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**MARKET INQUIRY INTO THE
LAND BASED PUBLIC PASSENGER
TRANSPORT SECTOR.**

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15

JOHANNESBURG, DAY 3.

Wednesday, 06 JUNE 2018

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PLACE:

(CONSTITUTION HILL THE ATRIUM)

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Session 1

CHAIRPERSON: Today is the 6th of June 2018. This is the third day of the public passenger transport market inquiry, initiated by the Competition Commission. I would like to welcome everyone this morning to the inquiry. My name is Bukhosibakhe Majenge. I am the Chief Legal Counsel based at the Competition Commission and I am the Chairperson of the panel. I am joined by two panel members. Ms Nompucuko Nontombana who is the Divisional Manager for the market conduct division of the Competition Commission, and Mr Thulani Mandiriza who is also an economist at the Competition Commission. He is joining the inquiry in his capacity as the head of the inquiry's technical team. Mr Itumeleng Lesofe and Mr Jabulani Ngobeni who are lawyers at the Competition Commission will act as evidence leaders in these public hearings. They together with the team of the Commission's lawyers and economists will be assisting the panel in soliciting evidence for purposes of the inquiry. We will just like to recap the rules of procedure that are applicable to the inquiry. The first is that the inquiry is open to the public, except when we rule otherwise on the grounds of confidentiality or for any reason that we deem to be justifiable. All sessions will be recorded and streamed live, except for those sessions or part of the sessions which are closed. In order to allow for the proper ventilation of issues, the Chairperson, the panel members as well as evidence leaders will be allowed to pose questions to persons making oral submissions or to any witness. The Chairperson will not permit any person neither personally nor through a legal representative to question any witnesses or any person making oral submissions during these public hearings. In the event that any person or stakeholder has an objection, comment or question in respect of any

submission made during these proceedings, that stakeholder must submit that objection, comment or question to the inquiry in writing. The inquiry will attend to that matter at an appropriate time. Due to limited time being available, only one representative of a group or entity either personally or through a legal
5 representative will be permitted to make oral submissions at this inquiry, other than witnesses that parties may wish to call in support of their submissions. Where parties anticipate that different representatives will be needed to address different topics, appropriate arrangements should be made with the panel in advance. I think we will now proceed to receive a submission from the Gauteng
10 Provincial Department of Transport. If you could please, welcome gentleman and lady. If you could please state your full names for the record and indicate who will be making a submission.

MR SOJANE: Good morning. My name is Modise Sojane.

CHAIRPERSON: Can you please for purposes of the record if you could
15 please just spell your surname.

MR SOJANE: Okay. My surname is spelt as SOJANE.

MS SMITH: Good morning. My name is Kilebogile Smith from the Department of Roads and Transport.

MR MARINGA: Good morning. My name is Rendani Maringa, I am also from
20 the Department of Roads and Transport.

CHAIRPERSON: Alright. There is a piece of paper in front of you. If you could please take the oath or the affirmation, as you wish. Starting with Mr Sojane.

MR SOJANE: I, Modise Sojane, solemnly affirm that the evidence that I shall give shall be the truth, the whole truth and nothing but the truth.

CHAIRPERSON: Thank you Mr Sojane. Ms Smith?

MS SMITH: I, Kelebogile Smith solemnly affirm that the evidence I shall give
5 shall be the truth, the whole truth and nothing but the truth.

CHAIRPERSON: Mr Maringa.

MR MARINGA: I, Rendani Maringa solemnly affirm that the evidence that I shall give shall be the truth, the whole truth and nothing but the truth.

CHAIRPERSON: Sorry Mr Maringa you will have to repeat that. Unfortunately
10 your mic was off.

MR MARINGA: Alright.

CHAIRPERSON: Ja.

MR MARINGA: I, Rendani Maringa solemnly affirm that the evidence that I shall give shall be the truth, the whole truth and nothing but the truth.

CHAIRPERSON: Thank you very much. Let us first start with introductions. If
15 you could very briefly just indicate your positions in the department and how long have you held those positions, starting with Mr Sojane.

MR SOJANE: My, I am currently I am the Director for Registration and
Monitoring within the Department of Roads and Transport but I am currently
20 acting as Chief Director responsible for registration and operating licencing of public transport in Gauteng. I have been with the department for quite a while

and being a Director for at least 15 years, and I have been acting as Chief Director for the last two and a half years. Thank you.

CHAIRPERSON: Ms Smith?

MS SMITH: Thank you. I am a Chairperson of the Provincial Regulatory
5 Entity. The entity that is responsible for issuance of operating licences. I was appointed in 2011 as a Deputy Chairperson of the entity and in 2016 I was then elevated to a Chairperson position. So I have been with the entity since 2011 till to date.

CHAIRPERSON: Mr Maringa?

10 **MR MARINGA:** My name is Rendani Maringa. I am actually acting now as the Director Public Transport Operations which is responsible for bus subsidies. I have been acting in the position for now two and a half years from 2015, end of 2015 and I have actually been a Deputy Director in the department from 2009 until 2015 when I was appointed to act as the Director Public Transport
15 Operations.

CHAIRPERSON: Alright. In terms of how we will proceed, we will give you an opportunity to very briefly highlight salient aspects of your submission and then after that we will give an opportunity to evidence leaders and members of the panel to pose questions to you. So you can go ahead in terms of highlighting
20 just the key issues emanating from the submission that you made to the inquiry.

MR SOJANE: As indicated earlier, the department is responsible for the regulation of public transport and in the process is responsible for the issuance of operating licences and permits to all public transport. That would include busses, minibus taxis, metre taxis and learner transport. This particular function

is also supported by the municipalities who are also responsible and accountable for ranking facilities and are very key as well in assisting by actually giving concurrence, that is a directive to say yes there are sufficient ranking facilities and the department or the provincial regulatory entity can go
5 ahead and issue operating licences. In addition my particular role is also the responsibility of ensuring that all public transport is registered so that we have a database of how many operators whether bus or minibuses are available in operation. In addition, the department is also responsible for regulating public transport through mediation where there are conflicts between and in particular
10 minibus taxis and this can be between two taxi associations or within an association itself. I think these are the key elements that I want to raise. Thanks.

CHAIRPERSON: Ms Smith, if you could very briefly because you are currently the Chairperson of the provincial regulatory entity, very briefly explain the
15 functions of the regulatory entity and the process that is followed by the regulatory entity in processing applications for operating licences.

MS SMITH: Thank you very much. The Provincial Regulatory Entity, excuse my voice, is an entity that regulate public transport in the province and it is actually appointed in terms of Section 23 of the National Land Transport Act of
20 2009. So that particular act is a current legislation that governs you know, public transport regulations and everything that we do, we are actually relying on that particular legislation and its regulation. It is National Land Transport Regulations of 2009 as well. The functions of the Provincial Regulatory Entity are actually captured in Section 24 of the National Land Transport Act and it
25 actually provides that the regulatory entities responsible for receiving and

deciding on applications for public transport operations and also to monitor and oversee public transport in the province. In the main, what we are actually doing on a day to day basis you know, as we regulate public transport, we are receiving applications from applicants, and the process that is followed in terms

5 of the act, is that the Applicant lodges an application. For instance you know, let me just use a classical example of bus applications. Inter provincial bus route applications. The applicant approaches the regulatory entity, lodges an application and subsequent to receiving the applications, we publicise those applications in terms of Section 59 of the act. The purpose of publicising

10 applications is to grant opportunity to those who are called interested parties so that they can have an opportunity to view the advert or publication and where they are interested they can then lodge objections, formal objections with the regulatory entity. Once we have received objections, we do not process the application to finality. What we do we pause and call the parties who have

15 actually objected. We also call the applicant to say applicant, you have lodged an application. However, one two three or X Y Z is objecting against your application. Kindly avail yourself for appearing on this particular date for what we call Section 59 objection hearing. What we actually do in terms of Section 59 hearing, we allow the objector to relate you know his side of the story or

20 make formal submissions, and the applicant will then respond to the submissions of the objector. Subsequent to that the PRE will then based on the submissions of both the objector and the applicant analyse the submissions and then come up with a decision whether to grant or not to grant the application. Section 57 of the act guide us in terms of factors that we should actually take

25 into account in disposing of applications for public transport operations, and

those factors, they actually factor into the objection determination or the objection decision. As we take a decision we look into those factors. To mention just but a few, the act mandate us to look at issues of the capacity of the applicant, his ability to operate public transport in a manner that is

5 satisfactory to the public. We are also mandated to look at the suitability of the vehicle. Vehicle that is actually purported to be utilised for that particular service. Is it safe, is it you know proper for that particular service. We also have to look at the direction of the planning authorities. In this case we are talking about municipalities, relevant municipalities where we actually referred

10 the application to. What we actually, you know that referral, the stage of referring the application, it happens same time with publication. You know as we publicise we also refer to the relevant municipalities to say kindly indicate to us as the Provincial Regulatory Entity if there is available routes or facilities or terminals for this proposed operation and we also look at those directions, if

15 they are available, because in most cases the PRE is actually bound to take decisions without those directions where municipalities are actually delaying. In terms of Section 55(6) the PRE is allowed to proceed with the application where the municipality fails to respond within at least 30 days. So those are the factors that we actually take into account in making a final determination as to

20 whether the application should be granted or refused. So those are the basic issues.

CHAIRPERSON: And what categories of applications do you process?

MS SMITH: It is quite a number of categories. We process bus applications as I said. We process minibus taxi applications. We process metre taxi

25 applications. Tourist applications. Charter service applications. Usually charter

service, you know bus applicants they couple it with your normal bus route. So it becomes a dual authority. What else by the way?

MR MARINGA: Learner transport.

MS SMITH: Ja, learner transport as well. What others call scholar transport.

5 Staff transport as well. We also process courtesy services. We used to process as well shuttle services, but the current legislation is not actually making provision for shuttle services anymore. We therefore assist shuttle service applicant by advising them to apply for charter or courtesy. So those are the categories of applications that we process.

10 **CHAIRPERSON:** And just to for the sake of clarity, you do not process any applications for [inaudible] services. Those do not fall within your jurisdiction as we understand the situation.

MS SMITH: [inaudible] services is not currently provided for in terms of the current legislation. However, the amendment bill is making provision for that type of service. So once the amendment bill is promulgated into law, an
15 [inaudible] service will then be regulated as well.

CHAIRPERSON: Are there fixed turnaround times for the processing of these various applications?

MS SMITH: Yes, indeed. Regulation 8 of the National Land Transport
20 Regulations, makes provisions that the Provincial Regulatory Entity, the committee has to meet as often as possible to dispose of applications within at least 60 days.

CHAIRPERSON: 60 days of receipt of the application?

MS SMITH: Yes. 60.

CHAIRPERSON: Mr Maringa, if you could briefly outline then the subsidy. The bus subsidy function.

MR MARINGA: Yes. Thanks Chairperson, I will try as much as possible to be
5 brief, although I had actually prepared a detailed presentation. As the
directorate responsible for bus subsidies we are mainly responsible for
distributing the subsidies to contracted bus operators. This subsidy are actually
put in place to achieve the department's objective of providing accessible,
affordable, reliable and safe public transport to the community. Just to give you
10 a little bit of background, prior 1996 this function was actually performed by the
National Department of Transport and in 1997 the function was devolved to the
provinces, and what we inherited were 34 bus subsidies which are basically
contracted to 13 bus operators. I have to talk about the area where these
subsidies are in operation. It is mainly the City of Tshwane, the City of
15 Ekurhuleni as well as Sedibeng. Unfortunately we actually do not have
anything at the Westrand. I must also make mention of the fact that this bus
subsidy contracts were continuously extended, since we actually inherited them
and which of course it is one of the challenges that we had. I think it is
important Chairperson that I talk to a whole lot of challenges that you know we
20 are encountering in as far as the service is concerned. I think mainly due to the
extensions. I am mindful of the fact that the inquiry has learnt that some of the
contracts between the province and the bus operators have not placed for a
number of years and the worry is that why are we not going into competitive
bidding. Let me talk to challenges. The challenges are that most of the bus
25 operators since we contracted this particular operators, are operating with very

old fleet and this is old fleet that is actually resulting in trips that are not operated. In fact the trend of trips that are not operated daily, it is increasing by virtue of the old fleet. This is as a result of the fact that the busses are not recapitalised. I am sure you will be aware that the life span of the bus is at least

5 around 15 years. So the bus operators are, in fact I must mention this that there is one bus operator who is operating with a bus which is about 28 years. So you can think about what will happen in the operations and even the issue of maintaining that bus. So that is one of the challenges and obviously with regard to the side of the Auditor General, we have had very bad audit opinions by

10 virtue of the fact that we have been extending, and that is considered as irregular. I have spoken about the shortages of busses and the poor conditions. Now I want to actually go to what the department is doing to address these particular issues. Somewhere around last year we have actually received a directive from the national department that the [inaudible] which is the Minister

15 and MEC's Commission has decided that we should actually extend the contracts once more to 2021 for an additional three years, and at that point the department had already taken a decision that in no way we are going to again allow these contracts to continue as is. From around 2016 we have actually been working on reviewing the contracts in collaboration with the CSIR. What

20 actually happens is that before we contract, we need to review the routes so that we optimise on the service and also improve on whatever we have at the current moment. So from 2016 we actually have been working on that, and from last year, in as far as the National Land Transport Act, the province is not the contracting authority. I think this is very important to mention. This is the

25 NLTA that was enacted in 2009. So by virtue of the fact that we are not the

contracting authority, we are actually required to enter into a formal agreement with the municipalities that are affected and what we have done is we have managed firstly or rather at the first phase to enter into an agreement with the City of Tshwane as well as Sedibeng. It was only the City of Joburg and
5 Ekurhuleni that we actually took time to get their signatures. To enter into what we then coined an intergovernmental agreement, which is actually informed by what the NLTA says in as far as the contracting authority is concerned. So we have managed to enter into such agreement, and the first pack of adverts was with Tshwane and Sedibeng. I am sure most of you who read papers, you
10 might have seen somewhere around November 2017 where we advertised subsidised bus contracts on the tender bulletin and various newspapers. Now this is the initiative that the department took to say in no way will we actually you know allow these contracts to continue as is. So that then answers your query as to why are we not going out on competitive bidding. In fact I must
15 make mention of the fact that it is only the Gauteng province that has actually mainly started the process of entering into new subsidised bus contracts. These other provinces are just going to learn from us. We know for a fact that there is also Northwest that we have also been communicating with. They are in the process of actually starting, but these others have not been doing that.
20 They actually have accepted the extension as directed by the [inaudible]. So how far are we in as far as the five advertised contracts and the other outstanding contracts are concerned? Let me start with the 26 contracts. There is one contract which is the IC52 Maloto Road contract. This is one contract that moves from another province which is Mpumalanga to Pretoria.
25 What then happened is that the national department decided that the

contracting process will actually be done by them and not us. That is the Maloto Road contract and they are actually already working on the process. They have done the comprehensive route surveys and right now as I speak, they advertised a tender for designing those particular contracts. So they are

5 taking care of it. The 25 contracts, this is part of Ekurhuleni as well as COJ which is the City of Joburg. The CSIR in collaboration with the department have completed the route surveys in preparation for going out on tender and as I speak, somewhere around Monday we were presenting the almost finalised analysis of the findings and the recommendations as to what we need to do

10 going forward and somewhere around the 22nd we will be actually meeting with the City of Joburg to present the final recommendations. Now that is the 24 contracts. The five contracts that we have advertised, remember out of the five in total there were eight but we could not advertise all of the eight because of the fact that Ekurhuleni had not signed for the three other contracts, the

15 Vosloorus contracts. Now that they have just recently signed, I think they signed somewhere around March, we are in engagements with Ekurhuleni and will be actually advertising those three contracts as soon as they come back to us, because they are still consulting with their principals. The five contracts as I am actually talking to are already done. The evaluation process is done and we

20 are just left with the final assessment report from the property audit. I am sure you know that anything above 50 million treasury must appoint the property auditors. We are done with that, in fact we were even supposed to have awarded, but by virtue of the fact that we are still waiting for that assessment, we have not gone to the BAC to actually present the recommendations.

25 Chairperson, I think that is my brief on bus contracts.

CHAIRPERSON: Ja, if you could also just briefly explain the subsidy determination process as well as the process for determining the escalation of the subsidy.

MR MARINGA: Okay. Thank you. Basically perhaps what I need to mention

5 is that by virtue of the fact that the subsidy objective is to say we need to ensure that the commuters get something that is affordable. We actually then determine the subsidy in ensuring that whatever there are fares that are actually charged by the operators. These fares are actually determined by the operators based on what we actually give them. In fact, what should actually happen is

10 that we need to give them a subsidy on a 50/50 share basis, to ensure that they actually get something affordable. But then there are all other issues regarding the escalations that actually should happen every financial year. It is just unfortunate and this is one of the main challenges that we have actually had throughout the years. That the national department was supposed to actually

15 escalate these subsidies as per the inflation rate, but I think about a period of four to five years, they actually could not meet that due to the lack of financial resources. The escalations yearly were under three percent. I think there was even a time that it was at about two percent, and the bus operators have actually been complaining. Let me say that the department has been inundated

20 with a whole lot of complaints from the bus operators to say you are not able to give us enough escalations in as far as the subsidies are concerned, and therefore that affects a whole lot of issues. I think if I have to go back a little, if you know how the situation was in 2007 in as far as operational costs are concerned, to maintain these busses, you will then tell that today the dynamics

25 have changed quite a lot throughout the years and there was no review of these

particular bus contracts, and neither did the yearly escalations met the demands of the bus operators. Then these guys, the operators are saying if you do not do that, we are even unable to capitalise, re-capitalise and we cannot cope with operational costs, and therefore the service is having a challenge in that matter.

5 So basically that is how the determinations of all of what you have requested are actually done.

CHAIRPERSON: Ja, thank you very much Mr Maringa.

MR MARINGA: Yes.

CHAIRPERSON: I think at this point we will allow the evidence leaders to
10 pose questions to you and my suggestion is that we first start with the regulatory issues, and then lastly we will then deal with the subsidy. The subsidy issues. I see that Ms Smith took a break, but should you have any questions for Mr Sojane I think you can go ahead until Ms Smith comes back.

EVIDENCE LEADER: Thank you Chair. Good morning and thank you for the
15 different presentations. I actually wanted to start with the inter city operating licence process. I am not sure if you would be able to answer some of the questions in relation to that.

CHAIRPERSON: Please put your mic on.

MR NGOBENI: Ms Smith I think mentioned that in terms of the regulations, the
20 process for evaluating an application for an operating licence is about 60 days. It is actually 60 days. I wanted to find out how long does it take on average in practice to consider applications? The regulation says it should be done in 60 days. Now in practice, how long does it take? Maybe you can start with those where there are no objections.

MR SOJANE: Yes. In terms of the act it is supposed to be 60 days, but practically it has not really been the case. We have gone way beyond the 60 day period to, up to a year for example. Where you find that an operating licence has not yet been adjudicated and finalised to an extent where an
5 operating licence can be issued.

MR NGOBENI: Okay, and are there instances where applications were rejected?

MR SOJANE: Yes, there are many instances where applications have been rejected.

10 **EVIDENCE LEADER:** Okay. I just want to get a sense of the circumstances or the grounds that would lead to applications being rejected, and if you could, if you could give us maybe examples if possible, ja.

MR SOJANE: If we look for example at the minibus taxis for example, an operating licence conditions for the issuance are contingent upon a number of
15 things. For an example you will find that an operator must belong to an association and he must have his application supported by the particular association through issuance of a letter for example to say this member is a member of this association. However, when it comes to the regulatory situation from the department, key aspects are for an example a compliant vehicle that
20 must be available. The vehicle must have been manufactured after September 2006 I think it is and it should have you know the necessary equipment for that to be considered a compliant vehicle and the other thing is of course we must get directives from the municipality. In terms of the act the municipality must give direction to say yes, we do have sufficient ranking facilities and you can go

ahead and issue that operating licence. So these are some of the critical issues that lead to the department or the PRE not improving an application.

MR LESOFE: And in terms of inter city applications, what are factors or circumstances or grounds that would lead to applications being rejected?

5 **MR SOJANE:** I am not sure when you mean, what you mean by inter city and maybe you want to say inter provincial or what [intervenes]

MR LESOFE: Yes, I beg your pardon. It should be inter provincial.

MR SOJANE: Okay.

MR LESOFE: So in this instance I am referring to applications filed by
10 operators such as Intercape, Greyhound and the like.

MR SOJANE: The situation is the same. You still have as a department to liaise with the host or the destination province to request directives for them to approve or to give you directions as Gauteng for example, to say yes, this application for a particular operator can be approved based on the fact that we
15 do have ranking facilities and you can go ahead and issue that.

MR LESOFE: Okay, right. So and just for now I would like us to focus a bit on inter provincial operations. We have received submissions and concerns from some of the operators that there seems to be a practice whereby the objection process would be used to in a way prevent or delay entry or expansion,
20 especially of small operators. In other words they seem to suggest that the process is not used for its intended purpose. Would you be so kind to comment on this? Is this a valid concern?

MR SOJANE: Okay. It is, but can I then give over to Ms Smith who will then deal with that particular [intervenes]

MR LESOFE: Sure.

MR SOJANE: Thanks.

5 **MS SMITH:** Thank you very much. Can you kindly repeat the question?

MR LESOFE: So the question is we have received concerns from some of the operators, inter provincial operators, and the concern here is that there seems to be a misuse or abuse of the objection process which is provided for in the act. Now I just wanted to get your comment on this. Are these concerns, as a
10 regulator that deals with the objections, that receives the objections, what is your comment on this? Is this a fair concern? Is there any merit in the concern, in this concern?

MS SMITH: Thank you very much. It is indeed a fair concern or a valid concern. You know, we deal with this objection hearings and we actually pick
15 up that you know this is not just about objection. It is about creating entrance barriers by the existing operators. The problem is that the existing, the current existing operators you know, they have such great financial muscle that they can use to frustrate you know the upcoming operators through litigations and all that. They even take us through litigation processes as the PRE and you know,
20 the snag for them is that as long as they are doing that they delay the application. They can delay it for a year or two or even three years you know, and as the application is being delayed they are continuing to benefit from operations, and we are actually even putting it to them you know, to say that you know, it is quite clear that what you are doing is you know creating an

entrance barrier to new entrants and it actually constitute competitive behaviour and it reflects even in our decisions when we make a determination, a final determination you know. It reflects in our decisions that the PRE is actually concerned about this competitive behaviour and there is little that we can do as
5 the PRE. Even if we decide to grant the application like I am saying they will take the application further on litigations and if the application happens to succeed at the second level of litigation, they will take it to another level. They will do anything and everything just to make sure that you know, the application end up not being granted. Even if it is approved, but it end up not being granted
10 by the PRE. So my view is indeed, it is a valid concern.

MR LESOFE: Are you in a position to name these operators that you say frustrate the process?

MS SMITH: The large public transport operators that are currently you know popular with objections are your Intercape and Uni Trans you know. So they
15 hold such a market power and it is clear that they will do anything to protect their space. So those are the two popular objectives.

MR LESOFE: AUTOPAX is also quite big in the market.

MS SMITH: Ja, AUTOPAX is also quite big, but you know the behaviour of AUTOPAX is that you know, they would lodge an objection but they will not
20 follow it through you know. They just leave it half way. We are not sure what is actually encouraging that behaviour.

MR LESOFE: Typically what are the grounds or reasons given in the objections?

MS SMITH: The most common grounds or reasons given in objections is the whole issue of market saturation. They will actually raise issue of sufficient capacity or actually services, saying you know if the PRE grants this application you know, an additional service will actually lead to market you know,
5 breakdown of infrastructure because as it is, the market is saturated. There is sufficient service and you know under those circumstances where they say there is sufficient service, they are still able to lodge applications as well. So that is one of the most common reason that [intervenes]

MR LESOFE: Sorry, if just for my understanding. Are you saying you would
10 receive an objection from operator A who says the route is over saturated.

MS SMITH: Yes.

MR LESOFE: At the same time receive an application to operate on the same route for additional licences to operate on the same route.

MS SMITH: Exactly, but the culture is you know we are the Gauteng Provincial
15 Regulatory Entity. We receive an objection from operator A who is actually objection against operator B, and a few months later the very same operator B will be applying in another regulatory entity, not Gauteng. Maybe Western Cape or whichever entity and if you look at the routes, the routes are actually coming to Gauteng back to that particular province. So it is just a reverse
20 application, but it actually culminate to the fact that you know, how do you say there is market saturation when you are applying for the same routes you know in [inaudible] way from another province. So you know, the factors that or the reasons that are actually put on the table to say you know there is market saturation, you can actually pick up that it is not the age of market saturation, it

is an entrance barrier because how do you then apply for additional vehicles on the very same market that is saturated.

MR LESOFE: Just for the inquiry to understand the impact that this has, especially as a barrier to entry. Are you in a position to give practical examples
5 based on some of the applications that you have had to deal with and the objections? Are you able to think of maybe one or two examples that you really thought you know, or that would illustrate how firms are prevented from either entering or expanding?

MS SMITH: Yes, I am able to do that. Actually I have tabulated several
10 applications that have been objected, which we actually dealt with in terms of objection hearings. One of the applications is where the applicant is David Bus Service and the objector is Intercape and Uni Trans. We conducted a hearing in terms of Section 59 and something strange happened in our first hearing. Two, in fact the only objector here was Intercape. On the day in question
15 another objector, actually two extra objectors rocked up in the hearing. They said we are interested parties. We demand that you as the PRE should also hear us and we said but in terms of the act, any interested party must lodge an objection within 21 days. You have not done that. It has been three months since the publication has been closed. So you cannot just rock up and say we
20 must entertain you. They took us to the Transport Appeals Tribunal.

MR LESOFE: Sorry, for completeness sake. Who are the two objectors that you just mentioned now?

MS SMITH: The two objectors was Uni Trans and another objector from Eastern Cape called Minibus Taxi Management Services.

MR LESOFE: Okay.

MS SMITH: You know, and we just did not understand where they are actually featuring.

MR LESOFE: Okay.

5 **MS SMITH:** They took us to TAT. TAT is the Transport Appeals Tribunal dealing with appeals against the decisions of the PRE's and you know, to our uttermost surprise the TAT granted the appeal, you know in spite of the fact that you know, there are clear provisions that are actually guiding the objection processes, and remember it takes time. You know, you go to TAT. You know,
10 the matter get postponed maybe several times and it is actually buying more time for them. Then the matter was granted at TAT. TAT said you will listen to these people as well, so we had to join them in as subsequent objectors. Then the matter proceeded. At the end of the hearing we approved the applications and they took the matter again to TAT. Now this is against our decision to grant
15 applications, and the matter delayed. Postponement after postponement at TAT. You can imagine the applicant launched an application on the 8th of February 2017 and to date the applications are not yet finalised. Only two weeks ago we received the decision from TAT and TAT is actually remitting the matter back to us for reconsideration, and you know, you sit and wonder what
20 kind of reconsideration, because you know our decision is so fully articulated. You know, it is about 22, 25 page decision and if we have to reconsider the application or actually the matter, we are going to arrive at the same decision you know. So it is you know a process of delaying, delaying, delaying the applications and sometimes applicants get tired and even give up. You know,

and I believe you know the purpose is then achieved if the applicant end up you know, giving up the applications.

MR LESOFE: Are you able to give examples of instances where applicants gave up?

5 **MS SMITH:** The instance where the applicant gave up, is the application of Lazro Coaches. There is an application of Lazro Coaches where the applicant just decided to withdraw the application, because of the you know the up and downs and you know, it is, the cost implications to the applicant is what actually lead the applicant to you know ending up you know, giving up on the
10 application.

MR LESOFE: Are you able to tell us which route was that application for?

MS SMITH: It was inter provincial route affecting a route from Gauteng to Freestate, Durban, Cape Town. I think about four cities.

MR LESOFE: Okay.

15 **MS SMITH:** Yes.

MR LESOFE: I am really sorry to ask you such questions.

MS SMITH: No, it is fine. You are welcome.

MR LESOFE: I know most of us I am sure cannot even recall what we had for supper last night.

20 **MS SMITH:** Okay.

MR LESOFE: But I expect you now to answer such questions.

MS SMITH: Alright.

MR LESOFE: Now in terms of the, if you look at the regulatory system itself, would you say in light of all these experiences, would you say the system including the legislation is open to abuse?

MS SMITH: Yes, indeed. You know, the legislation is open to abuse and I
5 think the legislation is actually framed in such a way that it is not actually helping you know, applicants as new entrants into the market. Probably the legislature did not foresee you know the abuse that is currently happening, but indeed there is an abuse.

MR LESOFE: In your view what kind of changes should be effected, if for
10 instance you were to be given an opportunity to make a submission on the kind of legislative changes that should be made. In your view, what would be those changes or what would you recommend as changes?

MS SMITH: The first change that I would actually recommend is what
legislation is already providing in terms of the functions of the national public
15 transport regulator. In terms of Section 21 the national public transport regulator is responsible for inter provincial public transport regulations, and that structure has been established since 2014, but they are not capacitated to a point where they actually take over the functions. As a result their function is being performed by us a provincial regulator, and we are performing that
20 function with limited capacity and we cannot go beyond you know, the regulatory you know responsibilities that we have. Going beyond, I mean perhaps undertaking inter provincial investigations. It is not our competency. National department should be in a position to undertake inter provincial investigations and make a determination in terms of issues of market saturation,

if indeed there are chances of saturation. If the market is still available for new entrants so that you know, when we sit and make decisions, we do not only depend on the applicant or the objectors. You know, we should be able to have information that is you know, more authentic to assist us in arriving at the

5 decisions that we arrive at. The second thing that I think should be done, although we have these provisions which I believe they are actually promoting administrative justice, there must be exception clauses. You know, to cover situations where you have you know, new entrants in the market. People who also want to benefit in the economy of the country. There must be those

10 exception clauses you know, to assist us in providing support or assistance to those kind of operators. Currently there is nothing. You know, legislation is just skewed and it is open to abuse by those who have market power.

