

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

[●]

TUESDAY 14th AUGUST 2018

VENUE:

(Port Elizabeth)

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SESSION 1

CHAIRPERSON: Morning everyone, welcome to the Competition Commission's Public Passenger Transport Market Inquiry public hearings. Today is Tuesday, 14 August 2018. This is the 18th day of the public hearings. My name is Bukhosibakhe Majenge, I am the Chief Legal Counsel at the Competition Commission, and I am also chairing the panel. I am joined by 2 panel members. On my right, I am joined by Ms. Nompucuko Nontombana who is the Divisional Manager of the Market Conduct Division at the Competition Commission and on my left, I am joined by Mr. Thulani Mandiriza who is also from the Competition Commission who is part of the panel in his capacity as the the Head of the Market Inquiry's Technical team. Both Ms. Nontombana as well as Mr. Mandiriza are Economists based at the Competition Commission. On my extreme right I am joined by Mr. Jabulani Ngobeni and Mr. Itumeleng Lesofe who are acting as evidence leaders during these public hearings. Mr Ngobeni as well as Mr Lesofe are assisted by a team of the Commission's lawyers and economists. Before we begin today's session I would just like to recap the rules that will be applicable to this hearing. The first is that the sitting of the inquiry is open to the public at all times except when the chairperson rules that part of the proceedings may be closed on grounds related to confidentiality or for any other reason deemed justifiable in terms of the Competitions Act. Secondly all sessions will be recorded and transcribed and will also be streamed live on YouTube save for those sessions or parts of the sessions that will be closed. In order to allow for the proper ventilation of issues the chairperson, my co-panel members as well as evidence leaders may pose questions to any person making oral submissions or to any witness. The chairperson will not permit any

person neither personally nor through their legal representatives to question any witnesses or any persons making oral submission during these public hearings. In the event that there is any stakeholder that has an objection or comment or question in respect of any submission made during these proceedings, that stakeholder must submit such an objection, comment or question to the inquiry in writing and the inquiry will attend to such objection, comment or question at an appropriate time as soon as possible. We will now receive the first submission from the Eastern Cape Provisional Department of Transport. Gentlemen, welcome and thank you very much for your time and for coming. There should be a piece of paper in front of you. You may take the oath or affirmation as you wish. Please switch on the microphone as soon as you do so. You can choose to take either the oath or the affirmation. Let's start on my right.

MR. MELANE: Good morning everyone. My name is Bhelu and surname is Melane. I am working for the Department of Transport in the Eastern Cape Province. I am responsible for operating license and permits. I am also heading the Provincial Natal entity. I Bhelu Nkosana Melane solemnly affirm that the evidence that I will give shall be the truth, the whole truth and nothing but the truth.

CHAIRPERSON: Thank you very much Mr. Melane.

MR. MAKAMBI: Good morning everyone. My name is Butise Simon iMakambi. I am working for the Department of Transport, Eastern Cape. I am responsible for subsidies. I therefore take the oath: Bathes Simon Makambi

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 very much Mr Melane. I understand that you have prepared a slide presentation. You may take us through the slide presentation and that will be followed by questions from the evidence leaders as well as the panel members.

MR MELANE: Thank you Chair. Once again good morning everyone. The presentation will include also the questions that were related to bus subsidies but when the time comes for questions Mr Makambi will actually interact with such questions. The quick table of contents I think it actually relates I won't go number by number because it is actually relating to the questions that we were given. Alright so I will go to the next table of contents which also includes more issues than were related to mini bus taxis and D1 is talking about the metered taxis and the NLTA amendments. A quick background colleagues I am saying the regulation of public transport in the province has become an integral part of managing, monitoring and overseeing public transport partnership and capacitation of law enforcement agencies, the municipality is quite critical in dealing with the prevailing tax violence and such related routes. The challenge we have there is that colleagues most of our municipalities they don't take public transport as one of the critical issues and as such that is where most challenges are actually derived. The first slide which was talking about the measures that we need to take into consideration when we implementing IRPTNs and the development of IPTNs. The main issue there, the first one I think the slide is forward B1, there is no adequate and sustainable funding. The capacity of the municipalities remain a challenge. The institutional

arrangements from all spheres of government and properly defined responsibilities and terms of reference for the implementation of IRPTNs and ITPNs, the exclusion of key stakeholders and proper consultation is still a challenge. Now when talking measures again we are saying that adequate funding must be provided. Proper training must be provided to municipalities to ensure that they are fully capacitated to undertake the implementation thereof. The seminars and workshops must be conducted on the ACT. Benchmarking must be conducted to learn experience from other countries where implemented the same. Section 59 objections. In terms of Section 59 of the National Land Transport Act, it stipulates that there are number of steps that we need to follow when dealing with publications for obligation of operating licences. The applications must be advertised on the Government Gazette to allow all interested parties to comment or to object. The reasons that are normally raised by operators when they are objecting are as follows:

The main issues are that the routes are indeed saturated. Operators that are operating most of them within the bus industry are using fraudulent bus registration papers. Operators that do not have clearly defined routes. Operators that do not consult their association when applying. Operators wanting to operate their starting point in a place that is not of origin. It is of common practice that you will find operators emerging from other provinces but they want to have a starting point in the Eastern Cape and not apply in the Eastern Cape PRD. Then operations by large bus operators, the Eastern Cape Provincial Regulator entity received thus far only four objections from bus operators. There were two objections by large bus operators and two by small bus operators. Their objections are mainly received in the Sarah Baartman

area than any other district in the province, I think because of its nature of its urban nature and bigger bus operators they are more interested in the PE route. Continue with the objections. Out of the four objections that we received there are three on merit that were approved and issued and only one was upheld. It took thirty working days for the PRE to dispose this applications. That thirty days include the twenty one day that notice have to be issued to the affected parties. How are the PRE dealing with objections? The PRE has secretariat in every district of the six districts in the province. The secretariat facilitates the adjudication, hearings in terms of obligation that has been gazetted and read for decision by the panel of adjudicators. That also includes the referral of such applications to relevant municipalities that are continued in the routes that the applicant is actually applying for. Operators are advised way in advance including their association if it is for mine bus, taxi type application. All interested parties including objectors are given reasonable time to express their views. We do that in line with the contents of the National Land Transport Act. Legal provisions of the NLTA – the provincial regulator entity members are independent atomised and unbiased adjudicational panel members. Each and every application is handled on its own merit and proper decisions is taken by the panel members. Impediments to the competition bidding process by government, the lack of knowledge for bidding process from previous disadvantage groups, lack of expertise in terms of their experience and competence from the previous disadvantage groups and lack of certainty on funding are still the challenges. When we come to the mini bus taxi type, Section 55 of the National Land Transport Act makes provision for the new routes. It mandates the PRE to refer inter provincial bus, mini bus, metered taxi

and other services to relevant municipalities are blaming authorities for comments. It also mandates municipalities to make determination on their availability of routes, rank facilities, public transport infrastructure and other facilities as provided for in their integrated plan. PREs, they take a decision based on the comments made by the municipalities or planning authorities. Failure of municipalities to comment within the prescribed period forces the PRE to finalise and take a decision for such an application as is contained in Section 55 sub section 6. The PRE takes necessary precautionary measures when taking decision on new application to avoid such ovation and also the taxi violence that is key in the province currently. Again when we allocate new routes we are saying every municipality is supposed to have transport forum to engage on issues of public transport and all relevant stakeholders to form part of that forum. It is necessary to engage and get support and approval from all taxi structures in the province. The primary association needs to define the new route because they are working on those routes, then the regional taxi council of that particular association needs to approve that route. Lastly when all that has been done the provincial taxi council then finalise and approve that route, then it comes to our offices for registration. Once that route has been amended all those routes, the association routes are actually amended, then it is captured on the National Transport Register, then it is the responsibility of each operator in that particular route to come and amend his or her operating licence. In terms of Section 39 of the NLTA it only gives powers to the Minister and Planning Authorities to declare a moratorium and as such the PRE or the MEC does not have powers to declare the moratorium. In most cases municipalities are reluctant to declare moratorium in areas where there is evidence of region

of routes. It is quite obvious most of the time the taxi industry will confront and engage with municipalities even if they have already declared such moratorium and they will withdraw that decision or reverse that decision. As a province we have agreed to close registration of new members and to control new entries in the market so that we can make sure that we are not overtrading in the taxi industry that we have done in line with the taxi industry that at this stage is mainly in the mini bus taxi type industry. We are saying there is no mechanism in place in the Eastern Cape as there is no moratorium in place. It is necessary though for the National Minister to declare such a moratorium as it is evident that the routes are saturated. That is quite evident in some areas of the Province where there is taxi violence. The Eastern Cape Department of Transport has no backlog in the processing of operating licence that we can confirm. The metered taxis, the National Land Transport Act Amendment Bill makes provision for the regulation of e? Services and that will provide a clear distinction between the two types of services. The Eastern Cape PRE has not issued any operating licences for exhaling services but only for metered taxis particularly in East London and in Port Elizabeth but in Port Elizabeth currently the municipality has declared a moratorium on metered taxis. I thank you.

CHAIRPERSON: Thank you, thank you very much Mr Melane. Mr Makambi I am not sure whether there is anything you would like to add or to emphasise in the presentation.

MR. MAKAMBI: Chair it was said it all. There is nothing that I can add.

CHAIRPERSON: Mr Ngobeni.

MR. NGOBENI: Thank you Chair and good morning Mr Makambi and Mr Melane. I think maybe just to start with a few clarification questions when you started Mr Melane you indicated that the and you will correct me if I am wrong but most municipalities they don't take public transport as a critical issue, I think maybe if you can just elaborate on that and then maybe indicate to the panel why you say so.

MR MELANE: Thank you. Colleagues it is quite clear in the Eastern Cape particularly most municipalities they privatise sanitation, water and other things and they don't have a desk that deals with public transport and in a nutshell I can confirm it is only one of two municipalities that even have integrated transport plans. Most municipalities they don't even have their plans and also when we refer applications to municipalities there is no dedicated person to actually deal with those referrals and as such the PRE is left with no obligation in most cases because the Act is very clear because when the time of referral lapses and you have not received any response from the municipalities the Act says you must issue that license. We are trying now as part of our programmes in the Department to actually have workshops to capacitate municipalities to understand their role in public transport but currently we have that challenge as a province where municipalities are not actually coming to the floor to assist us as the Department and also the fact that zero that have Municipality Regulatory Entities and currently the province is running the function of the MREs, is running the function of the PRE is also running the function of the NPTR because the NPTR has been established at national but it is a non-starter, it is not moving so we are also dealing with inter provincial routes as a province currently. Thank you.

MR NGOBENI: And if you are as you have indicated, if you are dealing with all of these, we have assumed the role of the MRE, you have assumed the role of the PRE and you also indicating that in cases where you have advertised and they have not yet responded you would then do your own assessment to determine in order to assist you again yourselves in order to perform your adjudicative role, lets first start with the province. Are you capacitated to carry out all of those functions? I understand you have already mentioned that you are not experiencing any backlogs but given the amount of work that you have just highlighted as being located within the department are you properly capacitated to execute all of these functions.

MR MELANE: The answer is definitely yes. As I said in my presentation. Eastern Cape is a very broad province. We have six districts that the PRE rove across the province to recede and adjudicate. What happens is that each district collects its own application, processes them, refer and gazette them. When they are ready they inform the office and then the PRE will be advised to go and recede and adjudicate in that particular district so we don't have but the main two districts that are forever busy are East London and Port Elizabeth which is the Umathule District and Sarah Baartman District but the other districts are naturally small districts so yes the PRE is coping with the work but we would love that the NPTR finally comes to the floor and assists us because currently our budget gets exhausted because it is very costly. We are actually subsidising the taxi industry. To process one application in terms of advertising in the Government Gazette is very expensive so if the NPTR will come really to the floor and actually help take its task it will actually remove some of the work from our shoulders or the National Department can assist us in terms of funding

because our budget will pay over R6 million you know basically on the Government Gazette for advertising and the Act is very clear, there is no way to run around it, we must publish those applications.

MR NGOBENI: You then mentioned the question of workshops but you are trying to capacitate the municipalities – is it a question of municipalities lacking capacity or is it a question of municipalities not being interested at all to execute that function which is allocated to them in terms of legislation.

MR. MELANE: I think both. There is no capacity and there is no interest but when taxi violence prevails unfortunately we ah veto engage with municipalities. You know it is actually shocking in some areas to learn that they don't even understand that they are responsible for the rank facilities. In most areas you will find that the ranks are owned and managed by taxi association which is the key element in the prevailing taxi violence so we try now to sensitise them on their roles, their functions and actually what they need to do as a province the MEC at some point in time was even willing to allocate officials an second officials to municipalities to actually assist and capacitate municipalities and run that function because the reality is that you will find the referrals are just put in the box and no-one cares for them so it is a real challenge that we are having currently but at least we are doing something about it, we are engaging, we are workshopping our municipalities in the province.

MR NGOBENI: And what has been the effect of, how long have you been conducting these workshops and what has been the effect of, from where you

are sitting, have you assessed to see whether or not your actions are bearing fruit.

MR MELANE: No definitely they are bearing fruits. Currently the Waratambo District, the Umatolo District and Sarah Baartman are busy updating their integrated transport plans. In OR Tambo where we were actually challenged with taxi violence the MEC closed all ranks, we reopened the official demarcated ranks and at this stage the municipality who are busy engaging with the municipality to understand their role in terms of the rank management so yes we are working with those municipalities and we can see the light at the end of the tunnel. We are hoping to get there even with the other municipalities. But the most unfortunate part is quite difficult with the more rural municipalities but it is quite easy and achievable with the most urban municipalities.

MR NGOBENI: And then you mentioned that maybe just to clarify the exclusion of consultation is a challenge that is one other thing that you mentioned you know in your initial presentation and I just want to understand what you meant by that.

MR MELANE: Thanks Chair. The point was referring specifically when the LPTS was implemented specifically in the Nelson Mandela metro we found out that as the municipality have to negotiate with the stakeholders before they can introduce the new services, in the process as we facilitating the process so that they can run smoothly, we find out there were people that says they were excluded from the process, some of them, the well-known operators, bus operators so we had to intervene so that everybody can be taken on board in this new service that is going to be offered, it has started already, we have

succeeded in that, we have managed to bring all the stakeholders together although some of them, they didn't sign the memorandum of understanding as per the new service that is going to be introduced in this matter. The point was referring to that.

MR NGOBENI: Thank you and Mr Lesofe will ask more on buses and maybe just to come back to the mini bus taxis, how has been your experience in terms of your engagement with various associations when you are adjudicating or determining whether or not to grant operating licenses. What has been your sort of engagement with various associations, do you receive objections, do they come to make submissions on whether or not you should be granting a particular operating license. What has been your experience there?

MR MELANE: Thank you. I think we have got a healthy relationship with mini bus taxi type industry in the province. We have a memorandum of understanding that we have signed with the provincial SANTACO and we have regional taxi councils that are representing the six districts that the department works in and the result when we engage with the primary associations we have ninety four registered primary associations in the province. We go through those channels. If we want to engage the reasons we will go to the provincial taxi council. If we want to go to the associations we will go to the regional taxi councils but in the main there are no objections primarily in the mini bus taxi type service. Only it is in cases when you will find that probably the member is not good standing in his or her own association and then you will find that the executive of that particular association will come and object.

MR NGOBENI: thank you and you then mentioned the operation of the moratorium and you indicated that the PRE maybe if you can just explain that a decision has been taken to close off what you refer to as registrations. What is the difference between that and a moratorium because it appears to me that that is the same thing and that is the first part of the question and secondly you know what is the legislative basis of these closed off registrations that you mentioned. What are you relying on, what are you basing that decision on legally.

MR MELANE: You will remember colleagues that before the NLTA was promulgated there was the National Land Transport Transitional Act of 2000 where the issue of registration and the Registrar's office was in place but when the NLTA was promulgated it was very silent on the registration of Taxi Association and their members. However we saw it as a disaster that will cause more conflict if it still we not continuing with it so as it is not in conflict with the NLTA we continued with the function of registering members and actually associations but we are no longer in any association now. The moratorium that you are talking about is not the same as closing the registration. The basis of the moratorium when you declare a moratorium we are not processing any new applications but what we are saying now to the industry is to say let's close shops because everyone now is coming to join the taxi industry and the cake is finished. That is a reality but within what we have in the basket we will continue to process in terms of renewal, additional vehicles, amendment of rules, so we continue with business as usual but we are trying to close the gap because in reality the mini bus industry isn't saturated but what we are doing with registration, we are doing it as a province and other provinces are doing it

because it is not in conflict and however we have also when we were engaging with the National Department of Transport during the consultation processes of the Amendment Bill and Bill of the NLTA we made it very clear that we want registration to come back because there is no way that I can become an independent operator and want to operate the same routes that are operated by mini bus taxis. It is a recipe for disaster.

MR NGOBENI: So currently the pre is not receiving and adjudicating any new applications for mini bus taxi operating licences.

MR MELANE: No, that is not what I am saying. I am saying there is no new entry into the taxi industry. There are still new applications that we are receiving from the mini bus taxi industry but it is for members that are already registered. For example, a person had one car but now has actually bought another two additional vehicles, we will still process that application because somebody in existence but what we are closing is registration of new members. Then by registration of new members we won't be having new members that are coming to join the taxi industry so we are containing what is already there.

MR NGOBENI: So just to understand and you will forgive me because I am not an expert in this so you are saying you are working with say, let's say SANTACO, and you are saying they should not be recruiting more new members, is that what you are saying.

MR MELANE: That is exactly what I am saying.

MR NGOBENI: And what has been the response from these associations.

MR MELANE: I think we are in agreement. You will remember what has happened in Umtata it was in the public domain. What we said it was even

contained in the Peace Agreement assigned by the Taxi Industry because it was indeed what leads to this taxi violence is rude encroachment and it is actually the saturation so we said lets actually work with what we have in the basket and not add new pressure because currently the main issues around routes, they are fighting over routes so if we have an influx of people coming into the market and registering new members we are actually adding fuel to the fire.

MR NGOBENI: And what has been your experience, are you seeing ok firstly have they embraced – you say you have a MOU with them and they have agreed to the proposal.

MR MELANE: As I said we have a very healthy relationship with our provincial taxi council. It is not like it is a final decision. We engage continuously. Bi-monthly we have meetings with them, we sit and we review our decisions so we continue to engage with the taxi industry, our client. We sit with their provincial taxi council, the managers for public transport at districts, they sit with their regional taxi council so there is that type of relationship at all times.

MR NGOBENI: And then you say the cake is finished. What did you base that on? Did you conduct some study and on the basis of that study you then came to a conclusion that you know the market is oversaturated, what is the basis of that conclusion that the cake is finished just to use your own words.

MR MELANE: Thank you. I think as I said we are engaging with SANTACO even themselves they are agreeing. What they normally bring back home is not the same anymore now. There are quite a number of vehicles

operating the same route. The rested is that we wanted to conduct but we have not studied. In OR Tambo they have started with some surveys but also in terms of looking in our data base. Remember we are using the NLTi there, the National Land Transportation System and in the National Land Transport Information System we have got a module which is the registration administrative system and they all ask the one we use to issue operating licenses. You can tell from the reports that we derive from the true systems that indeed there is quite a number of operators and the reality is that if we look at the statistics currently we have got over 23 000 operators registered. But out of that 23 000 operators registered only 11000 class that actually have operating licenses so you can tell actually also down in the ground there are illegal operators, there are also legal operators which is something that I have also highlighted in the presentation that at some point in time we need to also engage law enforcement so that we can actually assist the very same legal operators. We might say the cake is finished but the reality is that we don't know that probably most of the operators that are eating on that cake are actually illegal operators.

MR NGOBENI: And maybe just to get clarity there you mentioned the question of the system that you currently which is the system that you use for the issuing of operating licences so as I understand that in terms of the issuing of operating licenses the system has not been efficient, what about, I understand that part but in terms of the numbers there which you then use as a basis for the decision that you have taken, is the system efficient or is it giving you good numbers in terms of you would then make your final determinations.

MR MELANE: I think there are two issues that you need to differentiate on the issue of the system. The system is a good system but the interface that they are using and the slowness of the system is quite a challenge but we have been engaging with the National Department of Transport for years on the issue of the system. I know there was a tender that was advertised because they were developing a new system and the system that we are using was developed in line with the National Land Transport Transitional Act of 2000. There are challenges but at least the report that we get from the system in terms of the valid operating licenses and the illegal or invalid or no operating licenses attached to a vehicle we can rely on that report that we get from the system.

MR NGOBENI: Ok and let's just deal with the question of the metered taxis and e-hailing services and you have indicated that there is a moratorium apparently, you have declared a moratorium on mini or metered taxis.

MR NGOBENI: The municipality of Sarah Baartman, not me.

MR MELANE: Oh ok, not me.

MR NGOBENI: So you are saying it is the municipality. Ok and in terms of e-hailing how have you been dealing with e-hailing operators as a province?-

MR MELANE: As I said we have not processed any e-hailing applications, they come as metered taxis when they apply and in this case in Sarah Baartman there is a moratorium on metered taxi applications so we are not processing any and in East London there are quite a few that we have processed for metered taxis so there is no particular application that has come to us that is saying I am applying for e-hailing services.

