally without much additional effort.

Based on this knowledge, the following components can be locally produced (and replaced), and their replacement cycles are also mentioned below:

Component	# of Years per Replacement Cycle	Number of Units per Median-Sized Diesel Bus	Local Sales Cost per Unit (Median – ZAR per unit)	Landed Cost per Unit (Median – ZAR per unit)
Tyres	2	6	5 750	3 750
Wiring Harnesses	10	10	1 500	1 250

Automotive Glass (windscreen)	5	1	3 000	2 250
Automotive Glass (windows)	10	20	2 000	1 500
Battery	5	1	3 500	3 000

Source: Own analysis of data from stakeholder engagements

Based on the cost data sourced from stakeholder engagements, locally produced components typically cost between 10% and 50% more per bus than equivalent imported alternatives. However, the additional local content on one bus from the entire set of products is not insubstantial – drilling the multiplier analysis done before down to the level of one bus, and testing the effect of a 100% local content number for the above, yields the following outcomes:

- Additional GDP (rounded to the nearest 100) contributions of R17 500 per bus manufactured per annum (direct, indirect, and induced in total). Additional salary contributions to local workers equivalent to R5 500 000 per bus manufactured per annum. Total localisation benefits per bus would, therefore, yield R23 000 per bus manufactured per annum at the 100% designation on the above.
- In contrast, the total additional cost per bus manufactured per annum would reach some R25 000. The costs marginally outweigh the benefit at such a ratio. As a result, a designation for these components would be optimal (i.e., where the costs and benefits trade off) between 70 and 85% localised on average, where costs would be lower than the contribution to economic activity of manufacturing a bus per annum.

PROCUREMENT CASE FOR EV BUSES

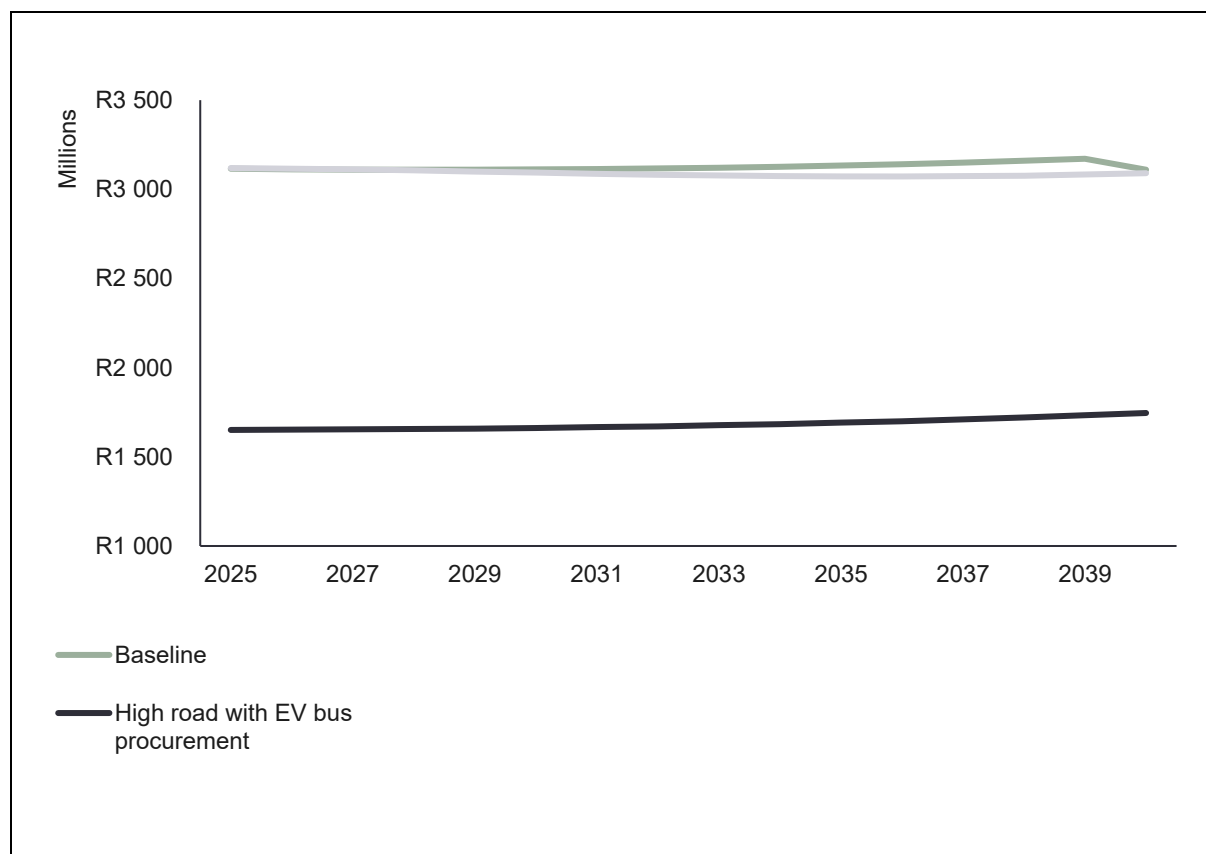
While the full cost of the bus is critical for the costing model, operational expenditure across the vehicle's lifetime is also a critical consideration in fleet planning; ongoing maintenance costs play an equally important role in determining the total cost of ownership for each bus type.