MR LESOFE: Okay. Chair, I will hand over to my colleague who will explore other issues.

15 **MR NGOBENI:** Thank you Chair, and thank you Ms Smith for a very helpful submission this morning. I think maybe just to start, I just want to clarify the functions of the PRE. When you started this morning, you explained the functions and what I am more interested in, is that in terms of in the area of minibuses you know taxi operating licences, the role of the PRE in issuing those

20 licences, would I be correct you know to characterise the role of the PRE as being technical one? I will tell you why I say so. I say so because the way the legislation has been framed the key decision in terms of the awarding of operating licences lies with the planning authorities which are your municipalities. Would that be a correct you know reflection?

MS SMITH: You know, I can say yes and no. The key decisions lies with the municipalities which in this case are the planning authorities, and currently the planning authorities or municipalities do not have what we call the integrated transport plans, ITP's. Their directions to the PRE in terms of the act must be
5 based on the ITP's. So in the absence of the ITP's they are not actually to effectively respond to the PRE. As a result the PRE rely on Section 55(6) which empowers the PRE to proceed disposing of the application without their direction. So in that case, you know when it reaches that stage then you know all power is within the PRE and the act is very clear. It says if they do not
10 provide directions within 30 days then we must proceed. So 30 days kicks in, you know subsequent to referrals being sent to them. We then proceed and it is actually a more, the most common position, because most of our municipalities in the province do not have the necessary ITP's.

CHAIRPERSON: If I can just make a follow up on your first question, sorry to
15 interrupt you.

MS SMITH: Alright.

CHAIRPERSON: I think this is a very important question, because there is the issue of the allocation of the route, which seems to be a responsibility of the planning authority which is the municipality, on the one hand. Then on the other
20 hand there is the issue of the operating licences which is your responsibility.

MS SMITH: Yes.

CHAIRPERSON: So if I understand Mr Ngobeni's question, it seems that your role as the provincial regulatory authority, is more concerned with issues connected with the suitability of the vehicle to operate or to carry passengers

rather than issues to do with route planning and the like. So it is within that context that Mr Ngobeni is then asking the question whether your role is a more technical one simply focussing on the suitability of vehicles to carry passengers. If you could just clarify that one. If you could just clarify that.

5 **MS SMITH:** Our role is indeed more technical because we do not only look at the issues of suitability of a vehicle. We look at the suitability of the operator as well. We look at issues relating to you know safety, access and affordability in terms of you know public interest, because what is more important is that public transport should benefit the public than the applicant or the driver. So we look
10 at issues relating to public interest and national justice than just looking at the operator, and we also look at you know factors as I said earlier on, as captured in Section 57. So we look at a whole lot of factors surrounding circumstances you know which actually lead to us saying yes or no to the application. So indeed our role is very technical.

15 **MR NGOBENI:** Yes, indeed thank you and maybe just to close on that, you know on the question. So say for an example the planning authority were to direct and I say this because if you look at how the legislation has been framed, you know you would see that the manner in which the section has been crafted, it speaks about a direction being given to the PRE. So say for an example the
20 planning authority were to direct the PRE to refuse an application, the PRE must abide by that decision. Would that be correct?

MS SMITH: Absolutely.

MR NGOBENI: And in the same vein, I mean if the planning authority were to direct the PRE to approve the licence after having considered the need and after having considered its own ITP's.

MS SMITH: Yes.

5 **MR NGOBENI:** And all of those things, the PRE must then approve that particular licence.

MS SMITH: Yes.

MR NGOBENI: Would that be a correct [intervenes]

MS SMITH: Absolutely.

10 **MR NGOBENI:** Thank you, and just on the next question that I have, maybe just a quick one. On the backlog I see through your submission that one of the issues that you raise is the fact that you were saying that one of the causes of these backlogs that are there you know in terms of how these operating licences are being issued, it is a question that you know this is a result of the
15 fact that municipalities are failing to respond you know, after you had sent the application to the municipalities for the municipalities to comment, and then I see you then mention that in most of those instances I think the PRE would then adopt a cautious approach. I do not know if that is how, maybe if you can just explain that, because I think I must have seen somewhere where you then
20 indicate that you then adopt the cautious approach.

MS SMITH: Yes.

MR NGOBENI: And that might have led, that might have resulted in a situation where there are now you know these backlogs that the industry is complaining about. Would that be a correct summary of the situation?

MS SMITH: Yes, absolutely. Notwithstanding the fact that we have Section
5 55(6) which actually empowers the PRE to proceed in the absence of directions from the municipalities. We cannot overlook practical issues that are on the ground. Issues of conflict. You know, from time to time we are dealing with conflict among operators and route conflict is one of the key factors that actually factors in there. As a result we make sure that you know, despite the provisions
10 of the act you know our regulation is reasonable and sound. We cannot just say the municipality is failing to respond, therefore let us just issue, issue, issue, we have to do that taking into account all the surrounding circumstances and the current you know practicalities on the ground. So that is where the question factor comes in. We are quite cautious and in exercising caution we engage
15 and engage and engage with municipalities to say you know, please assist because we need to dispose of applications.

CHAIRPERSON: If I may just again just come in there. So the fact that the PRE is enabled by legislation to proceed with an application for an operating licence without regard to whether there is a need for the service, that seems to
20 be the logical consequence of how the regulatory framework is currently framed. So you can issue an operating licence without regard to the fact that the service is actually required in terms of the plans of the planning authorities. So is this the logical consequence of this regulatory framework?

MS SMITH: Absolutely. That is the logical consequence of this frame work, but as I said earlier on, we do not just loosely apply it as it is. We exercise caution and make sure that we do not [inaudible] conflict issues that are already on the ground.

5 **MR NGOBENI:** Ja, indeed and I think those conflict issues would be if one looks at I think it is Section 57(3) it says you can still refuse the application, even in instances where the municipalities has not provided directions. If for an example the PRE you know realises that the approval will be contrary to the directions of the PRE I think that is where you [intervenes]

10 **MS SMITH:** Of the municipality.

MR NGOBENI: Would that be a correct [intervenes]

MS SMITH: Yes, absolutely.

MR NGOBENI: Okay, thank you and I think on the question of municipalities, I mean what measures do you think can be put in place to ensure that these
15 municipalities are capacitated to ensure that you know, there are no delays in giving directions you know to the PRE's and I think in answering that question I think I need to be fair to you that yesterday the municipality was here, and one of the things that they said was you know, they are of the view that the current legislative and regulatory framework you know, you know that empowers them
20 to perform these ITP's you know seems to be unrealistic. So they were saying that the five years and all of those things might you know, from where they are sitting you know they look unrealistic. So, and that is where the issue of capacity comes in. So the question that I have is what is it that you can recommend you know which can be done in order to ensure that these

municipalities are capacitated and to ensure that they provide you with the necessary directions in order to enable you to make your decisions.

MS SMITH: You know, capacity is just that. Capacity. Whatever mandate that you have, if you do not have capacity to carry out that mandate you will not be

5 able to carry it out just because you are there. Capacity, I mean municipalities are always raising the excuse of lack of capacity you know, in terms of you know their failure to fulfil their legislative mandate, and you know, your question being what recommendations can I actually provide in terms of you know, making improving the situation. I think if I have a mandate that requires me to

10 have 100 people and I have ten people, you know that is a clear recipe for failure you know. Recommendation is that I must get you know the necessary budget and get the 90 people. Then you know the mandate will be fulfilled. It does not need rocket science. Municipalities are so grossly under capacitated, it is just not funny and sometimes even when we have meetings with these

15 people, we actually you know share their frustrations, because we can see that they are highly you know incapacitated and you know, issues relating to ITP's they are quite very technical and you need technical capacity you know that will actually fulfil that particular mandate, and I think you know, we all know that most of the things happens when we have a political will to drive them. If we

20 can have the necessary political wheel to drive all these things, and make sure that we do not only have the provisions of the law as nice to have, you know we have the provisions of the law and make sure that we comply by those provisions of the law. I think you know, we should not be having the problems that we are having. The roof of everything is political will. We need political will

25 to drive all these things.

MR NGOBENI: Ja, and I think maybe just to get your view here. I think we have seen that the, you know the City of Cape Town for an example has come forward to say you know they want those powers to be assigned to them and they want to start exercising some of these powers themselves. What do you
5 think could be, what makes them different you know from these other municipalities?

MS SMITH: You mean the regulatory powers?

MR NGOBENI: No, the ja you see the act you know, the way it has been crafted, it says well the planning authorities if fully implemented the provisions
10 of the NLTA, the municipalities would then have two roles. One of them is the one that relates to the ITP's and the other one would be the one you know for the issuing of operating licences. Now what we have seen and you know, through various engagements with various stakeholders is that in the Western Cape for example the City has now apparently it has now approached national
15 government and you know, provincial government and they want those powers to be assigned you know to them. So the question is do you have a view, you know from where you are coming from and your engagements with the entire process, what makes you, you know what would make the City of Cape Town think that they are in a position to you know to execute the powers as confirmed
20 you know to them in terms of the NLTA.

CHAIRPERSON: Ja, if I may just add to that question. Because I think from your previous response it is clear that there is a disjuncture between planning which is done by the planning authorities.

MS SMITH: And regulation.

CHAIRPERSON: And the issuing of operating licences which is a provincial function. So you have a situation where the left hand may not know what the right hand is doing. So is it not then better for the function of issuing operating licences to devolve to the planning authorities, because they are the ones who
5 are responsible for route planning, identifying the transport needs and the like so that you do not have this current situation that we have which may result in some kind of disjointed outcomes.

MS SMITH: It will actually be prudent for the municipalities to take over the role of regulation, and this is not something that they actually have to beg for
10 from national or provincial government. It is provided for in the legislation. We have functions of municipal regulatory entities, MRE's that are actually clear in the act and they are sitting there and they are not being performed. You know, which I think it is actually a failure on part of municipalities not to take over those functions. As we engage with GP municipalities we always advise them
15 to you know, get their house in order to an extent where they are able to take over their function, because once they perform this function, remember it will be limited to their jurisdiction and it will be a small manageable cake for them. Unlike us as a province. We are actually dealing with you know five municipalities and we are also dealing with inter provincial public transport
20 regulation which is the function of the national government. So we are in the centre as the regulatory entity, doing the work of the national government and the municipalities. So if they take over the function it will actually be you know off loading weight from us. It is just too much on us. So you know, over and above regulating their own space, they will be able to also make a
25 determination in terms of you know how they want their ITP's you know, to run

and they will not be depending on us as the provincial regulatory entity. They will not be at the mercy of the regulatory entity, wishing that we do not issue operating licences in terms of Section 55(6) when we are actually mandated by the act to do that. So my view is that if municipalities can get their houses in order and take over the regulatory functions it will actually you know ease off the pressure.

MR NGOBENI: Thank you, and just to move on to the next question on, and I think the Chair asked you at the beginning about you know whether or not you do process you know [inaudible] applications. Maybe to put it differently. Currently before these amendments are dealt with and before they are passed by the national council of provinces would you be in a position or maybe to put it differently. Are you allowed legally to process an application for [inaudible] services in circumstances where they approach the PRE and they say please kindly consider our application under you know a metre licence, sorry a metre taxi operating licence. Would you be in a position to assist in terms of that and I ask this because if you look at the current amendments, they seem to be going that route. So the question is would you be in a position to do that or if in the past you have done that, if you can just please share with the panel circumstances where you have granted [inaudible] you know the Uber's and the Taxify's operating licences, but you have classified those operating licences under metre taxi services?

MS SMITH: We are currently issuing operating licences to [inaudible] operators, although those operating licences are not coming out as [inaudible] operating licences or through [inaudible] operating, I mean applications. We are issuing those applications because a directive was issued from the national

government that we must regulate [inaudible] operators, because they are on the ground, they are already operating and they cannot just be allowed to operate unregulated. I believe we all know that legislation follows a need. It follows a demand. It follows a particular service that is already there. So we

5 have been issuing this [inaudible] operators, for example Uber, Taxify and all these you know categories with operating licences which are categorised as metre taxi, although it does not necessarily come out with the similar conditions of your regular metre taxi. So we are currently issuing.

MR NGOBENI: Thank you, and you know to be fair to you, you know just to be

10 fair to you. The reason why I asked the question is because you know through our various engagements with various stakeholders one of the concerns that is being raised is that you know the likes of Uber and Taxify have sort of like you know, they are operating and they are not regulated. So that you know, that statement just to get your comment may not be entirely true, because as you

15 have just stated you have previously issued to some of them metre taxi operating licences.

MS SMITH: That statement is not true. We are issuing I do not know how much it is beyond counting for me. We are issuing operating licences to these operators and there have been engagements at departmental level with you

20 know the authorities who are actually responsible for those apps to say you cannot continue to operate illegally, and those engagements actually involved law enforcement where law enforcement was actually mandated to make sure that any illegal operation is actually met by a full might of law. So they are applying for operating licences and we are actually assisting them, we are

25 issuing operating licences. So those operators are fully regulated.

CHAIRPERSON: Ja, if I may come in there. What then are the consequences of issuing a metre taxi operating licence to [inaudible] service, because we understand from the metre taxi industry that for them there are various consequences of the issuing of a metre taxi licence. They have to comply with
5 all manner of requirements and regulations which they say do not seem to apply to [inaudible] services.

MS SMITH: You know, I think one of the issues that we all need to understand is that an operating licence is nothing else but a permission, an authority to operate. So as we regulate those services and permit them to operate, we
10 make sure that we customise the licences in order to suit their current operations. So no one can actually claim an operating licence and say you are issuing X with an operating licence which is actually supposed to be issued to me, because an operating licence you know, you cannot lay claim on it. It is just a permission. So the regulator makes a determination in terms of what kind
15 of permission is appropriate to a particular service, and that is what we are doing.

MR NGOBENI: A follow up to that is perhaps to explain the different conditions that you are referring to that would apply to the operating licences issued to the [inaudible] services.

20 **MS SMITH:** The conditions number one would relate to you know operations jurisdiction. We would say you know the operator is authorised to operate on conditions that he or she operate on, only on the routes that have been issued in terms of the licence or the operator does not stop or actually bind in areas that are not designated in that particular licence. Just to throw in a little bit of a

difference between the regular metre taxi that you have been, I mean issuing and this current [inaudible] service metre taxi. We make sure that we subject them to the addresses that have been provided by the [inaudible] providers. Just to make sure that we separate them from regular operators to avoid issues
5 of conflict and issues of you know, those normal issues that day to day issues that actually sparks conflicts. So we tied their operating licences to those particular conditions, but when it comes to the regular metre taxi we do not you know confine them to specific areas. It is just within the boundaries of the province.

10 **CHAIRPERSON:** And because the metre taxi industry made a submission to us that part of the requirements that are applicable to them, is that they should have a metre installed in a taxi and that has to be verified by the authorities. The licencing department and their submission is that you know the same regime does not apply to [inaudible] services.

15 **MS SMITH:** That is quite true, simply because their services are different. If you look at the two services, one has to do with you know a metre that actually count you know the trip and the other one has to do with an app which is also doing the same thing you know. So whether we like it or not, we are living in a more digital you know space, and whatever you have been doing you know in a
20 manual manner, if you change it and use it, I mean and do it in a digital manner, it does not mean it is not the same thing. It is still the same thing. The only difference is that one is manual and the other is digital. So that is just a slight difference.

MR NGOBENI: The you know just to follow up on the question of conditions, I mean that restriction on metre taxis to particular ranks, you know is the restriction that is required in terms of legislation or is it a restriction that they themselves because of self-regulation have adopted? You know, would you
5 attach a condition that they should restrict them you know to particular ranks and that they are not permitted to roam around as the [inaudible] service?

MS SMITH: Legislatively that is actually supposed to be the function of the municipalities. Municipalities are supposed to designate specific areas for the operations of metre taxi and other services you know, and as they approve
10 applications they are supposed to attach specific conditions which we are supposed to adhere to and make sure that they are actually reflected in the operating licence. So it is not necessarily the operators themselves who are actually making determinations in terms of where they should operate. Maybe as a proposal yes they do that, but that proposal should actually be you know
15 authenticated by the approval of, actually the direction of the municipality.

MR NGOBENI: Okay, thank you and just you know a couple of questions on the process itself. I think you indicated this morning that when you receive the actual application, the first thing that you do is to publish it on the gazette. Are there applications that are exempted from you know, from the gazetting
20 processes, just to clarify for the panel.

MS SMITH: Absolutely there are. You know, the bus contract services that my colleague has been actually alluding on, they are exempt from publication. Your tourist services, they are exempt from publication and what other

services? Those are the two that I can clearly remember. They are exempt from publications.

MR NGOBENI: Ja.

MS SMITH: But all others are subject to publications.

5 **MR NGOBENI:** Ja, and I think after publication the next step is where you invite interested persons to come and make representations, and my question there emanates from submissions, some of the submissions that we have received from SANTACO. I think there you know the complaint has been that the PRE's you know through their processes and especially they get an
10 example where overlapping routes, where there are overlapping routes you know, where the PRE has given operating licences you know to operators. You know the concern there is that the PRE does not take into account you know the views from, you know from various associations. The question that I have is, I just want to try and understand if that process where you give everyone
15 else 21 days could also be used you know for submissions by associations to come up with whatever views that they have in order to try and shape and you know, to shape the decision that you may ultimately come to.

MS SMITH: Our regulatory processes are quite transparent and open to the public and we are actually in regular engagements with associations and I
20 actually disagree with the fact that we are not considering their views. If we were not considering their views, we would not be expecting an individual operator or actually applicant to provide us with a letter of association that actually says yes, he is our member. Yes, he can operate on those particular routes because remember even in terms of the act, that is not a requirement.

You understand? But you know in the interest of sound working relations with them, we have allowed that although you know legislatively is not allowed and it actually encroach on other operator's right to you know constitutional right because everyone has the right to freedom of association and when it comes to
5 operators it is like we are actually forcing them to associate. So it is not true. We have gone you know a long way in accommodating them and even making sure that we accommodate you know issues that are not necessarily legislated.

MR NGOBENI: Just to finalise that point, I mean so even in instances, just to get your comment. Even in instances where you know they would have
10 provided a letter your processes are still transparent to such an extent that to an extent that they may have other objections you may still invite them to your processes in order for them you know to come and make submissions around whatever issues that they may want you know to bring to the attention of the PRE. What is your view on that?

MS SMITH: It is indeed true. Our processes are so open and transparent that
15 even when the application has gone beyond the granting stage we are still able to accommodate them. For several occasions we have held hearings in terms of Section 79. Section 79 is a provision that actually allows the PRE to amend, withdraw or cancel an operating licence which has been erroneously issued.
20 So in cases where the operators or an association approaches us and say PRE, you have issued you know 15 operating licences to these operators who belongs to another association and we are saying you should not have done that, because their routes are encroaching on our routes. Therefore we actually seek redress from you as the regulatory entity. What we then do is to invite all
25 affected parties. We hold a hearing and in appropriate cases, we end up

withdrawing those particular routes where we are satisfied that they are actually encroaching upon another association and at the time of granting we did not have sufficient information which if we had, we would not have granted operating licences as we did.

5 **MR NGOBENI:** And just one last question on my part, the issue around moratoriums. I think you know from your submissions, we understand that there are two instances in which you know that power can be exercised. So there is an instance where you would then you know, the municipality itself in terms of I think you mentioned Section 18 would say [intervenes]

10 **MS SMITH:** 36.

MR NGOBENI: Ja, the planning authorities. I think 18 and 36 yes. Where they would say well, after having considered whatever that they consider, there is no need for the service.

MS SMITH: Ja.

15 **MR NGOBENI:** And then there is a second scenario where you and that is where you can act in terms of their request in terms of Section 39. Just to understand has there ever been an instance where you have issued a moratorium on the issuing of operating licence? Maybe to put it differently. Is there a moratorium currently in the province for issuing of operating licences?

20 **MS SMITH:** Currently there is no moratorium for issuing of operating licence for all services. We are issuing operating or actually we are receiving applications for operating licences and what we have been doing as we engaged with municipalities from time to time, we have been advising them you know to say you know, you cannot just maintain you know a status of not

responding to applications. If you feel that you know the market is saturated and there is no more space, rather impose a moratorium in terms of Section 36 and it can be a temporary moratorium. Six months, 12 months you know. Get your house in order and lift up the moratorium. Another instance where a
5 moratorium can be issued is when it is issued by the Minister. You know the Minister himself can, him or herself can issue a moratorium on the issuing of operating licences, but I think the Minister has to be informed by province and municipalities that you know a specific area is probably you know, sufficiently supplied and there is a need for a moratorium.

10 **MR NGOBENI:** And I think maybe just to be fair, you have indicated I think in the statement that there has been an instance where you have requested the planning authority, I am not sure which one and they have refused. You know, your advice to issue a moratorium. I am not sure, I think I saw something in your submission to that effect.

15 **MS SMITH:** Okay. It, I cannot say you know a specific municipality. It is all of them, because we normally call them in one meeting. A general meeting with you know PRE, and we discuss a whole range of issues, and you know when we try to dig and say but why are you guys not responding to you know our referrals, issues of capacity, issues of market saturation crops up and that is
20 where we then provide an advice to say but do you know that in terms of the law you have an instrument that you can utilise to actually impose a moratorium, get your house in order and make sure that going forward you work properly.

MR NGOBENI: And just lastly on the, you know it is one issue that I had forgotten to ask you about. The current system, the current IT system that you mentioned, and I think it is an IT system that is used for issuing of operating licences, and there is a submission from your side where you indicate that the
5 system has not been functioning consistently for the last ten years. Could that be the reason why you know, the industry has been, the taxi industry has been complaining about backlogs for an example. Could the system itself and the fact that you are saying that it is not been functioning properly, could that be the reason why the operators are experiencing some of the backlogs that you have
10 spoken about?

MS SMITH: The system that is provided by the national government which is actually their mandate in terms of Section 6 of the act, has been you know quite inefficient and as a result it causes delays in issuing of operating licences and that culminate into backlog. However, in responding broadly to your question, I
15 think there is a tendency of you know too much of blame games from the industry. I can tell you sitting here, that we are sitting with more than 3000 applications that have been granted and those applications have been sitting with us for more than a year now and now we are revisiting those applications to reject them because operators are not coming to the party in terms of
20 submitting the necessary vehicle documents. So out of 5000 applications that you receive you are definitely sure that you will issue you know, plus minus 2000. The whole 3000 will be you know within applications that you know, culminate into backlog and that backlog is actually not supposed to be there. If we are strict in terms of applying the provisions of the law, the ground letter that
25 we issue to the applicant to say applicant X Y Z, kindly be informed that your

application has been granted. You are requested to submit X Y Z which you know commonly is vehicle documents within 60 days. Failure to do so will actually lead to your application being rejected. We usually do not wait for that 60 days. Like I am saying we have applications that has been with us waiting
5 for those documents for a year, for about two years you know. So we babysit the situation to an extent where we are also not complying with the law trying to make sure that we assist our operators. So the bulk of back log is actually culminating from the lack of submission of necessary documentations.

MR NGOBENI: Just you know, one last complaint from the industry and you
10 know we should do this in order for you to comment. The minibus taxi industry through their submission before us has indicated that there has been a process embarked upon by the PRE's in terms of Section 78 I think, where there are withdrawals of you know operating licences without an inquiry having been held and they complain that the, that process is unfair you know and it is being done
15 without considering the necessary regulatory framework. So their complaint is that the authority has been you know withdrawing licences without following the correct procedures that are you know legislated for.

MS SMITH: That is utterly not true. I do not remember the PRE withdrawing a single operating licence without following due process in terms of Section 78.
20 You need to understand that our processes are subject to correction by the appeal tribunal. So if the operator appeals against our decision and we appear before the tribunal and we are found wanting in terms of following due process, that is an enditement on our part. So I do not remember any single operating licence withdrawn by the PRE without following that due process, except in
25 circumstances where we call the operator you know for that particular inquiry

and call the very same operator we call and call and the operator does not respond. If there is a need for us to withdraw that operating licence, we will then do that, but going forward we will be able to demonstrate that we tried to give the operator sufficient opportunity to come before us and actually you know
5 state why the operating licence has not been utilised for 180 days or more.

MR NGOBENI: Thank you so much. I have no further questions for this witness.

MR LESOFE: Ms Smith, I just have one follow up question on efficiencies and I am going to read from PUTCO's submission and perhaps I will give you an
10 opportunity to comment. So it says PUTCO operates more than 1300 busses. The PRE requires an individual application for each operating licence renewal for PUTCO and each application must be accompanied by an original signed proxy letter, a certified copy of the identity documents of the proxy, a certified copy of the company registration certificate and an original tax clearance
15 certificate from SARS. Getting all these documents for 1300 busses to be certified by a police station is cumbersome and difficult. This [inaudible] requirements make the process of applying for operating licence renewal slow and cumbersome resulting in unnecessary delays. Is this a fair comment or concern?

20 **MS SMITH:** I believe you know it is actually fair to a person who actually raised it, but to us it is fair to require those documents. It is fair to make sure that the operators or the applications are actually in compliance with the provisions of the act and we also need to take into account the fact that the National Land Transport Act mandates the PRE to deal with an application.

You know, so we cannot deal with a group application. Just like, even though we have associations we do not deal with group applications. We deal with an individual applicant. So that is something that we cannot do anything about. It is just the provisions of the law as they are and in terms of Section 62, if you
5 read it with Regulations 21, the act makes provision for you know, it actually gives the PRE leeway to attach any other condition which the PRE deem fit and appropriate under the circumstances.

MR LESOFE: Thank you.

MR MANDIRIZA: I thank you. Just a few clarification points so that we get
10 everything on record. So for minibus taxis, are the applications subjected to gazetting?

MS SMITH: Absolutely.

MR MANDIRIZA: And then in terms of the backlogs I think we have tried to clarify the number 3000, but we got quite a lot of submissions that the numbers
15 are running into a few, I think a number was mentioned around 11000. Can you confirm what is the current backlog I think in terms of minibus taxis and you can split in terms of that that you have already processed and the ones that you still have to process. In your response also try and indicate to us how many people in the department are actually dealing with the operating licences so that at
20 least there is context so that we do not hear about backlogs, but we also want to understand what is the capacity that is there at the ja, at the department. I think if you can clarify those.

MS SMITH: Thank you very much. The issue of 11000 backlog, that figure applied before 2016 and you know, it actually raised a serious concern that in

one of the meetings which was actually you know some form of an imbizo which was called by the MEC and the Premier, operators raised those concerns and the MEC and Premier agreed and issued a directive that as the department we must actually go out on a drive, you know road show drive and make sure that

5 we assist operators as much as possible. We actually had those road shows in 2016 around June, July and the second round of road shows was last year around September and October and those road shows significantly reduced a backlog and what has culminated into another phase of backlog is those applications which have been granted and operators are not coming forward to

10 submit you know, necessary documents. So the number 11000 has been significantly reduced and you know, talking to the issue of capacity I will not be able to say from the top of my head you know how many staff members or officials we have who were actually dealing with you know operating licences, but what I can honestly say before the commission is that indeed we have

15 challenges of capacity and we have been in engagement with HR to try and resolve those challenges.

MR MANDIRIZA: Just to get the numbers correctly. So 11000 the context is in 2016 going back. Do you have any current figures for you know maybe last year or this year in terms of the backlog? So the 3000 that you have already

20 processed waiting for the operators to provide the vehicle documents, we have noted that, but I think you might still have other backlogs that you are [intervenes]

MS SMITH: You know, around last year coming this way we had about 8000 as a figure. But that 8000 was actually you know as a result of delay of

25 responses from municipalities as we said we exercise caution although we have

legislative leeway of proceeding without their comments. About 5000 applications currently as we are speaking are still waiting for recommendations or directions from the City of Johannesburg and plus 3000 which will actually add up to that 8000 is those applications that have been finalised and we have
5 been waiting for operators to submit necessary documentations.

MR MANDIRIZA: Just I think it would be fair to you. Our interactions with City of Tshwane, they have indicated that they do not have any backlog in terms of directives. Is that the correct position?

MS SMITH: That is very true.

10 **MR MANDIRIZA:** That is very true, okay.

MS SMITH: That is a very cooperative municipality when it comes to providing directions.

MR MANDIRIZA: Okay, so the backlog is largely Johannesburg. Ekurhuleni?

MS SMITH: Ekurhuleni they also do have.

15 **MR MANDIRIZA:** They also do have.

MS SMITH: Yes, quite a number. Around, less than 2000.

MR MANDIRIZA: Okay. Then in terms of so these are new applications?

MS SMITH: These are new applications.

MR MANDIRIZA: These are new applications.

20 **MS SMITH:** Yes.

MR MANDIRIZA: In terms of renewals.

MS SMITH: You do not necessary need the you know the directions because it is an existing service.

MS NONTOMBANA: It is an existing service.

MS SMITH: Yes.