MR NGOBENI: Ok so the ones that you have received are the ones where people have come forward to apply for metered taxi operating licenses and what is it that you have done. You then allocate them with the metered taxi operating license and they then proceed and operate in ehailing service.

MR MELANE: Yes but as I said in Sarah Baartman there is a moratorium on the processing of applications for metered taxis. We have not been processing any metered taxi applications in Sarah Baartman.

MR NGOBENI: Since when?

MR MELANE: I will have to find out but it has been some time. I think in the past year or two now there has been a moratorium on metered taxis in Sarah Baartman.

MR NGOBENI: Thank you Chair.

CHAIRPERSON: Now just before Mr Lesofe comes in. Just a follow up on the last question in respect of the processing of applications for metered taxi operating licences. Do the conditions that are attached to the operating licenses, do they vary depending on whether an Applicant is applying for “e-hailing services” to an application where the applicant is providing traditional metered taxi services. Are there any variations in terms of the conditions for a license?

MR MELANE: I think we have got a set standards in terms of the conditions that were attached to a metered taxi. One would be of a meter that is actually fitted into the metered taxi but that will be more the discretion of the panel of adjudicators. As I said I am not the member of the adjudication team, I am heading the PRE section but key as I said earlier on there are set

standards. They use their discretion but there is a specific set of standard for each service. Like you have your conditions for your scheduled service, you have got your conditions for mini bus type taxi service and you have got your conditions of retired taxi as well.

CHAIRPERSON: Mr Lesofe.

MR LESOFE: Mr Makambi I think my questions are largely in relation to your portfolio. I see a colleague has joined you. I assume he will be assisting as well. Perhaps if you could start with you chair.

CHAIRPERSON: Ya welcome, if you could just introduce yourself and then take the oath or the affirmation.

MR MTHIRARA: Good morning colleagues. My name is Phathuxolo Mthirara. I am working for the Department of Transport in the Province under Public Transport Services mainly dealing with the administration and management of subsidised past contracts. I Phathuxolo Mthirara do solemnly affirm that the evidence that I shall give shall be the truth, the whole truth and nothing but the truth. Thank you.

CHAIRPERSON: Thank you Mr Mthirara, Mr Lesofe.

MR LESOFE: Thank you Chair. So I am going to focus largely on the subsidy contract system and perhaps as a point of departure, if you could sketch out for the panel how the subsidy contract system works in the Eastern Cape and you may do this with reference to the current operators that benefit or that provide subsidised commuter bus services and you could also identify the areas that are serviced by these operators and maybe later on we can talk about the nature of the contracts held by each operator.

MR MTHIRARA: Thank you Chair. In the Province of the Eastern Cape we are having the trippers companies that are getting subsidies from the Department. You recall our province is mostly urban and rural. Now we have got one bus company that is servicing mostly the urban area that is the Nelson Mandela Metro and we have got the other bus company that is servicing mostly the rural areas which we call the best Africa 350 and then we have got the State owned bus company which is Mabuya which is servicing, is divided between the two, the rural and semi urban. Those are the bus companies that we are benefiting from the province.

MR LESOFE: Ok it is fine. Could you please give examples of some of the rural areas that are serviced by Biz Africa?

MR MTHIRARA: The Biz Africa is servicing the areas like Lusikisiki, Umtata area, Gumbu on the other side. If I may call it we are the district areas. It is Alfred Mzo, O R Tambo and Chris Hani area. This is where urbitrifiti is serviced.

MR LESOFE: And Mabuya.

MR MTHIRARA: Mabuya is servicing Amatoli and part of Chris Hani District Municipality – those are the areas.

MR LESOFE: When was the contract with Algoa first concluded?

MR MTHIRARA: The contract with Algoa is running for seventeen years now. It is running for seventeen years now. It has lapsed. It was extended, extended, extended. It lapses on the 1st of March this coming financial year but now it is on a month to month basis. We are carrying on like that. We have been given a mandate that in the presentation as you can see

we have highlighted the issue of funding in the capacitation of the municipalities. We were supposed to go to tender but due to financial constraints we didn't go. And if you look at the capacity of the municipality as well they cannot absorb the services that Algoa is offering currently so by the introduction now of the IPDX they are trying to solve that problem of us, the people that are creating monopoly but that thing will start in phases. We have started to implement the IPDS in Nelson Mandela but it has taken so far tourists from Algoa.

MR LESOFE: The rest still remains with Algoa and when they take over that services that Algoa is offering currently you must remember that there are issues of compensation if you remove that from the route you have to compensate them and on top of that there are taxi operators that are operating on those routes then you have to buy out the taxi operators and compensate them as well.

MR MTHIRARA: Yes. Thank you Chair the only part that I wanted to talk to the one of the questions that you asked you wanted to know the type of contracts that we have. The Algoa Company as Mr Makambi has eluded is through the interim contract which is amended and that contract is valid through public transport operations card and then the other two are funded through the Provincial? - That is all I wanted to share.

MR LESOFE: Thank you and your contract with Biz Africa, now long has it been in place?

MR MTHIRARA: Thank you once more Chair. Biz Africa, the way the government entered into a contract with them. The contracts actually were

implemented in phases. The first phase of the contract was concluded around 2008/2009. Then that contract expired around 2015 – all of them were entered over a period of seven years with the proviso to extend them to a period of twelve years in terms of the negotiated contract so the first phase has been extended then the other contract, the second phase of the contract just expired then the other phase which is phase 3 is still rural and the way they actually agreed was to say the contract period will only apply during the last delivery of the passes so the list batch of buses under phase 3 have not yet been delivered because in terms of hot business plan under phase 3 you roll out 55 buses so those 55 buses have not yet been completed so that period has not kicked off.

MR LESOFE: Thank you I think I would like us to have a more detailed discussion around AB350 – maybe if I could ask one or two questions before then we can come back to this. So of the 3 bus operators that have subsidy contracts with the province which operator has the largest share?

MR MTHIRARA: Chair the largest that they have got, the one that has got the largest sale is Algoa Bus Company. I don't know whether I must disclose the amount.

CHAIRPERSON: No don't.

MR LESOFE: It is just an estimate of percentages.

CHAIRPERSON: To the extent that some of the information perhaps may be confidential, that can be provided to us in writing on a confidential basis. I think we can move on to other questions.

MR LESOFE: I think he has estimates.

MR MTHIRARA: According to my estimates it is over 40%.

MR LESOFE: Now AB350 could you just explain to us or describe the composition of this entity. How is it constituted and you can give us a sense of the shareholder in the entity if you can.

MTHIRARA: Chair AB350 is 100% blacks. If you recall there were bus operators that have been operated in the area of Transkei then they form this one company called AB350 altogether and then the buses that have operated at that time they will phase out and then the owners come to this here new umbrella, it is 100% black.

MR LESOFE: How many operators are a part of this entity?

MR MTHIRARA: Let me estimate here as well. Thank you Chair. Although it is difficult to estimate at this time around but the formation of this AB350 was made of over 166 operators that were operating in the former Transkei Transport Regulation TRTC so all of them the time that TRTC was abandoned, all of them came into one and formed this AB350 so it is over 166 small bus operators.

MR LESOFE: And this would be small bus operators. Could you just confirm on record.

MR MTHIRARA: Yes Chair.

MR LESOFE: Thank you. So what necessitated the awarding of a subsidy contract to AB350 if you could just give us context to that?

MR MTHIRARA: Thank you Chair, I think Chair as I said earlier on, one of the reasons that gave rise to that was that this 166 buses that were operating at the TRTC closed down and the kind of services that they were rendering at that time was unsophisticated so some of the reason give rise to the formation of this AB350 and another key element was the issue of empowerment. Thank you.

MR LESOFE: And because it appears that one of the challenges that small bus operator's face which is probably the biggest barrier to entry is the issue of finance and you have correctly pointed out that most of these very old fleet they cannot afford to buy new buses. If you could just explain to us the kind of support that the province has given to the entity in terms of finance and other forms of support.

MR MTHIRARA: Thank you Chair. Chair well I must confirm that as I said earlier on that the contract of AB350 was entered into phases, we have got phase, 1, phase 2, phase 3 and the reason that the Department decided on that approach was due to funding constraint. There was no funds available actually to go on a blank approach so as a result there was this approach of rolling out these phases. I believe that there were some key funders that came to assist the Department during the formation of this AB350. The list is endless, it is a list I cannot actually think out of the box now but there were funders that came to assist. One of them if I can recall was Scan liar because the? AB350 operates currently now did make a pre-requisite that there must be a maintenance contract that will actually oversee the operations of AB350 in those areas hence scanliar came on board. And the development then was also part of the funders of this conglomerate and it is a bit I cannot recall others

but it was quite expensive the funder that came to assist the Department in terms of the running of this contract.

MR MTHIRARA: The Department operated they operating more even the drafting of the business of this AB350. The Department was key in that and the moral that they are going to operate with so that they fund us can satisfy themselves about the business plan so that was the role that the Department facilitated in support of these small bus operators.

MR LESOFE: Thank you and overall how has been the performance of this entity and perhaps you could also comment on some of the challenges that you have had to deal with.

MR MTHIRARA: Ok Chair let me say this. These entities are performing well but.

MR LESOFE: Sorry I am asking specifically in relation to AB350.

MR MTHIRARA: Chair the AB350 it is performing well under difficult circumstances. If you look at the terrain where they operate, the operating costs that they encounter and as the emerging business, the small business conductors, they have got some challenges in terms of operations. Their system fails at some point and then they have to incur some penalties because remember we have drafted a contract with them so there are certain things that are attached to a contract but if you don't adhere to that contract then you have to be penalised. For instance they cannot operate without the ticket machines but due to the terrains that they are operating on the machines fails to the extend that we were forced because it was a constant norm that their machines fails and when the machines fail then corruption can be rife because you see

you issue manual tickets so you can't account properly for the revenue so it was a constant norm so all the time these machines fail and then you have to raise penalties for them to adhere to. Another challenge that they have are the breakdowns on their buses which again if they have got a breakdown and they didn't operate we are forced to raise some penalties against them so they are operating on those circumstances, those are the challenges that they have and I think my colleague.

MR MTHIRARA: Thank you Chair. I think one of the other challenges that are giving us, even them a problem is the issue of Taxi Intervention. Most the time a taxi operator will just offload the bus and started board AB350 buses. That has been a challenge. Those instances are reported to the South African Police Service for intervention and so forth but really it is becoming a real issue for them and for instance the way this thing is spreading for instance you will have issues in one specific district but because of the inability to address that specific challenge effectively and efficiently it has the potential of spreading over into other areas as well. Then the other one is the issue of staff turnover. AB350 is operating in the rural area and some of their technicians do not stay long in those areas. They come and leave quite frequently. Then the issue of breakdowns, the terrain they operate, the buses, they need to make repairs to their buses quite often so those are the challenges now that they are faced with.

MR LESOFE: And I guess these challenges even affect their operational costs.

MR MTHIRARA: Yes they do Chair.

MR LESOFE: And I am sure their performance would be so much better if they were for instance given the opportunity to also service urban areas.

MR MTHIRARA: I can really agree with you due to the conditions that they operate and at times these challenges do have an impact on their revenue base as well. For instance AB350 they operate under terrible conditions. When it is raining they do not operate. You can imagine at times the rain will fall for almost a month then there will be no service for that period and then that affects their revenue base as well so those are the major challenges as well.

MR LESOFE: Thanks I think with all of this discussion in mind let me put this proposition to you in relation to the contract that has been contracted to Algoa for I think you said more than 17 years now. The proposition that I want to put to you is that the fact that you had Algoa being this contract in perpetuity actually undermines competition and puts other operators at the competitive disadvantage including the small operators who essentially have been relegated to servicing rural areas. In responding to this I think it is important to also take into account in the public transport sector competition doesn't take place on the route itself, it is largely for the route. In other words the contract system is essentially probably the only way to enforce or to encourage competition. In other words if there was no competition for contracts there won't be competition on the route, it is probably the only way to enforce or to arrange competition. In other words if there is no competition for contracts there won't be competition on the route. There is likely to be limited competition on the routes. Will you comment on that?

MR MTHIRARA: Chair it is quite true what you are saying but there are circumstances around this situation that we find ourselves in. Part of it is the sinking budget that is allocated to this contract. It is a national issue. All the provinces are facing the same thing, of extending this contract hence now this contract of Algoa. Now we are trying now to try and come up with a remedy in this situation with the introduction of the IPTS but remember now the municipalities have to demonstrate the capacity to take over those services and then they have been given powers that they must be contacting authorities as well so I think that in its own it is going to solve this problem of this same monopoly in a way.

MR LESOFE: So essentially you accept that the current position cannot continue indefinitely.

MR MTHIRARA: Yes of course.

CHAIRPERSON: Can we just make a follow up and this is really a much broader question and that is not only confined to the Eastern Cape Province. I think it generally across all the provinces when it comes to subsidised commuter contracts. We have seen essentially the same at the same picture in the sense that you have incumbent subsidised bus operators who have heard this subsidised contract for a considerable period of time. As Mr Lesofe has put it that intends to give or to constrain the entry of smaller bus operators who like to also provide subsidised commuter bus services. So what I would like to find out from you is whether it is possible because this is something that is almost national, is it possible to introduce new entrants into this subsidised commuter buses because across all provinces this appears to be a sticky point.

MR MTHIRARA: Chair the chances are there to introduce the new competition. I would like to refer again to what is happening here and nationally. You recall the IPTS have started. It was composed of a certain operating company which is a new entry in the bus industry that is operating now so it creates the opportunities as it going to roll, it has been started into phases. Now if we go to phase 2 new entries will come in, there is another player now taking off what Algoa, some of the routes from Algoa to this new company that is going to be formed and constructed by the municipality to operate certain routes within this area. So it creates a place that transform this industry.

CHAIRPERSON: But in the subsidised commuter bus service, let's leave aside IPTN as a possible avenue but when it comes to the subsidised commuter bus contracts is it possible to have new entrants in this space. Is it something that is doable or is it something that is not doable? What are the constraints if it is something that is not doable? If it is doable how can it be done, is it possible to break down some of this contracts for instance into smaller portions. Is it something that can sustain or give an operator sufficient scale to be able to have even one operator for instance in the Western Cape you have Golden Hour which is servicing a very large network of routes in the province? Is it possible for instance to break down that contract into smaller contracts to allow new operators. The same can be said of Putco in the Gauteng Province, Algoa in this Province so is this something that is doable. As people who are dealing with this issue on a daily basis what is your experience of whether something like this is doable.

MR MTHIRARA: Ok thank you Chair. Chair you are quite correct. This is a national issue. All the provinces really have got this issue of this big companies that have been there or that have been there although they have been for quite some time. Well the National Development of Transport I think has issued a directive that says we need to implement this integrated public transport networks and the aim of those IPTNs is to bring on board the previous disadvantage operators however there are some challenges that are facing provinces. One of which is the issuing of funding for instance if we are talking about the public transport operations grant is shrinking. In other words it is even difficult to allow provinces to introduce new services in their respective provinces so this issue is an issue that is being conceded but due to these challenges it is really difficult to realise that objective however in the case of us in the province Mr Makande did speak about the issue of Algoa. The way that we have concluded or we have entered into a contract with Algoa as the Department it is in the manner that allows us as the province to allow the introduction of newer services in the case of Algoa Bus Company. In other words as the municipality is driving the issue of the IPTS there is a provision that is allowing them whenever they are ready to introduce any new service, in other words the contract has got that flexibility that allows them to introduce that service but the outside of the municipality, it is really a difficult task to achieve to dismantle these operators, the issue being the state of readiness in terms of the new service plans that we need to have because one of the requirements if you want to introduce any new service you need to have service plans ready and for you to have those service plans ready you need to make adequate funding. Thank you.

MR MTHIRARA: Chair just in addition specifically in terms of Algoa our MEC have made a submission, to the National Department of Transport that this large sum that we cannot disclose can't it be divided among the others that are benefiting less. That submission is there. We are still waiting for a response because the contract for Algoa is held at a national department, department of national level so I can say there is that feeling within the province as well.

CHAIRPERSON: You may continue.

MR LESOFE: Thank you Chair. I have another proposition that I would like to test with you and I am borrowing this proposition from the Taxi Industry. And the proposition is that the allocation of subsidies to the bus industry to the exclusion of the Taxi Industry puts the Taxi Industry at the competitive disadvantage especially in areas and on routes where taxis compete directly with bus operators and this proposition is made taking into account the fact that generally the Taxi Industry is responsible for ferrying the majority of commuters.

CHAIRPERSON: Will you comment on that?

MR MTHIRARA: Thank you Chair. Chair, I cannot agree with you more. That is a fact but the National Development of Transport has undertaken an initiative where they are developing a plan that tries to integrate all the unsubsidised services like the taxi services, the scholar transport or transport even in the issue of small bus operators so that objective is at the advanced stage so the objective is to try to incorporate the Taxi Industry so that at the end of the day it can also benefit because we will all understand the role that the

Taxi Industry is playing in terms of moving the passengers from point A to point B, and the market share they have as well is quite extensive hence nationally has undertaken that initiative but the outcome of that study is not yet out.

CHAIRPERSON: If you accept this proposition essentially you are accepting that for at least 23 years because the subsidy contract system was introduced in 1997 for at least 23 years in this context the Taxi Industry has been put at the competitive disadvantage.

MR MTHIRARA: Chair we must concede.

MR LESOFE: Thank you. Now further to that proposition there is a view that the allocation of subsidies because they are meant to benefit commuters. There is a view that the allocation of subsidies because they are meant to benefit commuters they should essentially be allocated to commuters and not necessarily to a specific mode of transport so this view is that currently the way the system works is such that the subsidy is allocated to a mode of transport and not necessarily to a commuter and if a subsidy is allocated or rather the subsidy is allocated to the commuter then the commuter will have a choice whether to use that subsidy, whether to use the taxi or the bus. Currently commuters don't have a choice. Those who use taxis do so and they don't benefit from the subsidy. Will you comment on that?

MR MANDIRIZA: Chair, what we are saying is it is a relevant argument but the constraints on that is if you issue public funds you have to put structures to manage that so now if you come to taxi side they are not structured in a way that you can properly subsidise an account because they are individuals, let alone they are associations that they belong in because if

you go a specific route you can't say you can put a subsidy on that route for these taxis because they are not, there is no structure that can say we can issue tickets for taxi operators in this route. That is one of the challenges that we seek as a stumbling block but as in the moment we are trying as a department to form co-ops to formalise them and transform them so that they can come closer to what we wanted to.

MR LESOFE: Just a follow up it seems as if your answer proposes a subsidy to the taxi industry whereas the proposition is that it is the commuter who must be subsidised and the commuter must then make a choice as to which mode of transport they wish to use so again this is something that is doable, that is to shift the subsidy from a mode of transport to the community.

MR MTHIRARA: Thank you Chair, I think we need to go back. The taxi industry comes from the background that it was too informal and we had to formalise the taxi industry and as a province we have managed to assist them in terms of establishing co-operatives. They have primary co-operatives, secondary co-operatives and taxi co-operatives. In its nature the taxi industry is too scattered and the reality is even the vehicles that they own are owned individually. There is still even a challenge to register this vehicle under the name of the co-operative so as the operating licenses so there is also the element of funding. It is true that when the government subsidises the operator it is actually subsidising the commuter. But here also the guidance that we get from the National Department of Transport lacks because at some point in time there was an indaba specifically to address the issue of subsidy in the taxi industry and that never took off. Instead there was a strike by SANTACO nationally and this was also raised by SANTACO nationally but up until now it is

still very silent in terms of the way forward but the industry, the taxi industry is actually very excited about the issue of the establishment of co-operatives but the mechanism going forward because if we were to subsidise each and every operator but how do you channel those funds is the way they are actually established currently. That is still a major challenge. Thank you Chair.

MR LESOFE: This is my last question Chair and it is very light witted just to end the conversation on a positive spirit. In terms of monitoring how does the Department monitor compliance with the terms of the subsidy contracts especially terms in relation to performance and adherence to schedules.

MR MTHIRARA: Chair as the Department we have got certain routes that have got certain routes that are being subsidised. Each route has got a certain kilometres that is allocated to, that have been subsidised and then there are schedules in terms of the operation of the buses. Now you have to, we have tickets again that we issue, electronic tickets that illustrate that these routes have been operated. The ticket system have got times and then again we are starting out without monitoring team to monitor the adherence of the bus companies to their schedules and again if you come to Algoa they are so advanced that they have got cameras that monitor the movement of buses even the issuing of the tickets you can see as you monitor them. It is difficult though on the side of AB350 because of the terrain but we have got those check in balances. Again during their claim submission on the monthly meetings we sit on the claims meetings, we verify which routes have been operated, which routes have not been operated, how many breakdowns were there, how many manual tickets were issued based on the routes that were allocated so those

were the check in balances that we have in terms of managing the subsidy to the bus operators and then we verify the claim based on the sourced document that we have and we approve it. I don't know Devall whether you can add something on that.

