INTERCAPE

Safe • Dependable • Affordable

Competition Commission Presentation

7 June 2018

Agenda

- Company overview
- Bus terminal facilities
- Licensing and entry regulations
- Competition dynamics

Company Overview

- Johan Ferreira Sr. was born in 1934. After 18 years as a schoolteacher in Namibia, he decided in 1971 to start a passenger bus company with one bus only, and called the business “Central Bus Service”. Over a period of 5 years, the company expanded its business to 5 busses and also changed its name to “Windhoek Bus Service”.

- In 1979, Mr Ferreira started a second passenger bus company in Cape Town, South Africa and called it “Intercape”. At first, the company operated a shuttle service between the Cape Town airport and the City Centre only.

Company Overview

- In 2008, Johann Ferreira Jr bought 100% of the shares of Intercape from the Ferreira family trust and took over the management of the company. Today, Johann, together with a handpicked team of highly skilled and dedicated professionals make it their mission to provide a safe, dependable and affordable road transport service to passengers throughout Southern Africa.

- Intercape carries the message of Hope on every luxury coach. It is our firm belief that God's purpose for our company is to be more than just a carrier of passengers.

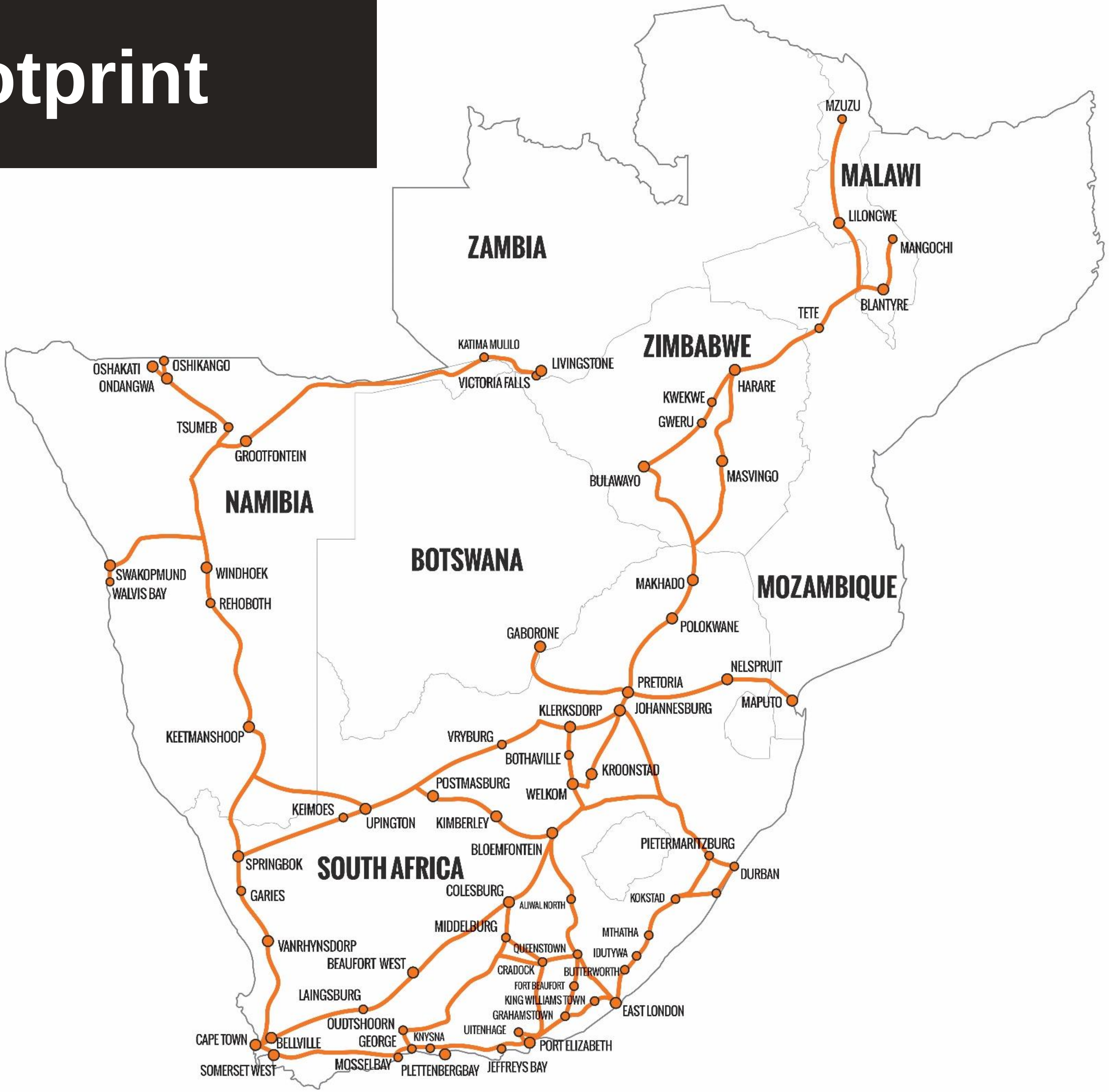
Company Overview

- Intercape offers the following services:
  - » Intercity;
  - » Charters and Tours;
  - » Cross border;
  - » Parcel services.

- We partner only with World class chassis (Volvo, Scania & MAN) and body manufacturers (Marcopolo and Irizar).

- Our fleet consists of 155 luxury coaches, single and double decker configuration.

Footprint


MZUZU
MALAWI
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VICTORIA FALLS
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MASVINGO
NAMIBIA
BOTSWANA
SWAKOPMUND
WINDHOEK
WALVIS BAY
REHOBOTH
MAKHADO
MOZAMBIQUE
POLOKWANE
GABORONE
NELSPRUIT
PRETORIA
MAPUTO
KLERKSDORP
JOHANNESBURG
KEETMANSHOOP
VRYBURG
BOTHAVILLE
KROONSTAD
POSTMASBURG
WELKOM
KEIMOES
UPINGTON
KIMBERLEY
BLOEMFONTEIN
PIETERMARITZBURG
SPRINGBOK
SOUTH AFRICA
DURBAN
COLESBURG
GARIES
ALIWAL NORTH
KOKSTAD
MIDDELBURG
MTHATHA
VANRHYNSDORP
QUEENSTOWN
IDUTYWA
BEAUFORT WEST
CRADOCK
BUTTERWORTH
FORT BEAUFORT
LAINGSBURG
KING WILLIAMS TOWN
EAST LONDON
GRAHAMSTOWN
OUDTSHOORN
UITENHAGE
CAPE TOWN
BELLVILLE
GEORGE
KNYSNA
PORT ELIZABETH
MOSSELBAY
SOMERSET WEST
PLETTENBERGBAY
JEFFREYS BAY

Bus terminal facilities

1. Facilities used by Intercape across country:

   Intercape makes use of most of the PRASA facilities in the major cities, where PRASA facilities are not available, Intercape makes use of private businesses or fuel stations on the main roads, with permission from either Municipalities or the business owners.