5 **MS NONTOMBANA:** And the process, there are no backlogs on renewals from where you are sitting?

MS SMITH: No, not at all. If the operator is renewing an operating licence under the same terms, same vehicles. You know, same routes and everything, you know there is nothing delaying the application. The application can be
10 issued within at least two weeks.

MS NONTOMBANA: Okay.

MS SMITH: I mean the operating licence.

MS NONTOMBANA: Ja, we got contrary evidence. I think there was evidence that you know, look I think there were also delays in renewals but at least you
15 have clarified that.

MS SMITH: Hm.

MS NONTOMBANA: Okay, ja thank you.

MS SMITH: Alright.

MS NONTOMBANA: My question is in relation to the extent to which provinces
20 actually talk to each other in terms of the issuing of operating licences. One of the issues that was raised was that there is no uniformity across provinces, and I am raising this to the extent that different provinces are able to learn from each

other in terms of making the process more efficient. So for example some were told we would issue a licence for a longer period than others and the operators would obviously prefer a longer period and also just in terms of the renewal process, one of the things that we were told is that in some provinces you get
5 renewals over the counter. It is not a cumbersome process, and so I would want to find out for example in Gauteng if that is not the case, why is it that a similar process cannot be followed if it is possible in other provinces, and I also would like to just find out whether the process for busses and taxi's is different because we got the sense that it is not necessarily the same process for
10 approving operating licences. Not only in Gauteng, but also if you compare what Gauteng does as opposed to what other provinces would do.

MS SMITH: Thank you very much. Provinces are indeed distinct in terms of you know regulatory processes, but the difference is not that much. What makes other provinces as you said earlier on, why is it possible for other
15 provinces to issue an operating licence on renewal maybe over the counter and we cannot do the same. Just an example. If you look at Western Cape and KZN, the systems that they are utilising is not a national system. They have customised their systems to make sure that it actually suits their provincial needs and cure issues of inefficiencies. So they do not have current problems
20 that we have, which you know in most cases emanate from you know system inefficiencies. So we cannot be the same. We have been on a drive of you know procuring our own system. You know, in a view to cure all the system inefficiencies. However we actually paused and said you know, since national government has actually taken a step to correct the system or to procure a new
25 system, let us rather wait and see what kind of system they will procure.

Probably it will assist. So most of the issues that culminate into distinctions between provinces are more systematic issues.

CHAIRPERSON: Ja, excuse me. Just one last question from me. Of course I think there will be a need for further engagements with yourselves, because a
5 lot of issues have been raised in connection with the system of issuing operating licences. One of the issues which has been flagged by SANTACO concerning the current regulatory framework is that the taxi industry is currently organised in terms of a local associations and these local associations seems to play quite a key role as some sort of a mechanism for self regulation for the
10 industry. But however, the legislative framework including the framework for the processing of applications for operating licences, does not take into account how the minibus taxi industry is currently configured and structured, leading of course to in some instances flare up, excuse me some flare up in some instances of violence, because you know the regulatory framework that we have
15 in the National Land Transport Act is not in sync and does not even, and this is what they say it does not even recognise or is blind to the current configuration of the industry or has simply ignored completely the current configuration of the minibus taxi industry.

MS SMITH: Thank you very much. The current legislation which is the
20 National Land Transport Act of 2009 is rather silent you know when it comes to issues of associations and you know associations that are currently in existence you know, have been registered in terms of the previous legislation, the NTTT of 2000. Is it 2000 or 2002? So you know, I do not actually agree with the fact that you know lack of recognition by legislation is actually leading to conflict,
25 because even though legislation is not recognising associations, on practical

ground we are recognising them. We are you know, like going back to what I said earlier on we do not even issue an operating licence to an individual applicant without having the consent of the association. So that recognition practically it is still there and it cannot be the reason why conflicts are existing.

5 **CHAIRPERSON:** Ja, I think if we could then quickly move to questions around the bus subsidies. If we could be brief, because we had to spend a little bit of time on the regulatory issues.

MR LESOFE: Thank you. Thank you Chair, I will just cut to the chase Mr Maringa.

10 **MR MARINGA:** Yes.

MR LESOFE: So the government has been criticised by both commuters and industry participants for how it has handled the subsidy contracts. For instance there are concerns about the fact that the contracts are old and these contracts are outdated and they do not respond to the needs of commuters.

15 **MR MARINGA:** Yes.

MR LESOFE: Are these fair concerns?

MR MARINGA: Thank you Chairperson. Let me actually categorically agree with the concerns.

MR LESOFE: And perhaps you can take it further and indicate whether you
20 accept them as valid.

MR MARINGA: I basically accept those concerns as valid. I mean I have actually been in the directorate for a while now, and we have frequently received complaints from commuters as well as bus operators, as to the kind of

service that is being offered and I think you might have heard me in my presentation. I presented the challenges that relates to exactly what you are saying, and I think I must say this that one of the reasons why the political leadership in the department took a decision not to accept the [inaudible] decision to extend the contracts, by virtue of the fact that they acknowledge that the contracts are owed. That is the first thing and then that of course they do not actually you know meet the strategic objective of the department as I have read to you. So Chairperson, I actually accept those concerns as valid.

MR LESOFE: Thank you. My analysis actually shows that the current contracts have ran for at least 21 years now.

MR MARINGA: Correct.

MR LESOFE: And when the initial period or duration was three years.

MR MARINGA: Of course.

MR LESOFE: Because you have different categories.

15 **MR MARINGA:** Yes.

MR LESOFE: But some of them the initial duration was three years, right?

MR MARINGA: That is absolutely correct. I mean [intervenes]

MR LESOFE: And perhaps if I may just complete this.

MR MARINGA: Okay.

20 **MR LESOFE:** You mentioned that there is a directive to extend the contracts for at least another three years.

MR MARINGA: yes.

MR LESOFE: And this then would mean that the total duration would be about 24 years.

MR MARINGA: Yes.

MR LESOFE: So essentially what this means is that for 24 years, government
5 appointed the same service providers and provided them with subsidies as well.

MR MARINGA: Yes.

MR LESOFE: To provide commuter bus services. From a competition law point of view, this is unhealthy competition. I am not sure if you will be able to comment and indicate whether or not you accept that as a fair proposition.

10 **MR MARINGA:** Thank you. Chairperson, one of the reasons why in my presentation of the challenges, I actually raised the issue of the Auditor General's opinion on the bus contracts. Is because of the fact that basically whatever has been done throughout the years in extending these contracts is totally against you know the PFMA's competitive bidding process, but then there
15 are reasons why the department is actually extending this particular contracts. One of the issues is the fact that you know even the financial resources, as I have actually mentioned, cannot actually meet the need as I speak. I mean from what we have actually done in reviewing the contracts, we definitely have to you know expand these particular contracts and from the study that we have
20 actually done, this is a scientific study, we might actually need something at the region of about four billion and as I speak the department only has an allocation of about 2.3 billion which is the public transport operation grant and unfortunately the provincial treasury is unable to top up that particular allocation and it is because of you know the fact that the financial resources are limited.

So it is actually one of the reasons and I think this is the main reason why they are continuously doing that, because the network will obviously have to still be the same. I mean we cannot continue to have the same network as what we had in 1996, because if you look for an example at a location like Soweto, there
5 have been a whole lot of extensions. I mean Protea Glen is going to Randfontein and all of that. So if you look at the financial resources that we are getting and the fact that we are not getting any top up and all of that, it is one of those reasons why they cannot actually do anything. I mean, even the fact that the operators are complaining. This is one thing that even the national
10 department is aware of, and it is true Chairperson. I mean yesterday we had an increase and I think you might have actually seen that. The increase was too much and if you have to compare that with what happened three years or five years ago, then you can actually tell that you know, it is a very difficult situation for the, for not only the provincial department, but also the national department.
15 So those are some of the reasons.

MR LESOFE: Sure.

MR MARINGA: Thank you.

MR LESOFE: In your presentation earlier on, you mentioned that one of the challenges is that operators use old busses, right.

20 **MR MARINGA:** Yes, yes.

MR LESOFE: Now I think although the context was different, but a response to that would be you know, the fact that there is uncertainty in terms of the contract system.

MR MARINGA: Yes.

MR LESOFE: That makes it difficult for an operator to invest in the procurement of new busses. For instance you mentioned that the current contracts will be extended for three years and that will be the last extension. Essentially it would mean that it may be a bit difficult for an operator to invest in
5 a new fleet when they are not sure what is going to happen after that, and we understand that at least an operator needs about seven years to recover the costs and at least break even. Would you say that is a fair response or comment?

MR MARINGA: Yes, I want to also agree with that. I mean, this has actually
10 been the main complaint or concern from the operators. One of the issues they have raised, is that we are continuously having this short term extension and we are struggling to recapitalise. For an example although there are some that are actually doing that like PUTCO, recently they have actually recapitalised and you can see there are new busses on the road, but they actually have submitted
15 the complaints that indeed they cannot live with the short term contracts. By virtue of the fact that if they are to you know go to the financial institutions and you know request some facilities in as far as you know borrowing for recapitalisation is concerned, these guys will actually say to them that but come with the contract which is a long term contract. So I basically want to agree with
20 that particular concern, to say that of course the short term contracts are you know a very serious concern to them, and as the Gauteng province what we are trying to do, that is one of the reasons why we took that initiative to say let us enter into new contracts with differently you know new terms which are longer terms so that we are able to address most of the challenges that we are facing
25 currently with the service. Thank you.

MR LESOFE: Thanks, and my last question would be or set of questions would be in relation to you mentioned that you have received complaints from commuters right. Could you just expand on that and maybe if you could touch on the nature of complaints?

5 **MR MARINGA:** To expand on the complaints, mainly like I said by virtue of the fact that operators have been operating with the old fleet, we actually encounter a situation where bus operators are having a very large percentage of what we refer to as did not operate trips and these are trips that do not operate because of the fact that sometimes they have breakdowns and totally there might not be
10 a trip undertaken on a specific date. For basically a number of busses. So this affects the commuters adversely. I mean we have had complaints where we are getting you know submissions from commuters that they are getting late to work because of these reasons, and they are getting warnings from their Employers. Children who are using these busses to school are actually even
15 arriving late. Sometimes they miss exams and that is basically what is currently happening with most of the operators. So it is a serious issue that we try and address basically frequently, because we monitor the service. We also have the responsibility to ensure that we monitor that particular service on full time basis and we engage with the operators to say how can we actually improve,
20 although it is very difficult for us to be able you know to address all of these things to ensure that the service is clean and indeed commuters receive that value for money. So from the commuter's side, the trips that are not operated are the ones that are on top in as far as you know the concerns are concerned.

MR LESOFE: Okay, and my last question. You mentioned that you monitor
25 compliance.

MR MARINGA: Yes.

MR LESOFE: With the contracts.

MR MARINGA: Yes.

MR LESOFE: And also performance. How do you go about doing that?

5 **MR MARINGA:** We have actually appointed what we refer to as supervisory
monitoring firms that are actually our representatives. We have got about
seven of these supervisory monitoring firms who are working on the ground
every morning in departure points in all of the areas where operations shall, is
actually happening. So they actually monitor as to whether these operations
10 are operating, but I must say this, that the monitoring is manual and it is about
60 percent and not 100 percent. Let me tell you that the entire fleet of busses
that we are having in these contracts it is about R2 500-00 and if we were to
have 100 percent monitoring, then we would actually have to appoint 2500
monitoring officials who must be in the busses at three o'clock, four o'clock or
15 six o'clock in the morning and be in the busses on full time basis and
unfortunately we do not have such financial resources. Our financial shoulders
are not adequate enough to meet that particular cost of appointing, but we are
trying our level best and over and above that, the department has taken an
initiative of introducing automation or electronic monitoring. That is exactly what
20 I am working on. It is one of my projects and we actually are looking at you
know going 100 percent in as far as you know the monitoring is concerned. But
for now we basically are manual and we are partially satisfied with the work that
our supervisory monitoring firms are actually doing, because they work hand in
glove with our internal monitors. I must say this, that one of the reasons why

we managed in the previous financial year which is 2017, 18 to have savings of over 260 million is because of the fact that we were able to penalise the operators who have not been operating certain trips that we indeed monitor and realise they are not being operated. We managed to save 260 million. So as
5 the department we are trying our level best to say let us come to a point where we say we have contracts that will be sustainable and also affordable on the side of the commuters. Thank you.

CHAIRPERSON: Ja, just one last question. If you can just be succinct in answering this Mr Maringa.

10 **MR MARINGA:** Yes.

CHAIRPERSON: In addition to what has been covered by my colleagues.

MR MARINGA: Yes.

CHAIRPERSON: One of the main criticism against the current subsidy model is that the 2013 national household travel survey indicates that the majority of
15 commuters use minibus taxis but this sector is not currently being subsidised, notwithstanding the fact that it is carrying the majority of commuters and the submission that we also received from the taxi industry is that there is certainly a need for accommodation for the taxi industry in the current subsidy
20 service. If you could just give us your thoughts on this and in fact the proposal from the minibus taxi industry.

MR MARINGA: Yes.

CHAIRPERSON: Is that you do not even have to subsidise a mode of transport. But you can subsidise the commuter. That is one option that they have muted.

MR MARINGA: Okay.

5 **CHAIRPERSON:** For consideration.

MR MARINGA: Right. Thank you Chairperson. Maybe the first point of departure will be to ask ourselves as to whether we have a policy on subsidisation of the taxi industry of which I will answer. We do not have that at the current moment but let us actually look at what we currently are trying to do
10 as the department to perhaps try and address that. One of the initiatives that the department is actually taking, which is of course based on the NLTA, in Section 41 of the subsidised bus contracts, it talks to the objectives that we need to look at as we negotiate with bus operators and then one of the main initiative is to say can we actually try and transform the industry and then
15 include the taxi industry, and that is what we actually look at at the moment. In fact even in the scope of work that we are working on as the department. We actually are focussing on also ensuring that we empower the taxi industry. I must make mention of the fact that throughout this bus contracting process, one of the issues we [inaudible] is to actually have forums with all public transport
20 operators, including in particular the taxi industry. To try and be transparent with what the department is doing in as far as you know, the empowerment of the industry is concerned. Obviously there might be a whole lot of concerns, but the department has already taken initiatives to empower the taxi industry. Not the one that says we directly subsidise the taxi industry. I want to actually

make mention of this issue and this is a very valid concern from you Chairperson. When you say that perhaps the department should start looking at subsidising the commuter instead of subsidising the operator. This has actually been raised in a number of forums, including even the transport portfolio committee, and we have also you know submitted this to the national department as they were working on the department's strategic strategy on public transport services to say let it be captured in your strategy that we need to be starting to look at the model of basically subsidising the commuters, and I have no doubt to actually tell you that I was also in the strategic session and I am the one who actually was in the forefront of submitting this to the national department, so that it also be you know, be captured in the policies that they are trying to now develop to address in particular issues that relates to all public transport services. So that is one model that we are looking at Chairperson. So let me close it there.

CHAIRPERSON: Alright. No, thanks a lot Mr Sojane, Ms Smith and Mr Maringa for the presentation. A very detailed presentation as well as your time. As I indicated earlier there will certainly be a need for further engagements on the issues that we have been discussing this morning. But thank you very much, you are excused. I think we will take a short five minute adjournment and we will resume at five minutes to twelve.

END OF RECORDING

LAND BASED PUBLIC PASSENGER TRANSPORT SECTOR
MARKET ENQUIRY

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WEDNESDAY 6 JUNE 2018

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SESSION 2

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Session 2

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CHAIRPERSON: We will resume with the enquiry, we will now receive a submission from the Gautrain Management Agency. Welcome gentlemen to the enquiry, if you could please state your full names for the record and put on the mic.

5 **MR KOBE:** Tshepo Kobe from Gautrain Management Agency.

MR VAN DER MERWE: My name is [inaudible] van der Merwe but they call me Jack from the Gautrain Management Agency.

MR SHAMU: Good afternoon my name is Thabando Shamu, I am from Bombela Concession Company.

10 **CHAIRPERSON:** There is a piece of paper in front of you, if you could take the oath, or affirmation, as, you wish?

MR KOBE: I Tshepo Kobe swear that the evidence that I shall give, shall be the truth, the whole truth and nothing but the truth, so help me God.

15 **MR VAN DER MERWE:** I [inaudible] Jack van der Merwe, swear that the evidence I shall give, shall be the truth, the whole truth and nothing but the truth, so help me God.

MR SHAMU: I Thabando Shamu, swear that the evidence that I shall give shall be the truth, the whole truth and nothing but the truth, so help me God.

20 **CHAIRPERSON:** Thank you very much I understand that you have prepared a presentation which you would like to take us through.

MR VAN DER MERWE: Thank you very much Chair, what I have done, we have got a submission and all that I have done is, I have given slides that will highlight, so if I can start, we have identified 8 themes that we would like to

highlight in the process to address the questions that the Commission has raised.

The first is the need for public transport. The second is the development and implementation of a Gautrain project as a PPP project. Thirdly is the philosophy
5 around the calculation of the patronage guarantee. Fourthly, there is a question around integrated transport planning and quickly to look at the purchasing of additional rolling stock, the planning for the extension of the Gauteng Rapid Rail System and the challenges facing the Gautrain and then on transformation in the industry.

10 I would like to start off by saying that currently, there are 3 major forces worldwide that will shape public transport in the future. The first is globalisation. It is estimated that by 2025, 60% of the world's population will live in the urban areas. This will result in rapid urbanisation, economic development that will increase the demand for the movement of people, goods and services. The
15 global trend is towards private car use. We estimate that 6.2 million private motor trips will be made every day in cities worldwide.

If left unchecked by 2025 which is just around the corner, the related greenhouse gas omission will be 25% higher than the 2005 rails. This will put us firmly on the potential path of catastrophic climate change. Transport energy
20 bills will sky rocket, high levels of energy consumption will pose a threat to global energy security and traffic congestion will bring cities worldwide to a standstill. About half a million people will be killed in road and traffic accidents every year.

The second issue is the question of increased levels of congestion. This will give rise to loss of productivity, quality of life, access to work and opportunities and the increase of pollution. The third one is the whole question of fossil fuels and greenhouse gases. Motor vehicles release approximately 330 million tons
5 of carbon dioxide into the atmosphere which is about 20% of the world's total pollution. Motor vehicles also contribute 72% to nitrogen oxides and 52% to reactive [inaudible].

Carbon monoxide is the greenhouse gas that keeps solar radiation trapped within the atmosphere causing climate changes, global warming and carbon
10 monoxide is the poisonous gas that can lead to serious health problems. The requirement is to drastically reduce the dependency on fossil fuels and to shift to other sources of renewable and sustainable energy.

So to address these 3 very serious issues, the challenge to the transport industry in South Africa and to the rest of the world, is that we have to do 3
15 shifts. We have to shift as much as possible, motorised transport to the non-motorised transport. We have to shift as much as possible, private car use to public car use. Thirdly, we have to shift as much as possible freight and road traffic to rail. By doing this, we have to make use of intelligent transport systems, so we have to be smarter with what we have and I think this morning
20 we heard that there is not enough money. So we have to work with what we have.

Chair if I can then go to the development and implementation of Gautrain as a PPP project. The Gautrain is mainly aimed at providing and optimising an integrated innovative public transport system that enables and promotes the

long-term sustainable socio-economic growth in Gauteng. It is also part of a broader vision to industrialise and modernise the Gauteng region, including a commitment to creating and stimulating an integrated culture of public transport use.

- 5 In South Africa, public transport is a mode of force. People use it because they are captive. We must change that to make public transport a mode of choice, because we have to, as I have said, move towards public transport through all the strata's of the society.

10 It was announced in February 2000, by the Premier as one of the 10 blue IQ projects and again it was aimed at stimulating long-term economic growth and prosperity. It was a PPP type contract. It was done in terms of Regulation 16 of the PFMA and the reason for selecting a PPP, is that it gives you access to the world's best practice planning, design, building, partially financing, operating and maintaining the higher speed system.

15 South Africa had not built a new railway line since the early 70's and that you will see with the PRASA presentation, the rolling stock is 30 – 35 years old. It gives us access to off-budget funding from the private sector and then very importantly, it transfers a considerable amount of risk to the concession during the construction period and during the operation period and again, very
20 important, the concession there, is involved in the total life cycle costing and planning of the project, so usually a contractor just builds something and gives it to government to maintain and to run and in this case, the contractor is involved right through the life cycle.

The procedure is that we get Treasury authorisation TA1 2 and 3. TA1 is feasibility where we have to prove value for money, affordability and risk transfer, so how do we identify the risk? Allocate it to the person best suitable to handle it and then price it. A call for proposals, negotiations, we developed a
5 financial model for 54 months of construction and 15 years of concession. This financial model forms the basis of the approval of TA3 that says you sign the contract and the concession agreement is a single price turnkey project.

The signing of the CA was in September 2006 and was the culmination of a procurement process that started in February 2000 and the CA was one amount
10 for the total project for both the development period and the operational period spanning 19.5 years. Thus we mentioned that all rules and regulations that were relevant during that period, was adhered to.

Gautrain has yielded positive and economic social environmental outcomes and that we will talk about. One of these are that the expo's through an economic
15 appraisal, revealed that during construction, we created 128 000 jobs and now during the operation, we will create 6000 jobs.

One of the goals and this is very important, is to ensure that the service provided by the system, is sufficiently priced to attract and create a sustainable shift from car users to the system. In our development of the fare prices, the
20 instruction that we had from our provincial executive council, was that the prices of Gautrain had to be less than the perceived cost of motoring, so it had to be attractive for a motorist to leave his or her car at home, but it had to be more expensive than existing public transport, so the idea was not to compete with existing transport, the idea was to create a new market. So we gave the

concessionaire an envelope and within that envelope, the prices were set. That was in 2010 when we started the project.

We actually have two types of services. We have a normal passenger service and we have an airport service. The passenger service, these prices can only
5 increase by CPI, so every year in June we have a review and the prices are adjusted by CPI. The airport service that we have is based on a person flying overseas or locally that is willing to pay a premium for the time saving, so those prices can actually go up with the market demand and it is not set by CPI.

Chair this is an important thing and I think we will spend some time on that, is
10 how do we calculate the batch [inaudible]. Gautrain, the one that we are now busy operating, was a greenfields project where accurate prediction of [inaudible] in fair box revenue was very difficult. If the risk of the income stream was given to the bidder alone, we would have either gotten a very high price, or we would not have received bids at all, so there had to be a way of sharing risk
15 between the government and the private sector.

Due to the high cost of public transportation infrastructure, especially in rail throughout the world, there is always a government contribution involved in the form of a subsidy or a cash contribution. The required patronage guarantee was calculated and it forms the basis of the financial model that was approved
20 in TA3 and that one is the model that shows you the cash flow over the 19.5 years.

Then the patronage guarantee falls away obviously after the concession period, but what is important, is that after the concession period, in March 2026, government will receive an asset which is fully paid, well maintained in industrial

norms and receive the asset in a contractually prescribed condition. At that stage, it will have a replacement value of about R60 Billion. Now calculating the patronage guarantee and if I may just refer you to the slide pack that I have handed over, it is slide number 2, so slide number 2, there is an expenditure stream for the concessionaire, so as part of the bidding process, and finalisation of the concession agreement, the concessionaire had to indicate the minimum required total revenue which we call MRTR for the duration of the operation period.

MRTR has the following components. It has an operating cost, it has an ongoing refurbishment cost, it has a replacement of certain assets during the concession period, for example Chair, the buses may not be older than 10 years, so the total bus fleet of 125 buses will be replaced during the concession period. 4th the concession is net service obligations. 5th overheads, 6th the return on equity and applicable taxes, so all of these make up the MRTR.

On the income stream, there is a fare box revenue and there is value added income that you derive from advertisements cell phone coverage, so the difference between the expenditure stream and the income stream, that is the patronage guarantee and that is what is then paid, so it is not comparable to a subsidy because it covers a lot of other costs. In budgets of other transport, there is an operating cost, there is a maintenance cost, there is a replacement cost, there is a servicing of the loan cost and these are not in that, so this is one total picture.

In terms of integrated transport, planning, may I just say that I was the head of department that was here for 9 years. I have been in transport now for 37

years, so it is interesting to hear what is being said about the bus subsidies and stuff like that. I can just say correction, these bus contracts were running for 30 to 40 years now, it is not 20 years, so they have been running very long. Can I start off by saying Gauteng is a unique case in South Africa. It has 3
5 metropolitan authorities touching one another and each with its own functional transport area, but if you look at the functional transport area, the traffic coming to Tshwane or to Johannesburg, or to Ekurhuleni, crosses the boundaries of these metropolitan areas, so it becomes very difficult to say to Johannesburg look at your traffic, because the traffic from Johannesburg comes from all over
10 and the traffic in Tshwane comes from the old Kwandebele, so that is why the Premier is very keen that we look at Gauteng as a global city region, that Gauteng actually operates as a single point.

Because of that, the Premier has decided to create a transport authority, so we have now written the legislation and we hope by the end of this year, to
15 introduce a transport authority and all the stuff that was spoken about today, about how do you optimise bus services, how do you get the correct information for awarding permits and permissions, would be done by this single source.

The second thing we have is, we have a legacy of a spatial distortion from the apartheid planning, so we have communities that are very far away from where
20 they work. We are only 1.42% of the total land area of the country. We produce 36% of the GDP. Currently we have around about 13 million people and it is growing by 200 000 people per year that immigrate to us from other provinces and it is the most popular province.

- Now the NLTA, has set the structure, they have set the governance structure how to run it. You have been hearing about it today quite often, the IDP's the integrated development plans, but there is a lack in government of doing this planning. In the heart of all of this, is the transport demand model, but a model
- 5 that generates where people live, where they work, what trip they are making, what time they are making the trip and what mode and what route. You need data, you need updated data and the transport authority will have this as its heart, but we have to coordinate transport planning, land use planning and economic planning.
- 10 The challenge to shift transport patterns in 2 key areas, the first is to integrate the Gautrain into a realistic transport system. The second is to ensure that rail improves its competitiveness relative to the private car use. Now with regards to these second key areas, the GPG has commissioned a study to estimate transport demand patterns over the next 25 years, so this study shows, we call
- 15 it the integrated transport master plan for 25 years, the ITMP 25. This study shows amongst other, that the provinces populations will increase by more than 50% in the next 25 years to 19.2 million people, with an increase in formal employment from 4.6 million to 8.6 million workers.

Now Chair that means you have to move 8.5 million people in the morning from

20 home to work and in the afternoon from work to home, so that is already 17 million passenger trips. If you take trips from home to school, from work to work and from home to leisure, you end up with about 20 – 23 million passenger trips per day.

Very important, we estimate that Gauteng's car, private car ownership will grow from 300 cars per 100 inhabitants to 450 cars per inhabitants. What we have seen, we done an analysis. In 2000, the split between private and public usage, we had 60% public transport and 40% private and that was in 2000. In 2011, 5 this position has decreased to 56% public transport and 40% private cars. So the car use has gone from 40% to 44% and the public use has gone from 60% down to 56% and this is just because there are much more private cars coming into the market.

I have noted that the rate of growth in car ownership is unlikely to be slowed. 10 Measures will therefore need to be put in place to manage weekday peak period demand and discourage people from using their cars during this congested period. In our view, the key impediments to creating a coherent public transport system and especially that portion where that is not road based, there is a disjoint in the planning and I think today between different spheres of 15 government, there is a total disjoint between planning of transport and housing function.

Thirdly there is a continuous focus on road based public transport. Fourthly, there is a limited funding which is available and again we must change public transport as a mode of force to a mode of choice. Chair then if I may just say 20 something around disruptive technologies. We are speaking about the e-hailing systems and that. We have e-hailing systems at the moment. We had 4000 metered taxis in Gauteng and we now have 15 000 e-hailing taxis in Gauteng, so all of a sudden, a market this is 4000, is now 20 000 and there is a lot of induced demand from people who would never had used metered taxis, now 25 using it. It has to be managed. We see in Europe, the question of drive-less

cards, the question of a car being parked and you just put your credit card in and you take the car and what we are seeing now Chair is a shift towards mobility as a service. I think this is the major shift in the world, is that people are not buying vehicles anymore, they are buying mobility, so if you don't buy a
5 car, you just get an Uber and you go from Point A to Point B and what we are seeing for the first time in the world, is that the youth- cars were always a status symbol, people wanted to own a car, but now the youth want to own a fancy cell phone and they can have connectivity on public transport, so in Europe, there is a shift away from the youth towards that, so disruptive technologies will have to
10 be kept in mind.

Quickly, the purchasing of additional rolling stock, Chair you will see I have just on the slides, I have just put in slide number 9, where it just shows the demand for transport in the Gautrain and as you can see, in the mornings there is a very stiff peak and in the afternoon there is not such a big peak, but there is still a
15 peak and we are running out of capacity. We have at the moment, 96 carriages either as a 24 forecast sets or 8 car sets and in the peak, we put 2 trains together and we are running into capacity, so we have decided we will buy another 50%, so we will buy another 48 carriages. We are busy with a procurement process and we will get 48 carriages, a new depot for the rolling
20 stock, upgrade the signalling system and depending on what rolling stock, we may have to upgrade some of the power supply to the system. This is done as a variation to Bombela. We have 3 pre-qualified bidders, who will have their bids in by August of this year and by the end of the year or beginning of next year, we will assess the bidders.