MR MTHIRARA: Thank you once more Chair. I think one or another mechanism that you are using to enhance this monitoring we have made it a pre-requirement specifically to AB350 that they must start introducing a fleet management system that we can get access to as the Department so that whenever we want to perform sporadic monitoring we can do that at our time but at the end of the day we do sit with them during the verification exercise where we do the check in balance exercise based on the source document that they operate and that the issue of these electronic machines or the installation of the ticketing system it is a condition in the contract because we place our reliance on the data that is being actually generated by [1:07:52] system but the other one just to enhance what is out there.

MR LESOFE: Thank you very much.

CHAIRPERSON: Mr MANDIRIZA.

MR MANDIRIZA: Thank you Chair. I just have a few questions. The first set of questions that led to the e-hailing services.

MR MANDIRIZA: Has the province had any interaction with Uber or Taxify?

MR MTHIRARA: NO

MR MANDIRIZA: Ok. Then in terms of buses. Just a follow up question from Mr Lesofe's question. The costs per kilometre that you pay is there a differentiation between urban and rural areas.

MR MTHIRARA: Yes Chair there are. In the urban area it is R22.40 per kilometre. In the rural area it is R28.55 ?? and the reason for that ??? [1:06:36] is it the terrain and all those other factors that you mentioned before. Is there any possibility of sub-contracting arrangements? I think you mentioned that for Algoa the MEC has written to the Minister because the contract is held at a national level. From the current contracts do you see a possibility so that at least we can promote new entrants or small bus operators?

MR MANDIRIZA: Do you see from the current contracts whether there can be room for sub-contracting arrangements for either a few number of routes so that at least there is a promotion of entry?

MR MTHIRARA: Well Chair I think based on my general understanding sub-contracting has got some other challenges as well. For instance in the Western Cape Golden Arrow did have a provision in their contract of sub-contracting some of their services to other emerging operators but there were some challenges that made them to close down, that kind of arrangements so there is a possibility if I may respond to our question but there is some challenges as well but those challenges cannot be overcome.

MR MANDIRIZA: Thank you Chair.

CHAIRPERSON: Ms Nontombana.

MS NONTOMBANA: Thank you Chair. The question I want to start with is sub-contracting. Just to follow up on the last question that was asked just now

and the question I have is that in some provinces as you point out what they have done is to set aside a percentage to say that a certain amount would then be set aside for small operators. Is that a consideration here despite the challenges that we are mentioning

MR MTHIRARA: Chair I don't think that is in the consideration so far because first time that I come to Algoa I have asked them what about the sub-contracting of the small bus operators that are growing. They say we did that before. It don't want to work and then I am accountable for what I have conducted for so I don't think it is on the cards now.

MS NONTOMBANA: And then other bus operators when you engage them, what is their response?

MR MTHIRARA: No, we haven't engaged them yet.

MS NONTOMBANA: And then the other questions I have are based on what we saw in the presentation earlier. You mentioned that there were four objections that were received regarding operating licenses for bus operators and my question was over what period were these four objections received. What period were you looking at?

MR MTHIRARA: I will have to submit that in writing because as I said I am not a member of the adjudicators but this is the information I collected as responding to the questions that I was giving but if you want those details I can forward them to you.

MS NONTOMBANA: And then would you also be able to share the reasons for the one that was upheld because you said of the four the three were approved and then the one was upheld. Would you also be able to share that?

MR MTHIRARA: As I said I can compile that information because I will have to get the decision and the minutes of the PRE sitting.

MS NONTOMBANA: And then the last question I had is with regards to the issuing of licensees again and in your presentation you mentioned the pretext precautionary measures when taking decisions on new applications to avoid saturation and violence and I just wanted to find out then how would this then be dealt with in cases of new developments because in the absence of transport plans then that information may not be readily available because I understood you to be saying that you use a database to see how many operators are there and then you use that as one of the reasons for determining whether an operating license would be granted or not and so the question is so in instances where there are not transport plans how do you account for new developments because those transport plans would also include your forecasts on what would be happening in certain areas.

MR MTHIRARA: Thank you. I think your question is answered on slide C.2 where we dealt with the new rule allocation where we are saying there is a process that we follow in partnership with the taxi industry. If there is a new development we can stop development then we engage with all the structures of the taxi industry where we now start to define that route and when the route is defined then it gets endorsed by the Regional Taxi Council and the Provincial Taxi Council then in return we actually capture that route on the National Transport Register and then it becomes a route that is available and then those operators in that particular are who are interested to operate a particular route will have to come and amend the operating licenses and then the PRE or the

panel of adjudicators will actually on presentation from the various operators agree to issue that route or not.

MS NONTOMBANA: So the question that I had actually is with regards to the operating licence application that would come before that process has taken place or has that not happened.

MR MTHIRARA: Chair unfortunately with mini bus taxi type service you can't apply for a route that is not contained in your list of association routes. It has to be first captured on the National Transport Register before it becomes available.

CHAIRPERSON: Ya thank you very much Mr Makambi, Mr Mthirara and Mr Melane. Thank you very much for your time and for I must say very helpful and very detailed responses to the questions. You are excused.

CHAIRPERSON: We will now take the next presentation from the provincial, SANTACO, Morning Sir and welcome.

SIYANDEMBANJWA: Morning Chair.

CHAIRPERSON: You are flying solo.

SIYANDEMBANJWA: Yes indeed.

CHAIRPERSON: You may take the oath or affirmation.

SIYANDE MBANJWA: Alright. Thank you Chair. For the record my name is SiyandeMbanjwa. I am a member of SANTACO, Eastern Cape Provincial Executive Committee. I SiyandeMbanjwa 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 very much Mr Mbanjwa, you may take us through the submissions that will be followed by questions from the evidence leaders and from the panel.

SIYANDE MBANJWA: I must say I was deployed by the communication went to the secretary of the province. I was then deployed to him. He only relate to him what was related so I will touch on what I was instructed to do. Alright. My apologies again for come late. My presentation would touch on the presentation by SANTACO to the Competition Commission on 14 August 2018 in Port Elizabeth City Hall. It will touch on the history about SANTACO subsidy competition between buses and taxis and PRT, IPTS and the operating licenses. Now the history of SANTACO, SANTACO was founded after government intensive consultative process with the taxi operators countrywide in a move to have an umbrella body governing the industry and to act as the principle mouthpiece for the taxis. This was guided by the National Task Team recommendations of 1996 which rested on three pillars. Namely, formalization, regulation, empowerment. Now on the part of formalization – the process that the industry underwent was to register the Taxi Associations, the office of the Taxi Registrar was thus created to ensure that Taxi Associations and their routes are registered to prevent encroaching on one another's routes and to avoid violence. Although the process focus mainly on registering the Taxi Associations some have even registered co-operatives. There is room to improve and ensuring that the industry registers associations into other jurisdiction entities namely, the co-ops as well as the PTY LTDs. Now when we go quickly on regulation we are regulated as the industry by the National Land Transport Act, that is where our bible is. We fully comply with the NLTA. One

of the things that is a misconception or a myth that me and most people in South Africa say we don't do is being tax compliant which we are because when we have to uplift the operating licenses meaning we have to go and get it from the authorities, we have to submit all the necessary documentation including the tax clearance certificate. Well on the part of the empowerment there has been lagging behind of the empowerment of the industry especially where government is concerned. A lot more can still be done. This will be addressed. Let me also touch on the issue of the empowerment which we see as a faired opportunity by the government. I stand to be corrected but I think it was around 2009/2010 the workers of Algoa Bus Company in the Nelson Mandela sensitized the Taxi Industry of its impending sale to the directors of the company namely, the Chief Executive of the Company, the Engineering Director as well as the Financial Director. They were in the process of buying the company. Now when we were sensitized on this thing we raised our eye, we went up in arms, we engaged the government because the government especially the Department of Transport have a member who is a Chief Director which sits on the Board of Algoa and we engaged them and we asked them how is it that Algoa is being sold to three individuals to the exclusion of many existing operators that is the Taxi Industry. That was abandoned. Low and behold we learnt just a few months ago when I enquired to the representatives of the government, a Mr Andre de Vries was the Chief Director and I enquired that I have heard rumours that Algoa has now been sold and he confirmed that Algoa has indeed been sold to the three gentlemen that I have been mentioning, the Chief Executive Officer, the Finance Director as well as the Engineering Director and there is some kind of a power sharing they have

entered to with the workers of Algoa. Now we see that is a missed opportunity for empowerment of the Taxi Industry because we have been competing from an advantaged position the very same company but now we have ten associations in this metro and the opportunity wants to expand the economic wealth of this country to other affected operators but that has not happened. Right I was talking on the part of the empowerment which is something that is lacking when it comes to the industry. Again the issue of the subsidy – well since the dawn of democracy there has been over seven ministers of transport and all have never done anything but lip service or when it comes to the taxi subsidy. One of the things that we think a government is meant to do, it is an enabler, it enables its citizens to conduct business freely as also to see to it that all the loopholes or the disadvantages or the impediments are attending to for the betterment of its own citizens and in this case the only thing that we have had from the government is the excuses, excuses, excuses. As I was saying there have been over seven ministers for a lack of time I don't want to name them from Mag Maharaj, Dullah Omar, Bengu, Ms Peters, Ben Martins and others just to for the level of time I don't want to name but all of them have done nothing. Now the big players that used to be taken care of are still benefiting to the exclusion of the Taxi Industry. Statistics SA in its household survey of 2013 it illustrated that the Taxi Industry transported over 15 million passengers daily. Now it equated that at a percentage of 68% of the market, the data as I am saying it is of 2013 might have changed but the status quo still remains those who benefitted are still benefitting. Again the transport committee meeting chaired by Ms Bengu of the Transport of the National Assembly on the 4th of November in 2013 the officials of the DOT said I quote "the current public

transport operations grant was fully allocated to existing bus operators. Now when we look at such statements there was an undertaking that the National Department is addressing this issue but they have not moved an inch up until now. It is now 4/5 years down the line when they held that meeting but if you were to ask for progress nothing has been done thus far to the satisfaction. When it comes to the taxi competition between buses and taxis well it is a non-starter. As I have said on my presentation as short as it is that the taxi industry is in an unfair position. We are competing for instance in this metro. We are competing with Algoa Bus Company. That has been receiving a subsidy all these years. When the price of crude oil goes up we as the industry cringe because we know we have got to take it within our strides. One for instance at my local association I am the chairperson of the local association. We recently had to increase the taxi fare. After not increasing the fare for over three years. We had to stay the same because we know that we are competing with people that have a subsidy when we look at the buses of Algoa and looking at our taxis they are always full in fact they are introducing a bus after each other because our poor community they are not working and when we raise the fares they cringe because they are not taking anywhere but on the other hand Algoa is able to give them cheaper prices because they know that they will still have the other money coming from a way of this subsidy so that is something that is putting us at a very very disadvantaged position but we soldier on. We soldier on. When it comes to the issue of "BRT" and "IPT" well we have been engaging with the as the Taxi Industry with the government, the local government, it has been over ten years now. There has always been a blame game. You will find a lot is said of the Taxi Industry, we does not want to be

engaged. They are very stubborn, they do not want to move and we are taking our queue whereas the industry will always say we want to be engaged, we are willing to be engaged, we are also taking our queue that we are saying the Taxi Industry nothing about us without us. We want to be engaged just as in an illustration of what we want to do. Minister Jeff Radebe once said that the introduction of the IPTS, the IPTN, the BRT whatever you want to call it, it should leave an operator better off than he was and there would be no loss of legitimate income. That is one thing that we have taken our queue on. Just for an example of how we have engaged with the municipalities particularly in the area that we are in in Port Elizabeth. There are some operators that have lost their lives because there was a loss, there was mistrust within the industry itself. Now to mitigate that we decided that as the industry we should come into a one Bargaining Council so to speak if were to call it that. We then created a forum which then gave birth to Laphumilanga Transport Services which was a co-op that was created by the industry. Now what we said because we have ten associations with them, we said out of these ten associations two members of each association would then send delegates or to be bought members at Laphumilanga for a presentation so that we were avoiding the issue of one, mistrust, number two, the issue of divide ? [44] we came into an understanding with the local municipality there. We put structures in place. Laphumilanga was given there too and it operated. One of the things that Laphumilanga did was to produce the audited statements and account for the monies that were given to it by this institution to prove that the Taxi Industry by itself can do this thing. There was for some time acrimony between the political heads of the institution and there was a fight and nothing was moving at that

time and as such we lost a lot of ground with moving this IPTS forward and we have heard on the media that there has been a lot of money that has been spent on IPTS but if you were to look for it and how much of it was spent on the Taxi Industry you would find it is very minimum and those we could account for. Now there was as I was saying a lack of equality cavil. The other thing that has happened is when the new administration came the current administration came just after the elections of the local government in 2016 the first thing that it was to say I am not going to talk to Laphumilanga and I want to go straight to the operators siting the National Land Transport Act that it has to deal with the affected operators but that did not preclude them because as the industry we were saying we hear what you are saying but for the sake of peace and avoidance of violence we would rather you deal with us via Laphumilanga because in Laphumilanga you had injected funds for the purpose of the professional people that were there that would deal with government, lawyer to lawyer also we had transport specialist that were hired, we also had other services that we could source so it was for those reasons because we are saying as the industry as you are aware that a lot of the members in the industry are illiterate people. We are leading a lot of people that are old that have not gone to school and such trust issues now have been built up over the years. The industry has been taken for a ride by everyone and wants to come to make money of it. Now there has been that lack of trust that has been built between the industry and the government so what the administration did was to say we are not going to deal with you, we are going to deal with the associations directly. Common sense prevailed, sanity prevailed, fortunately there was no loss of life because of that. We engaged with the municipalities.

We recently signed my association as the last one that signed the MOU with the municipality saying we are going to engage with them. It has been over three months that we signed those. There has been nothing, there has been no movement ever since. There has been no engagement. Perhaps one of the things that we have highlighted as the industry is the fixation by the government on one option to the exclusion of others. They are so fixated into this issue of EPRT that is going to come as the savior to the industry they have not explored other options. For instance one of the options that the industry would say is there has been no engagement from government of same. Look for the past decade we have engaged with you. It is only the last few months that we have started to see this route in the northern areas of buses where the IPTS is now kick starting. After many many years after billions and billions that have been poured in of the tax payers without being used, the infrastructure not being used, one of the things that they have not done is to engage the industry and say look we see that you are difficult people to deal with how about we buy you off so that as government we can then decide take a decision on how we go about. That is one of the options that have not been done and the other option is I have just illustrated to you that we had a company Laphumilanga where in Laphumilanga has shown that it can be reliable, it can subject itself to the laws of the country where it produced the audited statements and the financials of the monies that were given to it and instead of the city taking advantage of that in what you were raising earlier on in terms of asking the department officials is there another way of taking into account, of looking into ways that the industry is subsidized. It is one other vehicle that could be used but it is something that the government is not taking into account. Instead it is fixated on one thing only.

Even though they see that there is something must not be working right insofar as this thing is concerned. So the industry, the position of the industry, a lot more needs to be done. We agree that in some cases we might not be saints, we might not be saints, we might be difficult, but the reason, the mitigating factors on that I am reminded of one statement that was then made a long time ago by the late president of the ANC, Oliver Tambo of saying make South Africa ungovernable. One of the things that we did as communities is to ensure that we do not pay rent and we got used to that. A few years later down the line the ANC government came into power. The very same government that said make the country ungovernable had to struggle getting money out of the very same people because there was a culture of people getting used to not paying and that is what the industry has held because there has been a lot of mistrust that has happened between the government, be it local, provincial, national. A lot of things did not go according to plan. I will make one example. When the issue of tax capitalization came in one of the things that was raised was one, it is going to be safe, reliable and affordable and some of our taxis were taken away because we were told that they were death traps and a Toyota Siyaya was taken out of the system but came in INYATI that was introduced. The very same thing and there were a lot of casualties along the way. So people began to have an attitude of saying the government the only thing they want to do from us is to take us for a ride and that has hardened the attitude so whenever we are engaging with the government there is always going to be that little bit of mistrust. We have to suss each other out. Are they jamming, do they take care of our own interests so that has also been to our detriment as well as the industry. So we would admit to that because of those of the past we are very

careful at some stage we might be too careful for our own good so those are the issues that the industries feel hard done by. I think I did touch on A, B, C and Laphumilanga so for fear of running away instead I have taken over, I don't want to say much and apply so let me stop there chair.

CHAIRPERSON: Thank you very much Mr Mbanjwa. I think some of the issues we will canvass through the questions. Mr Ngobeni.

MR NGOBENI: Thank you Chair and thank you Mr Mwange.

MR MBANJWA: Good morning Sir.

MR NGOBENI: I think let's start with the BRT discussion and in your submission when you were dealing with the issue you mentioned the MOU that you recently signed with the municipality or the province, I am not sure.

MR MBANJWA: The Municipality.

MR NGOBENI: Yes. And maybe just to understand so maybe if you can just take us through the silent features of the MOU, is this in connection with the new phase that the municipality is thinking about or what is this MOU in connection with.

MR MBANJWA: It is to our understanding, our own understanding. You will understand that I was saying now we are dealing with the lawyers as laymen to our own understanding for simplistic reasons. The MOU was signed on the basis that we are engaging with the municipality for the next Phase of the BRT for instance they will roll it out on an area by area case so for us it means we are engaging, we are opening up the door for engagement on how we are going

to be compensated for the loss of income and issues of that nature and if they identified the routes that are likely to be affected by this phase.

So far since signing we have not had any engagement so I am subject to correction but I think we have not had any meetings for instance as I am saying as the Chairperson of the association I have not had one meeting with them in as far as saying these are the routes that we are going to roll out and when are we anticipating to start and how many operators will be affected and the issues of what they normally do, verification of incomes of that. They have not done that.

MR NGOBENI: So it is still early days ok and insofar as the other one that has already been concluded, are any of your members in any of those areas what was referred to yesterday as the northern areas.

MR MBANJWA: No.

MR NGOBENI: No so none of your members are? so in terms of the moratorium we have heard that there has been an engagement with and then they mentioned SANTACO for example that there has been an agreement to close what they referred to as registration which is interpreted by other moratorium, maybe if you can just explain to the panel what that is all about.

MR MBANJWA: Well the issue of the closing of accepting of new members is something that we have engaged with as Mr Melane said. To us what it means is as the industry we are faced with a very tough position. For instance when a person is laid off from work as you know that this area is dominated mostly by the auto sector, the companies that are here, the VW, the Ford and the Deltas and that when those companies, the good years when they lay off

workers a person, the first thing that they think of is how am I going to survive so the first thing they think is let me go buy myself with this lump sum, a taxi something that will also generate income for me and we are then faced with the tough task of saying we are closed. For instance I am going to talk about my association. We are not accepting any new members and we have not done that for the last four years. What we are doing instead is we allow for a space because we understand that a member who is eight years old is not as young as he was now he needs to go and retire and then we allow space for him to say you can go out and bring in your son – those are the engagements that we are engaging with the municipality, the department so the issue of a moratorium, we agreed that we are not going to take any new members but we are saying those that are existing operators should be given space to grow. For instance three weeks ago in the very same hall we had a meeting with the mayor wherein we were raising the issue of the lack of engagement on the IPTS. I was leading that. I raised the issue of saying if we had waited for an engagement with the authorities that have been going over the last ten years and we had put our lives on hold it then meant some of our members would have been buried because there has been a lack or the progress is moving at a snail's pace so we cannot then say because there is an engagement people should not earn an income in the meantime so we are saying in the meantime those who re within the industry must be given space.

MR NGOBENI: And to the best of your knowledge are there any as you have mentioned to the extent that there are current before the moratorium was imposed to an extent that there are applications which had already been lodged

you know the expectation is that those should be dealt with in order for them to be finalized and to the best of your knowledge are there any backlogs here or what has been your experience there.

MR MBANJWA: No Sir I can clearly state that the department is saying is very much true. In fact the turnaround time when one submits an application to the board and the actual adjudication days plus minus 3 months which is very very good by its standard.

MR NGOBENI: And to the best of your knowledge in terms of the moratorium or the closing of registrations what have you observed in the market. Has there been any illegal operators and how have you been able to deal with the issue.

MR MBANJWA: Thank you Sir for those questions. You know it is very ironic that I am sitting here for the last three weeks actually it is the third week that I have been in this hall. The first one was we dealt with the mayor raising the issues of IPTS and the second one we had with the law enforcement agencies. What we did as the Taxi Industry in this matter, in fact there are four associations that took a decision. Right now from where seated, we are seated at the city hall. If you had to go about I am not quite correct with mail but if we were to move just a couple of meters I think it could be 100/200 meters from here there is an office of the local transport, Department of Transport, Sarah Baartman region. If you go opposite it there is a Shoprite, just go there now if you were to. There are vehicles that are parked there and you go and ask just in front of the office of the Department of Transport, those are illegal operators, they don't have operating licenses. I am saying that. You drive from here. On

your way to Uitenhage Road, there is Mall, new built Mall, Kinako, just opposite there is an illegal taxi rank of the Avanzas. You drive further down, there is another mall called Iksana also an illegal taxi rank so I don't know whether that answers your question.