2. What makes Park station an important or essential facility for Intercape?

   It is a very important facility which was developed years ago to serve as a hub for passengers from rail to busses and vise versa .

   Intercape loads / offloads on average 70 000 passengers per month at Park station, taking in consideration that Intercape are only one of many operators using the facility.

Bus terminal facilities

3. To what extent would your business be affected if you were to operate without access to Park station?

Intercape believes that Park station being the hub from which most passengers commute and operate from, our business will most definitely be affected negatively also taking in consideration the average amount of passenger that embark and disembark from our coaches monthly at Park station. Operating from any other facility will have no benefit to the passengers as they would have to commute from the station to the loading point at additional costs to them.

Bus terminal facilities

4. Are there any other facilities that can be used as alternatives to Park station? Has Intercape attempted to find and use such alternative facilities?

   There are no other facilities with the required space and terminals available in the Johannesburg metro with connecting transport facilities for passengers to and from the place at any time of the day.

   Intercape attempted with the co-operation of other operators to develop a new facility at Ferreira's town, planning and negotiating went on for several years, however due to the financial input regarding development, such a facility was not viable and Intercape cannot execute such a project on its own.

Bus terminal facilities

5. What are your concerns regarding access to Park station?

The rates charged are not market related.

Entrance to Park station is problematic especially over weekends and peak periods due to unlawful loading in Leyds street by taxi's and cross border busses as well as the exit into Rissik street. This can generate up to 2 hours delay.

In volatile instances like the recent strikes, long distance operators are not protected against the protestors, access is denied to paying operators and preference given to protestors to intimidate / attack passengers and operators whilst loading / off loading at Park Station, Cape Town Station, Durban & East London Station premises. As far as future developments are concerned it is clear from the drafted plans that Autopax (Translux & City to City) will receive superior access and ranking facilities. Subsequently it is clear that PRASA will use its leverage as the landlord and competitor to secure the advantage to itself and prejudice the opposition .