Planning for the extension of Gautrain, in the feasibility study of the, or in the integrated master plan, the ITMP25, the shift is towards public transport and Chair if I may just refer you to slide number 3. You can see in slide number 3, we have an urban edge. What the provincial government is trying to do, is to

5 keep the developments within that urban edge and you will see that we still can't fit in the 19 million people that we think will be in Gauteng in 2037, so you will see there is a highlighted area in the middle where we are going to go for high density housing.

At the moment, we have the average stand in Gauteng is 1100 square meters

10 and we want to go to, so it is about 9 people per hectare and we want to go up to 50 – 60 people per hectare. So we have taken a lot of- the question was asked was it an inclusive process. We created a steering committee, 3 spheres of government, all the metropolitan authorities ACSA, SANRAL, was all in, PRASA and we have developed this integrated, this extension for the Gautrain,

15 it is incorporated in the national development plan and Chair we have completed the feasibility study, it was approved by our executive council, it has been referred to National Treasury and we are waiting for TA1, for the authority to go ahead.

If it goes ahead, if we get the authority to go ahead, we will start the

20 environmental impact assessment which has got a big question around, or a big process around public participation. We have open days and we have interested and affected parties. When the EIA is approved, we go to the procurement of land through the GTIA the Gauteng Transport Infrastructure Act process and there, there is another public consultation. If it happens, we will do

25 another 150 kilometres of rail network, 19 new stations.

Chair I have shown you on a diagram on Page 6, you will see the first line that we will build, will me from Little Falls to Cosmo, from Cosmo to Randberg, from Randberg to Sandton and from Sandton to Malboro. So that will be the Phase 1. Phase 2 would be then going from Little Falls to Roodepoort and to Soweto, 5 we are going to Jabulani in Soweto and then you will see the following phases will give us a line that runs from Mamelodi in the East of Pretoria to Soweto in the West of Johannesburg going from Lanseria into Randberg and then from the airport going down to Boksburg, so this is another 150 kilometres of rail line. It will be built in 5 phases and will take most probably 20 – 25 years to 10 complete.

On the challenges faced by Gautrain, there is the slow economic growth. As you know, the economy is slowing down and the possibility of job creation has gone down. The air travel is an interesting one Chair. Internationally your air travel grows by 2% lower than the GDP growth. If our GDP growth is less than 15 2%, it means that it will stay static.

The second challenge facing us is the implementation of the Gauteng freeway improvement plan and the e-toll concession to the public and we have created extra capacity in the freeways. The original idea was that the people who then paid toll, we have made massive concessions. At the moment, it is capped at 20 R225 per month and we have a massive amount of people not paying tolls, so the time advantage that we had on the Gautrain, has been taken away, because it has been calculated that the [inaudible] will save you about 12 working days a year.

Thirdly are the capacity constraints in the system. We have tried to reduce the headways, change the seating arrangements, having 3 categories of fares, but we have to buy new rolling stock.

The fourth one is the conflict between the e-hailing systems and metered taxis.

5 The stations are now one of the points of conflict. When people drop and we are finding it at [Barc] at Rosebank, at Sandton and through to Pretoria, where there is a war going on which has a negative impact on our ridership and then the fifth one, is the increase in fuel prices. We find that there is a direct correlation. If the price goes up like yesterday 85c a litre, there is a jump in the
10 ridership, but if there is a jump in the ridership, then we have to have the capacity to accommodate them.

Chair then I would like to ask my colleague Tshepo just to quickly run through our socio-economic development that we have done on the train.

MR KOBE: Thank you Jack and thank you Chair. What I would like to highlight
15 is the approach to transformation by the Gautrain and the Gautrain management agency as a whole and I think what we want to highlight, is the fact that we have what is called forward looking commitments when it comes to transformation and what does that mean? In normal assessment of a tender, you would look at it on the basis of the certificate that somebody brings to you
20 and what that does, is that the certificate only assesses somebody in a backward looking or in previous performance, but what we have done, is that we have put up Schedule 22 which then measures forward looking commitments. We make sure that a contractor then or anybody who does

business with us, then complies to that and then the commitments are then folded into the contract itself.

At the current moment, Schedule 22 has 15 items which are measured which goes from local content in terms of procurement, shareholding by Black women,
5 procurement from sub-contractors, it goes into skills and development of skills both in junior levels and also in management and also goes into the actual BEE certificate because the minimum threshold you can have, is a Level 4 for BEE certificate.

The question then becomes how have, we fared. If we look at our performance
10 throughout both during the construction period and in the operating period, is that most of the targets have been met more than what was required and most of them are in excess of 400% of compliance and that happens because they carry a heavy penalty and that heavy penalty then goes into tens of millions of Rand's and nobody wants to lose that kind of money.

15 Now in addition to that, we have one thing that is different from a lot of procurement. We have the independent certifier for economic monitoring and what that person does, is they actually check, if we are saying we have 100 women on the contract, they go through every ID to be able to ascertain those people and then also verify that the people are really there. Now the current
20 method employed by SANAS, it is one of sampling. We don't do sampling. We actually check if each and every commitment has been met.

Now one has to ask how does, this overall match up with local content legislation and economic development regulation as a whole. In actual fact, what we found, is that it covers most of what is required by various pieces of

legislation and it was forward looking. It was quite innovative for when it was developed in 2002 when the contract was developed and it has yielded interesting results overall.

Now at the current moment as we look forward to something that the CEO spoke about, was the additional rolling stock. These forward looking commitments will be applied to the additional rolling stock, so it doesn't stop at the time when you conclude the contract, so in subsequent variations, that we do with Bombela, similarly also helps the forward looking commitment and what that does, it keeps the contract down overall and we have achieved quite a lot going forward.

Overall in terms of when we look at the economic impact of the Gautrain as a whole, during construction about 12.7% of what we spent went to women contractors and people with disabilities. 72.2% of the amount of money we spent on skills development went to both youth and people with disabilities and overall, local procurement was in excess of 3.5 Billion Rand as a whole and if you look at it from an impact point of view, is that a fair bit of money went into low income households and the State also increased revenue during the construction of the Gautrain and the trend has continued throughout operations, because we have forward looking commitments, because those forward looking commitments, what they do is when you have finished constructing, then they make sure that you can continue to acquire benefits from that sort of thing.

Overall when you look at transformation and transformation as a whole in the transport sector, what we have done, we have looked at how we can expand our distribution and feeder system, so which is our buses that we have and a lot

of that expansion has been done in conjunction with the taxi industry. If you go to Malboro station at the current moment, there are no buses there. That service is entirely operated by AMSTRA and ATA which have put up a joint venture company which then operates a service all around and it operates as frequently as it is supposed to be and it is aligned to the train system itself.

We are currently rolling out the service to areas like Centurion, we have a service running to Midstream, we have done a service in the North departing from Hatfield and we will be having new services in Rosebank. We will have another service departing from [inaudible] and we will continue to do so over the years through engaging the taxi industry.

The model is very simple. What we do is, we look at the local taxi industry who is the rightful owner of that particular route that we are proposing, or have interest in that particular route that we are proposing and then we engage the cities themselves and the cities then give us feedback about who is the rightful owner, so we don't just willy nilly decide and we will also engage provincial regulating authorities and through that, we then avoid disagreements about who the route really belongs to.

The route itself, we work on the basis of an availability fee. When the operations are running, there is costs that are apportioned to the service itself and then we also look at how much profit is required to be able to be a sustainable business overall and I think we will continue to do so in our future plans and I think that is it from my side.

CHAIRPERSON: At this point, thank you very much Mr van der Merwe and Mr Kobe. At this point, we will then hand over to our evidence leaders and the panel to pose questions.

MR NGOBENI: Thank you Chair, Mr van der Merwe, just a question on
5 transport planning, just to try and understand maybe to get clarity on your part. With respect to these extensions, the extensions of the Gautrain routes and I see that you have mapped it on your slides, but just to try and understand, are these new routes, or are these routes that are already covered by Metro Rail and to an extent that these corridors are already operated by Metro Rail, the
10 question there is how is the GMA and the relevant municipalities planning to integrate Metro Rail and the existing public transport services?

MR VAN DER MERWE: Chair you will see in the slides that I have handed out, please look at slide number 4. Firstly can I say the idea is that we never compete with Metro Rail. We actually compliment. If one looks at the 90 million
15 people that we are going to have here in 25 years, it is not a case of do we have Metro Rail or do we have buses, we have to have everyone. If one looks at this Chair, you can look at the blue on the map, which is the Metro Rail network. On slide number 4, you see the population density and you see the work opportunities and if you turn the page to slide number 5, this is then what is
20 predicted to happen in 2037.

Now you can see that Metro Rail doesn't run where the people are. This Metro Rail was built in 1930 up to 1950, it was built for farming and it was built for the mining industry, so the rail doesn't run where the people live and even worse, the rail doesn't run where the people work, so you will see that the red of the

Gautrain is then actually complementing the Metro Rail, so the idea is not to at any stage, compete with them, but it is actually to compliment it.

What we have done on Gautrain 1, we have an inter-link with Metro Rail at Hatfield station, at Pretoria station, at Rosefields station and at Park Station so
5 4 of our 10 stations have got a linkage into Metro Rail. The same will happen where we link into Jabulani, we link into Mamelodi, so there will always be a link towards that, so what we have done, is that in the planning for Gautrain 2, PRASA was part of our planning committee, so we cannot survive without each other, there is no doubt about it.

10 **MR NGOBENI**: And I think just another clarity seeking question, I think you referred to it on slide 6, there the question is, with respect to the proposed station locations and I think this is what you referred to as phase 1, with local authorities for the extensions, so the question there is, what are the proposed ideas to improve the station or locations and to integrate them with the
15 proposed development plans?

MR VAN DER MERWE: Chair if I may say, when we did Gautrain 1, we had 10 stations. We had 14 000 interested and affected parties and we had 47 meetings with these interested and affected parties. At 46 of them, the people said they love the train, but don't build it here, take it 5 kilometres away we don't
20 want it close to our house. Now that it is built and we see that the property prices have exploded and that there is growth around all the stations, now it is the opposite.

When we started doing this planning, we had 31 locations for stations, 31 possible locations and now the fight is, where does the station come, everybody

wants the station, so we have a few norms for the station. Firstly, there has to be no environmental impediments, it has to be on a straight line so that you can – those of you that have been to London, they all say mind the gap, mind the gap because the station is built on a curve, you can fall in between the train and the curve. Thirdly, it has to be where there is development potential, so it has to be where half of the land, well around about half of the land is still developable and it has to be where there is a demand for people and Chair why I have given you a diagrammatic of that, I don't want people to go and buy land and when the government must come and get the land, so the land speculation could be very rife here, so it will always just be a schematic but the actual position has been cleared with each city council with the metropolitan councils. We have very large developers that say come and put here.

I can just sat at Ekurhuleni, at the Boksburg site, there is a development called Green Reef and they are busy building a university there now and they want us to come close to that, so it is an interactive process and we would like to have – the station cannot have a gradient of more than 2%, the rail coming in and going out of the station and if possible, on a bit of a rise so that the trains can decelerate when they come to the station.

Can I now say that if we have T1 approval, then this will be designed in detail, so we can then look at optimisation.

Maybe just the last thing that I want to say is that we are trying to put the train as much as possible, on ground. The rule of thumb is that it will cost you R1 to build on ground and it will cost you R10 to build it elevated in the air and it will

cost you R100 to build it underground, so we will just try where we have no choice, to go underground.

MR NGOBENI: I think in the beginning, you indicated that when the idea of the Gautrain was conceptualised, I think one of the things that the government had
5 in mind, was that it was not meant to compete and you indicated right at the beginning, but what we have observed, is that the Gautrain and the BRT buses are operating on the same routes in some areas and just to get your view on whether you think to some extent and maybe underlying in the word extent, to some extent, whether the 2 modes do compete, just to get your view on that?

10 **MR VAN DER MERWE:** Chair the BRT has got a station every 700 to 1000 metres, so people hop on and hop off. The train is for longer distances, so you will find that in Tshwane for instance, we have a station at Hatfield, we have a station in the city centre and we have a station at Centurion, so in Tshwane, you have only 3 possibilities of getting on and off the train, but the BRT in Tshwane,
15 will have hundreds of stations and what we have, is that the BRT's are all feeding into the stations. In Johannesburg, the BRT feeds into JHB station, Park Station into Rosebank and into Sandton and then in Tshwane exactly the same, so these are complimentary services.

MR NGOBENI: Thank you and maybe clarity, I think you mentioned slide 2,
20 where you deal with the patronage guarantee and I think you did mention, but I just need clarity. You are saying that post the concession agreement, maybe just to explain again, you are saying that this is going to March 2026, the question there, was what was going to happen to the patronage guarantee for the concession agreement?

MR VAN DER MERWE: Chair can I answer in a roundabout way? When government receives the rolling stock in 2026, it really has 3 options. The first option is then to run it themselves which I hope they don't do. The second option is to say, let's go out on concession again for somebody just to run the
5 operations, but remember then it is brownfield's operation, the ridership is known, everything is known, so it will be much easier to do it.

The third possibility is to say but let's extend the system, say we don't get TA1 approval for the extension, we then say but when we finish in 2026, we want to extend it there, then you need a person or a concessionaire to come in who will
10 do the construction and the operations and then it will become more complicated, but if one looks at the patronage guarantee here, at the moment, our fare box revenue and value add, is close to the operating costs at the moment. These are not drawn to scale, so we will not need to service the debt or have a return on equity, or pay taxes, so all of those costs will come off, so
15 the patronage guarantee will not be needed anymore.

MR NGOBENI: Thank you Chair, no further questions.

CHAIRPERSON: Mr van der Merwe, just to follow up on the question of the extent to which there is integration between the different modes of transport, I note that you mentioned that there is no complimentary [inaudible] than
20 integration and I am just wondering, given the patterns in ridership, whether in fact, with the feasibility study that has been done, we will see a different pattern to what we have seen, because of some of the things that you have mentioned, like the e-tolls for example. It seems that people have not really left their cars at home, they are using the Gautrain but they are also using their cars and one of

the reasons that has been mentioned, is the challenges with access if you are using the Gautrain, that to some extent, that integration is not fully there and so, the question I have, is whether you foresee integration to the extent that perhaps there may be a single ticketing for example and is that possible and
5 this is in line with what was raised regarding these 2 for example bus services like [inaudible] and Gautrain going around with a few passengers especially at off peak times.

So I would think that there is a bit more than can be done in terms of making more efficient use of the existing public transport modes and also, this is in line
10 with the amount of subsidy that we see across the different modes of transport, because obviously government cannot afford to have everything running given the limits that it has in terms of the affordability of all these services that are available.

MR VAN DER MERWE: Chair if we go back to the basics of an integrated
15 system, if one looks and I think if one goes to Europe or to the Far East where public transport is a daily occurrence, you have to start off by saying do we have a common timetable. If you come with a train to a station, is there a bus or has the bus left. They don't even know about each other, so common timetables, common information and then we start looking at common ticketing.
20 Tshepo is running the project in the province to do exactly as you asked, can you have one ticket. What we have in South Africa which is a bit of a – in Europe, you use your credit card. Your credit card, you just flash it and you go through. In South Africa, we have a large portion of our population that is not bankable, that does not have credit cards, so we have to work on an electronic

purse which is a prepaid system and that is what Tshepo is working on, that we will have a system where you can use your credit card, but there is a system where you use an electronic purse, so you preload the money.

The problem in integrated fares, the mechanism of reading each other's cards is
 5 easy, but there has to be a back office to harmonise the fair prices and that is a much bigger challenge, is to say how do we do that. Now in Gauteng, if we can again talk on housing, in 1994, the new government built a lot of houses at Orangeville and if you look at the map, Orange Farm has got no work opportunities, so we have to move the people very far from where they live to
 10 where they work, so there is a lot of trips happening and there is a lot of transport that only goes in one direction. In the morning, the buses come in and they go out.

In the world, you should have about 500 to 700 passengers per day on a bus, but then the bus runs both ways. It runs full coming in and it runs full going out.
 15 In our country, if it is only one way, you could halve that and say you need between 250 and 350 passengers per day to make it viable. Gautrain at the moment, we are running at about 200 passengers per bus per day, so we are there. We aren't there in terms of the international norms but I have looked at the BRT's and not one of them are running more than 200 passengers per day,
 20 so single ticketing access, if I can say, if we look at an integrated system, if we have- or maybe let me say 2 things, if you run a train service, it has a dedicated [inaudible] so the train stops from [inaudible].

If you run a road-based service, it is subject to traffic congestion and if you run a BRT, you have a semi-dedicated right of way, so they have a bus lane so that it

doesn't get caught up. For Gautrain and for Metro Rail to work efficiently, you would need BRT's that have semi-dedicated right of way to feed into the system and feed out.

I have very interesting statistics. At the moment, we have about 12% of our
5 passengers that use the buses but don't use the trains, so they actually just use the buses. What is interesting is that in Johannesburg and in Tshane where there is alternative solutions, only 2% of the people on the buses, are non-train users.

If we go to the outlying areas, up to 30% of the people on the buses, are non-
10 train users, so it shows that there is a massive demand for public transport and they are then utilising the buses for that. It comes back to the fact that we don't have enough infrastructure to accommodate the move of people, but I can please say, it was spoken about earlier that you should subsidise the commuter and not the operator. The rule of thumb in the world, is that you shouldn't pay
15 more than 10% of your expendable income on transport, so if you spend more than 10%, you get subsidised, you as a person, but in South America, they tried it, you get a coupon and people then still walk to work, they use the coupon as a currency, you can buy TV's with it and fridges with it and food with it. The coupon currency in South Africa, is stronger than the official currency and I
20 don't think South Africa is right at the moment for that, but that is what we are aiming at, to have public transport or transport costing you less than 10% of your expendable, but you can't put a person 30 or 40 – the centre of gravity of Tshwane's population is 42.5 kilometres North of the city and there is no chance that you can say anybody living there, would only pay 10%.

CHAIRPERSON: It seems that we do not have any further questions. We would like to thank you very much Mr van der Merwe, Mr Kobe and Mr Shamu for a very detailed presentation. I think there will be a need for further engagements on some of the issues which have been raised in the various submissions in
5 connection with the Gautrain service. We will certainly engage you on those issues, but thank you very much, you are excused.

I think at this point, we will receive a submission from SABOWA and then after that, we will take the Lunch adjournment. The submission from SABOWA, welcome gentlemen to the market enquiry, if you could please state your full
10 names for the record?

MR WALTERS: I am Jackie Walters.

CHAIRPERSON: Can you please spell your surname just for the transcript?

MR WALTERS: Walters W-A-L-T-E-R-S.

CHAIRPERSON: Thank you.

15 **MR CORNELIUS**: I am Eric Cornelius.

CHAIRPERSON: In front of you, there is a piece of paper there is an oath or affirmation, if you could take the oath or affirmation as you wish?

MR WALTERS: I Jackie Walters, state that the evidence that I shall give, shall be the truth, the whole truth and nothing else but the truth, so help me God.

20 **CHAIRPERSON**: Thank you.

MR CORNELIUS: I Eric Cornelius, swear that the evidence I shall give, shall be the truth, the whole truth and nothing else but the truth, so help me God.

CHAIRPERSON: Thank you very much. I understand that you have prepared a presentation and you would like to take us through that presentation. You may do so?

MR WALTERS: Thank you very much Mr Chair it is on the screen at the back
5 there. What we would like to cover in the presentation, is just a background to SABOWA as an association. Public transport strategy milestones, types of contracts and public transport, subsidies in South Africa, current status of contracts in the [inaudible] in the division of revenue act, key contracting conditions and the characteristics of commuter contracts which are funded by
10 the division revenue act, key difference between the commuter bus industry and the minibus taxi industry and then inter-city [inaudible] international bus services, the impact of completion between the different modes of public transport, easy transformation and just general transformation impediments.

I will also then conclude with just a few concluding remarks at the end of the
15 presentation, so the purpose of SABOWA is the Southern African Bus Operators Association which means we contribute substantially to the economic development of our country by providing bus and coach services to transport millions of people that rely on public transport on a daily basis. In this case, specifically bus transportation, commuter bus inter-city and inter-state bus
20 services.

The division of SABOWA is to be the credible voice of inclusive efficient and sustainable [inaudible] and bus industry and the mission to play a pivotal role representing the interests of its members in building a sustainable integrated

transportation system through safe, reliable and affordable bus and coach services valued by our stakeholders.

SABOWA is registered as a non-profit organisation in terms of the companies act and its membership is voluntarily. There are 2 categories of operating
5 members. 1 to 30 buses and we will call that Category A members, approximately 850 companies and 31 or more buses, Category B members, approximately 40 companies including non-subsidised operators.

These members of council have 1 vote each irrespective of the bus fleet size and if you look at the transformational requirements of the 22 members of
10 council, 4 of those members are White members, so in Category A, we have 10 operating members and Category B, 10 members and then we have 2 associate members who supplies to the industry and then the executive managers, which are non-voting.

This council appoints an executive committee for the day to day running of the
15 organisation 8 people of which 2 are White and the rest are non-White race and then we have working committees appointed by the executive committee and they report to the executive committee on a monthly basis.

Now just to give you an idea Mr Chair, what we do offer to our members, would be workshops on various aspects of the industry itself like the BEEE strategy of
20 government, conferences, information sharing, participation in committees and decision making structures of the organisation, representations on behalf of the industry, both oral and written, participation in government and industry committees on policy BEEE for instance.

We also offer our operators insurance which is offered by an outside company. We don't get involved in that. It is important for us because it contributes towards safety in the industry. We also offer driver training to our small operators and conductor search in the industry. Our typical working committees
5 would be a technical committee. It is a permanent committee that looks after the technical aspects of transportation. We work with the CSIR, the SA Bureau of Standards and the suppliers to the industry as well as the Department of Transport.

There is also an operational committee, a BEEE committee and also long
10 distance committee, so these are typical committees of association where the work is done. The work that we do is at a tactic and strategic level of the industry. We don't get involved in any way in actual operations of the specific companies.

We have 3 types of memberships, our commuter transporter operators,
15 privately owned bus operators that is involved in- these are the subsidised operators. These privately owned bus companies are involved in commuter transport and specifically in this category, would be the division of revenue act, conditional and supplementary granted funding that is transferred from Treasury to the Department of Transport to the various provincial governments for the
20 funding of commuter contracts and I will get to the type of contracts that we have at this point in time.

Also school bus operators which represents a large percentage of our SMME membership of the association and they have contracts with provincial educational departments and in 3 cases, with provincial departments of

transport. The BRT's in the main metros, there are 5 of them and they are members of the association and then we have municipal operators in Johannesburg, Tshwane and Brakpan and then a provincially owned bus companies which are also funded through the division of revenue act and in 5 some cases, for instance the Eastern Cape, also additional funding through provincial funds that are being made available.

The second major category will be tour chartered operators these are non-subsidised operators. They operate scheduled inter-city coach services. Companies for example like Greyhound, Africa People Movers, ALDO coaches, 10 Mega Bus and so on and then charter transport services, is mainly focused on tourism, local, regional and international tourism, especially incoming tourists that book charters to the Kruger National Park and other areas throughout the country.

There is also a tourism transport services like Hilton Ross for instance, cross- 15 border transport services, international borders for instance, operated by AUTOPAX and then shuttle transport services between hotels, airports and so on, so those are the 2 broad categories of operators and then we have industry suppliers and associate members. Here we have 55 members of the association.

20 The next slide is really to show some of the milestones we have seen since 1996 in public transport in South Africa and as I go through my presentation, I will be referring to some of these points again. We had the white paper on national transport policy in 1996 and based on that white paper's requirements, interim contracts were concluded with subsidised bus operators, all of them in

1997. These are the ones that we would refer to today as Dora funded operators. They were for a period of 1 to 3 years, after which all of these services had to be tendered on a competitive tender basis.

That was followed by the moving South Africa strategy that assisted in rolling
5 out the longer term objectives of the white paper on national transport policy and also looked more at the densification of corridors and requirements along that to enable other transport to be made more financially viable.

Then after that, the major milestone was also the tripartite heads of agreement in 1999 that was concluded between organised industry and organised labour
10 and the Department of Transport to especially deal with labour arrangements, the transition from interim contracts to tendered contracts. At that stage, there were a number of contracts that were tendered and because of new entrants coming into the industry having much lower labour rates than an operator that has been in the industry for 25 – 30 years, most of the existing operators
15 reduced their labour cost from one day to another in these contracts and that led to a lot of labour unhappiness and there was a decision taken to deal with this through the tripartite heads of agreement. I have actually discussed this in detail in our September submission to the Commission.

That was then followed by the first piece of legislation after the white paper. It is
20 nearly 4 years after that, the national land transport act it actually gave legal effect to the policy and contracting. Following that, based on requirements of the national land transport transition act, there was a national land transport strategic framework developed for the period 2006 to 2011 in 2006.

Then there was also the taxi recapitalisation programme in 2006. Then major policy documents, strategy documents of the DOT in 2007 basically gave rise to the establishments of BRT's in the country and the positions for involvement of operators in the DRT's.

5 Then in 2009, another major milestone was the condition imposed by Treasury that the subsidy budget should not be part of the subsidy budget, but in the division of revenue act, seen as a conditional grant, conditional supplementary grant to funding, with the understanding that Treasury will make funds available based on the national fiscus available to pay and that the provinces will pay the
10 difference between what they make available and the actual escalation clauses in the different contracts that these operators were operating. This was a major change in the bus transport industry.

Then we had the national land transport act in 2009, followed after that by the initiative that is not yet concluded by the Department of Transport who tried to
15 develop a public transport turnaround strategy to really try and focus on the further development of the industry.

I think just for the purposes of this meeting, I would also just like to touch on the types of contracts that we have in the bus transport industry. We have these interim contracts that I have referred to. They were contracts entered into
20 between the government and operators following the 1996 white paper, recommendation that subsidised passenger transport services be put out to tender. Interim contracts were put in place pending the implementation of a tendering system for these contracts which were intended to be in place for only between 1 and 3 years.

A part of this was also to assist provincial operators to get ready or get fit as it was termed for the tendering system because of many of them were running quite rundown bus fleets at that point in time due to the inconsistent funding of the industry prior to 1996.

- 5 Then tendered service contracts, the contracts entered into between the government and operators, in terms of Section 43 of the national land transport act, following a due tender process and I will just discuss a few things about this on slide 10 as we progress.

10 Then we have negotiated contracts, or contracts entered into by the government with operators in their areas only for the purpose of integrating services in terms of integrated transport plans, promote economic empowerment of small operators and also previously disadvantaged individuals, or facilitating restructure of parastatal or municipal operators with the aim of preventing monopolies.

- 15 I should also mention, it is not on the slide, that these companies, if they are not yet, should be majority Black owned within 2 years of the signing of such negotiated contract. At the moment, there are also other negotiated contracts. The BRT are all negotiated contracts, negotiated gross cost contracts with these operators.

- 20 So if you look at the commuter bus services currently funded by the division of revenue act, it is based on contracted kilometres which is typical that you will find in contracts throughout the world and these contracted services are network services of interim tendered and negotiated contracts that I have just explained.

Scholar bus services are funded by provincial education departments and provincial departments of transport. Only 3 of those departments of transport are currently involved in that and the operators are remunerated on the contracted kilometres and in this case, the scholars don't pay for the service,
5 they receive these services free of charge and these contracts are typically between 1 and 2 years in duration. It is also competitive bidding process managed by these departments.

Then we have a deficit subsidy system which is the difference between the revenue and the cost of producing this service by the authority. Founder
10 commuter rail and city owned bus transport operations Tshwane and Johannesburg are metros. Then nett cost contracts which are typical of all the contracts that we have at this point in time in the country except for the BRT's. Here the operator carries the revenue and the cost risk of producing the services.

15 On gross cost contracts, the operator carries the production risk, but the revenue risk is carried by the authority. These are typically the BRT type contracts. If I can just mention that these gross cost contracts are basically the norm in most international contracting regimes. It allows authorities to change routes and so on within existing operating areas quite easily provided they don't
20 change the number of kilometres that they have contracted for.

It is much more difficult to do that in their cost contracts because the operator has the revenue risk. If you change the routes, the revenue characteristics are not the same, it is a revenue risk for the operator, so I just want to make that point there.

So if we look at the current status of contract in South Africa, it is around 7000 buses are contracted to the division of revenue act and you can see Chair that interim contracts that were concluded in 1997, about 3 900 buses, these numbers can vary, I must just mention that, because we haven't done the latest
5 survey on these numbers, but the magnitude is more or less the same.

So there are interim contracts, there are still 39 contractors on these contracts which were concluded in 1997 and this represents 68% of the subsidy budget on average. So these contracts are now 21 years old. I must just say that these services in 1997, were converted into interim contracts and those services were
10 managed by the Department of Transport prior to these interim contracts and when the operator wanted to operate a route, it was up to the Department of Transport national to say yes or no and they would normally send in auditing companies to look at the route and look at the viability of the route and so on. So there was lots of involvement of government through the Department of
15 Transport in establishing the original contracts, although they are so old at the moment, they are still based on work that was done in those years.

Tendered contracts, we have 66 of these contracts in the country representing about 28% of the subsidy budget and around 1900 buses. These are mostly stand-alone services. In other words, they are not really in the major urban
20 areas, which is much more complex than the standalone service more rural type services.