MR NGOBENI: I think I want you to at least advise the panel because I am trying to understand if the moratorium has been effective because I think the people try and because it appears to me that the people that you deal with over saturation of the market and at same time there is a moratorium but at the same time I am trying to understand from those that are operating in the market as to whether or not there has been you know this is what I am really trying to address that whatever the government had in mind when the moratorium was introduced.

MR MBANJWA: Not technically it is not a moratorium.

MR NGOBENI: Alright.

MR MBANJWA: Actually what it is doing is it is causing the unintended consequences because the people that are being stopped from acquiring those new operating licenses as there was an engagement with the mayor. The engagement with the mayor was also on the back of the referral letters that were denied by the metro on issuing of the new operators. On the members of the associations because what happens is before a member, when a member makes an application he goes via his association, I as the chairperson as well as the secretary sign a recommendation letter that I know this person to be an operator. Now we are trying to make that person to be a leader but that right is being denied. I mean while there are other illegal operators that do not belong

anywhere to any association a person just decided I am going to buy an Avanza and operate as a taxi, that is something, those are happening so in the issue of a moratorium – I have heard the word the Taxi Industry is oversaturated, it has been said but Mr Melane can tell you himself we have butted heads on him with that, I am saying there was a question that was asked, that assumption or perception where is it based upon because what I am saying is there is mushrooming of illegal operators that clearly proves that there is enough work for the legal operators but that work is being taken away by illegal operators so to answer your question it prohibits the local associations from acquiring operating licenses for their members meanwhile those who are not operators are allowed scott free.

MR NGOBENI: Then maybe just one last question just to understand you mentioned the malls and what I am trying to understand are those new developments because I think I heard Mr Melane he said in cases where new developments, I think what then needs to be done is need to do an amendment with existing operators to come forward and to do an amendment for example so are these the malls that you have mentioned, I am not familiar, are these new developments or are these areas that have already, that were there you know before.

MR MBANJWA: The malls are new however they are built within the routes that the taxi operator currently operates in.

MR NGOBENI: Thank you Chair.

CHAIRPERSON: Thank you Mr Ngobeni. Mr Lesofe.

MR LESOFE: Thank you Chair and thank you Mr Mbanjwa. Just one or two questions in relation to the VOC model. Just to get your views on the model. As a tool for transformation given that in this municipality we have spectrum alert as an operation VOC perhaps it is not ideal but we could use that as an example. What are your views in relation to for instance how spectrum alert is run and generally on the VOC model as a tool for transformation?

MR MBANJWA: Well without talking about Spectrum Alert but I would say it is a welcome initiative by the industry that we understand from where we sit at we are an informal now when we create VOCs it then moves us from a position of informal into formality which also by itself can also open other avenues. I also raised earlier on here of saying Laphumilanga which was created if we were to zoom in on how it was managed and run, Laphumilanga is going to do business with government. It was formed by the Taxi Industry form informal into a formal entity and it could trade and it actually did excellently because I am also raising this again because it also submitted and it complied all the requirements so it would also give an idea to government that there are also other options that can be taken given what these operators are doing.

MR NGOBENI: I am asking you this question and at the back of my mind it is the situation in other cities in particular in the Western Cape where some of the members of the two VOCs that exist are actually pulling out of the VOCs because they feel that they are essentially worse off and I think that is the point that you exercised when you made your presentation that when operators are brought together into VOCs and they are integrated into the BRT system that should not result into them being worse off so one of their concerns is that they are essentially not feeling the empowerment while they are well organized in

form of VOCs but they are not given opportunities and then end up being frustrated. I am not sure if you are aware of some of these concerns and are these some of the things that you would take into account when you are finally integrated to the BRT system in the Eastern Cape.

MR MBANJWA: Alright thank you Sir, without having I do not know of the specific surroundings of the Western Cape issue but from the top of my head what I could then say is we were once taken by the institution on a fact finding mission to Western Cape where we were one on a tour where we were shown how these guys are doing it and we were quite impressed by some of them because I remember one, I just forgot the name of the company, the CFO of the company was a taxi operator and the CEO was also a taxi operator. They were being capacitated in spite of them having a lack of qualification but because they had prior knowledge of running the business, it is just that they were not exposed to the issues of the balance sheet and everything else but there were measures that were put in place in order to take them on and to train them. That seemed to have worked. I was tempted to shy away but let me just for the benefit of this commission to shed some light. You highlighted the issue of Alert Spectrum for instance let me show you that as industry that is what we normally do at times. When you are dealing with the industry, the government one of the things that they must do when we are dealing with the industry we are dealing with people that normally, I am the operator, I know where I am seated here that my taxi is operating. At the end of the day I know that my driver is going to deposit money into my account that is on a daily basis. Now you are saying to these people, group yourselves together, we are trying to move away from these things but you must also show them the benefits of

migrating from the point of having money every day into a point of just being a mere spectator or a shareholder for instance one of the things that I would highlight is currently I have five vehicles, I also have the stress of running those five vehicles because I know that one of the drivers is unreliable, it gives me stress. I bought a vehicle, financed by ABSA and other institutions and it is being driven by someone who just does not care and that gives me stress and headache. I might be getting something but also at the end of the day I am also inheriting a stress level. Now it might be an advantage for you to migrate into this company because one of the things is you would not be running this by yourself. At the end of the month you would know that you would get something. You are sitting at home or you are also one of the employees so you are a shareholder and an employee. At the end of the month you might get something as an employee so those are kind of issues that must be advanced to bring our, I was saying earlier on the taxi industry also comes from a position of mistrust so touching on Spectrum Alert and everything else and what you have just alluded to I am not sure whether you knew that the CEO of Spectrum Alert was once a member of **Laphumilanga**, a board member and he then left because he had his own grievances and he did his own thing. What I would raise from my point it is exactly what I had raised earlier on. The current administration, the current administration, the stance that it took where they may not have been aware but it is by grace of God that no lives have been lost thus far because what they were doing, they were fueling what is currently the industry is running away from. It was actually wrong of them because you cannot burn a house because there is something wrong with the bathroom. Instead you fix what is there. Structurally Laphumilanga was sound and

everything else. It was just the differences of opinion so I don't know what happened in Cape Town or in the Western Cape, it might be that but then it might not be they might have something that is very much tangible but what I am saying here from where I am seated here is that at times when we deal with the government officials they might also be complacent into advancing the taxi violence without them knowing. Just to take you back to the VOC model so in terms of this model because it is based on company law principles because essentially it is a company and in terms of company law principles you declare dividend, now would that not be and it is unusual for a company to declare dividend monthly, would that be then not make it difficult for an operator who is used to receiving something on a daily basis to now being forced to rely on dividend which may not necessarily be declared monthly, is that not a predicament or a challenge that would face operators once they are incorporated into a VOC and if to the extent that it may be seen as a predicament, how should this be dealt with.

MR MBANJWA: Thank you. Indeed it is, it is, but remember laws are there to guide you. It does not necessarily mean that you can't make an improvement. I am talking about moving within the parameters of the law without necessarily breaking the law. I will make an example. At one stage here there was, we entered into an agreement with the municipality just after the acquisition of the buses for the 2010. After the 2010 the buses were laying idle, they were not moved and then the municipality came into an understanding with Laphumilanga of saying look, whilst we are negotiating let's do what we call a dry run, a trial, an agreement of about twelve months where we take off taxis within a certain route. The route that was identified was from here, from where

we are at moving into the Summerstrand area. What was then done was to take some of the vehicles, they were kept for safe keeping and those operators were then compensated for loss of income because buses were running there and they were getting monies monthly. Models of those natures may be applied whilst we are saying to the industry remember the status quo will not remain. As the taxi operators, whether we like it or not we have got to change with the times. We are going to approach a cashless system. We have to start now. I am just trying to say there is for the sake of those who lack understanding or who have a lack of trust, you phase them, you move them in phases but ultimately they will see the bigger ball.

CHAIRPERSON: Thank you very much Mr Mbanjwa. Mr Mandiriza?

MR MANDIRIZA: I just have one question, it is in relation to financing of mini bus taxis. From your understanding maybe in your association, since you said you are a chair person of an association, do you know which finance house measures the finance of mini bus taxis?

MR MBANJWA: Alright it is ABSA, it is Wesbank, it is Nedbank and SA Taxi Finance. Those are the major.

MR MANDIRIZA: And then in terms of these finance houses is there any finance houses that provide some kind of assistance to each of the local taxi associations in any form.

MR MBANJWA: No Sir.

MR MANDIRIZA: Ok, thank you. No further questions Chair.

MS NONTOMBANA: Thank you Sir. I just have one question as well with regard to the implementation of subsidies in the taxi industry. We heard yesterday that because of the nature of the industry being largely informal an implementation of subsidy would come with its own challenges so I just wanted to get a sense from you how best would a subsidy be implemented given the issues that have been raised or whether this is something that has been discussed or whether you have specific views personally.

MR MBANJWA: Right thank you. My personal view is that in advocating the issue of **Laphumilanga** as a model and the reason I was saying that it was my first time for the first time in my life that I have seen something that could actually work. When I was saying that the government is fixated in terms of implementing the IPTS and everything else it was not open to other avenues. I was referring to that. The, I lost train of thought now. I was referring to the issue of a model ground of Laphumilanga on how a subsidy could work. We could use what we did. What I was saying right now of saying those operators who had their vehicles parked, stored and they were receiving monies how are they receiving those moneys. It was through Laphumilanga. The institution channeled the fund through Laphumilanga and Laphumilanga would in turn pay those operators and they would also have the necessary documentation, they were audited internally as well as external by the reputable auditing firms so that model could work. I have seen it could work. The other thing is I also heard that it was said as a challenge, I always look for solutions instead of a challenge for instance the question that was raised on how the subsidy could be channeled when the taxi industry is scattered, and I am using the model of Laphumilanga. It could be something that could be used for others

to follow as well. One of the things that could be done is we have financed, we have various finance companies, the ABSA finance, Nedbank, Wesbank and all of them. The coming together of these operators could do could also open up other avenues. For instance we might say take for instance I am going to make an example of saying whoever takes the finance charges the interest an exorbitant amount of interest, and the operators that go to SA Taxi Finance are the operators who when you look at their credit profile it is not actually right. Now one of the things out of that there is another business avenue because if you channel this and this company has this amount of money, it raises its business profile. It can also be able to borrow on behalf of its members. Let's say go to a lending institution and borrow a certain amount of money and pay off all these vehicles and have one only dead book and it gives immediate relief to its members. Those are the kind of avenues that could be used so I believe strongly that if given the chance it could work but it is just that people are not looking at other options.

MS NONTOMBANA: But how would the subsidy find its way towards the commuter because that is the person you want to subsidise and not necessarily the operator.

MR MBANJWA: Alright I think mam the same way it does to the current existing because right now if I was to ask how is the commuter benefiting I am going to on the top of my head this is based on an assumption. From my understanding, currently the government is paying a commuter through AB350 AB350and AB350AB350 also submits the number of evidence of what it covered in terms of kilometers and also the passengers that boarded their buses. Same thing can still apply to the taxis. Same thing applies as long

as they are kept into one umbrella. That is why I am saying there is a model which has proved to be working and it did.

CHAIRPERSON: Thank you very much Mr Mbanjwa for your time and for your submission. You are excused.

MR MBANJWA: Thank you Sir.

CHAIRPERSON: We will take a tea break and we will be back at 12 o'clock to receive a submission from Algoa Bus Company. Tea will be served in the room just behind us when you exit this door.

SESSION 2

CHAIRPERSON: Welcome back. We will now receive a presentation from the Algoa Bus Company. Welcome gentleman and thank you very much for coming. There should be a piece of paper in front of you. Please choose the oath or the affirmation. We can start from the left.

ANDRE BRINK: Good afternoon. My name is Andre Brink [?: 00:00:40]. Me, Andre Pietres Brink [?: 00:00:42] swear that the evidence that I shall give will be the truth, the whole truth and nothing but the truth so help me God.

CHAIRPERSON: Thank you Mr Brink.

SICELO DUZE: I, my name is Sicelo Duze [?: 00:00:54]. I swear that the evidence I shall give will be the truth, the whole truth and nothing but the truth so help me God.

CHAIRPERSON: Thank you Mr Duze if we could just start with introductions. If you could just explain, starting with Mr Brink your current [position within the Algoa Bus Company and how long have you held your current position?

MR BRINK: Thank you Chair. I am the engineering director of Algoa Bus Company. I'm employed in the company since 1993. The responsibility of all the technical aspects and some of the operational fall under my responsibility.

CHAIRPERSON: Mr Duze.

MR DUZE: I am Sicelo Duze. I am the Chief Executive Officer of Algoa Bus Company. I've worked with the company for the past 19 years. I'm responsible for the overrunning of the company.

CHAIRPERSON: Thank you. You may take us through your submissions. That will be followed by questions from evidence leaders as well as the panel members.

SICELO DUZE: The competition commission enquiry into the land based public busses of transport industry. This is written submission made by Algoa Bus Company PTY Ltd. On the invitation to do so my competition commission which invitation was made on the 2nd of May 2018. In doing so Algoa Bus Company has taken note of the public busses of transport market enquiry. Terms of reference, publishes in the government gazette dated the 10th of May 2017. The statement of issues dated the 25th of April 2018 and the guidelines for participation in the market enquiry into the public busses of transport sector dated the 13th of July 2017. It would appear that the public hearing to be held is to deal with public passenger transport in all its different modes. Including the various modes of road transport as well as public passenger rail transport. This submission will attempt to address the issues which presently affects bus operators and in particular Algoa Bus Company. It does not attempt to address issues relating to rail services and as far as the taxi industry goes we'll express its views where the market indicates possible overlapping in interest. If some issues is not addressed as set out in your terms of reference or statement of issues it should not be construed as admission or denial of the facts or averments contained therein but merely that Algoa Bus Company has either not formulated an

opinion on such issues or do not deem its opinion on such issue as relevant or productive contribution to this enquiry a relevant background, Algoa Bus Company is delivering public transport services within the geographical boundaries of the Nelson Mandela Metropolitan area. It does so in terms of interim contract 67/97 entered into and between National Government and Algoa Bus Company in 1997. The contract has subsequently been assigned by National Government to the Eastern Cape Provincial Government. We have extended the IC contract from time-to-time. In terms of the IC contract Algoa Bus Company is obligated to service over 2000 routes to give effect hereto it has over time created the necessary human and technical resources. Present Algoa Bus Company employees 626 of staff and has acquired more than 400 busses to do so. It has also invested infrastructure such as depots, repair shops and fuel depots to give effects to its contractual obligation in a sustainable and affordable manner. It is therefore correct that in the case of Algoa Bus Company Provincial Government is both the contracting authority as well as the regulating authority which attends to the granting of operating licences. With regards to the latter the operating licence of Algoa Bus Company has been rationalised in terms of the National Land Transport Act and regulations. It is for that reason, irrespective of the validity period stated on operating licences linked to the existence of a valid public transport contract with Provincial government or where such authority may be assigned in future to the existence of a valid contract between a municipality contracting authority and Algoa Bus Company. In the Nelson Mandela Bay Municipality. The municipality had started processes to move to an integrated public transport system as

contemplated in section 41 of the NLTA. Algoa Bus Company is committed as an existing operator to form part of such integrated system. This process is however still in its infant stage. Until such time as negotiated agreements finalised the rights and obligations of Algoa Bus Company to deliver such services remains in terms of the IC contract as amended from time-to-time. As requested we will now focus on the topic as set out in your invitation. Legal framework relating to public transport. To understand the obligations of government as far as it relates to public transport in the new dispensation. It is necessary to turn to the Constitution of the Republic of South Africa of 1996. The government of South Africa consist of three spheres namely, national, provincial and local. Although they are interrelated and interdependent they remain distinctive from each other. this distinction is amplified to the extent that the separate spheres of government should not assume any power or function except those conferred on them in terms of the constitution and to exercise their powers and perform their functions in such a manner that does not encroach on the geographical, functional and institutional integrity of government in another sphere. Where such function and power falls within the domain of local government such local government or municipality has the right to govern its own affairs subject only to the national and provincial legislation. In addition, national and provincial government must implement legislation and other measures to ensure that municipalities are strong enough and have the necessary capacity to govern their own affairs. To establish such functions and powers it is necessary to examine part A and part B of schedule 4 to the constitution. Part A of the schedule 4 contains functional matters of both

national and provincial concurrently legislative competences while part B of schedule contains those functional matters which are exclusively the domain of the municipality. Although they remain subject to national and provincial legislation. Part A contains the functional matter of public transport whilst part B contains the functional matter of municipality public transport. What exactly is meant with these functional areas is not that clear. The NLTA however attempts to define the role of three spheres of government in section 11 thereof. National government is mainly responsible for the establishing of a national transport policy. Whilst provincial government is responsible for the coordination of public transport services intra the specific province. Local government retains the bulk of its responsibility of actual service delivery and has to give effect therefore through its municipality planning function which must incorporate transport planning. This is in addition to the provision of such services on a sustainable and affordable manner through either internal or external mechanisms as contemplated in the local government municipality system act. Unfortunately in our view the distinction made by the NLTA between various responsibilities identified therein fall short in preventing overlapping of functions between the spheres of government as far as it relates to public transport services. A typical example of such overlapping or encroachment is indeed that the PRE as far as busses are concerned remain the regulatory authority on the approval of routes and operating licence. Even where such services are provided with the metropolitan area of the Nelson Mandel Bay Municipality. This in our view can create a direct clash between the municipality function which is the exclusive domain of municipalities and

the regulatory function of provincial government. Municipality in exercising in their planning function are best suited to know where development will take place and therefore best suited to decide on what routes should be developed and how many operators will be required to operate such routes in an effective and sustainable manner. There is real and probably failure [?: 00:13:43] off coordination between provincial and local authorities in this regard which may impede on the municipality being able to govern their own affairs. Municipality should be capacitated by national and provincial government with financial, human and technical resources to ensure that municipality public transport services is delivered in an effective, sustainable manner and such a way that it remains affordable to the poor. It is therefore inevitable that municipalities with the necessary capacity should receive the assign power as contracting authorities as contemplated in the NLTA. Allocation of operational subsidises. Subsidies remain paramount to make the delivery of municipality public transport services sustainable and affordable to the local community and especially the poor. The development of infrastructure, purchasing of vehicles and investment in equality workforce depends entirely on the financial sustainability of the transport business model. Not only is subsidy necessary but should bus companies with enormous infrastructure have the comfort of sub-subsidy for a relatively long term period. It is so as even with subsidies in place bus companies remain dependent on assets finance and support from financial institutions in order to create the necessary infrastructure. The subsidy must also be seen against the background that public transport remains the constitutional obligation of government in all three of tis spheres. To simply to palm of this

responsibility without financial backing to the private sector would demonstrate government are [inaudible: 00:15:38] on this study. The studies allow for the provision of sustainable services, affordable tariffs to the poor. The issue of competitiveness between operators and the effect of subsidies on such competitiveness cannot be seen in isolation. As expressed earlier, the provision of public transport services and the need for more than one operator depends entirely on municipality planning, the developmental model of the specific municipalities, the economics of scale, the amount of routes to be serviced and the population size that needs to be serviced. To answer this question in a vacuum will, in our view be distorted. This should be within the domain of the municipality who depending on their requirements and other factors mentioned herein may require competitive operators or not. The industry is to serve the people not simply to expand where there is now requirement to do so. A properly constituted IPTS system will apply municipality to formalise transportation and ensure an equitable and suitable distribution transport contracts whether negotiated or tendered. Transformation. From Algoa Bus Company perspective and as far as these in our power to do so Algoa Bus Company has embraced black empowerment not only in ownership but in its workforce with profit share and our value chain where emphasis are placed on ensuring that our suppliers are properly rated in terms of B.B.B.E.E legislation. The industry is about to be transformed if the IPTS are [inaudible: 00:18:06] by the policy of the national government and the NLTA is given effect to. This will allow also for the transformation of present value chain. Chains where such transformation is required. In our view for transformation to be properly

effected and regulated the transport arena needs to be formalised. Until such time proper regulation of the industry will remain problematic. C- Long term contracts. As already pointed above long terms contracts are essential for the proper and sustainable development of a business. It is simply impossible for any new player to enter the market if he has no existing infrastructure, busses or qualified staff, unless a long term contract is awarded. Municipalities should favour empowerment of its own population for this reason. Negotiation rather than tendering of long term contracts should be preferred. Tendering such contracts will inevitably draw interest from outsiders both nationally and internationally. Such an award probably disempowers present operators and lead to loss of local employment or opportunities. Licensing. We have already expressed our view that there is room for possible overlapping where the regulatory authority and municipality panning is in different hands. In the long term this should be addressed. Price setting mechanisms. Prices in the formal transport sector and the informal sector vary greatly. However, the market serviced in our view are different. Bus commuters see other advantages to transport by busses which are safer and a fixed schedule to the advantage seen by taxi commuters who prefer the point-to-point delivery. Pricing is therefore not the overarching factor of commuters when deciding on the mode of transport. This may well change when two bus companies services the same route. Given that the essential offer, the same basket of advantages and disadvantages. Pricing will play a role and depend greatly on market forces. A disparity in subsidies between such competitors may provide unfair advantage. Again, this will depend on play a role and will depend greatly on

market forces. A disparity in subsidies between such competitors may provide unfair advantage. Again, this will depend on its respective municipalities and its need for more than one operator. To simply expand where there is no such need may lead to unsustainable and unaffordable service delivery. I thank you.