Maintenance requirements and associated costs vary by propulsion system and bus size, with electric buses typically offering lower routine maintenance due to fewer moving parts, while diesel and hybrid buses may incur higher costs related to engine servicing, fuel systems, and component wear.

The following maintenance cost breakdown provides an overview of the total small- and large-scale maintenance expenditures expected for all buses in South Africa's operational parc, forecasted between 2025 and 2040. This analysis considers anticipated fleet growth, with projections differentiated for both the high road scenario (characterised by accelerated parc expansion, increased uptake of electric and hybrid buses, and improved maintenance efficiencies), and the low road scenario (which assumes slower fleet growth, limited technology adoption, and higher maintenance costs associated with an aging fleet).

By reflecting these scenario-based variations, the forecast offers a comprehensive perspective on lifecycle maintenance expenditure to support strategic planning and resource allocation across the sector.

Figure 63: Total maintenance and repair costs per scenario (system wide, not per bus)



Source: Own analysis of data from (Bus CMMS, 2025; Bus CMMS, 2025; North Eastern Bus Rebuilds, 2025)

As illustrated in the prior figure, the High Road scenario consistently achieves the lowest total maintenance costs over time. This positive outcome reflects the benefits of regular fleet renewal and expansion, with newer vehicles requiring less frequent

and less intensive repairs, as well as efficiencies gained from larger, more standardised fleets ²⁰⁰.

These patterns highlight that policies supporting predictable, aggregated procurement and regular fleet renewal not only reduce total costs but also improve cost efficiency at the vehicle level, strengthening the case for sector reform and investment in modernisation.

SABOA VERSUS E-NATIS POPULATION DATA

It is also critical to note the difference in bus populations between e-Natis and SABOA – while e-Natis suggests a bus population of some 66 000 units, SABOA suggests half that (31 000 units roughly by 2025, adjusting for national fleet size increases of 1 000 per annum).

While this does not affect the ratios associated with the multiplier benefits (because associated costs reduce in step), choosing to model using the SABOA population does scale down the Rand value of the GDP contribution associated with the parc by scaling down the Rand value of maintenance and infrastructure expenditures (on a smaller fleet).

Importantly, these items are not the bulk of the GDP contribution calculation, which instead focus on the new production of vehicles – whether choosing to model the population on SABOA or e-Natis estimates, there is no effect on new production expenditure.

Nevertheless, these changes do result in shifts to GDP and parc size which warrant mentioning:

- The terminal value (i.e., by 2040) of the bus population changes dramatically – reaching 35 000 units when using SABOA data (on average across scenarios) as opposed to the 72 000 estimated when using e-Natis data.
- GDP contributions are also reduced; accordingly, R850 million worth of maintenance and infrastructure-related GDP outcomes is foregone per annum when assuming the SABOA population is the true reflection of the bus parc.
- Employment outcomes reduce as a result of the loss in GDP – on average, 53 000 FTEs are supported when assuming the e-Natis data is a true reflection

²⁰⁰ This lower maintenance does, however, reduce the GDP contribution of maintenance (discussed further on in the report) in the scenario, but should be prioritised over poorer maintenance outcomes given the safety concerns associated with bus operations in the public sector.

of the bus population, while 51 000 FTEs are supported when assuming the SABOA data is a true reflection of the bus population. As a result of a reduced maintenance and infrastructure expenditure on a smaller fleet, some 2 000 jobs are foregone per annum simply based on parc size differentials.