So these contracts were 5 years originally and when they expired, they were renewed on a month to month basis, sometimes 1 month for a period of time and then 3 months period of time and the last round of extensions was 3 years

up until March 2018. The same with the interim contracts, it was 3 years originally and the practice, they are now 21 years old and the contract extensions when they lapsed, were between 1 and 3 months and this carried on for a very long time, these 1 and 3 month extensions which really bedevilled the industry in terms of replacement of buses, new capital investments, new forward thinking technology into these companies because you would never know if your service has been put out to tender when these contracts will be ending.

In this case, also interim contracts, the last round's extensions were up to 3 years ending in March 2018. Then we have negotiated contracts. These are not the BRT's, this is just a Dora funded service I mentioned here, 1 300 and these were most applicable to State owned and operated bus companies like provincial bus companies. There was a process here where there was a request for proposals, non-binding and then binding proposals and then the operator and the authority and the labour sat together and finalised the services around the table.

So these were 5 years also originally and when they expired, they were extended for 1 to 3 months at a time, not a long period of time, similar to the others. The last round of renew is also up for 3 years ending March 2018. So this represents 10 contracts and around 4% of the subsidy budget. So we have 115 contracts in the industry covering around 7000 odd buses.

The next slide depicts some of the contracting conditions to the different types of contracts, tendered contracts, interim contracts and negotiated contract services. In all 3 cases, timetables are prescribed by the authority and

enforced, we heard discussions this morning about in Gauteng, how it is monitored, route and network services are prescribed by the authority. In other words, the operators cannot just choose a route and start operating. Depending on the subsidy, it is all through an approval process.

- 5 Passenger fares are also prescribed in all these cases and this gives rise to the need to subsidise, because these passenger fares are not a true cost of the ticket that the person is purchasing at the end of the day, so if the passenger is purchasing let's say for instance a R10 ticket and there is a 50% subsidy, the passenger will only be paying R5, but it costs R10 to produce the service and
- 10 the other R5 will then be the subsidy portion of the ticket.

Vehicle ages are prescribed in these contracts and enforced. In other words, the operator, when tendering has to prove that the vehicle meets certain age requirements, not only at the beginning of the contract, but throughout the duration of the contract as well and the same with negotiated contracts. The

15 interim contracts, we don't have that at this point in time, but the operators operating these interim contracts, as you have seen, a large number of these contracts, 39 of them, it is in their interest to maintain a fleet age that will enable them to tender for these contracts when they tendered or negotiated, because they have to meet those requirements.

20 It is most difficult at this point in time because of funding issues. Services are monitored by a monitoring company, so there are penalties for non-compliance. We also have it for interim contracts as was explained earlier this morning, but differently compared to the tendered contracts and in this case, the authority appoints an external service provider that does the monitoring of the services

and reports on the compliance in terms of age, frequencies of operation, did not operate services, cleanliness of the buses, breakdowns and they are penalised for non-compliance and the same with negotiated contract services.

5 These are all route based kilometre based funding and then approval is needed for fare increases, route amendments, timetable amendments, additional trips and so on, so this is the case for all 3 of these types of contracts, so the operator cannot just increase the fares. The operator has to get permission and on top of that, in many areas, the operator has to negotiate with local communities, chiefs in the rural areas and so on to get their consent as well for
10 increases, so I just want to make a point here once again, that intended contract services, the last time that there were additional routes added to these services and extensions of services, was up until 2002, so for 16 years, there has been no change of these services and for interim contracts, exactly the same, from 1997 to 2018, we haven't had changes here and the same here from 2003 no
15 changes.

I think it's important to mention this because if you look at the migration in the major metropolitan areas, this industry has not been allowed to grow its services at all due to funding constraints. I have also looked at some of the figures that was mentioned by Mr Jack van der Merwe and the Gautrain master
20 plan study 2037, in 2010, this province had 11.2 million people in the urban areas and in 2025, it will have 26.3 million and in 2037, 18.7 million. The workers in 2010, was about 3.9 million, estimated to be 6.7 million in 2025 and 2037, 8.6 million. If we can't cater for these needs, it is going to be hugely problematic, not only from an accessibility point of view, but also if we do
25 nothing about improving the public transport systems, our road speeds will go

down significantly in our urban areas. For instance, in 2010, only 7% of vehicles experienced road speeds between 0 and 20 kilometres per hour. If we do nothing, it will be 39% and if you look more than 60 kilometre average speed, in 2010, it was 53% of people experiencing average speeds of more than 60 kilometres per hour and in 2037, it will be 23%, so it is in our interest to look at public transport improvements continuously and the 2037 master plan for this province specifically addresses that.

CHAIRPERSON: Sorry Mr Walters, I just need to get a sense from you, how long do you still need?

10 **MR WALTERS:** It is about a 40 minute presentation.

CHAIRPERSON: In that event, I would suggest that we take the Lunch adjournment now and then, come, back at 2:00 so you can finish your presentation, thank you. We will now take the Lunch adjournment and we will be back strictly at 2:00. Lunch will be served in the room next door, thank you.

15 **Session 3**

CHAIRPERSON: We are now resuming with the inquiry. Prof Walters, you may continue with your presentation.

PROF WALTERS: Thank you, Mr Chair. The next slide just depicts some of the characteristics of the contracts that the operators have to deal with in rendering their services. There are two volumes of model contracting documents, but these are also the original documents that the operators have signed for tendered contracts, negotiated contracts. To give you an example,

you know, contracting rates are prescribed, management of the services, record keeping, time tables, what happens if there is a temporary interruption - so for instance in a strike who is liable, subcontracting – how to subcontract, services outside of the contract, bus requirements – detailed specifications around that, seating requirements and so on. On the right-hand side there, staffing arrangements, marketing fares prescribed, electronic equipment prescribed, monitoring and controlling services, penalties. There is also the escalation formula that is included. At the moment the industry is working three different types of escalation formulas. And then also performance monitoring. The next slide depicts some of the forms and schedules that have to be completed when involved in these contracts. Specifications for rebuild/rehabilitated busses are prescribed. Vehicle specifications once again. Advertising on vehicles. Business plans. Penalties, you know performance monitoring and so on. So you can see, Mr Chair, that there are detailed requirements in terms of these contracts and they are very voluminous and quite complex. And it is something that the smaller operators really battle with to get their minds around these types of complexities. The contracts that the small operators have in the school bus industry, is actually much less complex, only maybe a few pages, where these can run into hundreds of pages, these contracts. So, we thought we'd just highlight the complexity of the formal bus commuter system versus, for instance, the informal minibus taxi industry based on what we've discussed. So we have the commuter bus industry here and the minibus taxi and some of the characteristics down here. So, we have prescribed time tables and routes for the bus industry. So, these busses leave irrespective whether they are full or not. Taxi operators normally leave when their taxis are full, so they don't have

to wait until they are full. Routes are prescribed and many of them focus on the social needs of the population. Most of the routes in the taxi industry are profitable short distance, peak and off-peak services, whereas this industry is mostly relegated to the peak here. And this is peak and off peak but more intense in the off peak, I think, than the bus industry in general. There is monitoring of operations, independently monitored and there is no independent monitoring of the services there. Fares are prescribed, ticket machines are prescribed. These ticket machines are also the source of information for the authority to get information about late running and so on. It is very sophisticated machines, very expensive machines. There is no independent fare control in the taxi industry, it is actually set by itself. Labour conditions of service – the industry is highly unionised, we have just had a three week strike for instance. And labour rates and conditions of employment are determined by South African Road Passenger Bargaining Council and enforced. And then labour arrangements here, the working hours, minimum wages are extremely difficult to enforce, if at all. Although there are wage determinations for the taxi industry, I think it is general knowledge that it is not really enforced. The working hours are governed and enforced based on these agreements in the Bargaining Council. It is not my computer... And then if you look at labour agreements, for example, working hours and minimum wages are extremely difficult to enforce in the industry, which is typical of an informal type industry. Training – the company spends millions of Rands on training and training facilities in-house, also buying in training and in this case government and transport education training authorities generally sponsors any training activities in the industry. Infrastructure – a bus company has to invest in infrastructure

such as office space, depots and maintenance facilities for their fleets, sleeping grounds and so on outside in the main open areas where the busses turn around ready for the next morning's peak. There is no real major commitment here, as they depend mostly on infrastructure provided by the authority itself.

- 5 Vehicle maintenance – this is regulated by means of the contracting system and we heard earlier this morning if vehicles are not reliable, penalties apply for non-operations and so on. These are not effectively controlled. Road worthy test in the commuter bus industry is every six months. The busses have to go through a compulsory road worthy test and in the minibus taxi industry every 12 months.
- 10 Exchange rates – we have done some research, between 60 and 65% of the bus industry's procurement is Dollar and Euro related. For instances, all bus chassis, that includes engines, gearboxes, rear axels, electronics and so on, are basically all imported, the market is very small in South Africa, only about a thousand busses on average per year that is being sold from 35 seat capacity
- 15 and above. Most minibuses are sourced locally and manufactured locally, thus helping with the exchange rate volatility. Just something about school bus operators – these operators are contracted by the relevant provincial Education Department on the case of the three provinces, Mpumalanga, Northwest and Eastern Cape by their Departments of Transport. This is a core activity, many
- 20 of the small bus operators are members of SABOA and there are many issues here around viability of these contracts. These operators have huge problems in managing their financial affairs. It is very difficult to replace their busses with new busses based on the rates that are being paid for these services that they offer here. Then we have the intercity, interprovincial and international bus
- 25 services. These services are non-subsidised and market driven. On the

intercity, interprovincial and international basis all these modes compete with each other, busses, taxis, rail and even air transportation. Service providers focus their product offerings on the different market sector's travel needs. For instance, there is a need in the market for luxury travel with in-service entertainment and refreshments versus a basic travel between cities and provinces that requires a basic bus just for transportation from one point to another. So there is lot of service differentiation as far as that is concerned. Some people would like air conditioning versus no air conditioning, ability to carry freight or not – especially if you look at services to Mpumalanga, Easter Cape, Northwest, Limpopo and so on, many of these busses are also used for transportation of freight to and from the areas where people live over weekends. Route specifications is door to door versus node to node. Many people want to have more or less like a door to door service that you may in the taxi industry versus node to node which you find in terms of the bus and the rail industry. Time constrains of passengers, versus road versus rail – it is much longer, over longer distances, time wise and it takes much longer than road transportation. And then obviously the main issue here is the propensity to pay for services. So, people may want these services, but they may not be able to afford the services. So that is why we have these range of services in this type of industry. There was a question that we received for submission last week and we thought that we would handle that here at this presentation. And there is a question... obviously any subsidy has the potential to distort the market. And in our submission we mentioned that if you look at subsidies in Europe, farming subsidies, it often leads to over production. So, it has unintended consequences, but often it is focused on specific objectives. For instance,

social objectives, economic objectives, political and environmental goals of government. If you look at first world countries, they subsidise the public transport systems to look especially at the environmental goals, congestion goals and so on. In South Africa it is a lot more focused on social goals to

5 make long distance transportation, which is typical in the commuter bus industry defined by the Division of Revenue Act, more affordable, the 10% that was mentioned by Jack Van der Merwe as a goal. In South Africa public transport subsidies traditionally focus on the commuter bus and rail industries and enable passengers to access public transport at an affordable cost. And over short

10 distances, and this has been the case for many-many years, up until about 10 kilometres, there are very low and non-existent subsidies at this point in time, a [inaudible] services. The longer the distance, subsidies increase to make longer distance commuting more viable. And the average commuting distance by bus is about 30 to 38 kilometres and if you look at taxis 8 to 12. This is

15 based on relatively old information, but we don't see a major change here and we don't have new information around this. The DOT published this information some years ago. So, what we did is we looked at the national household travel survey that shared some information on commuting time that people spend in commuter transport. Now those household travel survey was a survey of 50 000

20 households conducted by Statistic South Africa around public transport, trends and issues and so on. And what is interesting is that, if you look at the slide, you'll see that this is for busses and this is for taxis. You will see between 1 and 30 minutes, people sitting in busses between 1 and 30 minutes is only 14% of passengers in South Africa. But if you look at 61 minutes and more it is 52%.

25 Contrast that to the taxi industry here 60 minutes plus, 26 minutes, and if you

look at shorter distances 31.7 minutes, but there is an overlap between the two. But it does show that the commuter bus industry focuses more on the longer distances than the shorter distances. So there is, in a way, a normal market Division that is taking place between the two industries. If you look at the

5 question about impact of subsidies on other modes of transport, if you look at the taxi industry once again, you'll see in the household travel survey of 2003 versus 2013, 2003 being the blue line and 2013 the red line, you'll see an increase in the growth of the taxi industry. So, it used to be about 59% market share in 2003, in 2013 68.8%, nearly 69% market share. So, it does not appear

10 as if subsidy specifically could have had a major impact as far as this is concerned. This is already a very dominant position in the market. Then there were questions around transformation in the industry. We did a survey within SABOA and the category B membership, those operators operating in more than 30 busses. Operators operating in fewer than 30 busses are mostly black

15 owned. As I have mentioned here 850 operators, members of the association, involved in school bus service and so on, they are exclusively black owned from our experience. And a very few of these companies, operating fewer than 30 busses have white ownership in them. So, if you look at the larger companies and the allegations normally held against the industry's head that there is no

20 transformation in this industry, the figures here prove the point that there is. This is the work that we did for the BBBEE codes of good practice revision that is being conducted at this point in time. And the industry should be at least 35%, if you look at black voting rights in the industry, at the 35% level, yet still to be determined. And you'll see all of the companies that we surveyed were 41%

25 and higher, many of them between 91 and 100. If you look at economic interest

of black people, once again 35% was the benchmark. 41 beginning there and you can see most of them between 91 and 100% in economic interest. If you look at voting rights of black women, the target here is 10% at least, that was the target given to the industry. You can see there are still three companies not meeting that, but all of the others are already above that number. This figure excludes municipal companies that are members of SABOA and also provincial and bus companies. Six of these participated in the survey, but we did not include them, because it would skew the figures. These are mostly privately owned companies. From a BBEE point of view, these companies are classified as black owned, government owned type services, but we did not include them here. So, the question also, what are the general transformation impediments. This is mostly industry specific, but also public transport in general. And helping, there is a lack of detailed transportation plans at the local level, the commuters public transport contracting is one of the major stumbling blocks. There is also a lack of coordinated planning, structure wise, institutional structure wise at the local level amongst the different local government departments that ought to result integrated transport and land use planning, which has been the aim for so many years in our country and we are not achieving that. Lack of progress or implementing the contracting systems since 2002 – it is no 16 years since we have had no growth in our industry, we are not allowed to grow. And I think it is a travesty that mass public transport mode that will contribute to lesser environmental impact, less congestion, fewer accidents and so on, is held back in this manner, against massive immigration in all of the cities. The World Bank estimates that in the next 25 years in Africa another 500 million people will be moving to our urban areas. And this is also what Mr Van

der Merwe said this morning, we are facing a huge growth, 200 000 additional people in our areas only per year. So, it is a travesty that this mode of transport that can play such a big role, is not fulfilling its rightful role. There are also SMME operator limitations and participating formalised subsidised industry.

5 Significant financial operating challenges – we have done research around that, we have submitted that to the Commission. Companies [inaudible] legal requirements – that contracting that I showed you, the typical characteristics are very complex and even larger companies have specialists to advise them. The lack of skills in many years, poor credit records, lack of appropriate record

10 keeping and also cost of acquisition operation of busses – a typical commuter bus costs 2 million plus today. And on top of that, obviously, there has been a lack of progress here in the contracting system, where they could be involved but are not involved because there are no new contracts and things like set asides in these contracts. If you look at the funding issues, at the moment you

15 have uncoordinated silo [?] based funding arrangements, it is not conducive to integrated transport planning. So you have commuter rail services, funding focused on commuter rail and only commuter rails. School bus services, only on those services. Commuter bus transport through the Division of Revenue Act funded, municipal funded commuter busses, also restricted in terms of

20 municipal boundaries. Provincially funded commuter bus transport. Gautrain's commuter bus feeder system and also taxi recapitalisation program. I have to add here as well the BRTs. So all of these funding streams are dedicated towards specific modes. And if you look at the ideal situation, having an integrated transport plan where people can move seamlessly throughout a

25 system and funding that public transport system, is totally different from a

conceptual point of view than what we have here in practice at this point in time. it is a major transformation impediment. The next one is the institutional structures. We have uncoordinated institutional structures involved in commuter transport in South Africa. The DOT on the policy side have nine
5 provincial departments of transport, nine education departments involved, there are provincial education departments involved here, local metro governments operating municipal bus companies such as BRTs, PRASA operating commuter rail services in the main metros and Gautrain via its concession company Mbombela also operating extensive feeder systems. So, in summary, Mr Chair,
10 maybe to summarise the points that we are making here is that, public transport is one of the most complex policy areas in South Africa, we must realise that. This general lack of policy implementation monitoring and evaluation, this is not unique to South Africa, but also other parts of the world. Public transport is also a concurrent function between national, provincial, local governments based in
15 the South African constitution. This adds huge complexity to the management of the system. There are skill issues at international, provincial and local levels of governments that hinders some of the progress that we should have had at this point in time. I have mentioned here our fragmented funding streams, fragmented institutional structures. Then we have funding issues, specifically if
20 you look at ADORA [?] Division of Revenue Act schedule 4, which is a conditional grant, a conditional supplementary grant, so it can only be used by the contracts funded by ADORA, but it is also called by treasury a supplementary grant – and this means that the treasury will determine the increase in the Division of Revenue Act schedule 4 every year, like this year it is
25 3.2%. And the difference between that 3.2% and the actual escalation formula

in the contract is supposedly to be made good by the provinces. The provinces don't have the money, we have heard this morning they are saying they don't have the money for that. So, at the end of the day you have a situation where it is expected that operators render services but on the revenue side, they are very much restricted. And if I can give you an example of that, I did a quick calculation while they were talking. If you have a ticket of R10, [inaudible] produce a ticket for one passenger on a specific distance of R10 and there is an overall 9% increase in cost for the operator to produce that ticket annually for a specific year, the Division of Revenue Act this year gave us a 3.2%. So if half of that ticket is subsidised and half is not subsidised, in other words the passenger covers R5 and the other R5 is subsidised. On the R5 portion 3.2% of that, it is around 15 cents on the commuter, if you give a 5% increase through, if you are lucky, is 25 cents – the two together will give you 40 cents. But if you look at the 9% on the R10 ticket, that ticket in fact should cost R10.90 and at the moment it costs R10.40, so the operator short change by 50 cents because of the complexity of the system, the lack of adequate escalation. Then we expect these operators on short term contracts to replace busses on a regular basis, to maintain them to the best possible standards, to adhere to all these schedules, and then we still penalise them for not operating and calling that a saving. It is just not fair the way the system is running. You are restricting the operators from being properly financed, because they are rendering services on behalf of government and then you penalise them, because you are not funding them properly, they cannot operate their fleets as they should be operating their fleets. So, the next point that I would like to make is, there has been no new routes, just on summary, no route expansions

or additional frequencies granted since 2002, for 16 years of stagnation of this industry. Another point that I think is important that we should not forget because of the complexity of the system is that, any contracts, any longer term contracts like 7 plus 5 years, which is the envisaged process to go forward, 7
5 year contracts and if you meet the criteria you can get an extension for 5 years, now will be problematic if we go into that 7 year contracts, because it locks local authorities into this contract. So when they design their transport plans, whenever they get that transport plans, they may be sitting with various contracts of various durations up to 7 years, maybe 8 or 10 years, that locks
10 them in that specific area. And some of it will be 3 years, 5 years, 6 years and so on. So, it is very problematic to do that at this point in time. So, we are really between the devil and the deep blue sea in terms of these contracts and moving forward with contracting, because there is no move at the local level in designing integrated public transport plans that we can use for contracting and
15 looking at this service area as a whole, looking at the functional flow of people throughout the service area. The short term contracts are counter productive to investments in the industry is also bad for labour, because people who work in those companies don't know whether they have a job in a month's time or three months' time or two years' time for that matter. Informal – and just a point that
20 we would like to make – informal small operators have a major role to play, especially in the taxi industry they are already playing a major role. But it is general wisdom throughout the world that these types of operations, the small capacity vehicles, cannot solve complex public transport issues of big cities, they cannot do that. Because it leads to congestion, pollution, safety issues,
25 road space management – we can't keep on building more roads – transport

interchanges for instance, environmental issues. And we need a formalisation of that industry into larger capacity vehicles to achieve many of these objectives. And if you look at the Gauteng master plan 2037, is one of the objectives to formalise the taxi industry, an element of it not all of it, that they
5 can move into the bus industry and contribute towards mass transit capacity point of view. So, it is not all negative. We have made progress in terms of BRTs and Gautrain, but these initiatives only address a small portion of the public transport market in South Africa. Thinking about it, 68% of the taxi industry is not really addressed, apart from those operators that are now
10 involved in the BRTs, they transferred into the BRTs, and 20% of the bus industry. So nearly 90% of the industry is not really addressed through the Gautrain and the BRTs throughout South Africa. And then I think we have too little progress on non-motorised transport. Throughout the world this is the way to go for short distances up to 10 kilometres, easily people cycle to and from
15 work. We are falling behind in as far as that is concerned. It is ideal for walking and cycling over short distances. So, in our opinion, what is needed – we think we need political world leadership to steer the public transport sector. Yesterday Minister Blade Nzimande said the curricular changes of ministers and director generals in the [inaudible] transport leads to instability and lack of
20 continuity. We are of the same opinion. We need institutional memory as far as this is concerned going forward. And the transition from one dispensation to another, whether it is ANC to ANC or ANC to DA, whatever, the policy should overwrite that, people should support the policies as adopted in the country and not change policies as changes occur at local government or at national
25 government level. It is also important to think through policy initiatives. Think

about the end state, intended and unintended consequences. We often find that we have policies and we can't afford these policies. In this case we have tendering for contract services, but we can't afford it. And if we do go out in tender today and include all the areas that is not being included at this point in time, the subsidy budget will escalate by billions to include those services. There should be a real focus on streamlining institutional structures and responsibilities in public transport. Now, this is a debate not only in South Africa but all over the world, Australia, England and so on. It is easy to develop a policy, the writer policy conceptualises something but to implement it is the real challenge and you need structures to do that and you need coordination between different structures to achieve that. And there are many research projects around this throughout the world to see how that can be done. But we also spend more time on designing effective and coordinated and capacitated institutional structures for public transport. Then, the transport authorities can play a major role, it was one of the major recommendations of the Gauteng master plan 2037 that the transport authorities should be established for this area, the greater Gauteng area. This will assist us in pulling of existing skills in transport authorities and the building of skills at all levels. Skills are everywhere in the local authorities, but they are not harnessed, they are not pulled together to get that snowball effect that we should be getting. Transport authorities are the natural thing. If you look at Australia, look at Europe, England and so on. If you look at London, for instance, they have a transport for London that coordinates all their service, time tables, [inaudible], marketing, ticketing systems, scheduling systems, they even manage rail concessions, all the modes of transport and they have an effective system. And Paris is the same.

All the leading cities, even the smaller cities in the world has transport authorities. So it allows for pulling of skills, it allows for pulling of funding streams and sustainable, predictable funding sources. It also allows for the development of the integrated transport plans for geographical areas involving
5 all the operators... also involving the operators who know the area quite well. And then the last point that we would like to make is the digitalisation of public transport, Uber, Lift and so on, and we know there are many discussions around this... This also offers a range of new opportunities for public transport such as quality improvement, lower user costs, payment choices, model
10 choices, improved customer experiences and so on. In addition technology, the new concept such as [inaudible] that will provide a single point of contact to a full range of services in the urban [inaudible] mobility as a service. This is a new buzz throughout the world, mobility as a service. It has been going now for two or three years and a lot of research is being done around that and
15 technology will allow us to do that. Thank you very much.

CHAIRPERSON: Thank you very much, Prof Walters. Mr Cornelius, anything that you would like to add?

MR CORNELIUS: No, not at this stage.

CHAIRPERSON: Thank you. At this point I will invite the evidence leaders, as
20 well as my co-panellists to pose questions to you. May I request, colleagues, that issues that we have traversed in our interactions with the bus operators, we do not re-canvass those issues with Prof Walters and Mr Cornelius. Rather we should raise new issues that we may not have covered with the bus operators, in the interest of time.

MR MANDIRIZA: I have no questions, Chair.

PROF WALTERS: Okay.

CHAIRPERSON: Ja, it looks like we are covered in terms of the questions. Just one observation from my side, Prof Walters, it seems that currently we
5 have a differential public transport system. In other words, we have a public transport system that is divided along these lines. There is part of the system that is serving poor and low income commuters. There is also part of the public transportation system that seems to be designed to serve the middle class and perhaps higher LSM commuters. And that seems to be one of the issues that
10 seems to be an impediment to the integration of the public transport system in South Africa, that division along income. This is just what we are picking up so far. I can make an example – with the bus feeder system for the Gautrain, one of the issues that has been... a question that has been raised by the taxi industry is, why they are not integrated as part of that feeder system to the
15 Gautrain and it is clear that the answer is very obvious. The representative from the Gautrain management have made it quite clear that the Gautrain system is designed to shift transportation patterns from motor vehicle transportation to the train. So, their focus is on people who have motor vehicles and to get them into the train so that we can decongest the freeways. Because
20 that is the focus of the Gautrain, it is very difficult now to integrate the Gautrain with, for instance, the minibus taxi service. And the same perhaps may also apply to bus transportation that, you know, the current bus transportation operators are also not part of the feeder system for the Gautrain for precisely the same reasons that these service are mainly geared at low income
25 commuters. So, this seems to be lying at the heart of the problem and the

question is, how do you design then integrated public sector transportation system when you've got this division that we are picking up. If we could just get your thoughts and reflections around this question.

PROF WALTERS: Thank you for that. As I do understand that the BRTs do
5 link up with the Gautrain from a bus point of view. And I do also understand there is some taxi involvement in feeding some of the Gautrain stations. The big question is, you know, why do we have all these separate systems. Why do we have a bus feeder system for Gautrain? Why do we have a BRT system on certain routes and sometimes why not? The question which we should ask
10 ourselves is, was it necessary to have the Gautrain feeding system or could we have relied on the existing services. And obviously we cannot do that, because we do not have an integrated system, we don't have a system that – I think you've mentioned the middle class – for instance that is acceptable for the middle class. And taxi services are not, I think, in favour of the middle class in
15 South Africa. So, the issue is we are planning in silos [?], we are funding in silos [?] and therefore we have these sub-optimisations, these systems. There should be no reason why a Metro Bus for instance, the existing Metro Bus service couldn't be realigned to feed the Gautrain services or the BRT services. But we don't have that integrated concept around the thinking in public transport
20 in South Africa, nowhere do we have that. And until we have a holistic view as to the movement of people across municipal boundaries, a seamless flow of people and then see which modes fit those flows of people the best, then you can make progress. But I think you will always find the situation where some modes are more expensive than other modes. All over the world you have this,

it is not just in South Africa that we have this differential types of modes of transport, because you cater for different market segments.

CHAIRPERSON: Ja, thank you very much, Prof Walters and Mr Cornelius. I think there will be a need for further follow-ups as we develop and our thoughts
5 evolve around these issues. But thank you very much. We will now receive a submission from PRASA. Welcome to the inquiry. If you could please just state your full names and surname for the record. Please switch on the mic.

ME VUYOKAZI LUGQOLA: Okay. For PRASA CRES overseeing Park Station, the Park Station Precinct.

10 **CHAIRPERSON:** Alright, thank you.

ME ANNETTE LINDEQUE: My name is Annette Lindeque. I am the Executive Manager for Real Estate Management at PRASA CRES.

CHAIRPERSON: Can you please spell your surname just for the transcript?

ME ANNETTE LINDEQUE: My surname?

15 **CHAIRPERSON:** Yes.

ME ANNETTE LINDEQUE: L I N D E Q U E.

CHAIRPERSON: Thank you. in front of you there is a piece of paper. If you could take the oath or the affirmation, as you wish.

ME VUYOKAZI LUGQOLA: I, Vuyokazi Luggola, swear that the evidence that
20 I shall give, shall be the truth, the whole truth and nothing but the truth, so help me God.

ME ANNETTE LINDEQUE: I, Annette Lindeque, swear that the evidence that I shall give, shall be the truth, the whole truth and nothing but the truth, so help me God.

CHAIRPERSON: Thank you. if we could start with introductions, if you could
5 just introduce the division within PRASA that you represent, as well as your positions and how long you've held those positions in PRASA.

ME ANNETTE LINDEQUE: Okay, if you'll allow me, PRAS CRES is the property division of PRASA. We are responsible for the management of all the stations and the facilities. So, basically we provide, we do the asset
10 management, so the real estate in terms of leasing out properties. We also maintain facilities and stations and disposal acquisitions and so on. In terms of myself, where I fit in, as I have explained earlier, I am the Executive Manager for real estate asset management, responsible for all property related matters, obviously all the stations in terms of leasing acquisitions, disposals and
15 development fall under myself.

ME VUYOKAZI LUGQOLA: I am heading the Park Station management team. I am a senior manager with a title Centre Manager. So, I am actually looking after the entire Park Station, the leasing of every space that is within that precinct, we talk about gross lettable income, which is the stores and
20 commercial areas and then we talk about non-gross lettable income, which is your busses, your parking and other income that we get outside from the space, like advertising and all those things. So, my duty is to ensure that every little space there is utilised for the purpose for which it is built, in order for it to

generate revenue, in order for that revenue to therefore go to support the primary mandate – the primary mandate being rail.

CHAIRPERSON: Alright. Thank you. I am told that Me. Lindeque, you didn't say how long you have been with PRASA.