CHAIRPERSON: Thank you very much Mr Duze. Mr Brink is there anything that you like to add or any points of emphasis?

ANDRES BRINK: Chair not at this point of time. We will address any questions if you have. Thank you.

CHAIRPERSON: Mr Lesofe [?: 00:21:34]

MR LESOFE: Thank you Chair. Mr Duze for how long have you held the position that you are currently holding? For how long have you held your current position?

SICELO DUZE: Its 19 years now. 19 years I've been the CEO of Algoa Bus Company.

MR LESOFE: Is there any relationship between Algoa and Gold and Arrow Bus Services?

SICELO DUZE: No there is no relationship. Just to give you a brief background. There was a time that the Cape Town Bus Company and Port Elizabeth and Johannesburg were under the one owner. There was a problem with subsidy fraud and those people were brought into book. It ended up they sold Algoa Bus Company and the Johannesburg and they consolidated into Golden Arrow. That's the background. Algoa Bus

Company became a totally independent company in 1991. They took all the busses from Port Elizabeth and removed them to Cape Town.

MR LESOFE: Thank you. If you could unpack the AB350shareholding structure for the enquiry. Yes currently.

SICELO DUZE: The company last year was approached by different companies, Golden Arrow being one of them and the state and other companies showing interest in buying Algoa Bus Company. The board decided that they have achieved what they wanted to achieve because when they consolidated into Cape Town and built up Golden Arrow they left Algoa Bus Company with scrap busses. Those busses were sold, somebody must buy them. They didn't just give them away. There was research that was made by the university and also chamber of commerce and enquiry to see whether it would be possible for this area to survive without any organised transport system. At that point in time the results were clear that there is no way, this place will definitely go down. A company was formed which is Algoa Bus Company for profit, non-profit organisation. It was very difficult time and there were people that were recruited to be on the board. There is an assistance that was achieved from Standard Bank and also municipality as a loan and a board was formed. Those money's were paid back through hard work of the board and the management they managed to pull the company out of those doldrums. Last year the board decided to sell feeling that they have achieved what they wanted to achieve because the company is sustainable and is financially viable. They took that company and they opened up a trust, it's called **Izethu Trust**. That money is earmarked just for Nelson Mandela Metropolitan only

for development. During that time we be that as management to buy the company. We bought the company, management bought the company. With the 15 percent profit share of the rest of the staff.

MR LESOFE: So essentially the company is largely owned by management.

SICELO DUZE: 67 percent black owned.

MR LESOFE: It's largely owned by the management?

SICELO DUZE: Yes.

MR LESOFE: Okay. If you could just talk briefly about the composition of your board.

SICELO DUZE: Of the board?

MR LESOFE: Yes.

SICELO DUZE: It's myself, as the chairman of the board. There is Mr Govender who is not here. Also, he is the financial director, he is a member of the board and entrepreneur and a [inaudible: 00:26:58] secretary from Pricewaterhouse.

MR LESOFE: In your submission you highlight that your subsidy contract was awarded in 1997, right?

SICELO DUZE: Yes in the interim. It's not just Algoa Bus Company all over the country.

MR LESOFE: Before we get to that contract did you have any agreements or dealings with government, before 1997?

SICELO DUZE: Me as a person?

MR LESOFE: No, I mean the entity itself.

SICELO DUZE: Algoa Bus Company?

MR LESOFE: Yes.

SICELO DUZE: Yes because we had a contract with the government.

MR LESOFE: Can you just describe the nature of the contract that you had with the government before 1997?

SICELO DUZE: I would not know that because I wasn't there in 1997.

MR LESOFE: Mr Brink do you have any...

MR BRINK: Through the Chair, nor do I have any detail of that. At that point in time was a junior in the company so I was not aware of the relationship between the company and the government be it national or local or provincial.

MR LESOFE: Currently your service, I think in your submission you say over 2000 routes and I assume these are subsidised routes.

MR BRINK: Sorry Chair, maybe I can answer that. Of the 2000 routes 5 percent of them we are self-funding. The balance are being subsidised by the department of transport.

MR LESOFE: Can you just expand on that? Why are you self-funding the 5 percent? When you say you are self-funding it means you are running unsubsidised commuter bus services as well, is that correct?

MR BRINK: Chair that is correct. The reason for that being in 2008 when the subsidy was changed from a multi [inaudible: 00:29:38] passenger

subsidy to a route based per kilometre subsidy there was not enough money in the [inaudible: 00:29:45] allocation budget. So certain subsidy was made available and with planning together with the TOT we made the best plan that we could. We had a shortfall of about 5 percent. We decided at that stage it would be unfair to the commuters in Port Elizabeth to withdraw those services as the communities were relying on those services. We decided to self-fund them for that reason.

MR LESOFE: So these are routes that have always been there? The 5 percent, I'm just talking about the 5 percent.

MR BRINK: That is correct, yes.

MR LESOFE: One of the criticisms that have been levelled against the subsidy system is that while to some extent it benefits commuters it does not adequately respond to the changing needs of commuters. In particular their travelling patterns. This is, for instance when there new developments it spears that the contracts are structured in such a way that such new developments cannot be catered for.

MR BRINK: Through the Chair that is 100 percent correct for Algoa Bus Company. We are working very close with our provincial department of transport. As soon as there are new developments and or we get delegations from the community that would come to the CEO's office and the request for services in that specific area we will then approach the department of transport. We sit around a table and we compare the worst performing routes that will have the least impact if we change the subsidy from that route to a route where there is growth. Over a period of time we

are constantly changing our plan to better suit the commuter needs in Port Elizabeth.

MR LESOFE: Could you give one or two examples of instances where you did exactly that?

SICELO DUZE: [inaudible: 00:32:17] we have done that because sometimes you do find that you find a community that is temporarily put somewhere. Let's say in [inaudible: 00:32:29]. Over a period of time housing have been built in a certain area and those people will be moved from there to another area. You are forced because if you are servicing that area there are no people there. People have moved to somewhere else but you cannot do that without applying to the department and give rationale behind the move. We have done that in [inaudible: 00:32:54] we have done that in [inaudible: 00:32:56].

MR LESOFE: Thank you.

SICELO DUZA: Thank you sir.

MR LESOFE: What is the current status of your interim contract in terms of the duration? When does it expire?

MR BRINK: Through the Chair, our contract is renewed 1st of April every three years, it has been in the past. This year it has been renewed on the 1st of April but not for a three year period. We are currently in discussions with the department of transport in Bishop with regarding to the reason why it hasn't been extended for another three cycle as in the past. At this point of time we haven't got any clarity in terms of it.

MR LESOFE: The current renewal is until when?

MR BRNK: I could not hear you.

MR LESOFE: The current renewal is until when?

MR BRINK: It's from the department of transport it's on a month-to-month basis with a 90 day cancelation.

MR LESOFE: How does this, because this seems to be concern for you. If you could just take the panel through some of the challenges that are presented by this state of affairs. If you could also comment about the contract being renewed for three years because I assume three years may not necessarily be enough for a bus operation.

SICELO DUZA: Thank you Chair. As you can imagine yourself running a company of that size you have dealings with the banks, financial institutions. It becomes very difficult to go to a bank manager and try to make a loan of 20 million or 200 million. The first thing that person wants to see is let me see your contract. You've got a month-to-month contract, that doesn't go well at all. Also, it's very dangerous even for the workforce, the unions and the people that are working for you. It gives a sense of very uncertain about your future. It is for that reason that we are bust with the government currently on that issue. If you look at that contract it has an escape clause but if for whatever reason the government, let say, we call it IPTS here in other areas it's called PRT kicks in that takes president over that contract. The government will give you three months' notice. Even now on month-to-month that clause is still there you have to give me three months. It really does not make sense why on month-to-month.

MR LESOFE: Thank you. When the subsidy system was conceptualised and ultimately implemented it was envisaged that from time to time there would be a tender process. In other words it was envisaged that from time to time the contracts would be put out on tender for different market participants to participate in the process but that has not happened. At least for 21 years now. Essentially this has in a way created a de facto monopoly on some of the routes. Im going to put tyou a proposition that I put to the department earlier that the fact that there has not been a tender process as envisaged when the sytem was introduced for 21 years. This essentially puts potential entrants and some of the current operators at a competeive disadvantage. Essentially they are denied the opportunity to compete effectively for the 2000 routes that are being serviced by AB350. This proposition should be understood in the context that in the bus industry competeion largely takes olace. So there is competition for the route and not neccessailty on the route. That's how the system has been desgined. If there should be competition for the route, the system is such that it does not permit for that kind of competition to take place. The system therefore as it stands serves as a potential barrier to entry and its potential and existing operators at a competitive disadvantage. Will you comment on that?

MR BRINK: Although this company supports an open tender. The problem however with the open tenders as we've seen in the past, they become quite expensive. In the interim contacts we work on a net contract basis. In other words the operator is responsible for collecting fares. In an open tender we're looking at a brush [?: 00:39:48] contract. Where the contracting authority is responsible for the fares. In our system it is important for us to

be competitive in terms of cost in order to draw as many as possible passengers because that's part of your revenue stream. If it's on an open tender basis, as I said that's why it's more expensive. The operator does not take direct responsibility for the fares collection. Hence that operator is less inclined to provide a competitive service at a competitive price. Algoa Bus is ready any time for an open tender, however, we believe it will be more expensive and we believe that the community will not enjoy the same levels of service that they are currently enjoying.

MR LESOFE: Perhaps to qualify my proposition this regard. So the proposition here is that the system as it stands with the perpetual extension of the contract essentially does not allow for competition to occur perhaps to put it more bluntly, the system as it stands or as it applies essentially favours the current beneficiary, that being AB350.

SICELO DUZA: When the interim contract was introduced in 1997 the thinking within the government circles was if tomorrow we can go an open tender whether in Cape Town or Port Elizabeth or wherever. Companies that have been operating for that long over 20 years, 100 for that matter. They are in advantage in terms of knowing exactly what to do. In order to be fair to the informal business it will be proper to have a negotiate contract for 12 years. Within that 12 years you put systems in place to make sure that there is a proper intentional purpose focus system to empower and transform the informal. So that after 12 years they are in a position to tender on equal basis. That was the thinking. Hence this 12 year you only negotiate 12. Then after that 12 years there is an open tender but in that 12 years there is a transformation of the industry as a whole. Changing the formal

into formal. It's one thing to own a bus, it's another story to run a bus company, those are two different things. It would be unfair if tomorrow you can say those 2000 routes they are going on tender, let us tender. Definitely Algoa Bus Company is at an advantage because of the experience and expertise, infrastructure and everything, the skills that they have. That was what the government was saying in trying to protect the informal. Up to this point in time that has not happened. That's another discussion on its own.

MR LESOFE: If there were to be a tender system or a tender process would an entity such as AB 350 [?: 00:44:23] not be in a position to tender competitively. Given that it is running operations currently, however, in rural areas and it may be facing challenges because of where it operates. If a tender process were to be initiated would a company such as AB 350 not be in a position to compete directly with AB350?

MR BRINK: Through the Chair I think its 100 percent possible. I think the challenge here is not for a company like AB 350 or any other company in South Africa with those being empowered can come and tender in Port Elizabeth or any other city. Algoa Bus Company can go and try and tender in Cape Town. I think the challenge here is the labour issue. Of a typical bus company like ours your total overhead costs is about 45 percent you pay to labour. You've got staff that maybe have got 30 years or 35 years' service they are earning far more than the entry wages in the bargaining council. For somebody like AB,350 for argument sake, if we use as example may come with completely new drivers, at entry level wages competing with say a company like Algoa Bus Company with driving staff that are 35 years working that have got much increases and years of service increases and

longer work increases and so forth. Unless the tender process make provision for the new tender company that comes from outside to take over the staff at their current rate of pay. Like I said there a complications in just opening a tender if we disregard that there could be a huge wage disparity for an interim drive and a driver that has got years of experience. Hence, taking 45 percent of your operational costs that you pay to wages would make you or break you in terms of winning a tender.

CHAIRPERSON: Just a follow up on that. Would a new entrant also need to set up this depo, the depo infrastructure, the fuel depots, the repair shops that you have mentioned in your submissions or maybe lease them from yourselves.

MR BRINK: Chair, it all depends on how the tender is written. If the tender or the contract holder or the contract authority rather made provision for the infrastructure. Like you typically see with the BRT systems across the country where the municipalities are purchasing the vehicles and they creating infrastructure and facilities etc. etc. and the tender requires the operator to have the drivers ready and his operational plan to execute the service. That's a different tender than interim contracted tenders that we are currently operating on. Where, like I said, our contract is based on a net contract. We have to have the facilities of fair collection, ticket machines, paying in facilities, depots, etc. etc. It is far more cumbersome and far more expensive to set up a system like we currently have. It is something that evolves over a long period of time in order to be in the position of an established bus company. The majority of bus companies started small and evolved over many years in order to be what they are today and run the

services that they can, to the extent that they can. It is obviously economies of scale that comes with years and years of experience and exposure.

CHAIRPERSON: Just a further follow up. Because you currently operate about 2000 routes in terms of the current contract, of course minus the 5 percent which you say is not subsidised. Is it possible to break the contracts into smaller contracts to create opportunities for new entrants or smaller bus operators to be able to contest some of those routes? Is this something that is sustainable from the perspectives of economies of scale?

MR BRINK: Chair, I think anything is possible. Again, it depends on how the tender is going to be written to accommodate that. Port Elizabeth has got a unique problem that it is a very small city the areas of where busses are operating from are government are going more or less to the same end point. What happens is that a lot of the routes are crossing each other so a service that may be coming from one of our larger areas like **[inaudible: 00:50:25]** might operate to a certain point. That very same bus might load passengers that are staying in a different area and take them to a next point on a second trip of that duty for that driver. What we have done to minimise the number of busses in our fleet, we have got an extensive planning programme that we have imported from Sweden. To minimise the number of busses and optimise the offering that we give to the department of transport. As soon as you start taking out components out of it we got to re-run the programme to optimise. Hence, I say it is possible but it might not be that easy and that efficient as what we have evolved in to what we have today. Having the constraints of the interim contract where you are not allowed to expand your services. It's like an iterating process and you keep

on reiterating it and you fine tuning it over a period of time. Operating less vehicles for the same coverage area by better scheduling and better planning. It will interrupt that so it will result in a less effect Algoa Bus Company but it is possible to subcontract some of the routes or to break it up into smaller contracts.

MR LESOFE: Thank you Chair. Do you consider mini bus taxis as your direct completion?

MR BRINK: Chair, yes and no. yes in the sense that we providing a similar service to have commuters transported from the same areas to the same end points. In terms of the offering, we offer a totally different service. We offer a safe and reliable scheduled service which is totally different to the commuter taxis. Our busses cannot wait at a certain point until our bus is full and then we move it and have a 100 percent efficiency of the bus. There are instances where on a schedule there are less passengers on the certain point between two points and we might only have 30 percent capacity. On other instances we might have 100 percent capacity. Being operating a scheduled service I think o just say that we are competing head on is not 100 percent correct.

MR LESOFE: To the extent that you consider them as your competition may I put this proposition to you. I think they consider you as your competition. So they see you see you as competition. One of the issues that they have raised is in relation to the fact that bus operators are allocated subsidies and they are not allocated subsidies. That is the taxi operators are not allocated subsidies. That essentially puts them at a competitive disadvantage.

Especially in relation to pricing. The proposition is that the allocation of subsidies to bus operators to the exclusion of taxi operators creates an unlevelled playing field to the disadvantage of taxi operators. Would you comment on that?

MR BRINK: Again, through the Chair I want to reiterate the fact I believe we are providing two different services. To provide a scheduled service where you cannot guarantee that your buss is fully utilised is far more expensive than providing a service as the taxi industry is currently doing. Secondly, providing a scheduled service reduces the number of trips that the bus can operate during the peak service. Where if you operate a taxi you can drive through the red traffic lights, you can overtake where it's unsafe to overtake, you can stop and load and offload anywhere you wasn't. There's a certain advantage that the taxi industry has in terms of speed between two pints. The efficiency of their service is far more and further than in the bus industry. It is a disadvantage that we have and that makes us uncompetitive. If the subsidy system is giving us a competitive advantage there are other rules that the bus company have to adhere to. Like paying wages on the basis for argument sake at SARPAC rates or depending on bus company basic conditions of employment. There are the scheduled services, there are penalties that you have to pay if you don't perform etc. etc. the infrastructure that we have to have, the taxes that we have to pay, the rates that have to pay to the municipality etc. etc. if you talking about disadvantages to uncompetitiveness I think it sits on both sides. There are fair competition that we also have to experience by the nature of the taxi

industry and the informal plan or business model that they're operating against is currently being done.

MR LESOFE: Yes, Mr Duza.

SICELO DUZA: I think there is a word that you have used, levelling up the playing fields. I think to me that is key. In principle I don't think Algoa Bus Company is a problem in taxis being subsidies as long as the fields are levelled. Back to what he is saying, a contract confines you in terms of how you can operate. I cannot be driving to Sommerstrand and I see people on the other side. They are 60 and take those people and put another bus, get another bus and take those people and take them because there's just flexibility. You can't, you are fixed in that. I pay taxes, I do all sorts of thing according to... Its fine, that's no problem level the fields, that's fine. If the government can afford that's fine.

MR LESOFE: I have not further questions Chair.

CHAIRPERSON: Thank you Mr Lesofe. Mr Ngubene [?: 00:57:37].

MR NGUBENI: Thank you Chair. Just one question to Mr Duze. You've raise a concern about the overlapping responsibilities and functions between different spheres of government. You've also dealt with that same issue where you've addressed the issue of licencing. The question I have is what are you advocating for? Are you saying that both the functions that are currently being exercised by the department of transport should either be allocated either to one sphere of government or are you saying that municipalities should be capacitated in order to perform the functions that are allocated to them in in terms of legislation?

MR BRINK: Chair if I may answer that. We believe that the municipalities in the new role of taking responsibility of transport in the major cities that they be capacitated to do that. Otherwise you're getting the situation where the DRT provincially decides on so many permits are required for Port Elizabeth although Port Elizabeth or the Nelson Mandel Bay Municipality will do certain planning that pertains to Port Elizabeth in terms of growth etc. of commuters and is not in synch of what the province is aware about. They either have to work very close together or it is better that that responsibility be given or taken away from the PRE and be given to the municipality public transport system.

SICELO DUZA: I think in the same letter that is mentioned. Whereby we strongly encourage to capacitate the municipality in order... You know whom you are dealing with because sometimes back to what Andre is saying this arm is saying this and this arm is saying this. The right arm doesn't know what this one wants. As an operator you find yourself squeezed between these two forces.

CHAIRPERSON: Thank you Mr Ngubene. Ms Nontombana.

MS NONTOMBANA: Just one question. I wanted clarity on the routes that have been amended as a result of new developments who services those areas that Algoa had had to exit.

MR BRINK: Can you just repeat the question?

MS NONTOMBANA: I'm saying earlier you said when there are new developments which were not in the routes that Algoa is servicing then they've had to amend such that they now go to the area where there is

need. So I am asking, on the routes that you leave who then services those routes?

MR BRINK: Chair, thank you. What we do in consultation with the department of transport. We will identify a route or a trip in a route or a number of trips. It could be of different routes because in a route you may have four, five, six, seven trips but the carrying capacity is very low. Let's say for argument sake we've got a service running at 6:45 and we've got one that runs 7:15. Then we'll take both away from that specific area and make it a 7:00 trip. Then we free up one trip and we take that where it's necessary. That is always done in consultation with the department of transport and with good public information to our passengers that this is the intention what we going to do.

CHAIRPERSON: Thank you very much Mr Brink and Mr Duze for your time and for your presentation. You are excused. We will take a submission from the Nelson Mandela Bay Metropolitan Municipality and then we will take the lunch break at 13:30. We will then resume with the municipality at 14:00. Welcome gentleman and thank you very much for coming. You make take the oath or the affirmation. There is a piece of paper on the table. We can start with you.

LUTHANDO MABHOZA: I Luthando MabHoza [inaudible: 01:03:27] 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.

FEZILE GAUSHE: I Fezile [?: 01:03:46] Gaushe [?: 01:03:48] 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.

SIYABONGA: I Siyabonga Somjaliso [inaudible: 01:04:05] 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.

LUVUYO NNTSHEBE: I Luvuyo NNtshebe [?: 01:04:19] swear that the evidence I shall give shall be the truth, the whole truth and nothing but the truth so help me God.