Stakeholder Engagements Snapshot

A table summarising stakeholder engagement, shown below, consolidates perspectives from national transport authorities, manufacturers, and industry experts. It captures the underlying dynamics shaping bus procurement, fleet modernisation, local-content implementation, and the transition to new contracting regimes. The insights reflect structural issues across legacy contracts, fragmented procurement processes, evolving technical standards, and the emergence of electric mobility. The challenges and opportunities identified form part of a broader effort to inform policy, improve localisation outcomes, and support a more coordinated national approach to public transport fleet renewal.

Stakeholder type	Key insight	Challenges
Private sector OEMs and bus-body builders	• Strong local manufacturing base exists, with several players achieving 80–96% local content on bus bodies and fully capable of scaling production if demand becomes consistent. • CKD chassis assembly significantly reduces import costs, improving competitiveness and enabling partial localisation of structural components. • Refurbishment remains a major industry pillar, extending fleet life to ~15 years and reducing total cost of ownership for operators. • Electric bus capability emerging, with prototypes and early production occurring locally through partnerships with global OEMs. • National bus demand could realistically reach 1 000–1 500 units/year, with potential upside of 2 000–3 000 buses if procurement certainty improves. • Local suppliers can reliably deliver seats, windows, panels, fibreglass, steel, structures and wiring, forming a solid base for localisation expansion.	• Inconsistent and unpredictable public-sector procurement prevents economies of scale and long-term investment by manufacturers and suppliers. • Specialised components (lights, electronics, floors, HVAC) still require importation, limiting full localisation potential. • OEM-specific specifications reduce standardisation, leading to fragmented volumes and higher production costs. • Duty rebate and CKD approval processes (e.g., 317) are lengthy, poorly supported, and hinder competitiveness for new entrants. • Infrastructure constraints limit rapid adoption of electric buses (grid capacity, charging infrastructure, theft risk). • Supplier base weakened, with high steel prices, limited competition, and insufficient manufacturing depth for advanced components. • Skills shortages in key trades (toolmaking, machining, homologation) constrain localisation expansion. • Funding challenges across metros delay fleet replacement, despite aging fleets and significant backlog.
Public sector: municipalities	• Strong underlying passenger demand, with potential to more than double if services expand and more buses become operational. • Existing fleet is ageing, but refurbishment programmes have successfully extended vehicle life. • Municipality requires ~ for full network rollout across phases yet currently operates with a very small fleet. • Local content requirements (~80% for bus bodies) remain part of procurement, despite uncertainty on national relaxation.	• Procurement processes repeatedly attract no manufacturer responses, likely due to low volumes, high specifications, and strict local assembly requirements. • Operating and capital budgets are insufficient, restricting expansion and limiting the number of buses that can be procured. • No formal municipal fleet-replacement policy, resulting in misalignment between ageing assets and procurement planning.

	• Specifications aligned with national metropolitan standards, typically low-floor, universally accessible, 12-metre buses. • Assessment underway for adopting electric buses, including technical and financial feasibility, though diesel remains the baseline for procurement. • Public transport operations depend heavily on provincial subsidies, with limited direct municipal operating funding. • OEM parts required for warranty compliance, especially for safety-critical components. • Some bus body components can be manufactured locally, including structural parts, but specialised mechanical components still rely on imports. • Small-volume tenders from smaller municipalities are less attractive to manufacturers, reducing supplier participation. • Local market shows potential, but procurement fragmentation limits economies of scale for manufacturers and suppliers.	• Local-content compliance verification is complex, especially with uncertainty around designation rules and chassis CKD requirements. • High upfront costs and infrastructure requirements hinder electric bus adoption. • Maintenance challenges due to limited availability of locally produced specialised components (e.g., windows, safety-critical parts). • Funding reductions at national level threaten future procurement cycles. • Public transport network planning hampered by slow tendering, slow approvals, and administrative bottlenecks. • Small municipal tenders are commercially unattractive, increasing the likelihood of failed bids. • Local suppliers cannot meet all component needs, particularly in mechanical and high-tech systems.
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