5 **ME ANNETTE LINDEQUE:** My apologies. I have been 20 years with PRASA and I am since last year December appointed as Executive Manager.

ME VUYOKAZI LUGQOLA: I have been with PRASA for five years.

CHAIRPERSON: Thank you. I think at this point we will hand over to the evidence leaders and the panel to pose questions to you. over to you... or you
10 have a presentation?

ME VUYOKAZI LUGQOLA: Yes.

ME ANNETTE LINDEQUE: Yes.

CHAIRPERSON: Okay that's fine. I wasn't told that you prepared a presentation. But if you could then briefly give us your presentation, so that we
15 can then go into questions.

ME VUYOKAZI LUGQOLA: Ja, but how do I control it? Okay, as we have indicated before PRASA CRES – the CRES stands for Corporate Real Estate. So it has got a few key functions, one of which is facilities management, which obviously everybody knows facilities management look after the property, that
20 the property is well-maintained, that it is actually used for the purpose for which it is built, that it doesn't break-up, it doesn't become a safety issue to commuters and customers. We look after utilities management, which is the area that looks after your energies, looking at electricity, water, consumptions

and how to optimise the utility of those, and to ensure that our tenants do not get the largest bill ever. And then we get to the real estate management, which is the actual property management. Real estate management, it incorporates all those other aspects. Facilities management reports basically on a structure to

5 real estate management. Real estate management looks after the actual investment. It is the one that decides that now this property is at a stage that it needs to be revamped, perhaps some capital injection needs to come in, we need to change some spaces, we need to now utilise and upgrade facilities like ablution blocks and all those other services taken into account the customer

10 and the commuter. And then we have another angle which is program project management. This one is again linked to real estate management. When there is a need for retrofitting of buildings or a building to be changed its purpose or use, then we introduce, there is somebody who is heading project management, who will then start with your permissions from the municipalities, the planning

15 and sometimes we'll bring in other service providers from the outside, your professionals, to change perhaps what a building that was not utilised for that purpose, to become purpose built for perhaps something else. So, all this is meant to... as we had said, we are looking at the primary mandate, which is rail operations. Our job as the corporate real estate division is to ensure that rail

20 operates within stations that are functional, stations that are safe in terms of occupational health and safety, within stations that can be habitable. And then within those areas there are also services, there are toilets, there is comfort within those stations. At the end of it, whilst that is the primary mandate, the secondary mandate is actually the actual work of property. And we always talk

25 about supporting the primary mandate, because property will never be there if

there is no rail. The main objective of property being there is to ensure that there is some revenue that is generated, so that after this revenue has been generated, it then supports the stations, it ensure the stations are run, the stations have got security and the stations are cleaned. Okay, I think I have covered that. So part of the strategy is to force operational efficiencies by optimising operational costs and ensuring that revenue is generated and whilst it is generated, gets ploughed back into operations – when we talk operations, we talk mainly rail. We are to contribute towards the attainment of the socio-economic objectives, allowing SMME's to be operating and to strive within our operations – and with this we are talking about bus operators, some new, some coming up stores and informal trading. Part of our objective is to embrace the customer eccentric approach, which assures that commuters and customers, they have got a choice between whatever transport types they want to make use of, and they can spend affordably within whichever area, they are accommodated comfortably and safety within our bus waiting areas and they are able to source essential services whilst waiting for busses. An overview of public transport facilities owned, we have all the stations, as we have indicated, Park Station being one of the flagship stations, Pretoria is also a flagship station, Durban, Cape Town, Germiston, they are all flagship stations and other stations, Kaalfontein, Kimberly, Bloemfontein, Vereeniging. That is Park Station on the right hand side on a day that is not busy. As you would know, PRASA has got a lot more stations, this is just nine out of the entire lot of stations and it is not every station that is really a fully fledged station. There are stations that are just holds, there are stations that actually do have passengers, there are stations where we have to give the full fledge, you know the whole bouquet of

services, but there are some stations where perhaps you just have a ticket officer and something like that. So, it is not all stations at the same level. So, one will find that even the focus and the investment that goes in there is about the usage of the stations. There we go. We are talking of those stations, Park Station of course being at the heart of my presentation, Cape Town Station, Durban Station, Pretoria Station. The services that are in there, we are talking of commuter rail services, long distance rail services, bus services, cross border, interprovincial, meter taxis and taxi ranks, of course. Modes of transport to these areas, Polokwane Station it does long distance, long distance bus services in most of the stations. In fact, you'll find that most of the bus operations within our areas, they all deal with long distance. You do not actually find, we are not in the space of metro bus services, it is all long distances, whether it is cross border or perhaps interprovincial, they are all long distance. Okay, now I want to bring your attention to the commencement of we call pay on use system or pay on entry system at Park Station. This commenced, of course it was a bit prior to my time, but prior to that a number of consultation processes were engaged, as it has been tabulated 23rd of July 2013, there was a notice document that was issued. Representations were requested in August 2013. And then after a whole lot of deliberations, meetings with bus operators, back and forth... eventually there was a document that was compiled called reasons and decisions document. On the 5th of October 2013 after all those preparations then at that time all the lease agreements that belonged only to bus operators – we are talking now just bus operators – those leases were terminated... or let's rather say those leases that had expired, the plan was not to renew those leases again. Because the idea there is that, if you

renew a lease agreement on a loading bay, that loading bay is only utilised by the lease holder. Whereas when you have a pay on entry system, when that operator is not in use of that loading bay, that loading bay can be utilised by any other bus operators that come in. So, the whole point was to bring up

5 efficiencies, to ensure that whilst we have a limited infrastructure of only 22 loading bays, we are talking double bays there, that same amount can actually be able to accommodate double the amount of busses, that was the whole point. And secondly we planned at levelling the playing fields to standardise – and we actually did – when we say standardise, take away dedicated waiting

10 areas for larger bus operators, which were dominant at that time, and ensure that everybody has got an opportunity. When we introduced this system, of course we faced very strong opposition from bus operators that were operating at Park Station in excess of 30 years and some of them were actually very angry with the plan to say you are going to bring in bus operators and busses

15 that are of low quality, we are no longer going to be able to service our target market. This was not just talk, it actually went to the point of us receiving court information, interdict, there was an interdict. The interdict was to stop us from a certain date, the October date then had to wait until there was an outcome from the court. Then it was thrown out of the court, because there was no urgency

20 in the matter. Then there was a decision that got taken, then the system goes on. We are still experiencing resistance from a lot of the older bus operators. Although we have now opened up Park Station, we have invested a lot of money in creating new ticket offices, everybody has got a similar size ticket office. The waiting area has been opened up, brought in new furniture so that

25 nobody has got a dedicated waiting area. And we took these dedicated waiting

areas from AUTOPAX, Translux, Greyhound, Intercape, Eagle Liner. So we took the areas. Now when you walk into Park Station you will find that the place is quite open and everybody actually sits comfortable in a unified or communal waiting area. The [inaudible] behind this, as I indicated, was to actually remove the barriers to entry into Park Station. Park Station has been sitting since 2006, I am told, with a long waiting list of bus operators who were always knocking to come into Park Station, but at that point there was no way that any of these bus operators could come in – why, because the number of loading areas that were there, they were divided amongst the few bus operators that were there at that point in time and locked up in long term leases. So, if now we were to continue with those long term leases, it means we will still be where we were supposed to be at the time. Then the idea was to say, these are not actually utilised the way they should be. Some of the utilisation is as low as 17%, some 10%, but obviously there is no way of throwing and giving an operator a loading bay that belongs to another operator and held by way of a lease agreement for use, whilst perhaps the usage is down in that space. So it made logical sense to say, everybody, the lease agreement will be only in respect of a ticket sales outlet which will be standardised. We are going to be putting systems there, we are going to be putting security and a space to calculate money away from the public eye. And then outside that, everybody else, we are going to be opening the boarding gates, everybody else is going to be utilising a loading, as it becomes available. Say for instance in the older system you had Bus A having maybe the first three loading areas in a lease agreement 5 to 10 years. Now when you take out this system, this older system, it means any other bus company... we used to have 10 bus companies initially, now we have 19 bus

companies. The infrastructure is exactly the same. There is nothing that has changed in terms of number of bays because we are limited by the piece of land that we have and the building requirements. So the number of loading bays remain the same, all we have done is to improve the look and feel, the
5 infrastructure of it, the stability of the bays and then to work with what we've got. So, sitting where we are now and looking back, we are asking ourselves, have we been able to achieve what we set out to achieve. And we tick and we say yes, because if we had 10 bus operators using the same system and now we are talking about three, four years down the line, we have got about 19 bus
10 operators, they are all using the same system that was there. We have now managed to improve on the system and a lot new more upcoming bus operators have been able to start trading, most of them started trading in 2015 and they didn't really, some of... they actually started to [inaudible] for busses, they had fewer busses, but as time has gone on, they started to grow their business and
15 they are now at a level where they are, you know, you can say they can compete fairly with everybody else. So, when we now talking about how exactly do we look at the rate, when we talking rate we are talking rental, we are talking the entry rate and we are looking at three areas – we charge on the ticket outlets, we are calling, it is not office really, it is an outlet, a retail outlet where
20 you sell the ticket, because office is something else. And then we are looking at your entry of 480 as one enters. And then there is a charge for boarding fees. And then I have already indicated the access fee. There has been a question of how did we arrive at the figure of R480. That figure was not R480, the figure initially was set at R600. We took scenarios and worked on a sensitivity
25 analysis and say, if a bus, for instance is a 20 loader, has got 20 passengers

and gets to be filled at 29%, at what fee would we be able to charge that is not going to be crippling the bus operator. So various scenarios were looked upon, scenario 1, scenario 2, scenario 3. So if you look at those different scenarios, you will find that we ended up between the 450 and the 500 zone... in fact the
5 initial one was set at 600, but because of constant interactions and integrations and understanding, you know, what some of the bus operators were saying, then we had to bring the level down to show that we are all in this together. I think I have covered this one, because I was talking about same number of loading bays at Park Station. We have now managed to open up the seating
10 areas. We recalled all the dedicated waiting areas from the likes of Translux, Intercap, Greyhound. Created standardised waiting areas with brand new furnishings. Upgraded the look and feel and the comfort of the area. Added new ablution blocks.

The then utilisation, coming from information that was sourced from bus
15 companies. It was as you would see, some would be 17%, 25%, you know up to a stage where some bus operators would not operate in certain days.

The [inaudible 01:00:16] new system - the structure of it was such that when a bus comes in from Leeds entrance, they will swipe an access card at that entrance, make a payment at a certain point – if the payment fails they have a
20 way out, but if the payment succeeds then they will proceed up to the exit area. This is now the dream that it was.

However, it didn't quite work according to that dream. I must just mention that – why, because that was meant to be a prepaid system, but now we are in a system where we bill in arrears. Why, because the banks that we approached –
25 most of them couldn't work with the cards that those bus companies want to

offer. The banks only wanted credit cards and bus companies couldn't give credit cards to their bus drivers. So it became a bit of a conundrum which then forced us to relook at how we will do this in terms of the entrance.

This – sorry go back to that - this is a slide that just focuses on the new bus operators that came into Park Station at that point in time. We wanted to track
5 how they perform, starting from 2015 and they graduated a little bit until – that is not a full year now 2017/2018 – yes. So, you will see that the trend in general is that each and every bus operator they grew – perhaps, you know from where they were and they started to be part of the critical mess at Park Station.

10 **MR LESOFE:** Excuse me – if you can go back to that slide – when you say that they've grown – they have grown in terms of what – is it in terms of passenger numbers – is it in terms of the fleet – what exactly does the growth represent?

MS VUYOKAZI LUGQOLA: Okay. The growth according to our stats we
15 count the number of entries into Park Station – so, say for instance a bus operator has got one or two busses – if that bus enters twice into Park Station, we note that it has entered twice. However, if it has entered ten times like within peaks you will find there are a lot more busses, you know within peak – so we talk in terms of entries yah and you will find that it does not only represent the
20 number of busses they necessarily own, although we know that some have actually bought new busses, but you will find that during peak periods a lot of bus operators they do go and sub-hire busses to actually complement their fleet, because of their number of passengers.

So, it then stands to reason that every entry at Park Station since their business

is based on pre-sold tickets – it stands to reason that every entry that is there is driven by demand. There is no bus that comes in there without a load. So, in a way you might want to infer that in some of the instances busses were actually bought you know the actual busses. We know in the case of APM – APM
5 started with two busses, but you know we know now that they have quite a number of busses and they are not the only one – there are a number of them, like Falcon Coaches, No Zulu and others. But, I just wanted for this to be noted.

When we give a right of access agreement to a bus tenant – the right of access agreement is in respect of a loading bay. The same tenant is going to have a
10 lease agreement and now in respect of the bus ticket outlet where they are selling tickets from and there is potentially a third angle, where the same bus operator might want to rent storage space for their luggage. So, what we actually monitor is the movement in terms of their schedules. We do request at some stage the submission of schedules, particularly around peak periods so
15 that we don't have situations where we don't have space, so that we can monitor in terms of schedules.

This is just to show the number of busses that we have and where these busses they operate from – you will find that at Park Station we have 19, in Pretoria 19, Cape Town 12, Durban 9, Germiston 3, Kimberley 2, downwards like that. And
20 the largest, who is actually in all in most of like six of our stations we have TransLux/Autopex there and then you have Greyhound and APM on five of our stations – you have InterCape and we have Eldo Coaches – they are in four of our stations. We just took the top ten you know in terms of where they are in the stations [inaudible 01:05:55] or InterCity [inaudible 01:05:58], DMJ, Moollas and
25 [inaudible 01:06:03].

Challenges – part of the challenges is the limited amount of space in terms of the infrastructure. We've had quite a strong resistance that came from a lot of bus companies – bus companies particularly the bigger older ones, they grouped themselves and took us to court and it doesn't look like the battle ever
5 comes to an end, because once we believe the things are fine now and everything is in operation, there is always something else that comes out and there is also late payment of busses – they pay late.

The system was meant to be prepaid, but as I had indicated it had it relied on third parties like the banks, busses, bus companies being able to give credit
10 cards to their bus drivers. Now, we only are able to bill at the end of the month, which then allows a situation of disputes – sometimes we take a long time in resolving this dispute of a bus as they will say *no, I was never there at this time*, sometimes we have to go into Tracker records and all those kind of things.

We were at some stage involved and [inaudible 01:07:28] legal proceedings as
15 we were taken to court – Park Station is still very constricted and it is still a very small space you know compared to the number of busses that is busy knocking on the door every time and the older bus companies are still very much lobbying for preferential treatment at all times.

We always are shared – we get shared information, because we have these
20 discussions with the smaller busses – they are the biggest people – they always put objections any time there are these applications for permits we are for sure going to get – I don't want to mention the names, but you know smaller bus operators are struggling, because of those objections that are always been put against them.

I think we have indicated the price setting mechanisms – we've already touched on that. Are you okay with that?

Perhaps Annette can start to talk about the relationship between ourselves – being Prasa Cres Division with regards to Autopax.

5 **MS ANNETTE LINDEQUE:** If you would allow me. Autopax is a subsidiary of Prasa – it has its own board of directors, as you may know. I think also just a history from Autopax as it was a Transnet company and I think it was in 2010 – maybe earlier than that – in 2008, Prasa then acquired Autopax to bring in some of the long distances as part of the new strategy. So, that is just – in main
10 – the relationship between Autopax and Prasa.

Where it comes to the relationship between Autopax and Prasa Cres as a property company – we are a lessor lessee relationship and we treat them similar to any other bus operator or another tenant. So, there is a big difference between Prasa being the holding company of Autopax and Prasa Cres being
15 the property division and dealing with Autopax at that stage.

In terms of financial support you know Prasa's primary objective – that is Autopax and rail - is running Autopax and the secondary objective Prasa Cres are the integral part of the broader Prasa mandate. In terms of Section 23 of the Legal Succession Act, Prasa is authorised to carry out its mandate for a
20 subsidiary company and to finance such company in terms of Section 23 – the Legal Succession Act.

That is the relationship between Autopax and Prasa then. That's by law – these two have to support each other. Prasa Cres is required to generate an income from the exportation of assets – required and support statutory objectives from

Prasa, being rail and bus service. So, that is just where we fit in.

Comments on allegations that Prasa gives Autopax preferential treatment to the detriment of the other inter-city bus operators – we can say that we haven't given Autopax preferential treatment as we treat them as any other bus
5 company – we've mentioned that already through there is lease agreements that we sign – we invoice on the same rates and principles as all the other operators. They get handed over as any other bus companies. There are letters of demand sent for late payments. I think in our previous submissions we've handled that.

10 I must also mention – Autopax is not the only company that is in arrears when it comes to these operators. It has been an ongoing battle. Autopax's debt is high and I think due to the size of the operations – you know, coming from Transnet and I think also historically in terms of how they were set-up. So, in certain cases they've also have incurred what is called capital expenditure in
15 improvement of the lease premises and obviously like any other company we will take that into account when we determine rental. Basically we will work on a market related study evaluation where we determine prices and we have a policy a leasing policy, which states how we treat and everyone even Autopax are then treated similar. Okay – from our side – thank you.

20 **CHAIRPERSON:** Yeah, thank you thank you very much for a very detailed and helpful presentation. At this point then I will invite the evidence leaders and my co-panelists to pose questions to you.

MR LESOFE: Thank you very much for the presentation – I think my first few questions will be directed Ms Luggola, but any of you can answer the

questions, given that you did most of the presentation. So, you have described Park Station as a flagship station – I take it you mean it is an important - perhaps I should ask you what you mean when you say it is a flagship station?

MS VUYOKAZI LUGQOLA: Okay – our stations are classified in terms of size of foot traffic that goes through each station – that’s a major and then it also has to be having a number of platforms that support rail and then meaning when it is called a flagship station it is saying that out of the stock of 588 stations – where does it fit in terms of you know investment importance and customer and commuter and servicing of the public.

5
10 I think it is a classification, just like you would have in terms of shopping centres – you have a regional shopping centre – you have a neighbourhood shopping centre – it is that kind of classification within a bursary.

MR LESOFE: Thank you – are you in a position to estimate its replacement value or its replacement cost?

15 **MS VUYOKAZI LUGQOLA:** Of Park Station?

MR LESOFE: Park Station yes.

MS VUYOKAZI LUGQOLA: Okay. In terms of replacement costs I think it will be in excess of R1billion – replacement costs and I am saying that, because we had just recently an insurance company that has been coming in to do the assessment.

20

MR LESOFE: Okay. Given its features that you described earlier and I sure that you will agree that this facility is very important even when it comes to the provision of inter-city bus services. Would you agree with that?

MS VUYOKAZI LUGQOLA: Yes, it is important.

MR LESOFE: Okay. And would you also agree that this station or facility is the only functional inter-modal facility that links the different modes of or that links commuters to the different modes of public transport?

5 **MS VUYOKAZI LUGQOLA:** Not really. We are not really there – if you would just go to the slide before this one...

MS ANNETTE LINDEQUE: Let me just assist in terms of answering – although Park Station is our main bus stations in terms of I think Gauteng based – you will find inter-modal at other stations as well, for instance, Cape Town
10 station.

MR LESOFE: Now perhaps I should have qualified my question to say – in the city of Jo'burg.

MS VUYOKAZI LUGQOLA: Oh okay, this is not the latest presentation – what I was looking for is – we actually have done an analysis, which we
15 presented in the first presentation that we had. We actually we told a number of other – there are about 10 or 12 other similar, which are not part of Prasa. You know – all other terminals, bus terminals – long distance, short distance, integrated taxis, busses – you know, we can't claim and say – we know there are others. Even just next to Park Station, there is for instance Power House
20 Station there – there is Fleet Africa there. You know in a number of short distances, there are a number of bus operations.

MR LESOFE: Okay, but that notwithstanding – Park Station remains important in the provision of inter-city bus services.

MS VUYOKAZI LUGQOLA: It does, because it provides more than just

bus services – it provides security for the customer, it provides a comfortable seating area, a cleaning service, which might be mainly one of the reasons why a number of bus operators might want to be at Park Station. They might want to be at Park Station – not because they are maybe short of others, because that is where, if I am a passenger you would want to know if you are going to sit for 6 to 8 hours, at least you are in a safe environment, because sometimes you sit for a very long period of time on the seats.

MR LESOFE: Okay. So safety is, I think some of them hold the view that for the purposes of competing effectively – safety is an important consideration?

10 **MS VUYOKAZI LUGQOLA:** I would think so.

MR LESOFE: Okay. So, hypothetically if bus operators were to be denied access to Park Station – your current bus operators – it is likely to be a bit difficult, if not extremely difficult for them to run their operations effectively?

MS VUYOKAZI LUGQOLA: I wouldn't think so.

15 **MR LESOFE:** Okay. Would you like to elaborate or to explain why you don't think so?

MS VUYOKAZI LUGQOLA: Yeah, because remember we've said Park Station is only having 19 bus operations. If you were to look at all others, you will find that there are hubs – transport hubs – they accommodate much bigger and much larger you know bus ranking areas than Park Station.

EVIDENCE LEADER: But Park Station remains the most preferred facility it would seem.

MS VUYOKAZI LUGQOLA: Okay.

ANNETTE LINDIQUE: May I just assist? I think in terms of Park Station, the amount of investment that went into the facility in terms of upgrading, it is constantly and we are still busy as and I think we should mention is that we are busy with platform 19 – a project which we call is for cross border, you know, for
5 long distance busses. So I think the difference between Park Station and other facilities – it is not to say it is the most important, but it is the one that is constantly being upgraded. And I think you know you can't view anything to say it is the only facility – I think also to mention that just across the road from Park Station...

10 **MS VUYOKAZI LUGQOLA:** Is Power House

ANNETTE LINDIQUE: is busy developing a new jetty, which of course will be at the same level as Park Station – so we are most definitely the most improved facility at this stage...

MS VUYOKAZI LUGQOLA: ...the most improved, yes.

15 **ANNETTE LINDIQUE:** Yes, definitely – I don't think it is the only or ...

MR LESOFE: It is not the only facility, but because of its features and of course the investment that have been made – it is the most preferred out of all and because of the investment that has gone into it, it cannot compare to any other station or hub.

20 **MS VUYOKAZI LUGQOLA:** I can't say that, because we haven't really done that analysis, but what we have noticed is that because we consistently have a number of bus operators who come into our waiting list – knocking in for space, which was in fact one of the first reasons why we had to optimize the use of what we had, is to realise that whatever we have, we have to allow and

open it up to a lot more operators as much as we can.

MR LESOFE: Okay.

MS VUYOKAZI LUGQOLA: And operators who couldn't go into that – who are still sitting on our waiting list – what are we going to do with them? We have
5 a project that is being under construction right now, which is called Platform 19. Platform 19 is looking at perhaps saying when we are going to open it – the first thing that is that we go back to whoever is sitting on our waiting list and open it up to say – here is a chance to apply – we have started the process and whoever succeeds – unfortunately it is also limited, because as much as you
10 would like everybody at Park Station – it is also limited. Park Station has only got 22 bays, which comes up to 11. The best thing that happened is that the same amount of bays that used to be utilised by only 10 bus operators is now being utilised by 19 bus operators.

So, if there was any other way of saying can we double it up to open it up more
15 – that is the creativity that we are continuously trying to say – how can we operate and open it up to a lot more bus operators?

MR LESOFE: So, currently – are all the loading bays utilised at Park Station – all of them?

MS VUYOKAZI LUGQOLA: Fully utilised.

20 **MR LESOFE:** Okay. Then, in terms of office space – are all offices occupied?

MS VUYOKAZI LUGQOLA: I think I want to come again into this – when you say ticket sales outlets is what colloquially a person would say an office – every ticket sales outlet has been occupied, but the reason why I want to

differentiate is that there is a different part of Park Station that is called office node, which is not the ticket sales outlets, so there is a bit of a difference – so, the one is for retail ticketing and then you have a lot of offices everywhere, but that is for bigger corporate use.

5 **MR LESOFE:** Okay. Could you please describe the system that was used before the introduction of the new system?

MS VUYOKAZI LUGQOLA: Well the system there I think which we tried to elude to it, but each and every bus operator had a lease agreement – the same way that we rent premises in respect of a loading bay.

10 **MR LESOFE:** Perhaps if I may qualify my question - in terms of the pricing mechanism, in terms of pricing – so, if you do a comparison between how prices were determined before the introduction of the pay per use and how different would the two systems be.

MS VUYOKAZI LUGQOLA: One of the ways of determining the price for
15 space is to have a third party evaluator who comes to value space and you will find that each space in terms of space pockets there will be a rental range to say this space is prime the rent should be between that and that – if it is a bank it must be between that and that. The pay on use system – it is difficult to compare, because there was no comparison – there was no such system
20 before. So, it is a brand new system that just took into account that every bus operator that comes in pays a fee and the fee at the end of the day because now you are increasing the utility of the base. So, your wear and tear and everything it comes up much more higher – so you need to ensure that whatever is ploughed there will be able to sustain itself – when it starts to slab

that you are already ready to upgrade and keep the systems at the busses, because the busses – the loads they actually allow to make a slab. So that is the system, but it is difficult to compare to the previous systems.

MR LESOFE: So, before the new system, Prasa charged a flat rate –
5 right?

MS VUYOKAZI LUGQOLA: Uhm.

MR LESOFE: Is that correct?

MS VUYOKAZI LUGQOLA: Yes.

MR LESOFE: How much was this flat rate?

10 **MS VUYOKAZI LUGQOLA:** Well, it depended on whatever the rental discussion was.

MR LESOFE: Let's talk about for the use of loading bays. Can you just explain on how pricing worked then?

15 **ANNETTE LINDIQUE:** Okay, let me try and assist there. Normally how it works and at some station it still works like that, because we still haven't introduced the new system there. You will pay for your ticket office per square meter and looking at the new system at Park Station, that hasn't changed, because you would be paying a rate per square meter.

20 When it comes to loading bays, what would happen is say for instance Inter-Cape had three bays, they will pay say R2500.00 or R3000.00 per bay or it can go up to R5000.00, depending on – Park Station will be different – Graystone, say Pretoria Station for instance – just because of the demand and what is happening in the area.

So, what it means is that I will pay – say I am Inter-Cape, say pay R10000.00 per month for which is just loading bays and then you've got your ticket offices. Irrespective of how many times you use it – irrespective of utilisation, that is a set price that you would pay for it. Say you could overuse it or you can under
5 use it, but you pay for that.

The only reason why we change is to have a system, where it comes to your access and to make sure that you can get more people into that loading bay, because you would find that even on the pricing, that you pay R18000.00 – whether you use it or not – no-one else could enter, because remember busses
10 are about loading – it is not about the ticket office. You can sell online everywhere, but you have to load somewhere. I think that was the biggest problem we had in terms of limited space.

MR LESOFE: Okay. Now in your – in one of your slides you've mentioned that the new system has seen new operators, new businesses getting stronger
15 such as APM – right?

If I may quote from APM's submission to the commission – they made a submission I think late last year – in November 2017 – in this submission, this is what APM says – this access fee is currently the largest man operating expense that APM has to carry, which should ordinarily be affected into the ticket price.
20 APM is not able to significantly restructure its ticket prices in such a way that allows the access fees to be absorbed into the price of bus ticket and thereupon remains commercially viable.

Compounding to this anti-competitive conduct by Prasa is the fact that Autopax is not obliged to pay this access fee, even though it is invoiced on a monthly

basis, which further results in Autopax enjoying an unfair competitive advantage over other bus operators. The operations to any passenger transport provider are heavily cash reliant, especially when the operator is in its infancy and has no economic means such as APM. Therefore, the cash flow benefit that
5 Autopax enjoys is detriment to unfair anti-competitive behaviour.

So, it appears that APM actually has concerns about the system and it seems to suggest that the system actually makes it difficult for it to actually operate as a new entrant – I am using APM, because it is one of the new entrants.

MS VUYOKAZI LUGQOLA: Yeah.

10 **MR LESOFE:** Perhaps, if you can comment on this you can start – so there are two issues that come out of this. The first one is the issue that APM make – the assessment made by APM is that it makes it difficult as a new operator and the second one is about Autopax's treatment as far as he refers to it being invoiced monthly – perhaps let's treat it separately.

15 **MS VUYOKAZI LUGQOLA:** My answer to this is going to be a bit longish and please allow me – I think I would first like to start from the point of saying – the very reason why APM is at Park Station is because of the system that we have introduced, otherwise there was no way that Autopax would be operating from Park Station whatsoever – there would not have been an opportunity. The
20 bus companies that would be there, would be the bus companies that were there 30 years back, who are actually fighting the commencement of the system.

APM is an interesting case and I need to point that out, because the owner of APM was a CEO of Prasa Cres – the same owner was also a CEO of Autopax.

Some of these decisions that have come to fruition are actually decisions that he himself made when he was still inside, before he went out and took a lot of staff and opened APM.

APM is a company – when they came to apply for the space and they were
5 analysed, it was not one of the strongest companies that was there. They tried to enter Park Station through the back door first and foremost – not wanting to fall in within the systems of application. They went through Inter-Cape and started to display their tickets paraphernalia and marketing material there, which brought us in [inaudible 01:31:22] with other companies, because they don't
10 want them to know. How are you going to get – are you now doing favouritism, because we know that this person was the CEO of this company and already he is already short circuited into – and we didn't know anything that.