CHAIRPERSON: Thank you. You may take us through your submission but before you do that if you could just please indicate what your current role is within the municipality and how long have held those roles. That will then be followed by questions from us but in view of the time that we are at we will only be able to put questions to you after the lunch adjournment.

LUTHANDO MABHOZA: Thank you Chair. My name is Luthando Mabhoza I'm currently the acting head of the IPTS in the NESLPN Mandela Metro. I'm seconded from infrastructure to try and assist the IPTS so that it can be implemented. I've been here for almost a year now in the IPTS.

FEZILE GAUSHE: Afternoon I'm Fezile Gouhire. I'm currently held in the position of the divisional head stakeholder relations and management. I've

been part of the IPTS [inaudible: 01:05:57] transport office since 1203. I've been serving in my legal department of the IPTS. Thanks.

SIYABONGA SOMJALISO: My name is Siyabonga Somjaliso [inaudible: 01:06:09] I also work for the integrated public transport system. I have been with the office for the past five years.

CHAIRPERSON: Which specific office?

Ms SOMJALISO: Yes. I'm looking at operations and planning.

LUVUYO NNTSHEBE: My current role is that of infrastructure planning and implementation and management thereof. Currently the divisional head for infrastructure and management. I've been with the unit since 2012.

CHAIRPERSON: Thank you. I'm not sure who's going to go first in terms of the submission. Who is going to be leading your submission but that's up to you.

MR MABHOZA: If the Chairperson allows me I will be going through some of the questions then I will be indicating who will take certain questions on the submission. We unfortunately going to put up oral presentation we can follow it up with formal [cross-talk: 01:07:07].

CHAIRPERSON: That is fine.

MR MABHOZA: What I will be doing, I will just read the question and then try and answer what needs to be and give clarity. The first question that I have in front of me are what are the factors limiting the municipality from applying for the functions of issuing operating licences. First of all, I think one of the factors is the information. We need as the city to have... To

understand fully what's happening in all transport modes that are in the city. At least we need to have a capacity, I believe that province is running in a certain system. We at least need to understand what kind of system that can be put in place and what information is those system. Once we understand that then it can be done in parallel to capacitating us in running that system and applying that but we are in infant stages of trying to collect the information. Then parallel to that we can then try and apply for portions so that it can take a period where certain functions are devolved to us in that manner. The second question, if the national department of transport was to assign the powers of issuing operation licence and allocations of routes to municipalities what resources will the municipality require? Is the municipality equipped to undertake such function? If not mention the reason. I think in terms of us we, the city has been so thinking about just implementing IPTS and not really thinking about other functions that has to be devolved into the city as the authority. Since late... Since last year the city has been looking into how we can really do this functions and we've increased our engagement with the PRE and with the national government in trying to see what are the processes to make sure that these functions are devolved to us. In doing that we have already appointed a number, while we are a small city, I think we've got a number of transport... Let me say specialist now for the lack of better word. We've appointed people that are actually have transport qualification. Some of them are here, Siya has done transport. We've got another member there, Keith is a transport specialist. I can call him transport specialist because he's done purely transport. I've done civil but then I've done transport. We've got another guy

that we've just appointed; he's got masters in transport as well. We've equipped the city with transport specialist to better plan properly for these services. Hence now there is a move to try and apply for these functions to us but we need to have proper information at hand to make sure what are you applying for and how can we implement. How can the government ensure that commuter service provided by Metro Rail are fully incorporated in the municipality integrated transport plan. With the municipality playing a significant role on the issues such as timetables to ensure complementary with other modes of transport. Like I said, we've appointed all these transport specialists to make sure that we understand what is happening. We are, since last year there hasn't been a forum where province can sit, where PRASA can sit, where everyone can sit. Since we have all these people now we have established the IPC. The IPC has already had two sittings and in those two sittings we have actually discussed these two questions that I've answered. We've discussed the devolving of the functions to us. We've discussed how we can better integrate with PRASA, that one is still very difficult. I don't know whether PRASA is coming here or has come to present. That one is a bit difficult but if we plan as the Metro and we will say as the Metro we need a rail here, we need bus here, we need a taxi there. That's our role and that's what we're going to do. Hopefully PRASA is going to play part and assist us in that planning. For now the IPC is just trying to understand what is PRASA doing, what is province doing so that we can have necessary information to apply and try and control. I think the city as the one that are the authority should have a say in what rail is doing in the city. When new routes are identified by mini

bus taxi operators what is the process that is normally followed by the PRE in granting operating licence given that the mini bus taxi operators will be already illegally operating in such routes. That one is going to be answered by Siya.

Ms SOMJALISO: What we as the city would normally get is what the application or what route the applicant has applied for. We get that from PRE, who has done their research behind the scenes. What we will do is to consult our ITP, which is the integrated transport plan to look at the route that is applied for. To check who is in that route currently. Is it saturated or not. One of the things that is limiting us in that process is information as the project manager has already argued it. However, we do have information as outdated as it is. We have information that we use as to who is on the route and how saturated the route is therefore, we then, based on that information from the ITP we give our responses to say yes the route... The application can be approved or not as well as the fact that we are implementing the IPTS also plays a role to say this is our next route. If this is our next route we cannot allow new operating licences to be approved or we have implemented this route such as... Yes, that's what we will be influencing our response to those routes identified by and applied for by mini bus taxi operators.

Mr MABHOZA: The next question. What mechanism can be implemented to timeously deal with routes amendment application considering that operators in certain cases they starting operating before process has concluded? I think like Siya has mentioned, what is really limiting us is the current available information. Fortunate enough we have identified that gap

and we are in the process of doing the proper collection of information. We are collecting the information on cabs, e-hailing, one taxis, on busses. We currently collecting all that information so that our decision can have a base. At the moment we scrapping information when you have to make certain decisions. We really now look at a case by case in whatever information that is referred to us by the PRE to comment we take it by a case by case and see on the information that is available what can we get to properly respond to the request. The next question. What could be the optimal process that new mini bus operators can follow for route allocation? This one I will try and answer it as I see it. I think in the Metro we are fortunate enough we are not a big Metro, it's manageable. We have 11 taxi associations, then we have AB350 as the 12... am I correct over that. Yes 11. Yes... What I think could be... we and fortunate enough now we have established an industry consultative committee where we meet regularly with all the taxi associations not just to discuss the implementation of the IRPTN with the discussion of other issues that affects the industry. Including operating licences, including routes, including anything that affects them. I think that if we keep that relationship going we will know upfront what's coming. Fortunately we've got another close relationship with our planning division, meaning land planning now. We know upfront what is coming. Form part of certain committees for the planning, the town planning. So we know what's coming and that is what is going to be incorporated in our planning moving forward that we are currently busy with. I think if we can have that close collaboration and we have managed as well to bring the province closer, we have managed to bring the national department close. As long as we keep

those forums moving and discussing things that are affecting the industry we can be able to deal with issues before they happen. Including the route allocation. Are the current measures undertaken by the municipality to identify the transport needs sufficient? I wanted Luvuyo to take that question. Luvuyo can you?

LUVUYO NTSHEBE: I think for one to respond to transport needs that response should be based on information. So if you don't have information it's very difficult for one to really respond to it but we are trying as a city. Also, with the implementation of the IPTN I've been hearing a lot of acronyms but we are talking about the same thing really. With that implementation I think the need really in terms of public transport is to respond to the needs. Hence, even the way it is designed. Firstly, it looks at the current footprint in terms of what is the current transport layout and then we respond on that. That's the approach that we have taken as a city in trying to respond to those needs. There's a law that is still going to be happening as the project manager has said that we've appointed a consortium that is going to be collecting this data. Which will then inform us in terms of the current and also what the future needs are going to be in terms of transport for the city. Fortunately that's not only focusing on public transport. It focuses on all transport modes for the city. Thank you.

MR MABHOZA: I think in a years' time from now. The study is currently happening. In a years' time from now we will be knowing, at least we will have an idea how many illegal taxi. We will have an idea how many licenced taxis per route. We will know how many Ubers or taxi cabs that are operating in this city. Really, the information that we have is limiting us in

doing certain things but we are really pushing full blast to make sure that we get the necessary information. With respect to Bus Rapid Transit System (BRT) and municipal busses there are allegation that routes are outdated and are not responsive to the changing needs of commuters thus BRT and municipal busses have low capacity [inaudible: 01:20:36]. Please indicate how can government determine routes and ensure that they are responsive to changing needs of the commuters. I think firstly, if any of the team that I work with mentioned BRT I fight with them. We've gone away from that word. We're not talking about Bus Rapid that, we're talking about integrated public transport system. That's what we're talking to now. Where we can use a taxi where a taxi is needed. Where we can use a bus where it's needed depending on the needs. If a Metro Rail is needed then a Metro Rail is used but that will be determined by the studies that we are doing by each... Before each implement we are now implementing route by route. We start on this route, we do proper necessary surveys, we see what needs to happen. For example the route we need to implement we are running a couple of taxis and we running some buses. So it depends on a route as we move forward because we don't have a full information now we do surveys route by route as we implement. Does the propped amendments to the NLTA addresses the likely impact on competition between the traditional meter taxi service and e-hailing services? If not propose mechanisms that will address the issue identified. Chairperson I don't know whether you will allow me. Unfortunately the person that's supposed to answer that question is sitting right there and he didn't take the oath.

CHAIRPERSON: They may come to the front and assist us.

MR MABHOZA: But its fine advocate can take it as well.

ADVOCATE NTSHEBE: Thanks Chair. Currently the situation that confides us in relation to the relationship between the meter taxis and the e-hailing services is such that the situation as much as we have not yet encountered certain problems or rather confrontations per say. There's a possibility of that situation erupting because the issue now that is currently coming into fall is that the traditional meter taxi services is sort of being dominated by the e-hailing services. To an extent that now there's a bigger circular animosity between the two services in terms of saying what is it that needs to... How best can we deal with the situation? As a city what we have just said, what we have just done as an interim arrangement because we have foreseen that if ever we are allowing this situation to unfold without regulation that we are outing and also taking lead in terms of regulating the system. We will end up having an influx of both the traditional meter taxi because they are still growing up, looking at the facilities as it has been indicated, that we don't have enough space to accommodate anything that might be growing in terms of public transport. We then with the PRE consultation we have set up a moratorium so that we can allow an assessment to be done properly because currently we are dealing as Luvuyo has said, Mr NNtshebe in relation to the surveys that we are conducting to make sure that indeed we take stock in terms of what is it that we have. Both on the meter service taxis and also the e-hailing. So that when we take a decision, we take an informed decision that we will be able at least to guide the municipality in terms of regulating the services itself. As

we are currently standing the situation is still volatile but it's still under control although.

MR MABHOZA: Okay. I will move to the next question but I think just to add to advocate on the e-hailing. I think anything that goes unregulated whether it looks good or not it's going to end up causing a problem. So I think through I have not really spent time in reading what are the new amendments that are coming to the fore. I think the e-hailing services needs to be channelled into a certain direction as well rather than just be left out on their own. With the next question. With regards to public passenger rail indication how road allocation for Metro Rail commuter services can be improved in terms of aligning it with the modes of transport to ensure that commuters continue to use rail services. Like I said, I think it all comes down to joined planning and the information that we have at hand. If for example PRASA wants to implement currently [inaudible: 01:26:24] to CBD. That PRASA cannot just implement on its own. They need to be informed by the city the needs from [inaudible: 01:26:37] to the city. If they did warrant a rail or they can be taken care if a bus. So it depends on what information what we have of the passengers that need to be transported and what the suitable transport that will suit those passengers. Mention the underlying reason with regard to the issuing of moratorium by municipality and respecting PRE's. Where there any studies undertaken to justify the moratorium? Advocate will take those answers.

MR GAUSHE: Thank you Chair. On the issue of issuing of the moratorium. If ever I can refer the commission to section 39 of the National Land Transportation Act. It does give the conductive authority and the authority

where it sees that there's a lot of congestion and there's a lot influx in terms of the legal transport, public transport operators. In doing that it also has got an opportunity to offer two options. Either to buy them out in terms of the system or alternatively just to put, and even in putting the moratorium is on the basis of putting the moratorium in terms of issuing new application. Also considers the question of renewals in an event where the city is still planning to roll out a service. If it has rolled out a service in a particular route then it places a moratorium on both renewals and everything because the intention is to avoid having a competition with the system. If ever you allow that the system as it is outlines in terms of section 41 of the NLTA, it suggests that people that are supposed to be operating the system are the ones that are supposed to be regulated. If now you cannot allow a person to operate himself or rather to compete against himself. The VOCs that are operating those routes in behalf of the city are doing that on behalf of the operators. They form a company from the operators; therefore, if you allow that to happen when you are already rolling out the system then it becomes a problem in terms of that. The moratorium itself as much as... From our case we have not yet issued a new moratorium but we have initiated discussions around the question of moratorium on the public transport operators. Its only on the meter taxis and e-hailing that we have just paced it so that we can regulate it. Coming to this one there are still discussions with the taxi industry to the regional structure in terms of discoing the way forward and how best can we deal with this. As much as we have already rolled out phase 1A. Even on that one as a municipality who don't support issues of new... Even the renewals of operational licences but formal

structures ICC as we have said are the structure we discuss and debate all these issues and then agree. So that we can have uniformity and also an understanding amongst the stakeholders involved. The second question now. On the basis on basis the moratorium when it is issue is it effective in detouring the entry [inaudible: 01:29:50]. This one is a problem, even currently. When we started to initiate the word moratorium it created a problem immediately. There was a little bit of an uprising that came up but we managed to contain it because we also managed at least to create a structure through the region that we will sit down and look at the issuing of the operating licences. The fact that the municipality currently is commented as it was said before by the project manager. That initially operating licences were issued without the municipality commenting on the submission because of the lack of resources. Now that we are doing it it's viewed by the industry now as if we have already placed a moratorium of which that is not the case as per the city. Also that one has indicated that indeed it's not received with an open heart but we are engaging each other so that we can show each other the benefits and also the dangers of allowing more vehicles to come into the system. The third question is saying why is the creating of a common feature mostly provinces where the moratorium is in place. Is the moratorium only put in place for the issuing of new operating licences to mini bus taxi operators or the moratorium is also extended to renewals? As I have said, the issuing of the moratorium mainly our interpretation is that as much as it is regulated by law. It's also a question of trying to safeguard the interest of the operators because if the operators are allowing an influx in terms of new operating licence

applications it means that then whatever they were going to be discussion or rather whatever they were going to be benefiting as compensation during the period of negotiations will reduce dramatically to an extent that they will get something that is not enough for them to sustain their living as the time goes on. There are many people for the small cake that the government is providing to them. That is our submission to them to say, as much as we know that at least operating licences are something that at least gives them something to live on. Also they must be mindful of the fact that once the system kicks in its going to be a problem when it comes to their compensation. Their paying out because now we will be paying a lot of people instead of paying those ones that can benefit at least within the system as it stands. We are currently trying to initiate the old moratorium only on new licences and then renewals will continue on those routes that we have not yet rolled out. On the ones that we have rolled out we out a moratorium from both issuing of new and renewals of operating licences. The fourth question is what mechanisms did the PRE and the municipality put in place to enforce these moratoriums? As of now, as I've indicated that we have not yet placed the moratorium [inaudible: 01:33:23]. Be that as it may our working document, we have got a relationship that we have built up with our security department and traffic in particular where the issue of law enforcement is being taken up. As the IPTS we don't have a capacity or rather a [inaudible: 01:33:46] to peruse law enforcement because we don't have that authority. The traffic section, even currently we are using traffic officers in terms of monitoring the routes that we have implemented to make sure that there are no infringements, there are no people that are violating

the rules. Our intention is make sure that at least we also include the traffic section form the department, Eastern Cape department of transport to also make sure that at least the enforcement of operating licenses. Also to make sure that all those that are not supposed to be on the road are taken off the road. That is a process that is unfolding and we are building up on those ones.

MR MABHOZA: Thank you. I think in terms of the taxi industry. I think it has been made very clear with them that government is not subsidising taxis or busses or anything. Government is subsidising the passenger. So it depends on how many passengers need to be transported. Should you then have over capacity its going to have effect on your compensation for the certain route. The next question. To ensure effective control of public transport what is the best way to deal with over saturation of mini buss taxis and some of the identified routes. Like I said, I think I've just answered that question. It's what I've said that the taxi industry that we're currently consulting with have been told and made clear that government is not subsidising taxis is subsidising passengers. I think where the municipalities and the authorities and provincial government needs to enforcement and make sure that we don't have an over capacity on these roads. Is to make sure that there is enforcement, you deal with illegal taxis, you make sure that there is visibility, you make sure that the law enforcement is clear and of course planning needs to take place properly. So that we know each routes, how many passenger's we transporting and we know what we need.

CHAIRPERSON: Yes I think at this point we will have to take the lunch adjournment. I hear a demeanour [?: 01:36:33] of protest in the background.

We will take the lunch break and we will be back at, I suggest 14:15 just to allow sufficient time for lunch. Please remember that you are still under oath. If we can be back at 14:15 to finalise the presentation.

SESSION ADJOURNED

10 SESSION 3

CHAIRPERSON: You may continue with your presentation.

Ms Somjaliso: Thank you Chair. I'll be doing part B of the presentation which is transport planning. The first question being what is the current status in as far of the implementation of the proposed IRPTN. I will respond
15 as per our city. What we have done currently is we have identified, in 2014 actually we found a need to identify a status service as opposed to going into the long term contract. We have identified a three-year status service within the NMBM which comprises of four phases. Four phases being roots in different contract areas within the Metro. The first phase being in the
20 Cleary Park area which is the trunk route or the route from the CBD, PE CBD to the Cleary Park shopping centre, being supported by feeder, three feeders. We've identified phase B, phase 1B sorry as the route from town to Njoli supported by feeders. Phase 1C which is a route from CBD to Summerstrand phase 1d which is a route from the [inaudible: 00:01:52] to
25 the [inaudible: 00:01:54] CBD. Those are the four routes that we will be implementing in the next three years. Currently we've implemented, starting from the route, the [inaudible: 00:02:07] operations have started from the 26th of March this year which is the route from the CBD to Cleary Park with the three feeder routes. As much as we are implementing this status [?:
30 00:02:20]. The reasons why is that we didn't want to go straight into the long term contract, the 12-year contract. Firstly, we had implemented a pilot in 2013 and we had a number challenges that we faced so we decided we are not yet ready. Even ourselves together with the operators, the operators

10 being the public transport operators. We are not yet ready to go into the 1-
year contract. We need to gain experience and then we go onto the contract.
That's the reason why we've... We need to use the infrastructure that is in
place. However, we are continuously putting in infrastructure in the phases
identified. That's where we are in terms of the implementation. We don't
15 plan to stop with a three years. We will be negotiating a longer term contract
within the... While we are running the status service. The next question is,
what challenges has the municipality together with the different [inaudible:
00:03:43] of government encountered in implementing the IRPTNs and
developing the ITPs. One of the main challenge is capacity. Until this year
20 or late last year, the department or the unit has been under capacitated
tremendously in such a way you would find yourself doing more than what
you have come into to do... So capacity has been one of the main
challenges. We capacitating, it's a different story this year than it was last
year at this time of the year. One other challenge is information gathering.
25 We have in the past years and even the years that I've been year we have
found it difficult to go out. The thing is now this is business that is already in
place. If you need information you have to step on people toes. You have to
ask for permission or you have to negotiate with the people who are already
on the ground who will give you the information or you will go into their
30 space to gather information. It has been quite a challenge to actually gather
information. Since you will find us talking about lack of information. We have
been able to only have limited counts if ever we are allowed to do counts.
The fact that this is a new system is also a challenge. As in all the cities are
trying to implement what is right or what is said to be right. However, we find

10 that it's not one size fits all. As we planning we've been seeing that this will
not work for us, this will not work for us. The challenge is the fact that's it's a
new system in South Africa. We learn as we go. Even with infrastructure
implementation you're trying to implement infrastructure within a town that is
already developed. There's space constraints and there's traffic constraints
15 as well. Those are the challenges that I can think of at the moment. What
measures can be out in place to ensure that capacity is developed for the
successful implementation of the IRPTNs and the development of ITPs. I
will again speak within our municipality. Currently we've got departments
that we overlap or sometimes underlap, I don't know there's such a word, in
20 terms of functions within the municipality. Since the unit itself is newly
established and it looks at the implementation of IRPTN there are functions
that come with the implementation of the IRPTN. However, that are placed
with in other departments within the municipality. Therefore, realignment of
the unit itself or the departments themselves is quite critical. Then the
25 development of a [inaudible: 00:07:46] structure that is suitable or functional
for the implementation of the IRPTN. Then making sure that you attract
suitable candidates to fill those positions through ways of star [?: 00:08:05]
skills. What do you call them?... Allowances and stuff so we need to attract
suitable candidates into these positions. Does the difference in price and
30 mechanism have impact on competition between the meter taxis and app
based? Yes, definitely. You find the app based they're much cheaper in
terms of the rate as compared to your traditional meter taxi. As I've heard
for your app based you pay for one way whereas your traditional meter taxi
the rate would filter in going to fetch and coming back. As well as the fact

10 that they are easily accessible, your app based it easily accessible it poses
a competition as well between the two. You will find app based will be a
more preferred mode or not mode rather but method than your traditional
meter taxi. Thank you.