See the appropriate diagram Plan regarding Platform 19 as Annexure (A)

Bus terminal facilities

6. How has the introduction of the Pay-Per-Use system at Park station affected your business?

   Our operating costs with R13mil a year. Intercape had no choice but to retrench the hostesses to try and recoup some of the additional costs.

   The Pay-Per-Use system does not only negatively impact the operators, but also the passengers.

   The facilities like lack of toilets for staff, condition of platform and road surface, leaking roofs, sewerage systems, is not kept up to standard and maintained even though the high

Bus terminal facilities

7. What steps have you taken to raise the above concerns with PRASA and what were the outcomes of such actions?

   Various meetings were held with PRASA management before the introduction of the Pay-Per-Use system. The outcome was clear "Accept the system or find another place to load".

   A case was made against PRASA by six applicants of which Intercape was one regarding the Pay-Per-Use system. Refer to Case 09991/2013 Annexure (B)

8. What would you consider as a solution/s to the above concern?

   Access fees to be market related, for example airports or paying public parking buildings. There should be a choice for ranking facilities and not just one in the City of Johannesburg.

   Step up the security to look after their tenants and passengers loading on PRASA's property, especially in industrial action periods.

Licensing & entry regulation

1. Intercape's experiences in relation to application process for operating licenses

   The application process regulated by law and is straight forward and the guidelines to apply are simple, Intercape is well experienced in fulfilling the application process.

2. Are the PRE's dealing effectively with the objections raised?

   It is the view of Intercape, that the PRE's do not deal with the objections effectively by not applying the rule of law properly and consequently.

Licensing & entry regulation

3. What impact does the PRE's failure to effectively deal with the objections raised have on your business?

   The question should be what impact it has on the industry, the effect is that granting operating licenses will become a free for all and the industry will have in months to come have the exact problems that is currently in the taxi industry.

   The granting of operating licenses must be done strictly according to the law as per the NLTA ,100% assurance that the applying operator fulfil on all the rules and laws and most importantly that the operator would be able to provide a SAFE service.

4. Identify ways that can be utilized to balance the legal provisions in the NLTA (of objecting) with potential abuse of the objections process.

   The objection process should be managed and overseen by the relevant PRE's and abusive objection should not be entertained by the PRE's

Competition dynamics

1. Expand on practices identified at paragraph 28 of your submission as practices that distort and impede competition in relation to the allocation of operating licenses.

   An entity applies for operating licenses under a pseudo name, the PRE's are evaluating the application under this name, objections are dealt with under the applying name, once licenses are approved, the licenses get uplifted and used under a different name.

   Operating licenses which have not been cancelled and revoked by the authorities upon the seizure of the operators business. Licenses then may be utilized by other operators in the market, without being properly regulated. These operators then directly impede on the business of the long distance bus and taxi operators.

   As mentioned in the point above, new operators enter the luxury coach market with commuter busses and they do not go through the application process governed by the NLTA.

Competition dynamics

2. Expand on challenges caused by oversaturation of routes and how this affects intra-modal competition, as per paragraphs 34 and 35 of your submission.
   Oversaturation of routes ultimately undermines the safety of passengers due to route specific profit margins that become constrained.

3. Which specific routes does Intercape consider as oversaturated or overtraded?
   Cape Town to Eastern Cape
   Gauteng to Eastern Cape (PTA to PE, PTA to EL, PTA to Umtata)
   Gauteng to Durban

Competition dynamics

4. Expand on the state of competition between buses, taxis and rail, as per paragraph 47 of your submission, with reference to the following:

4.1 To what extent does each alternative mode of public transport compete directly with intercity buses?

Taxi's were traditionally zoned for routes within townships to towns / city's within certain municipalities, since taxi's are also granted operating licenses to operate long distances, they have encroach into the long distance luxury coach market with below market related prices.

This has a direct impact to Intercape passenger totals.

Intercape's operating licenses do not allow to load or offload passengers anywhere in route and in the application process it is also not allowed, yet the taxi's can stop where ever when ever in route on a long distance route.

Lastly it must be mentioned that a 14 seater or 22 seater mini bus was not developed to transport passengers on a long distance journey such as we have in SA.

Competition dynamics

4.2 Please provide examples of routes where buses face direct competition from each alternative mode of public transport (i.e. taxis and rail).

Save and except that Intercape faces direct competition on all its routes from especially taxis, the following routes should serve as specific examples:

Durban to Eastern Cape

Cape Town to Eastern Cape

Gauteng to Eastern Cape (PTA to PE, PTA to EL, PTA to Umtata).

Thank you