We didn't quite know who APM was – so we had to look at the system and realise that this is one of our colleagues that was actually a leader within our
15 system. So, we had to go and put Inter-Cape into bridge of lease – bridge, how? In that our lease agreement is not allowed to sublet or sit and assign the property without prior written consent of the landlord. Which the two decided to do without the prior written consent having been provided.

So, the first thing that ended APM was the fact that he was not getting the
20 preferential treatment that he felt he was going to get and then he decided he was going to go and report our treatment and he thought it was an unfair treatment to our bosses – the then acting group CEO, Mr Lucky Montana, saying that we are treating him unfairly.

And this happens at a time when we had 40 to 50 bus operators in the waiting

list that wants to come to Park Station. He just stopped one month from working as a CEO of Autopax – the very next month he wants to find space and he parachuted and have a fully fledged bus operation, without following the system of application.

5 So, that is the first thing that angered the owner of APM. The price system of entry tickets – it was on the basis that a bus that contains 65 passengers – each passenger paying say a ticket of R600.00 (65 passengers) – that fee will only be paid by not even 1% of the bus operations. Just that 1 passenger should be able to at least be allowed a bus entry, because no bus leaves empty. That was
10 the first basis.

However, the plan was to say okay, it needs to be R600.00, but after talking and saying to the bus operators that we will meet you halfway – so let's bring this down to R480.00. So, when APM started he is one of the companies that knocked on our doors – begging and happy that we are opening the playing
15 fields, because the likes to these other bus companies would never have allowed them to come to Park Station, because very soon that relationship between APM and Inter-Cape became very sour. So, there was no longer any support that came there, so the owner had to stand on their own – like any other bus operator that comes to Park Station.

20 There is not once – any of the other busses – they were so excited and the demand was actually much more felt at the day that we've said that Park Station is no longer now just for a few bus operators. Everybody needs to apply and we had a system – by the time we do that we give to everybody our scoring criteria. What is it that we are going to be looking at to allow you into Park
25 Station? He was one of the first ones at the time, begging to come in.

It just makes me a bit emotional ...

MR LESOFE: Okay, maybe perhaps let's use a different example.

MS VUYOKAZI LUGQOLA: Yeah, I think maybe that one is making me upset – there is no honesty in that one in my view.

5 **MR LESOFE:** So, the issue of the system not putting pressure on the operators has not only been raised by APM – for instance, [inaudible 01:35:48] Events and Transport – that is another fairly new operator. This operator has raised serious concerns about the impact of the system on its business – Inter-Cape, Eldo Coaches – I started by using smaller operators so that I can just
10 show that it is not just bigger operators with worries and concerns you know about this. In the confidential version of your presentation there is a slide with the Top 10 defaulting operators – I am not going to share information about that – and from this slide it actually, I mean if you look at the amounts that each firm – they are quite substantial and half of the amount if you look at the total
15 amount, it is actually owed by Autopax. So it would seem even this new pricing system it is also a bit difficult for an operator as big as Autopax to manage. What would be your comment on that?

MS VUYOKAZI LUGQOLA: Okay I will allow the latter part of the answer to allow Annette to come in there, but the first part of the answer - I will just say
20 that the biggest part of the challenges is a thing that is called a pre-paid system or the system that we are at is a system that is not pre-paid, which was meant to be pre-paid and I would like to welcome that to the system of electricity. You know if the consumption of the – if you are actually not guided or you pay in arrears is different to a consumption where you do your payment ahead of time.

You will never fail if you have to do your payment ahead of time, because you just simply know the service is not there. It is like that – if we talk about electricity and we also find that it is like that now when we are talking about the system.

5 There was a slide in my presentation that was showing how the system was supposed to work. It was meant to come in and swipe and by the time you go ahead, the payment has been made. Now, it is very beautiful for bus operators to plead poverty after a 1000 trips of entering and not having paid a cent. It is almost like paying tax after you have enjoyed. It becomes very difficult, because
10 now it is a huge amount and all of a sudden it is not compared to anything.

However, we are talking about a percentage and you say it is a ½ a percent of what you have already made in terms of sales. It stands to make sense to say that if it is a ½ a percentage of – why is it not paid? It is not paid, because it is a service – it is the last thing that you want to pay, because you are not forced to
15 pay it upfront – that is how we see the system. And the day that we are able to do a prepaid system ahead of time, we believe that non-payment and sometimes it is the disputes where somebody is going to say *no, I didn't quite understand and enter* and all that.

If it was a gate opening on your swipe of a card we would not be talking those
20 amounts and why those amounts had been problematic is that number one – in the initial period that was the first three months of those bus operations – the system was not running like clockwork. The system had a lot of teething problems – it was based on manual interventions, you know writing of busses manually and all that and it was so easy to dispute for anyone to say *no, I didn't*
25 *have a bus at this time and this place*. So, you will find that some of those

disputes now we are now at a point of discussing them at arbitrations – so if you are talking about Greyhound, Inter-Cape or whatever – some of those are that they are older than the first three months.

If will look like, as it is, arrears but some of them are in discussion now because
5 we are talking now that if you are disputing that in 2013 for instance, your dispute ends now with this March. Now, somehow there are some sort of data because there has been a December 14, December 15, December 16 to December 17 where we can start to stipulate that the average at least we can settle on this.

10 So some of those are not just blatant non-payments – they are just held because of the first three months of the commencement and Autopax is also part of that, but there is an amount that is not meant to be disputed, which is now – it comes to our collections processes. Our collection processes are such that you cannot just decide that to deny entry just through a court system. You
15 need to get an order of the court and and and and...

So, it actually makes the credit control or the credit management of it a bit sluggish, because we have to get a court order and whatever – and sometimes you can't get a court order when you know there is a dispute, even if the dispute is R10.00 and that kind of thing. So, yes you do say the amounts do look
20 opaque, but you can look at any margin – how much has the bus operator made to get to the amount of those bus entries at that point.

MR LESOFE: So, I mean in the past – I can't recall the exact figure – Prasa would charge I think the figure was not more than R10000.00 for the use of the system – so, you will correct me if I am wrong right? Would you not

attribute the inability of different operators to absorb or to keep up with the payments to the sharp increase which was introduced by the introduction or which comes as an introduction of the new system – for instance, there is an operator who says from paying say R10000.00 per month to now for instance
5 expected to pay R900000.00. Would you then not attribute the sharp increases to – I am sure you are understanding my question?

MS VUYOKAZI LUGQOLA: Yes.

MS ANNETTE LINDEQUE: Okay, let me try and assist – you know previously as we've mentioned as limited operators and if you say R10000.00
10 per month – the question is – was that the true reflection of what was supposed to be? And as you evolve and you come up with new systems – you actually realise that you have under-charged people and I think we must also look at that and say that in the past it might have been an issue. If you look at the current system – obviously price is determined in terms of cost – you know,
15 what is it actually costing us to run that facility and the amount of capital that we invest – I think one of the slides that we've previously seen you know is what is it that we actually invest in the system?

Obviously there is water recoveries, there is maintenance – so all of that determines the price. So again, coming back to running a business at
20 R10000.00 and now all of a sudden you have to pay that and maybe they had the benefit for the 20 or 30 years previously for running it at a very low cost, because we were not geared for what was the actual pricing of it.

MS VUYOKAZI LUGQOLA: Yeah, and to add onto that – there is a lot of continued investment into that system, because unfortunately just by its nature

it is heavy duty transport onto a surface within every minute of the day. So, just the slab that accommodates that and the infrastructure – it gets run down very quickly.

So, what it says is that whatever is charged currently is still not meeting that
5 kind of operational investment as well as the cultural investment that continues on a running basis. And I think what is important is for us to allow the bus system to grow to the point of being efficient.

It has been part of what we've shown that what is the point of hoarding and allowing people who started renting park stations in the 70's at R2.00 per
10 square meter? Continue enjoying on their own whether the infrastructure runs down or whatever – they don't really mind as long as their busses can take people from Point A to Point B and they are quite happy and cushy because there is nobody else who can enter into the system, because they happened to be there first. So, there had to be a mechanism of saying, but how can we make
15 this work so that other people can enter into this system and other people can also get an opportunity to say I have also been there for 5 years or whatever – otherwise we would exactly be back to square one?

And the R10000.00 – you will remember that most of the deals that were done they were governed by some of the operators. So, at Peppercorn Rentals it was
20 just a thing that says *as long as you occupy my space, I am happy that you are here - you pay nothing*, but at some stage with time evolving and the pressures that said any business that runs it needs to be able to support itself and not just support itself – there is rail that you need to support.

Rail is unable to produce to such an extent that it can run – those platforms can

never run without lights – those platforms will never be able to run without electricity – so the space in which they operate it has to be a space where there is activities that plough back into that operation.

MR LESOFE: Okay, thank you. I heard comments about operations
5 defaulting – I just want to find out your process in dealing with defaulters?
Maybe if we could keep our responses short, because we are pressed for time, because I see the Chair is unhappy with me. So, if you could just explain briefly how do you deal with defaulting operators? I understand from your submissions that you issue letters of demand – what happens if there is no response from
10 that letters of demand? Are there any steps that are taken beyond that?

MS ANNETTE LINDEQUE: Yes, like you've said – we start with letters of demand – obviously it is in terms of the lease agreement and the least agreement signed. Obviously from there it gets handed over – I think it is after one or two letters it gets handed over to our legal department who will then also
15 communicate and then it goes into a litigation process where we will appoint external attorneys in terms of collections, debt collections – so that is the basic of it.

MR LESOFE: Are there any litigation cases that have been initiated thus far?

20 **MS VUYOKAZI LUGQOLA:** Yeah, most of the operators as you see there in the Top 10 – we had the process of litigating – putting pressure, because we understand that a certain portion of that is still under dispute, but the rest of it, because we say it is fine for you to dispute a certain amount, but whatever we need to seek payment in that regard.

MR LESOFE: So, has the formal litigation started – I mean beyond the issuing of letter of demand?

MS VUYOKAZI LUGQOLA: Yes

MR LESOFE: Oh okay.

5 **MS VUYOKAZI LUGQOLA:** We have a company that has been appointed for collection.

MR LESOFE: Okay, and is one of the operators that is facing this litigation that includes Autopax?

MS VUYOKAZI LUGQOLA: Yes

10 **MR LESOFE:** Is Autopax one of them?

MS VUYOKAZI LUGQOLA: Yes

MS ANNETTE LINDEQUE: I think to add on to the Autopax – apart from the legal procedure that we are following with them – there are also letters from our CEO to their CEO to say that we will stop you from operating – you know, 15 all of that pressure – so, it is not just because they are part of us that we are not following the same process. I think that is why I wanted to make it clear from the start that the relationship between Prasa Cres and Autopax are actually sorely seen as a relationship.

MS VUYOKAZI LUGQOLA: Not at this relationship that we are dealing 20 with here has been very comfortable or has been received very well from all at Autopax. Although Autopax being in the same stable as Prasa has been expected to be given certain preferences, which unfortunately we have not been able to do, because we had to be focused on one hand which says we are

the landlord in this regard and every tenant has to be treated in a similar fashion. Hence, you will find that we have lease agreements with them – we have heads of access with them – everybody gets treated in a similar fashion. Not that it is something that they will go out and celebrate or we also want to go
5 out and celebrate, it is not nice, but unfortunately we cannot have it any other way.

MR LESOFE: And when was the last payment received from Autopax?

CHAIRPERSON: This is...

MR LESOFE: This is my last question Chair.

10 **CHAIRPERSON:** It may be – now, I understand. I was going to say it may be provided confidentially.

MR LESOFE: Sure, thank you. I have no further questions.

CHAIRPERSON: Yeah, I think in as much as you are concerned about the hoarding of loading bays – I also have to manage the hoarding of the questions.

15 **MS VUYOKAZI LUGQOLA:** Thank you.

CHAIRPERSON: I have to give over to my co-panelists to ask questions.

MS NONTOMBANA: I just have one question and one comment – the one question is – in one of your slides that you have presented there is a reference to Moolla's Transport – and with them having access to Park Station
20 and yet yesterday they were here and we heard that they don't have access to Park Station – only in Durban.

MS VUYOKAZI LUGQOLA: I heard.

MS NONTOMBANA: I just wanted to confirm their access to Park

Station. Then the second question I had – it is more of a comment – you don't have to respond to it – you can follow this up at a later stage, but it is with regard to the submissions that you have made in terms of the rates that are paid in the different stations – this was a submission that was made earlier on.

5 **MS VUYOKAZI LUGQOLA:** Not now, yes.

MS NONTOMBANA: So, I am not going to refer to the specific numbers, because that information might be quite confidential, but I just want to refer to the schedules particularly for Cape Town and Durban as examples, where there is reference to an area and the rate per square meter for that area I
10 assume and first of all I would like to find out if this is after the introduction of the new payment system or whether this was prior.

MS ANNETTE LINDEQUE: Let me try and clarify that – that is the old system. We've only introduced the new system at Park Station, because of the teething problems and the things that are happening we have decided not to
15 introduce it at other stations and it is still at discussion point for the future, but currently we are working on the old system.

MS NONTOMBANA: Okay. Because one of the things that one can easily pick up from those numbers is that there is no relationship at least from the numbers for the area versus the rate per square meter – for example, you
20 might find that two different busses occupies the same area, but the rate that they pay per square meter is different and also if you look at the different operators – some are occupying very small spaces, but the rate per square meter is substantially higher than those that would occupy the bigger spaces and I can understand that is an economical scale or whatever that has to be

taken into account, but there are also those that pay that occupies exactly the same space, but the rate would be different and so it just didn't make sense and I would like to see – for example, for Park Station, because you have said that areas have been standardised – whether these differences would not be reflected for Park Station – but as I've said – you don't necessarily have to respond to this one. This we can clarify later on, but the one that I wanted clarity on is if Moolla's Transport has access to Park Station?

MS VUYOKAZI LUGQOLA: Yes. Thank a lot for that question – Moolla's is in operation at Park Station. The Moolla's that was here yesterday, saying that he has been denied or not given an opportunity is the brother to that Moolla's. They fought and as soon as they fought they fell out and the very next day he comes and full apply for space – the one who was now out and leaving the brother now in there. Now, the unfortunately thing is for busses it doesn't work like that – we had to bring in all those bus operators again and say guys there is new space, apply. We don't just respond to the one that knocks today. We have to be fair, because it's got this politics of a taxi rank kind of thing – you don't want favouring others and not others.

So what Moolla's did was when they went to Falcon Coaches and started selling as if now and we found it out just almost as a similar situation that APM once had with Inter-Cape. So, we had to chat to them and tell them the terms of bridge of the lease, because you cannot do that. So, when that could not happen so his demand was that he doesn't see a reason why he doesn't get space at Park Station.

So, he is very disgruntled, but unfortunately we can't assist him at this stage, but he is part of the people in the waiting list that will be attended to and if he

succeeds like all the others he might be able to get into Platform 19.

MR MANDIRIZA: Chair I think I am partially covered – there is just one aspect in terms of your allocation of your tenants – I think there was one specific allocation made yesterday as well and that now the priorities are
5 looking at and I think there was an example given of a pharmacy or something like that – so we just want to understand, because you’ve said your primary role is to support rail and I just want to get the tenant mix and the approach that you do and how does that support your primary mandate?

MS VUYOKAZI LUGQOLA: Okay, let’s put it this way – Park Station has
10 been there over a very long period of time and whatever it was at a point – it was not producing the support that it needed to produce to the Railways, Transnet, you know everybody. They couldn’t even pay in fact even today – our municipal bill is still sky rocketing of those things, because we could not actually sweat the asset the property. So, how do we sweat the asset now in terms of
15 commercial property – so we had this commercial and retail spaces, because they must produce somehow revenue, which revenue must generate all operating costs, so that rail originally works and the rest pays the general service providers. So, how do you then decide whether a pharmacy or a fish and chips shop, however, we bring in a third party and do a demographic study.
20 The third party will come in and look at what we have and look at what is there in the environment and look at services that are not provided in that environment and then within spaces we would then say largely this is what you are lacking – this is what your customers want. You have a lot more of this, but you don’t have of that.
25 So, it then guides us in terms of tenants mix, to say so what exactly. In fact, it

even goes at the point to say that or even going to this kind of store or that kind of store or give a whole lot of them to say that whichever one of these that might be interested, because sometimes it is not always us that says we want this store – it is also a thing of the retailer saying *yes, this is space that I want* – you
5 might say you want this retailer and the retailer will say *no, this is not our market*. So, it is a combination of saying what is it that this third party study is saying to us.

MS ANNETTE LINDEQUE: Can I also add to that – just for clarification? We've got a primary mandate and a secondary mandate. The primary is the
10 support of rail and transport, but when you look at a station like Park Station when it comes to the secondary mandate – we are mandated to sweat the assets as Vuyokasie was saying in terms of growing the revenue – making sure that we make money so that the subsidy coming from government to rail is less. So we can pick up some of the costs – for example Prasa Cres based all
15 utilities accounts, rates and taxes, the cleaning and security, water consumption when it comes to the wider Prasa Group. So our responsibility is to generate revenue to sustain these accounts and to pay it.

So, when we look at the station it is not only a transportation – there are areas where you can for instance create a pharmacy and your take-outs you know in
20 terms of eating and so on. So, the compliments the facility and the offices provide a long reliance with the view of explaining – how do you decide what you put in there? I just wanted to explain there is a transport side and our secondary mandate is to ensure that we generate revenue to support the rail business.

25 **MS VUYOKAZI LUGQOLA:** I don't know if this is answered.

CHAIRPERSON: Any further questions – I don't want you to feel constraint.

Yeah, because I think that I agree that this is a very critical facility. Just one last question from my side – there is a minibus taxi rank which is connected to your facility – I am not sure, whether it is the Wanderers Taxi Rank? What is your
5 relationship with that taxi rank, because I understand that it falls under the management of the City of Johannesburg? Do you have any relationship with them?

MS VUYOKAZI LUGQOLA: They are a tenant.

MS ANNETTE LINDEQUE: They have got a lease agreement with Prasa
10 Cres – so there is that's a relationship – in terms of that they are responsible for the taxi rank, the upkeep and everything. That is the relationship – there is a lease agreement with the City of Johannesburg.

CHAIRPERSON: If I may ask the question, because I think you made a point that this facility is a better upgraded facility – it seems like that is taxi rank has
15 been left behind – it needs an upgrade.

MS ANNETTE LINDEQUE: The city owes us millions of non-payments. So, in terms of our policies and also I think in any property business decision you don't go and invest in something if you don't get the payment, but we had discussions as recent as last week with the City of Johannesburg and Transport
20 – to say you know what, they are on the brink of sorting the payment out.

But, together with themselves we are looking at redevelopment of that as a second phase – to an entire Park Station upgrade. So, it is not that it is totally out of the picture – it is just taking long and there is some discussions around it.

CHAIRPERSON: Yeah, thank you thank you very much – I think this has

been a very illuminating presentation. I think that at some point quite heated

MS VUYOKAZI LUGQOLA: And emotional.

CHAIRPERSON: Thank you very much. I don't think that was the intention.

MS MS ANNETTE LINDEQUE: I think we are very passionate about our work.

5 **CHAIRPERSON:** All right, but thank you, thank you very much for your time. We will now receive a presentation from NACTU. If you could please state your full names and surname for the record and welcome to the inquiry.

MR NDLOVU: My name is Siphon Owen Ndlovu. I am from NACTU and I am the development co-ordinator at NACTU.

10 **MS TAUNYANE:** My name is [inaudible 02:04:17] Taunyane and I am from NACTU – I am the intern there.

CHAIRPERSON: Mam, can you please spell your surname for the purposes for the transcript?

MS TAUNYANE: Taunyane

15 **CHAIRPERSON:** Thank you very much. There is a piece of paper in front of you – you can choose the oath or the affirmation – as you wish.

MR SIPHO NDLOVU: Okay, thank you. I, Siphon Ndlovu, swear that the evidence that I shall give shall be the truth, the whole truth and nothing but the truth, so help me God.

20 **CHAIRPERSON:** Thank you Mr Ndlovu. Ms Taunyane.

MS TAUNYANE: I, [inaudible 02:05:00] Taunyane, swear that the evidence that I shall give shall be the truth, the whole truth and nothing but the truth, so help me God.

CHAIRPERSON Yeah, before we get into your submission if you could please just indicate your position within SACTU and how long have you had that position and if you could just very briefly – for purposes of the record – just explain what SACTU is all about.

5 **MR SIPHO NDLOVU:** NACTU

CHAIRPERSON: NACTU – I beg your pardon.

MR SIPHO NDLOVU: My position is development market co-ordinator at NACTU. I joined NACTU early this year in January, though I've been interacting with NACTU through my previous employer. Basically NACTU is a [inaudible
10 02:05:55] federation that [inaudible 02:05:57] in the country, with a variety of affiliates in all respective sectors of labour in the country. Especially [inaudible
02:05:55] neglect and making inputs on issues of labour relations [inaudible
02:06:18] economy through participation in that neglect. That is basically that and I've been there since January this year.

15 **CHAIRPERSON:** Ms Taunyane?

MS TAUNYANE: I am the research intern at NACTU – I started there last month, the month of May.

CHAIRPERSON: I understand that you haven't made a written submission, but

20 **MR SIPHO NDLOVU:** That's not true.

CHAIRPERSON: Oh, there is – good. I think you can go ahead with your submission.

MR SIPHO NDLOVU: Thank you Chairperson. I think we kindly appreciate

the opportunity and the time given to come before the competition commission and make a presentation as per the invite that we have received about two weeks ago relating to public passenger transport services in the country and the nature of looking into dangers of – I think there was five carriers that [inaudible
5 02:07:19] mentioned as terms of reference the issue of transport planning and we would also link it to access infrastructure based on allocation and licencing, price setting and price regulation, dates of subsidies and transformation.

I think, in light of the observation and research made, by both the statistics of South Africa and the comments made by the competitions commission – we
10 fully agree that this integration of departments, especially the provincial government and the local government – they have created quite a problem in terms of transport lending.

This has quite resulted in a number of undesirable results. A key to which is that there has been quite a loss of life due to that kind of a problem. I will give an
15 example – there is a new area as you go to the Vaal – it is called Sevalu – what happens there is that naturally you never had [inaudible 02:08:27] in that particular area, but with the emergence of new residential areas, they went into the area and claimed the area without permission without that allocation without licencing and it erupted into a fight and people died in that particular instance.

20 Which basically says that transport planning is something that is not done in consultation with stakeholders to ensure that things that have happened in the past must not happen. It becomes a problem and taken into cognisance that there are almost about 20 million workers that are commuting from their respective places or homes every day through taxis the minibus taxis and
25 without any kind of support no respect even by government in terms of

engagement – it basically says that the lives of workers are at risk on a daily basis in that they find themselves caught up in the crossfire of taxi operators fighting alone at places or routes without licences.

I mean we didn't need to speak about the soft corruption within the law enforcement and this is one – for example, I think two days ago I experienced
5 that kind of arrangement. It is a [inaudible 02:09:50] and they will agree and detest to that – we see a lot of new minibus taxis, but I will be able to say to you that almost 90% if not 99% of that are not licenced and operating on their normal routes as new as they are and this is by the fact that the issues of
10 licences by the Department of Transport at the Provincial Government it takes years.

An issuing point is what happened in Cape Town yesterday – the MEC of Transport went into the licencing department in one of them and as is as a normal member of society and he applied for a licence and the treatment and
15 the manner in which the licencing department is operating – he was quite disgusted himself to say really we blame what we see in the streets, but unfortunately as the government we are feeling our own people.

I think that is what the issue of planning comes into play, because the manner in which legislation speaks to the issue of planning and what happens remains two
20 different issues that we cannot be able to put them as part of the same coin – we cannot relate to that particular issue. The issues of licencing in the taxi industry becomes a serious problem because like I've said almost 90% or so of them are operating without.

The less we speak about the taxi recapitalisation the better, because it is a

programme that has adopted that even in today's affairs has failed. I mean to heed the desired result as per the plan given by government and this equally says to you that go to Faraday taxi rank into town almost 80% of the taxis are not roadworthy and everyone of them are paying particular money. That's why
5 you will find that almost all of the taxis when they are involved in car accidents – the driver will leave the car and run away, because it basically says that he is going to be arrested simply because the car is unroadworthy - in actual fact it is not even in a state of suppose to be driven by a human being.

So, those are some of the problems, but law enforcements are there day after
10 day, but because of the challenges within the systems they can find a way to agree between themselves as taxi operators or taxi drivers to say that we stand at the corner – you provide us with R20.00 we leave you to operate and that has put risks to the lives of innocent unsuspecting workers who are commuting daily to work at the behest of what our government is doing.

15 The other issue is the – in terms of your licencing – is the issue that government is I want to believe they tried themselves with what they've done, but it's something that one could not be able to say in actual fact begin to think what they did try to do. The problems that we've had in the past in the [inaudible 02:13:01] also of metered taxis, Uber and Taxify – it is a problem in the sense
20 that the operations are different – the kind of service that they are providing might seem to be the same – however, in the manner that it is provided it is different and in terms of legislation – legislation specifies that when you provide licence you must buy the licence within specific limits and that is not happening.

Hence you will find out that the challenges equally when you introduce new
25 players in the market it is equally important that the process of engagement

become thorough. Whoever comes in with a new idea in the market does not create a situation whereby people become at loggerheads, and they don't appreciate competition and that is the nature of what government is supposed to play – to create an able environment for everybody to come into the market,
5 but that has not been the case.

And I think the less that is said about the loss of life that has happened in that particular field, the better. Because all these things they link up to one thing – the people who become victims are people who are workers – others are workers who are in transit to their respective places. But in terms of what would
10 be – the way to address those particular situations, government seems to be doing the contract. We have legislated, we don't care – find a way out of those situations and that becomes a problem. I think it is because, sitting there listening to the issue of Park Station about the entries and the what-what – it is the similar issue that happens you know at the taxi rank. There are a taxi rank
15 that had been operating for so many years – the particular taxi rank, they own it – if you come in there, who are you? And we are saying we want to have a country where each and every person has equal opportunities and the reality is that is not the case.

Subsequent to that is the issue of saying we at those very same facilities that
20 we spoke of and it depends who – that's why for example, in terms of your bus operators being subsidised by government for whatever reasons and the agreements that they have, you'll find that wherever they are operating are places that are neat and that are safe – easily accessible, but for those who are using minibus taxis will tell you that the environment is filthy – I mean Prasa was
25 sitting here and talking about Wanderers taxi rank – I have used it I think for

more than 18 years and really every time you go there, it is terrible – even today, because it is the transport in this country – I don't even want to speak about the issues of the middle class and those things, but it is about whether you've got money or you don't have – the haves and have-nots.

- 5 There are two classes – there is not a third class and they have not been shifted to the sidelines where it is filth – where it is undesirable, because they must squash all those unlicensed taxis, whether they die or they don't die – that will be addressed at a later stage. So, I think that is the problem in terms of how we look at our I mean our transport system.
- 10 Government has been speaking about the use of a single integrated transport services and I think in terms of the way we operate going forward, like giving licences on a rate of prospective public passenger transport services – we are fooling ourselves thinking we are going towards there, because the gap is widening.
- 15 The issue of your taxis not allowed in certain areas tells you much. Before the admittance of the BRT system, you had a situation whereby – patterned by the road into Soweto was utilised by both busses and taxis. It came in the BRT – irrespective of whether some taxi drivers were taken – operators were taken to run to be part of the system – it is intermediary – what becomes an issue is that
- 20 a single route is said to be it must be used on time has been [inaudible 02:17:54] for people – the haves, because you go to Moroka – you'll find a lot of cars parked there, then people take BRT to town to go to their respective work, because it is desirable and it arrives on time and there is no traffic and all those other things.

And for those who are said for not having enough are squashed in taxis that are unroadworthy stuck forever in traffic and the problem that we face is nuance to say that players don't care about your transport problems. If they want you at 8 o'clock at work, it must be just like that you know, because that is the
5 agreement between yourself and the employer. And we find ourselves at loggerheads with members, because we are expected them to say they are unfairly treated in terms of dismissals and all that.

And the situation cannot continue forever, because in some case you win and some you lose and by virtue of that you basically says that most of our people
10 who are struggling to make ends meet for their own families are now pushed to the sidelines of the unemployment. The rate of unemployment is growing higher – not simply because people are failing to do certain things, but simply because they are victims of a transport system that is not integrated that is not – that government is not even have a way of addressing the issues that it is having
15 with that particular systems.

The issues with passenger rail was also an issue at a certain point – I listened carefully to colleagues of Prasa speaking about safety arrangement – this is why one wonders how Government entities operate and Government departments operate.

20 Towards 2010, there was a hype to ensure that your passenger rails are safe. If I remember well, they even had a lease agreement with JMPD to train about 400 security personal for train services. But the very same people that they trained will not be able to take the train in the morning and got to work simply because 1, they are overcrowded. If you are a person like myself who is
25 claustrophobic that you don't even feel comfortable. You can be mugged,

anything can just happen to you. And yet people speak about the safety of passenger rail. One colleague of mine who is a receptionist uses the passenger rail. It is unreliable. I think there are weeks that she arrives at work at 09:30, and she should report at 08:00 and simply because we are a trade union we look at those factors. It is only the we are able to become lenient towards her looking at those factors. But really, in other work places that would not be the case. But core to the issues is the issue of integrated system where one would be able to take a taxi in Soweto possibly at a cost of R30 or R40 and be able to reach Pretoria and go to work. But unfortunately with what we have, it is an arm and a leg to go to work in Pretoria. If you take passenger rail, it simply means that you must leave home at 03:00, the 1st train because you don't what might happen on the road. Simply because of that. And those are some of the things with are looking and saying that, these are the things that are affecting workers in terms of creating a competitive public transport services that is integrated, that equally looks into issues of safety, reliability and the needs of the very same people that it seeks to address. And that is something that we are not basically getting.