MR MABHOZA: I think just to add on transport planning. I think currently we
15 are busy compiling information that it would be possible that we can then
extract and compile a number of business plans put of it moving forward.
Once we have the information we can decide what we do with the interim
contract that is being held at provincial department. Once we have
information we can extract a business plan that is going to make it possible
20 to deal with that contract then as the contracting authority take over those
functions. We are now have a base and the good thing is that we have
started. We've put all the necessary plan in place to make sure that we
collect information. We have a proper CITP and that is going to involve the
rail as well. In terms of part C [?: 00:10:47]. Keith is going to do part C.

25 **CHAIRPERSON**: If you could, before you do that just take the oath or
affirmation. I'm afraid your mic was off. So we will have to do it on record.

KEITH MITCHELL: I Keith Mitchell swear that the evidence I shall give shall
be the truth, the whole truth and nothing but the truth so help me God.

CHAIRPERSON: Thank you very much.

30 **KEITH MITCHELL**: Good afternoon. My submission in this is going to focus
mostly on the supply of vehicles, of busses. Not on... A little bit of the
transformation in general of the industry. In 2009 the municipality purchased
25 buses. These were highly specialised vehicles and they were not readily

10 available in South Africa. Also because of a small quantity it was not
feasible to manufacture these busses in South Africa. They were actually
fully imported vehicles, apart from one of them. However, we have now just
recently issued a tender to purchase new vehicles. In that tender we have
specified that the local content will be at least 80 percent of those vehicles.

15 The manufacturer and the assembly of those vehicles will take place in
South Africa. That is a minimum criteria point in the tender. We have also
included a 30 percent B.B.E.E.E component for sub-contracting. That 30
percent has to be done within the Nelson Mandela Bay area. Its intended
that, for instance that the instance the vehicle supplier would then sub
20 contract a local, possibly a maintenance form to main the vehicles for the
duration of the contract. That's not specified what they can use in that 30
percent. Another area that the tender does specify is that the supplier has to
oblige with the national industrial participation programme for the
department of trade and industry goods that are brought in over \$10 million
25 USD. They have to participate in that programme. Other areas where, in
particular for the vehicle is fuel supply. Can be done by EMEs or HDIs. Then
also we have specified as well that the supplier ah to establish a local
NMBM based service and maintenance facility. During his term of contract,
he has to train up the operators to maintain those vehicles and also to train
30 up the drivers to drive those vehicles properly. In terms of vehicles we are
specifying as much what we can for the transformation of the industry.
Unfortunately bus building is a speciality, we can't and also the quantities
that we have do not really warrant a firm coming to establish an assembly
plan within Nelson Mandela Bay. Although that would be nice if they did do

10 it. The second part of the question, what [inaudible: 00:14:59] for
transformation across the value chain and how best can meaning [?:
00:15:03] for participation of HDIs be across the industry? In my experience
HDIs are not fully aware of all the supply chain management policies and
regulations and legislations then goes with government supply chain,
15 government procurement. Also then the difficulty in organised business to
identify and empower the suitable HDIs to participate in the programmes.
It's also a very difficult part there, it's difficult for businesses to identify those
people. Okay, I've dealt with that already. Thank you that's wat I've got.

Mr MABHOZA: I think Chairperson, in terms of the other issues that are
20 there of course Keith is correct. There is training that is needed to make
sure you deal with [inaudible: 00:16:18]. Especially with the VOC companies
that we are trying to develop and train to be able to handle these things. for
example, I will be surprised we've got Spectrum Alert [inaudible: 00:16:28]
that is currently operating Cleary Park. I will be surprised that after three
25 years they still need to appoint outside mechanics to fix the busses. I will be
surmised because what they do now, for the taxis they've got their own
mechanics but for the buses they've employed mechanics that can then be
trained properly by the bigger companies that are dealing with buses. I
would assume that if they have their plan together of which by assisting by
30 the city. In three years' time they should be able to be able to have proper
paperwork to deal with the buses. If they are Volvo buses if there is
certification they should be working towards that now to be certificated
properly. So that they make sure that in few years' time they take over that
function. It cannot be instant; it will need a process committed between us

10 as a city to properly train them towards that point. I can safely say in the
current operations there are people that are, the [inaudible: 00:17:38] says
[inaudible: 00:17:39] people so that they are trained propyl to take over
those functions in some time. Fuel they can have necessary certification to
do their own fuelling and make sure they buy their own fuelling in bulk. They
15 already do that but they do it with another company. It can be possible that
they as the VOC train some of the people or they form some of the sub
companies that are actually do the servicing of busses, fuelling. The other
thing that can be done within the value chain that can be done.

ADV GAUSHE: Thanks Chair just as final nail to the... [Inaudible: 00:18:20].

20 I just want to say that in relation to value chain our memorandum of
agreement with industry speaks about how best can we capacitate them in
terms of taking over some of these issues. In saying that we saying we are
defining value chain in our context as any business approach unit that
arises out of the moving of the bus. Our main objective is that we can't
25 outsource a function that they were doing and that they can do. We are
trying to build them and we are also encourage them form association
based companies that will undergo training so that they can also tender I
terms of our supply chain processes. So they can be in the main stream in
terms of the processes. I just want to also to comment on this issue
30 because the problem is that our industry is such that it's so technical
associated [inaudible: 00:19:30] to be able to say we can immediately take
over the HDIs to assume responsibility. To an extent that sometime in 2014
we once gone to an opinion to get how best can we influence some form of
a identification of a designated group because we felt that when we isolate

10 the people that are directly affected by the system. In terms of the
mainstream then we are not doing justice to capacitate them. Then we said
because certain legislation like your B.B.E.E.E. requires that the minister
must proclaim in terms saying we are identifying... So that you ring fence in
particular for services. Then you must identify by a designated grouping so
15 that it can [inaudible: 00:20:19] as a priority. In terms of our supply chain
processes it was outlines by either that at least certain percentage in terms
of the 30 percent must be local based. It doesn't not speak exactly to the
people that are directly affected. Those are the issues that the project
manager talk about. That we need to capacitate them so that they can be in
20 a position. We understand that it might not take two years for them to be
qualified mechanics in terms of busses and [inaudible: 00:20:40]. So it's a
process that [inaudible: 00:20:42]. That is what we are trying to [inaudible:
00:20:45]. We are advising them that their companies must tap on
everything that is coming true. Including everything that is coming out of the
25 operation of the bus itself. Thanks Chair.

MR MABHOZA: Chairperson, this is the last question. That's section D.
implications of government's policies with respects to the BRT on
commission. I think of course policy plays a big role hence it's always been
looked at. Especially when it comes, even the tendering of routes it has
30 come as a shock to the people that have been there for a while. However,
there is still a need. It has perhaps taken longer than usual to develop other
people that can properly compete on those tenders. It's essential that
government has policies that will help the informal industry to formal. It has
to be; I think formalising the transport industry is the future. There is no way

10 that it can be left as it is. Policy becomes essential in making sure that we reach those goals. The suitability of BRT in smaller cities. It has been my view that this thing of BRT the government has just to move away from it. Hence I said, in my team there's no use of BRT. There's us of IRPTN integrated public transport because you need to have the studies done. You
15 need to know what transport is going to be suitable for which passengers, what route. It can't be just... You're just going to put a repeat bus between point A and point B. you have to check what are the needs and meet those needs. What options are available to promote integration between BRT and taxis? I think, though I said... I don't know which but... I've said that though
20 other cities are still taking about it that you must run a bus and a taxi together. Were rally not talking about it in Nelson Mandela we ae doing it. We are running a bus in the trunk and we're running taxies to feed the bus. They all form one VOC. The people that have put in their taxis to run the feeders. The taxis are branded as per the busses. They run on time, they
25 run on schedule and the people that even though is sitting and watching TV perhaps at home he knows that the taxi is running. He still feels part of the system that we are implementing because he can go, he knows the taxi he can see the taxi or he's even driving the taxi himself. He's employed as a driver and the taxi is in there running in the same IRPTN. The only thing that
30 is outstanding that we are really working hard on it is to make sure that... As knowing that running on schedule, running on rules, making sure that drivers are appointed as per the labour. It's expensive than running an informal taxi. We've employed all those drivers hence the need for the subsidy because now we're running on a little bit of expensive for the

10 comfort of the passenger. Make sure that the passenger is safe, is on time,
is there a reliable transport. That's what we are doing running taxis and
buses. The only thing outstanding is to make sure that we find a way to
make those taxis universally accessible. We are hard at work in making
sure that we do that. We have a complete system now it's got a bit of an
15 issue because the taxis are not yet universal accessible but we working on
making sure as well those taxis could be universal accessible. So that when
someone is running a [inaudible: 00:25:23] and he has to take a feeder he
can again not suffer. At the moment we are making sure there is enough
people to help people that cannot help themselves at the bus stop where
20 there is an exchange.

ADV GAUSHE: Thanks Chair, also just a [inaudible: 00:25:36] on what
[inaudible: 00:25:37]. I guess as well on the last part that he has just said
because I also wanted to mention that. To me it seems we are dealing with
this complaint [?: 00:25:48] in terms of the taxi and busses not necessarily
25 of the principles that the government seeks to achieve eventually. My
understanding is that the concept itself arises from the fact that
constitutionally the government has got an obligation to address
imbalances. Also to address the thing that the current transport system is
not addressing like the issue of universal accessibility for instance. Yes,
30 taxis, the mini bus taxis are a mode of transport but when it comes to
meeting the requirements because really correctly as PM [?: 00:26:21] is
saying that once someone is supposed to be taken up by minibus taxi o the
current fleet of busses that we are utilising. Not the ones that are currently
used by [inaudible: 00:26:32] BRTs. They are not in a position to be able to

10 accommodate that person in terms of his dignity or her dignity because
when you are about to board those busses you need assistance with your
wheelchair and everything. You seize them to become a person then you
become a baggage. Then up until you are up inside their bus then you come
someone else again. That thing, even if probably we can advocate
15 existence of the taxi industry but that element we need to also guard against
because that person also needs to be respected in terms of their dignity.
That person needs at least to enjoy the fruits of our freedom. Those are
some of the things that we need to take when we are doing it. Yes, correctly
we are running a hybrid type of a system here. of which, as the time goes
20 on we want to graduate to a situation as by we have got 100 percent
universal accessible fleet. In the meantime, we can't stop at least servicing
our people because we have not yet achieved that particular level. Thanks
Chair.

CHAIRPERSON: Thank you very much Mr Lesofe [inaudible: 00:27:44].

25 **MR LESOFE**: Thank you Chair I have no questions.

CHAIRPERSON: Mr Ngobeni.

MR NGOBENI: Thank you Chair and maybe we should just start just getting
clarification from Mr Mitchell. I think I may have missed what you said. The
tender that is currently out on busses is that for the new phases or is that for
30 additional busses on the trunk route, the Cleary Park Route. Which we
heard yesterday by Mr King said they were given to them mahala yesterday.
Are these additional busses for the trunk route or these busses for the other
phases that you currently are planning for?

10 **KEITH MITCHELL**: The tender is for the additional vehicles for the further
phases. However, also to ride on what the advocate was saying the feeder
areas, the feeder busses are not universally accessible. Some of those
busses, some of the smaller busses the 12 meter vehicles will be deployed
in the feeder area to provide some sort of regular universally accessible
15 service in those areas as well. So yes the phase 1A will get a few of those
vehicles but the bulk of them are for phase B, C, D at this stage.

MR NGOBENI: Okay. I understand that we heard this morning from
SANTACO that apparently there's been an MOU that has been signed
between the, I think it's the municipality and them. Is this for the other routes
20 that you currently considering. That will be 1B, 1C and you said 1D. If you
can just clarify that so that it's reflected on the record.

Adv Gaushe: Thanks Chair. On the issue of the memorandum of
agreement. Its [inaudible: 00:29:54] it's an agreement. We felt that we need
to have an agreement so that we can find each other formally on whatever
25 we agree upon. On this one what we have done is we have identified the
operators as categorising the NLTA to their associations because that's the
best. That is the nearest structure that recognises the operators. What we
did, we ended into a memorandum of agreement with each and every
association that is operating within the Metro. Ten of them. Out of that ten
30 we implemented the first phase with associations, the ATA and Natoia [?:
00:30:36] which are operating the Clary Park route and we have already
signed the agreement with these other ones or other routes. We have now
started engaging them in preparation for the rollout of the phases because
we wanted to have an understanding, an agreement with them first and a

10 buying. So that when we go to these actual negotiations at least we
understand that we are working together in the project. We have signed
that; we have now preparing the... We have met with the lawyers for IBC
Algoa [?: 00:31:00] bus yesterday to finalise their MAO. We are in the final
stages now to also engage them so that can proceed with our negotiations
15 going forward.

Mr Ngobeni: How on the agreement that you signed with the other
associations what are the things that have been done so far? We heard
yesterday that if one takes the phase 1 for example. What has been done in
phase 1 is that the operators who have decided to opt into the system have
20 kept their licenses. Are you going to adopt the same approach even in the
other phases or are you going to be dealing with them differently?

Mr Gaushe: Thanks Chair. What are doing that in terms our engagement?
Currently with the remaining six or rather eight, let me say eight. With the
remaining eight we are engaging them in terms of the process. [Inaudible:
25 00:31:56] has got an attachment on it. This is an annexure which is the
milestone attachment. Which outlines what is it that needs to be achieved
so that we can reach at the stage where we say we are now ready to go
live. In doing that we are engaging them thoroughly on this one. What we
are doing is that we are taking stick in terms of their operating licences first
30 as a strong point. So that we can understand who's who in the route. Then
when we implement we take the originals of those taxis that absorb, that we
take out from the route to create a rider shift [?: 00:32:42] for the buses
because we don't have enough money to remove all the taxis. We remove
the amount that we can afford at that particular time them we give them

10 compensation. We take the vehicle, we take the operating licence so that
don't take that operating licence and buy another vehicle. So at least we
keep them in terms of the agreement that we have received. Then in the
process, what are doing now is that we are doing the assessment and the
service with the current, with the eight associations that we have not yet
15 implemented. Once we have finished with the sub [inaudible: 00:33:13] then
we will sit down and then discuss now the roll out in terms of say, phase 1B
what is it that is now falling short in terms of us engaging into the actual
negotiations. Do we have enough money for all these processes, for the
compensations, for the implementation and all those things and for the
20 operations? Those are the assessments that we do as we build on. Thanks
Chair.

MR NGOBENI Okay and other than that, other than the MOU that you
signed you've not moved further than that? There's not been any of those
discussions that you've just mentioned on how licences are going to be
25 dealt with and all of those things. I've gathered from SANTACO this morning
that it appears as if what has been done so far is just the signing of the
agreement and nothing more. I'm just trying to understand from the
municipality as to whether there's been further steps that have been taken
other than the signing of the MOU.

30 **ADV GAUSHE**: Thank Chair. On this one it's unfortunate that indeed the
format that the commission takes does not allow the public to engage
because some of the things to be clarified when they are said. What is
happening is that after we have signed the MOA we said to them we invite
their delegates, rather people that are mandated to represent them because

10 they are not always clear on that one. We say once the MOA we need a
letter from the association giving us names of the people that are mandated
by the association to represent them in the forums. The structures are had.
We had our first ICC and we had the working group on surveys. Where Miss
[inaudible: 00:34:52] was outlining the process of the subways with the new
15 associations, with the new associations that have signed the MOA but even
themselves they have put a [inaudible: 00:35:03] in terms of discussions
because they wanted to achieve something else. We said okay we we'll
agree we'll wait for you to achieve what you want to achieve but once you
are clear then we'll continue. We are engaging and we are ready to engage
20 them on any sphere. We said to them they must start now to put together
what is supposed to be submitted but they are failing. Even within
themselves everybody wants to be a representative because when a
milestone is achieved there is some form of a compensation or rather
remuneration at least to appreciate their contribution and their involvement
25 in the discussions. So now everybody wants to benefit and [inaudible:
00:35:46] one of those things. [Inaudible: 00:35:46] but at least we are I the
process of finalising those processes. We are together in this and we are
engaging each other. Thanks Chair.

MR NGOBENI: In terms of the model is it going to be, now I'm talking about
30 the other phases, let's take 1B for an example. Are you going to be using
the same model as the one that you using in the Cleary Park route where
you have articulated busses on the trunk route and you then have taxis as
feeders as well?

10 **MR MABHOZA**: Thank you sir. We trying to move away from the articulated
buses. We will have solar busses in the phase 1B but it depends because
even on the Cleary Park we are surprised by certain demands. It depends
on the demands and we have set up the tender to order the buses as we
need. Should the demand pick up a lot on phase 1B then we have an
15 opportunity to put an articulated bus. It depends on the demand but we will
still be using taxis as feeders. Perhaps by then we would have found a way
to make them universally accessible.

MR NGOBENI: Thank you. On the moratorium issue, you mentioned in your
submission that it has only been placed on meter taxis, with respect to other
20 odes there are no moratoriums. Could this be a reason and I'll tell you why
I'm asking the question. Could this be a reason why there's been a
confusion in terms of e-haling [?: 00:37:32] operators because we heard
yesterday that they've been engaging with the municipality and that they do
want to comply with a legislation, they do want to be regulated. Could this
25 moratorium be the reason why they not being issued out with meter taxi
operating licences? What is going on there?

MR GAUSHE: Thanks Chair. On this one Chair, let me say, the reason why
we started with the meter taxis and also the e-haling were that the manner
in which the applications came in were such that they were flooding to an
30 extent of saying even as far back as 2009 it was already clear that the city is
saturated with meter taxis. So that there is nothing that we put in place at
that stage to say yes now we are putting a moratorium. We moved on up
until a stage where now we [inaudible: 00:38:41] to say no. giving more
because we will continue giving their [inaudible: 00:38:49] but we said giving

10 more now at this stage without making an assessment and creating a data
to know exactly who's operating. What we have seen happening is that
there was a lot of [inaudible: 00:39:07] of meter taxis. To an extent of meter
taxis not even registered and not even having operating licences. Being
used for many purposes that [inaudible: 00:39:18] to convey passengers at a
15 particular time but used for other things. They were putting a risk now for the
municipality to be used for not taking care of their communities. We said
that okay let's put the moratorium and the [inaudible: 00:39:32] whilst we are
conducting these [inaudible: 00:39:34] making sure that we know at least
who's who. On the meter taxis that are some meter taxis we cannot
20 [inaudible: 00:39:39]. For instance, we were saying we don't know exactly
who's outside there. We want them to come up because there was an
allegation or a claim, let's just say claim. Some of the meter taxis have got
an association and those people came forth and said they are representing
the meter taxis. We said give us documentation to that effect, that you are
25 an association that represent the meter taxi because we are avoid there's
case whereby I come as a face if the government and I say represent
everybody that is here. When something else happens that person comes in
and says no I don't know that person. We can't as a government be in a
position to explain ourselves, why did we recognise these people. After that
30 they ran away about we are still waiting for the people to come. It's
unfortunate that in the meantime there are a few institutions that are coming
to us and we have learned that the other institutions that are outside that
wants to come in on the mainstream and are trying to get an access to the
municipality to say that they can engage. We are opening that because we

10 want to know who are the stakeholder who's are outside there. So we sit
down and engage them. We understand exactly who's operating in the
institution. Not necessarily that we were trying to normalise the situation. In
relation to the operating licence issue we are building up in terms of the
moratorium that is why we have not yet set it up. We have said to them we
15 are going this route because we don't want to frustrate them and take four
years to implement a particular route when we have already put that
moratorium then we suffocate their business on the other side. So we are
saying once we take a decision to say now we running out with this one
then we start to put the moratorium on issues of new licences. Then even
20 on that one if we are going to be to be in a position to absorb all the vehicles
because we can't put the moratorium when we not going to be in a position
to absorb everything, more especially on renewals. Yes, on [inaudible:
00:41:19] we can but in renewals we can't because we will be [inaudible:
00:41:23] and we are [inaudible: 00:41:26] to renew their place. That is their
25 business that is their day-to-day business. That is the situation as of now
but we are believing that survey that are going [inaudible: 00:41:41] will be
fast enough at least to give us an indication of whether do we still need
more or is it enough outside that to grant licences. Thanks.

MR NGOBENI: Thanks. Has there been any approaches by e-hailing
30 operators and how are you even dealing with them?

MR MABHOZA: Yes, we have been approached by Uber and we are
currently collecting the necessary information with the PRE working together
we have sent a letter to the PRE and they have committed to give us all the
information that either have in the system of the meter taxi. Together with

10 the PRE moving forward to announce over the newspapers to ask everyone
to come through to fill certain forms so that we can get all the information.
Once then we have that information we will be able to move forward. We
have agreed with the people that have come forward to see us that that's
the process and they have been happy with the process.

15 **MR NGOBENI**: Maybe just to clarify when you say you collecting the
information to use the language of the act you determining whether or not
this demand is for the service. Up until now to an extent that that the
operators are operating. Okay, maybe let me out it differently. Are there
people who've been issued with operating licences but then under a meter
20 taxi category, e-hailing services.