One other issue that we also see is the issue of price setting and regulation. And I would give with your intercity busses. I think if one has to use a term, the manner in which that system has been monopolized, it is embedded in a sense that it is you either use it or you are out. An example is that I have looked into one of the reports of Greyhound and Intercape were they say that the reason that we look at our pricing especially at peak hours is on the basis of escalation in operational costs. One asks himself the question, are these operational costs only happening in December for example, are they only escalating in December or throughout the year? You have got a plan as to how to address those issues.

A normal bus ticket to Cape Town will cost you about 590 on Intercap or Greyhound. But come December, same place, same environment, it is about 1400. And at that particular peak, you must remember the system in the country is one such that most of the people who are in Gauteng are migrant workers. It takes one to accumulate some money for a year to be able to go home to the Eastern Cape or Cape Town for example. And with what he/she has been able to save to ensure that for the year even my kids will go to school and all of that. It becomes a problem because all of it, almost half of it is taken away by your Intercap or whatever buses that is available. And that equally makes your transport in the country unaffordable skewed to a particular group of people. Taxis themselves it is an issue of people are not sleeping. Now the problem that we have is we might arrive home as corpses with this other kind of system. Now what becomes a better one? It becomes the buses, but it costs you an arm and a leg. Those are some of the problems that we have identified that it is creating a problem, and I think we will be happy if there could be some sense of – and it is even worse when some of them are subsidized and yet their pricing becomes heavy. It becomes a problem for our people.

We also in terms of what we would want to see happening. It will be an issue of saying 1, on the issues of route allocation and licencing, an integration of both or rather to defer the authority from the provincial government to local government in terms of your licencing. Because in the licencing part of it and route allocation, it must not be the department that sits alone in the offices and say the this is what we are going to do. It must be an issue that a stakeholder forum of people involved in that particular arrangement be brought into a forum that will exist solely for the purpose of ensuring that when these things are

done, there is fairness, 1. 2, issues of safety are considered. Members understand their roles and responsibilities to an extent that we will be able to say that we have now improved in terms of our transport planning. And this has minimized of what we have experienced in the past in terms of people who have
5 become victims of shooting in mini bus taxis. This is one thing that must happen because it will look, it will say to address some of those particular issues. And also address issues of backlog in terms of licencing. Like I said, you will not go to the City of Johannesburg and say JMPD has given me a ticket because I don't have an licence to operate. It is an issue of the provincial government.
10 They won't even want to listen to you nor care what you have to anything. So, I think an integration of those particular issues is key.

Second thing is also the issue of looking into your Gautrain, the opening up, it must be an elite thing. For elite people run by elites themselves and others excluded. I think I took Gautrain yesterday to Rosebank, and I spoke to one
15 gentleman on the train and we both agreed that in as much it is convenient, it is not meant to address the problem of congestion. It is just meant to give luxury to a particular group of people. In a sense that there is a belief by Gautrain that that everybody who goes to the airport has got money. That is why going to the airport, it is 150. It is just here single trip is 150. Going to Pretoria is R73. So,
20 the belief is that, so, I don't have an option to use the Gautrain because I happen to be booked to Durban to make a presentation, I would also affect my budget. So, those are some of the problems that we look at, that pricing is skewed towards a particular interest. I mean, there is nothing. Airport is an area of departure. To me, it is like Park Station. It is only that there are flights,
25 there are no buses there. That is the difference. But to go there and back is

R300 with Gautrain. So, it tells you that it was never meant for everybody, there are specific people that it targeted. And equally, the very same buses of Gautrain, it is a similar arrangement. You take a Gautrain from Sandton to Johannesburg. I work in Eloff Street. The bus goes through Simmonds street if
5 not Harrison, it then goes down to Marshal Street to ABSA Towers. So, it is basically your First National Bank City, it leaves your Standard Bank a bit, it goes to ABSA. You know what it tells you? It was equally made for the banks. That is what it says to you. Because it is those that are working at the banks, for me taking a bus from Park Station to my workplace, the bus, the Gautrain bus, it
10 is as good as walking. Because wherever I get off and walk to work, it is the same distance as walking from Park Station to my workplace. So, that is why I am saying that when you look at some of these issues, they are meant to address specific people, not specific needs, but specific needs. And that becomes a problem. If you want to create an integrated passenger transport
15 system, it must be able to take into cognizance that the majority of our people 1, are poor 2, it is part of the working class. And whatever that they get is not enough to address some of these particular problems. And I think we would be happy if these particular issues will be addressed in that particular regard where government taking into cognizance the reality that is facing our people. The mini
20 bus taxi industry is one that is overrated in terms of its own problems. But at the same it is the less – it is one that addresses the bigger chunk of our economy in terms of transporting workers to their respective workplace. However, in terms of funding, nobody cares. It's a dog eat dog world there. If you have money you survive, if you don't have money you must stay home, so, and we are talking
25 about supporting small businesses. I don't understand, do we classify taxi

operators as non-small businesses or what because I don't know because it basically says nobody cares. You can't go to the bank and say I want money, I want to venture into the taxi business today. It is a problem, they tell you they fight, they kill each other, there is no return on investments and all of those stories. That is why earlier this year, taxi operators were striking about the rate of interest that they are supposed to pay back in terms of their respective loans that they made. And I think that is basically what we have brought into to present here to say we wish for a public transport service that is reliable, that is affordable, that is safe for the public. And in itself, we can pride ourselves and say that this is what we have because out of what we have currently, we have seen quite of problems. Either late at night, either women are raped from these particular services because some of them are unreliable, some of them are even unavailable [unclear sound 0:]. And thank you.

CHAIRPERSON: Thank you very much Mr. Ndlovu, at this point we ask evidence leaders to pose questions to Mr. Ndlovu.

MR NGOBENI: Thank you Mr. Ndlovu, I think maybe just one from my side and I think maybe just to comment. I am going to try and solicit a comment from you seeing that you know you come from an organization and you are part of – I will classify as part of the leadership you know to our people. In an extent if you don't have a response to my question, please feel free not to respond. One of the things that runs through your submission and the submission of NACTU is that you mentioned some very important things and you talk about the have and the have nots, you talk about systems designed, you know for the rich, systems designed for the banks, you talk about the fact that there are policies that are meant to address issues of specific people and not the majority of our people.

Now, the question that I have is on the other hand you see government, you know it comes up with various systems. I mean, integration systems, policies and all of those things. So, the question is, maybe just to get your comment. Will it be correct that maybe government is doing this the wrong way you know
5 and what government should be doing is to integrate society 1st before coming up you know with these integrated systems which are not as you submitted today, they are not addressing the specific issues that seem to be affecting the majority of South Africans. So, the question is whether or not integration should not start with government integrating the society 1st before coming up with these
10 integration systems that are not addressing the very same issues that they are designed to address.

SIPHO OWEN NDLOVU: Thank you, I think it is the issue of the chicken and the egg. Which comes 1st? Integration of systems, if one has to speak about the society that we have it might take us 100 years because remember integration
15 of society is all about willingness. There might be a group that is willing, there might be a group that is not willing. And at some point you reach a point where you must find ways of forcing people do certain things because you have got values and desired goals that you want to reach. I would say that to me, government is doing sometimes policies on a rush, rush basis without due
20 diligence done in terms of your research. How do we want to integrate this and how do people want to be integrated? Because one sad reality that we have in this country is that in some instances, our government is run through consultancy who happen to provide reports for whatever they were given to and leave and get money and then go. But what then happens is that some of them
25 are not implementable. That is the 1st problem.

Second to that is that this integration, the right word that if I have to use, this operation of governments in silos is a problem because in some cases a legislation that the provincial government has at your local government, they operate differently. And for that reason, if you want to integrate your systems

5 you are going to have problems. Remember also, public passenger services system does not look at a particular province only. Let us take for example, we have people who are staying in Delmas who are working in Johannesburg. So, it is basically 2 provinces at play. What the Johannesburg Metropolitan Council might want to plan and integrate might not be suitable for them. But given that

10 there will not be a sense of interaction between the 2 provincial governments including the local municipalities involved, it will create a problem. That is why we tend to do things for the sake of doing them and not for the sake of addressing certain things. We want to be seen doing things. We don't want to be seen doing things correctly. I think to me that is the issue. And lastly, there is

15 quite a lot of people in government who are employed. I don't think they have a clue of what they are doing or what they are supposed to be doing. Because if we have a situation where PRASA has raised earlier to say we are supposed to take care of Wanderers Taxi Rank and you correctly captured to say that it seems as if that they exist in 2 different worlds. They say to you that, the

20 response becomes, the City owes us a lot of money. That says something. It basically says to you that we have things that – we have got responsibilities, people who have got certain responsibilities in government who don't even take care of those responsibilities for years. And that says to you that we therefore have got wrong people in those people positions or respective department. And

25 that is why I would say yes, what government is doing, to me, is that they

should not basically look at the integration of society. Integration of society is a very complex one, very complex in the sense of our respective background. Fortunately, I come from a background where there are no races. There is only one race, the human race. But unfortunately for people, I mean, even
5 government itself says – promotes multi-racialism but preaches non-racialism. It is a problem. You fill a form and ask, I think it would have been best to say you are South African or American, Nigerian or Zimbabwean. To me it would be better than to say are you black, are you white. It is multi-racialism itself. And how do you integrate a society that you continuously reminded that this is who
10 you are. Then that would be the problem. But in reality is that, the integration of transport systems is something that we need as urgent as possible because it will serve the have nots, the costs involved. But, if it is not integrated, you jump from one taxi to the other. Maybe let me give a practical example. If you leave Kathlegong going to Vooslorus in your local taxis, I think it can cost you about
15 R23, it is local. Because you take one from Kathlegong, you go to Chris Hani, you must get off, you must take another one a taxi to Civic Centre, you must get off, and go to your house that is disintegration. And the cost, if it was integrated it might even cost you R10 maybe to and from. That is the issue. But in reality, government is not taking this issue seriously. The thing is that, if they could look
20 at the integration of this, maybe it would be an integration of society through transport that we use the same. We will get used to each other along the way because we are using the same transport system. We will get used to each other and appreciate to one another. As long as we are using different modes of transport, we dress up in a particular way. If I get into a taxi, you see, they will
25 get used to that I don't like suits. I am this person who doesn't like suits. And

you will get used to it. Gradually we will get used to each other, that is reality. Because a wife and husband, they met without knowing each other. But as they get along better and they knew each other better and appreciate each other.

5 **CHAIRPERSON:** Thank you very much Mr. Ngobeni, any questions from the panel? Thank you very much Mr. Ndlovu. I think this presentation has been quite helpful and it will help us in shaping our thoughts and also, shaping our thinking on what needs to be done. I think it is going to be a very influential presentation. Thank you very much. We will now receive the last submission
10 from The Gauteng Educational Transport Service if they are still here. Welcome to the inquiry. If you could state your full name and surname for the record.

SEFENYA JOPHIAS THEKA: My name is Sefenya Jophias Theka.

CHAIRPERSON: Thank you very much Mr. Theka. In front of you, you have a piece of paper. If you could take the oath or the affidavit.

15 **SEFENYA JOPHIAS THEKA:** I, Sefenya Jophias Theka swear that the evidence that I shall give shall be the whole truth, nothing but the truth, so help me God.

CHAIRPERSON: Thank you very much. We apologize that we are running a bit behind. But as you could see that we had to cover a lot of issue with the
20 other stakeholders. But we do apologize for the time. Just by way of introduction if you could just maybe give us a sense of what your organization is and what your position is within your organization before we go into your presentation.

SEFENYA JOPHIAS THEKA: My organization is formerly known as Scholar Transport, of which now it is The Gauteng Educational Transport Service. And

my portfolio at the present moment, I am the General Secretary of one region which is the Tshwane region and an additional member to the provincial council.

CHAIRPERSON: And what does your organization do?

SEFENYA JOPHIAS THEKA: We ferry learners to different schools.

5 **CHAIRPERSON:** I understand that you have prepared a presentation. Can you take us through the presentation?

SEFENYA JOPHIAS THEKA: Our presentation starts with the summary background of our organization. Our organization is the Gauteng Educational Transport Service which is formerly known as Scholar Transport. This is a non-
10 subsidized industry and a non-governmental service to the people of Gauteng province. As of 1990, we were operating individually the department road and works then under the directorate of the taxi recognized us and allowed us to form associations, and as of 1990 form organizations that transport learners to different schools. Through our engagement with the department of transport we
15 got funding from the government which helps us develop a strategic document were an operational budget was formulated. In March 2007, all 5 regional councils were democratically elected and the association executive council too. In June 2017 a provincial structure was formed by all those 5 regions. The name of all those regions are Greater Johannesburg region, Ekurhuleni Region,
20 Tshwane Region and Sedibeng Region and Westrand Region.

The 2nd page is our organogram of which shows how are we formed. So, at the provincial we have executive council of 13 members. Each and every region has got its own council members and the number is 13 again each and every region. At the association level we have association level council of which are

comprised of 9 members and the members of the association. We have got a Gauteng Education Transport Strategy. In that strategy framework we have got or vision which says, 'authentic delivery of quality education which transports services, our mission is to dedicate ourselves with their future in mind.' Strategic objectives, function priorities is to comply with the legislation, support formalization, establish industry structures and train people under the following aspects: develop working relationship ensures safety, grow industry, deliver services, improve affordability. As I have mentioned that we operate in all 5 regions of Gauteng province. So, we operate from creches until tertiary education in an urban area, informal settlements including rural and farmsteads. What kind of a service are we giving to our customer? It is a unique service, it is a scheduled service, it is a door to door service. Which means we pick learners from their houses at the gate and drop them at school in the morning and in the afternoon, we take them from the gate at the school and drop them at home again at their gate. What type of transport are we using? We are using mini bus taxis, midi bus taxis and some of our members are still using LDVs, of which the National Land Traffic Act has phased out. We are encouraging our members to move away from using bakkies because then as NLTA stated clearly that there is no person who is supposed to be transported in a compartment while paying for transport.

So, the other matters, the subject matters as per statement of which that we received from Competition. Our 1st issue was under licencing routes and allocation entries. In the Gauteng Educational Transport Service we don't have multiple associations; we only have one association per area. What happens is that our association from different places work hand in hand. Some of our

members may transport learners from a certain school to a certain area where there is an association which operates and affiliated to the certain regional council. What we do as an association – in the area concern that we have members from different associations who are transporting children to their area
5 so that they must work hand in hand with them. We usually supply them with a whole information of that operators so that there shouldn't be any conflict between the operators. So, and it is easy for our members to identify each other because our vehicles have got identification marks which are stickers. On those stickers you will find that there is a name of an association that a member is
10 affiliated to. And that association is affiliated to the regional council, of which the regional council is affiliated to The Gauteng Educational Transport, the mother body.

The challenge that we are encountering in our operation provincially as a structure, we classify them as illegal operators because they are not registered
15 with the Department of Transport or even our affiliated associations. Those illegal operators they are even not charging the same fares as we do. So, due to that we are saying that they are doing illegal pricing because there is a competition between us and them.

The other thing is that those members we are unable to control those members
20 who are not registered with the Department of Transport or even our association. Still complaining about those operators, there are taxi type service that usually infiltrate our operation. They are doing dual operation while their operating licence is route based operation. Some of them they carry learners in the morning and rush to the school, thereafter so that they will be able to go to
25 their daily duties to ferry their daily customers of which some accidents

sometimes do happen due to speeding. And if one looks into the National Transport Amendment Bill state as follows, Section 50.1. No person may operate a route based public transport service unless he/she is a holder of the operating licence or a permit subject to Section 45, 47, 48 and 49 used for the vehicle concerning in terms of this act. But people do as they like. They ferry the future leaders and future nation of this country without permits and so on.

Then when we come to amendment of Section 39 of the same Act 5 of 2009. It talks about before nationalizing public transport service in terms of subsection 1. The planning authority must consult the relevant regulatory entities and take steps to apply law enforcement measures to reduce or prevent operation of illegal service on a particular road. Where appropriate take measures under Section 78 to cancel operating licence. All permits that are not in use on the road. But this is not happening. Only infiltration of illegal operators is taking place randomly. Amendment of Section 67 Act 5 of 2009. It says before granting an application for an operating licence authorizing charter services, the relevant regulatory entity must be satisfied that there must be a need for service or charter services applied for by the operator that cannot be supplied by any public transport service already being provided. In this case the Educational Transport Service, its operating licence has got charter services. The shuttle operator are given shuttles and they in turn infiltrate our industry and start ferrying learners to school. We therefore call them illegal operators that may cause problems as time goes on.

Chapter 6 of National Land Transport Act 5 of 2009 Section 49.2. Operationalization of mini bus taxi type service. The holder of a permit or operating licence for mini bus type service who has not done so may apply in

the recapitalization of the vehicle and may choose either to leave the industry or buy a new vehicle that complies. In our case as the Educational Transport, we are not subsidized. There is no governmental recapitalization. But when we apply for our operating licence, we are told that our vehicle that are older than
5 2006 are not complying and will not be able to get operating licence. New vehicle is a requirement in the taxi industry. This shows that some of the government officials don't understand or can't differentiate between modes of public transport. This is really a frustration in our industry.

Under transport planning. Any municipality is given powers to plan for its own
10 integration transport network. I believe that there is no municipality that can plan without doing any transport survey in the area. The result of the survey will determine all aspects which needs to be followed. National Land Transport Act Chapter 2, intermodal planning committee Section 15.1 says every municipality which is establishing an integrated transport network or has significant percent
15 rail service in its area must establish intermodal committee consisting of the prescribed technical official and prescribed representative of state owned rail operators. Other public transportation mode users and organized business. We as the educational transport operators, we are not contacted or consulted when the municipality has done its survey about public transport services. If that was
20 done, we at the moment will be part and parcel of that intermodal planning committee as the NLTA requires. Local consultation was done, and this shows that if the survey was done, it was an incomplete survey. It shows that the objective of this act will not be fully achieved. This take me back 15.2 of the Act, the function of the intermodal committee is to coordinate public transport
25 between the modes in order to achieve the objectives of this act. The transport

planning authority must know all of its stakeholders and consult all the transport department must consult the relevant stakeholders all the time. Not when they do things that favours them just to acquire our signatures on their attendance registers.

- 5 Under transformation we have 5 inputs that we looked at. 1st one it was operation. The government must empower and assist disadvantaged operators of all modes of the public transport to participate meaningfully in the public transport. Customers based service – all public transport service must address users' needs. Public transport must be safe, affordable, reliable and sustainable
10 to all.

Planning and regulatory – Government must provide appropriate institutional structures, formalize all public transports operators.

- Funding – Sustainable and dedicated funding must be provided for infrastructure, operators and law enforcement, encourage more efficient urban
15 land structures of public transport. Implementation of integrated rapid public transport network. National Land Transport Act 5 of 2009 defines integrated public transport network as follows: it is a system in a particular area that integrates public transport service between modes throughout ticketing and other appropriate mechanisms of the system with optimal solution to be able to
20 travel from their origin to destination in a seamless manner. The challenges that we are encountering as educational transport is that we are not included in the integration of public transport, maybe there is a confusion when it comes to a definition of a mini bus taxis type services. When one looks into the document that talks about transport integration, one only finds that the following modes

are mentioned specifically bus, rail and taxis. The government in South Africa only recognizes only state owned taxis and mini bus taxis as the only modes of public transport in their country. What is written in black and white and every paper talks of modes of transport or all modes.

5 National Land Transport Act 5 of 2009 defines mini bus taxi service as follows; an unscheduled public transport service operated on a specific route or routes or were applicable, within a particular area by means of a motor car, mini bus or a midi bus. In our case as the educational transport, we are a scheduled service that uses mini bus, midi bus or motor car. That is why I am saying there is a
10 confusion because even at our licencing board when we as the educational transport service apply for operating licences, only quantum apply or vehicles that are not older than 2006. That is recapitalization which was done for the taxi industry, not us. Yes, we are using taxi type vehicle, but the taxi industry doesn't represent us and we will not and it will not and we will not represent it too. This
15 confusion gives us problems. Our members are unable to apply or renew their operating licence. Our operation is as unique as we said before. Our passengers are from crèche to University and their staff member. When integration of public transport is rolled out, we as educational transport operators lose some income due to learners that are from Grade 6 and those at
20 the college start using the bus rapid transport. That is a challenge to our industry.

The aim of integrating public transport is to implement high quality network of car competitive public transport services that are fully integrated and are managed and regulated by a capable municipal transport development. Then
25 one asks himself or herself, how can educational transport services be

competitive with other modes that are fully integrated. The 3 spheres of government must revisit the integrated transport plan and must include all modes that are not included. For now, in South Africa public transport integration is only for governmental transport entities, the government is the
5 only role player and the beneficiary. The taxi industry is there to boost the government to enrich itself when the implementation of that plan is completed in 2030 or 2055. White paper states integrated transport is to provide a universal centralized information for all modes of public transport to assist public transport users and ensure that public transport is integrated in respect of information,
10 scheduling, routing and integrated ticket. This strategic policy says all modes, unless all these nice written words on the paper don't have a meaning and don't have to mean anything to the operators who are excluded. One of the integrated public transport network 3 pillars states categorically that maximum inclusion of equipment affected operators through 1st round of negotiation
15 contracts. Our operators are affected by this transport, but we are not consulted and not part of the 1st negotiation on implementation of integrated public transport network. How will the government or the municipality know that we exist if proper survey in public transport is not done?

Transformation to the public transport. Transformation should encompass all
20 public transport service in South Africa, not only modes that are state owned or the taxi industry. When the department issues educational operating licences on public transport, the NLTA section 71.2.3 states clearly that the vehicle should be marked so they can be different from other modes, but it is not done. Maybe the other issue that is of a concern in the educational transport service is
25 controlled or managed by 2 departments. Namely department of education and

department of transport. As long transport duties are not taken from the department of transport, no transformation in the education transport will not take place. Each and every department has a way of taking place. To us it is such that the departments are competing amongst themselves. Each and every

5 municipality must have database for all associations registered to operate in all areas so that they will be able to control operation. When we talk about transformation, we consider buses contracted to the government only. There should be transformation in all sphere of education transport service including us and the non-subsidiary operators. Our operators' mind-sets need to be

10 changed. Our operations made them to be self-centred due to the fact that they are used to getting money individually and compete amongst themselves. In this regard, we tried to ensure that they must form cooperatives so that they can start competing with other entities. But many of them had that mind-set of saying, now people want to steal our money because they will not be getting

15 money as they were used, as they wished. Training in all business aspects is needed. We will strive to improve the lives of our members by transforming our industry as we can. We are encouraging our association to buy many squad cars as they can. We are in a verge of controlling our industry, so that any person who wants to operate must comply and be a member of an association.

20 We are not planning any war against any illegal operators, but protecting the little that we have. By protecting our environment mentally and physically people will start respecting us.

The impact of BRT on the renewal of education operating licences. The issue has already been attended to in this presentation under subject matter licencing

25 routing and entry requirements and under integrated public transport service. As

we have said that a moratorium has been passed without informed by the licencing authority that education transport service must apply operating licence with a new colour, a quantum. At 1st, a vehicle that is not older than 2006. The department forgets that recapitalization was agreed upon between the taxi
5 industry and the government. By the time we were being issued with permits, some of our members went for recapitalization and we were told we don't qualify for recapitalization. One must bear in mind is that what was agreed upon in the process suited the government and the taxi industry according to their income; not us. If we are told by the government official that we must go for
10 recapitalization, there should be some formal negotiation to start with and a memorandum of understanding must be signed by us and the government so that we can have access to operating licences.

Access to finance for educational transport services. When it comes to financial assistance from the major banks, our operators do not qualify due to the low
15 income. Most of our operators transport learners from historically disadvantaged areas and our fares are so low to accommodate all our customers. There were companies who were willing to sell vehicles to our operators through the bank finance. Unfortunately, the banks did not approve our applications. Our operators will always strive to see to it that either a girl or a boy child goes to
20 school every day. it doesn't matter what type of a vehicle is used by the operators, but safety and reliable transport will be the order of the day until the government realizes that we are ferrying the future population of our wonderful country.

Access to infrastructure and terminal facilities. In education transport service,
25 there is a major challenge. Amendment of Section 11 of Act 5 of 2009, ensuring

that there is a provision of the needs specially targeted categories of passengers in planning and providing public transport infrastructure, facilities and service to meet their needs In so far as possible by the system provided for mainstream public transport. Our operators ferry learners to different schools in
5 different areas. When we arrive at our destination being school, there is a problem that is encountered by our operators. One will find that there is no place to park our vehicles, no toilet to be used, some schools do allow our operators to use their facilities, some don't. There are no specific area that are there for us to use. To use this is not an accessible transport to all people as
10 defined by the Act 5 of 2009. It is the responsibility of the planning authority to see to it that there are facilities to be used when issuing operating licences to the operators. There are bylaws that need to be adhered to as long as no law enforcement by the planning authority, nothing will be taken into consideration. No one will care.

15 Commuter experience, in terms of our operation, it is a scheduled operation. We have to make sure that learners attend their lessons on time. We collect learners each and every child has been given a time of when he or she will be fetched. People might complain that some children are fetched earlier. The reason is that we fetch learners from different household and dropped at a
20 different school that start at a particular time.

The other factor of fetching them earlier is that a certain number of children must be reached, must reach certain load in the vehicle. There is a factor of distance too. You cannot transport 6 students while their fares do not cater for the travelling distance because our fares are far low to that of AA ratings. Our
25 commuters don't walk any distance. We pick them at their gates and drop them

at their school gates in the morning and do so in the afternoon when the school is out. One must bear in mind that there is no vehicle that is 100% roadworthy. There will be some breakdowns in the operation and time delays will be there. There will be a way to see to it that learners go to school when breakdowns or
5 accidents happen. Alternative transport will be arranged. Thank you.

CHAIRPERSON: Thank you very much Mr. Theka for your presentation. If I could just clarify that your members have, what category of operating licences are those, do they fall under the category of chartered services of operating licences that specifically recognizes the nature of the service that you are
10 providing which is scholar transport.

SEFENYA JOPHIAS THEKA: They fall under learners and a charter services. There is 2 in 1. We ferry learners during the week and then we are given provisions over the weekend so that we can transport.

CHAIRPERSON: So, it is a hybrid operational licence. Thank you, I will invite
15 evidence leaders to pose questions.

MR LESOFE: Just a follow-up on that, in terms of the other services, the charter service. How does it work? Is it zonal or area?

SEFENYA JOPHIAS THEKA: We are area based.

MR MANDIRIZA: Okay, so I just want to understand, if you have a trip for
20 instance, and you are in Johannesburg and you have people who want to say Qwaqwa, would your permit allow you to carry?

SEFENYA JOPHIAS THEKA: Yes, it will allow us to carry any passengers around the borders of South Africa to anywhere around the borders of South Africa, that charter.

MR LESOFE: Okay, the only limitation is that you are only allowed to use in
5 on weekends.

SEFENYA JOPHIAS THEKA: On weekends and we must just pick those customers at one place and drop them at the same place. We don't keep on picking up.

MR LESOFE: Okay, can if for instance there is a funeral. Are you able to avail
10 your services?

SEFENYA JOPHIAS THEKA: Yes.

MR LESOFE: Okay, thank you.

CHAIRPERSON: Now, in terms of the issue that you have raised where the unscheduled mini bus taxi operators are able to also ferry learners that are in
15 competition with you, how does that happen on the routes that they are servicing?

SEFENYA JOPHIAS THEKA: Usually their licences are not permitting them to do house to houses. So, ours we go house to house operation. So, theirs is just to be on their specific route. Then they move from outside their route and
20 comes into our route and picking children as we do. They also collect learners in the morning and afternoon house to house.

CHAIRPERSON: And then you have also raised in your submission a complaint in respect of the requirement relating to a new vehicle, can you maybe shed light on what the difficulties are?

SEFENYA JOPHIAS THEKA: The difficulties in our instance is that we are
5 using old cars and when we look back into Gauteng Passengers Road Act, it specifies all modes of transport that can be used to ferry learners to school. So, we have been using that. We are classified as taxi people who must go and buy new recapitalization. That is why we are saying maybe there is a confusion
10 between – mini bus taxi type. Maybe we don't understand the difference between a taxi and other national transport. We have never been engage in recapitalization.

CHAIRPERSON: In other words you are saying that there is no specific recognition in legislation of the specialized type of service which you are providing and you are subjected to the same requirements as the unscheduled
15 mini bus taxi service.

SEFENYA JOPHIAS THEKA: Yes.

CHAIRPERSON: Any further questions. Ja, thank you very much Mr. Theka. We will certainly engage other stakeholders including the provincial regulatory authority department of transport on the issues that you have raised and we will
20 certainly come back to you on what their response is. But thank you very much for your time and for also bearing with us in terms of time, we really appreciate your patience. Thank you very much.

SEFENYA JOPHIAS THEKA: Thank you for giving us this opportunity to view our views.

CHAIRPERSON: Thank you, we will adjourn for the day and we will then resume the 4th day of these hearings tomorrow in Pretoria at the Manhattan Hotel at 09:00 in the morning. Thank you very much for attending this session.