MR GAUSHE: Thanks Chair. We have been issuing operating licences from
continuously from [inaudible: 00:43:24] up until last year when we out a
moratorium. Now there's no issuing at all up until we finalise this process at
[inaudible: 00:43:31].

25 **MR NGOBENI**: On what category? This is the meter taxi category, just to
make it clear on the record.

Adv Gaushe: Both the meter taxis and also e-hailing in terms of Uber.
Those are the two that we have at present. Traditional ones and also the
app ones. Those are the ones at least that we have currently.

30 **MS SOMJALISO**: Just to add...

CHAIRPERSON: Can we please allow our guest to respond to questions.

10 **MS SOMJALISO**: Just to add Chair there is a total of 55 operating licences that Uber was issued with before the moratorium was put in place.

MR NGOBENI: Okay thank you. Just in the question of assignment that Mr Mabhoza [?: 00:44:36] dealt with at the beginning. You identified two issues, the question of information lacking and also the question of capacity. Just to
15 make it clear in terms of information because you said you busy collecting the information. Are you conducting or study? What do you mean by collecting the information? Are you sort of like conducting a study and after having done that you then make your results known to the public?

MS SOMJALISO: Thank you Chair. In 2016 we started a survey which we
20 termed the public transport operation verification survey which had numerous challenges. We were able to count on certain routes to conduct the surveys on certain routes. The surveys were looking for information on the operations themselves. On the particular routes that we have identified for the starter service. Information such as number of vehicles on the routes,
25 passengers on the routes, operating licences on the route, fares, your market surveys we're looking at what do people pay on those routes, what are operators collecting daily and month and all of that. How are e on some routes we had challenges because we were stopped by some associations as I've said before, it's not from lack of trying to gather information that we
30 have old information at your dispensation. We have tried, we've been trying through the years but we get blockages. We get stopped because we are working on peoples' businesses. Those now, we are continuing those surveys, when now we were meant to start on the 23rd May but we had problems even there. Then we have another form of surveys which we have

10 planned already which are due to start as well parallel to these PTOV.
We've got household travel surveys [inaudible: 00:47:09] will be going to
people's homes and having them answer questioners on where do they
travel, how do they travel, why do they travel and at what fares to they
travel. That information is what is going to be used for out ITP which we are
15 currently doing an overhaul on or updating. That information is going in to
the ITP which means that the ITP is a public document, it goes into ITP as
well. It will be accessible to the public. The information that we gather from
the surveys were going to conduct even those [inaudible: 00:48:01] will be
used to find new linkages, to identify new linkages, to identify demands on
20 the route and all of that. The information is going into the ITP, it is going to
be used for our planning as well for further phases, as well as its going to
the ITP. Its public documents, there will be access for the public to the
documents.

MR NGOBENI: Thank you. Then I think you also mentioned the question of
25 capacity and you indicate that you done some recruitment. In addition to
that we've heard this morning from the department that they're also
capacitating the municipality as well. I'm more interested in finding out what
has been the effect of what the department has been doing in terms of
further capacitating the municipality I order to ensure the municipality
30 becomes ready in order to assume the powers that are assigned to it in
terms of legislation.

MR MABHOZA: I think at the moment, mostly what's happening between us
and the department is more of information sharing and planning together on
how at the end of the day the functions will devolve to the municipality.

10 We've agreed between ourselves to work hand-in-hand up until we get to a
point where we can devolve the functions. Like I said internally we've made
some good appointments and we've got capable people to put plans
together. Like I say once we have all the information together we can then
15 derive from that information a number of business plans. Even working with
the province we can have a proper business plan on how we're going to
have those functions coming to the city. If there are still gaps of which at the
moment the gaps on the capacity that I could think of is just going to be the
administrative. Where we'll have to then appoint people that are going to
20 deal with administrative issues of dealing with capturing of information and
all of that. In terms of the planning we've got capacity and we are working.
We're meeting almost three to four times a month with the province to
discuss all these issues. They are part of the IPC that meets quarterly to
take proper decision on the way forward. I'm comfortable with that. In terms
I believe that they are running, for example issuing of licences and keeping
25 information in the PRE. They are running certain systems, computer based
systems the municipality has to gear around itself how they're going to keep
the information or they're going to use the same system or they're going to
create... Those now is going to be now getting into details to go to a point
where we say we ready to take the functions but we will be doing all that
30 together. Thank you Chair I have no further questions.

CHAIRPERSON: Mr Mandiriza.

MR MANDIRIZA: Thank you Chair. I just want to take you back to the
moratorium issue. Is there a council resolution supporting the moratorium?

10 **ADV GAUSHE**: Thanks Chair. On the issue of the moratorium on the meter
taxis we have taken it with the PRE, not necessarily through the normal
processes of implementing it but just to stop the processes when we are
dealing with the information verification. There's no resolution yet from
council. We are contemplating that immediately when we have got
15 discussions readily with the taxis then those processes [inaudible: 00:52:17]
resolved was to the ICC. We take a decision then it's filtered through the
council processes, your committees act with the council to resolve. That
process we have not yet embarked on we only temporarily put on this one
so that we going to hold the issue of the meter taxis up until the information
20 we are turn to get we get it. Once the processes are unfolding then we will
advise council to say yes we have got a lot of people then we need council
to enforce the moratorium. No we have got spaces, we can still issue some
more operating licences.

MR MANDIRIZA: My understanding I think from the submissions yesterday
25 and today. The moratorium was in place I think from June or July 2017. Is
that correct?

ADV GAUSHE: It's supposed to be round about October.

MR MANDIRIZA: Okay October. Let's say October. From my understanding
I think some of these decisions have to be rectified by council. So I just want
30 to get a sense of whether you are the advocate. I think if some says maybe
there isn't a decision of the municipality to issue a moratorium whether you
are satisfied from the legal perspective that maybe that's the right decision.
I just want clarity.

10 **ADV GAUSHE**: I will possibly answer your question in two folds. The first
one is that indeed if we were going to b putting a permanent stay in terms of
the processes then because the act allows us, if ever we had to go that
route. In terms of section 39 for instance if the MDA it does give us that
opportunity to do that. It's just a legislative process. We have not yet gone
15 into enforcing or rather revoking the contents of section 39 as of now. What
we have done in terms of the meter taxis and also the handling and other
processes in terms of the meter taxis. We sat with PRE and said now we
have got this influx of applications, can you hold them up until we have got
this information? Then can you can advise because the issue is go to
20 council and advise them of something we are not sure of where council is
going to ask what is it that you have done to make sure you've got the
entire, that whole information. That one probably it might have been an
overnight in terms of trying to, even the temporary [?: 00:54:54]
arrangement that we are putting to go to council. We wanted to go to council
25 with full information to advise councillor to say now the situation as we stand
is that at this stage here is the reflection of the situation. Please advise us
whether we are recommending that we need to take a moratorium then if
they agree it is fine but if not but informed by the processes that we have
followed. That is what we have done. I believe that in terms of that
30 moratorium of the meter taxis probably it might have been an oversight but
we were think that at least it's going to be backed by the information that we
are gathering now with the PRE, working together with the PRE. Thanks.

10 **MR MANDIRIZA**: Okay. How did you communicate even despite that you haven't gone through the council process? How did you communicate that to the people that were applying for these kinds of permits?

ADV GAUSHE: As it is normally procedure Chair that when a person applies to the PRE. Then PRE advises the municipality that there are these
15 applications. That is how they communicated to them to say we are still holding on issuing of licence because this is what is happening. Also, in terms of the operating licences this is what is also happening. When the application is sent to the PRE, PRE is sent to the municipality. Municipality say in terms of our assessment we feel that on this route this route is
20 saturated or what that about. We are not granting permission for this operating licence.

MR MANDIRIZA: My question is more on the moratorium or how did communicate that? Was it on an application per application basis or there was a general notice by the municipality sometimes that they presented the
25 newspapers and all of that. So that at least your stakeholders are aware. Part of the allegation that we had yesterday was that the municipality does not communicate and the municipality does not engage with some of the key stakeholders. That why I'm asking whether the municipality made any effort to try and inform people about this moratorium.

30 **ADV GAUSHE**: Thanks Chair. No on the issue of this one, it was not a public statement that was made. It's only application by application that is coming that is coming to PRE. We have stopped issuing the [inaudible: 00:57:22] because we are verifying the data.

10 **MR MANDIRIZA**: So in other words the concerns that we have been hearing are to some extent very justified. In terms of the communication from the municipality with the respect to those moratoriums.

ADV GAUSHE: Thanks Chair. No. let me agree [inaudible: 00:57:38] with what you are saying. Really, indeed one thing that I want to say probably it's
15 a question of not knowing exactly who's outside there up until you are advised by PRE. Those institutions that felt that at least they need to engage they come forth then we sit down and engage each other. As PMA [?: 00:57:56] just said that we sat down with Uber, we sat down we proved them true. They understood, they are saying at least let's speed up the
20 processes so this thing can be released.

MR MANDIRIZA: I think section 69 as you have also quoted it puts also an obligation to the municipality to at least do an assessment before you to determine the need. I think from the submissions I think that you have made this afternoon you have indicated that you are still doing the surveys. At
25 least you still managed to put in a moratorium whilst waiting for this... I'm just trying to get an understanding of what informed that because there is an obligation, what the municipality is supposed to do in terms of the NLTA.

ADV GAUSHE: Thanks Chair. Chair you are correct. One thing that you have... Let me explain again. As I've referred back to 2009 there was a
30 survey conducted at that stage and at that stage we were also convinced and it was learned that there was a saturation in terms of the meter taxis. What happened that irregardless of those outcomes we allowed the process to unfold. Up until now we said let's put a temporary moratorium for

10 assessment purposes now because we can see that now... I don't want to
use this one in terms of the vehicles because one vehicle is now on top of
another vehicle. So we are avoiding that in terms and then translate that into a
song. We are trying to avoid that situation. That's why we are saying let's
stop them as of now then we do the assessment. Then immediately assess
15 then we can allow them to go through if there are still spaces in terms of
those processes. That is the situation. Yes, indeed I agree with you Chair.
Probably if it was a question of coming back again to revoke the provisions of
the act to say now we are then coming to this stage. We are revoking the
same survey that informed us in 2009 but at least now we want to put this
20 moratorium, this temporary moratorium. Then after that we will then take a
decision to council to say this is the decision. Thanks Chair.

MR MANDIRIZA: Then I think we, the province today mentioned that they
have released a system. I think they have mentioned Olas [?: 01:00:27] and
the NLITS which is a system that helps them to process operating licences.
25 They said the information that they gather there is very credible. I just want
to try and get a sense of why the information gathering takes, in terms of the
number of operators, meter taxis and the mini bus taxis is taking too long to
validate. Why is it that the province this morning indicated that they do have
reliable information?

30 **MR MABHOZA** I think in terms of the meter taxis we have communicated
and they say, the province has indicated that it won't be difficult to get that
information. However, they've also advised, we follow that section where we
put an advert on paper and request all the meter taxis, we're going to
request the mini haul we were going to fill that information. They as the

10 province advise that they will give us information that they have currently but
they advise us that we must do that process as well so that we can have a
collective information of what's happening here in terms of the meter taxi.
That's the process that we've agreed I'm going to follow with them. We're
currently doing that now.

15 **MR NTSHEBE**: If I may chairperson, in terms of the systems that are
currently with the provincial department of transport. I think we need
recognise the fact that what they have is in terms of the current operations.
However, what is missing which is the duty of the municipality in terms of
the national land transport act to determine what demand is there. I think
20 that's what we are currently doing so that we can ensure that there is no
saturation. [Inaudible: 01:02:24] actually by scientific evidence that there
isn't such. That's what we are doing currently. The system and also to
project and take into account the new developments. I think that's what we
doing as a city because that's our function as a municipality. That's what we
25 are doing. We kind of lend that to the information that is currently available
with the department of transport in the province.

MR MANDIRIZA: Do you currently have a timeframe where you're going to
be finalising your demand analysis or needs? I think this is important
especially for stakeholders that are waiting... I'm asking whether, yes...

30 **MS SOMJALISO**: My conclusion is these are three processes. There's one
for the operating licences for metered taxis which we have called a meeting
for the meter taxis. There's the household travel service that we were
supposed to start with. Which is the [inaudible: 01:03:34] going to

10 households. Then we have the PTOV which now is information on
operator's income and everything else. These two processes are currently
being held back by issues that we have between us. They've been resolved
now, which now we will continue starting from Thursday again to engage the
taxi industry. We had stopped for a while but we will continue now. That is
15 scheduled to take a period of three months, the household travel service.
The PTOV is meant to take a month and be finalised. The survey on meter
taxis the meeting has been...

MR MABHOZA: The date hasn't been put but it's probably going to be in
September.

20 **MS SOMJALISO**: However, what directly affects the e-hailing or the meter
taxis is this meeting that we've been asked by the PRE. We did ask for
information from PRE on who is there. Yes, in 2009 it was identified that it
was the industry, meter taxi industry was saturated. However, as advocate
was saying we have been approving. Then we said, no let's start with an
25 assessment. Now PRE when we ask for information they themselves
said we must call a meeting, which now will be in September as the project
manager is saying for all the meter taxis in the city. Those are the three
surveys that will be conducted.

MR MANDIRIZA: I assume that you issue a public notice so that people
30 alleging of information and consultation would be aware. My last question
relates to; I think phase 1B of the busses. There was term that was used
that I didn't properly understand. I think it said 'sorrow' or 'sarrow' busses.
I'm not... Solo... Yes. Can you explain that?

10 **KEITH MITCHELL**: A solo bus is a normal 12-meter vehicle 4x2 (4 by 2).
We term the solo bus ones with doors on both sides so that they can
operate in the existing lanes. Then we term a regular bus as a normal
regular commuter vehicle that runs on all routes. Solo busses is a
specialised vehicle that's similar to the articulated [?: 01:06:09] that we have
15 at the moment, doors on the right hand side as well as the left hand side.

MR MANDIRIZA: Then in terms of passenger numbers the meters I might
not be able to relate to them. Passenger numbers?

KEITH MITCHELL: The solos are around about a 70 legal capacity.

MR MANDIRIZA: Okay. Thank you Chair.

20 **CHAIRPERSON**: Ms Nontombana.

MS NONTOMBANA: My first question is with regards to a meeting that Mr
Gaushe [?: 01:06:45] referred to which took place yesterday with ABC. I just
wanted clarify whether this meeting at to do with the implementation of the
IPTS or it was for something completely different because I got the sense
25 that it was related.

ADV GAUSHE: Thank you Chair the meeting that we had. I had it with the
lawyers for ABC. After discussions with ABC because we had a series of
discussions between ourselves, ABC and department transport in trying to
bring them on board in terms of our system. As ABC was reflecting today
30 that their contract after 1st of April changed from what it was before to be a
month-to-month contract with three months' termination notice. As the city
we said together with the department said, let's check now and test whether
ae we indeed going to be doing a legal thing to engage them to [inaudible:

10 01:07:39] or 13-year contract when they've got a month-to-month
contracting partner which is the department. After having soured that
opinion then we felt that at least let's sit down again and renegotiate our
MOA. It was a question of customising now the MOA informed by the
developments of the opinions and everything. We will finalise the document,
15 it's going to be served to the others now to comment on it, then we will sign
it eventually by the municipality and the ABC.

MS NONTOMBANA: Okay but is going to be involved at all in the
implementation of the IPTS is there any role that they will play? Either in the
coming phases if not in the current one in Cleary Park.

20 **ADV GAUSHE**: Thanks Chair. It is our belief that forms part of the definition
of public transport operators. In terms of section 46 of the [inaudible:
01:08:48] their [inaudible: 01:08:50] operates as a scheduled service that
has got an interim contract [inaudible: 01:08:53]. Because of those
obligation then the ABC is going to be participating in the system up until
25 something else tells us otherwise. Ours we are confirming that at least we'll
get invited [inaudible: 01:09:02] as part of the operators that are affected by
part of the [inaudible: 01:09:06].

MS NONTOMBANA: The other question I had is with regards to the Cleary
Park trunk route how were the fares determined for that route?

30 **MS SOMJALISO**: Thank you Chair. After the surveys we did on the routes,
the PVOT or the public transport operations verification that seeks to find
what people pay on the current public transport. If we had fares from the

10 different modes that operate on the Cleary Park route. The fare that was set
for the route was based on the current fares.

MS NONTOMBANA: I'm asking because I thought that you said this service
have not been finalised as yet.

MS SOMJALISO: Chair I said the PTOV was conducted in 2016 with a lot
15 of challenges. Some routes we were able to survey successfully; some we
were not. For instance, Njoli route we could not survey. The route that we
surveyed successfully was the Cleary Park route.

MS NONTOMBANA: The last question I have is with regards to the
operating licenses that would be issues by the PRE because we understood
20 from their submission that at least or the process as we know is that there
would be an opportunity for the municipality to make submissions on the
applications. If the municipality does if does not make those submissions
within a certain period of time, then they would go ahead and make a
decision based on the information that they would have. I just wanted to
25 understand whether you have as you said, you don't have current
information on the demands in the various areas.

MR MABHOZA: I will start. Siya will then finish it up. Since I have been part
of the process we've started to respond to those submissions. It has
caused some uproar on certain on certain issues. Like I say we
30 sometimes... I said, we're scrapping information there and there sometimes.
We do have a CITP that is outdated but some information is credible. We're
really using some of the information to respond to those. Now we've so far
formed a forum, a consultative forum with the industry themselves to make

10 sure they can provide certain information as well and consult with them
before we do those submission.

CHAIRPERSON: Just two questions from me. The first one will be on the
phase one of your IRPTN involving Spectrum Alert. I just want to find out
because Spectrum Alert told us yesterday that in terms of the condensation
15 model there are various layers of compensation which they are receiving.
These layers of compensation involve compensation of 7700 per month, per
vehicle. The second layer of compensation. This first layer of compensation
which vehicles which are parked, which had to be taken off the road and are
parked. Presumably because of the age of those vehicles or the vehicles
20 were considered not suitable. The second layer of compensation its leased
vehicles which are leased from operators and compensation involved plus
minus 13 000 per month. 98 vehicles are part of this between 83 and 98
vehicles. They also told us that they are also able to generate revenue from
the ticket sales. The model at the moment has not enabled them to
25 generate sufficient revenue to be able to pay dividends to their about 174
shareholders whom they currently have. Now my question is how is the
month compensation funded? Is it funded from the fares or is it funded from
an alternative source or sources?

MR NTSHEBE: Thank you Chairperson. The funding for compensation is
30 received from the public transport network grant which we receive from
national treasury and the department transport is diverted through the
division of revenue act. That's why the funding, 100 percent of it is coming
from that grant. Thank you, chairperson.

10 **MS SOMJALISO**: I'm sure we'll tackle the question, all of us. Each one is
going to take this one. There are 7700 layer per month those are the 100
vehicles that were taken off the route, the feeder routes actually. You'll find
on the feeder route the vehicles that operate there are more of the older
vehicles. Now we said we want to create, initially we wanted to create space
15 in the trunk route for the articulated bus, for the trunk bus. We took out the...
We were taking out 100 vehicles but we could get 98 vehicles. Which now
on the trunk its newer vehicles we took those vehicles which we reallocated
to the feeders. Which is the vehicles that we use for feeding, the ones that
we took out from the trunk. Those vehicles, those are the 13 000 vehicles,
20 the second layer. The 13 000 vehicles are newer and have roadworthy
certificates and all of that. Because we are putting these vehicles onto the
feeder it means we are putting more supply on the feeder. Which then
means we need to take pout vehicles from the feeder which is now the older
vehicles which we are taking out for 7700. The newer ones that are 13 000
25 it's both the compensation for the vehicle being taken off the route as well
as for the lease of the vehicle. Which is the over and above the 7700
because the vehicle is being reused on the feeders. Which brings 200
vehicles or 198 vehicles being taken off the route. Of the 200, 100 is being
used. 98 is being used back on the feeder routes. So 13 000 for the newer
30 ones and 7700 or the older ones which are parked at the premises.

ADV GAUSHE Thanks Chair. Just to add on what my colleagues have just
said. The principles in terms of why we have done that is just that we are
trying... If we had enough resources or money, we will remove everything.
We said because we fighting against there's a policy statement made where

10 the IPTL and BRT was introduced by the [inaudible: 01:18:56]. To say if you
are implanting the system you must try to mitigate on any loss of [inaudible:
01:19:03] income and loss of legislature. In trying to mitigate on it. We aid,
okay when we are implementing the system lets try to remove the ones that
we can manage to compensate. In removing the 100 vehicles we are
15 saying, we are taking vehicles that are replaced by the busses. So there is
no loss of income on other people that also operate because the number of
the people of the rider that are ridership, that [inaudible: 01:19:35] that is
being carried by the busses is equal to the number of vehicles that have
been removed from the road. We are only compensating them for the loss
20 of income. On the issue of the payment, of what they are generating their
revenue. Currently I am not quite sure because when they are saying they
don't have other revenues to generate so that they can pay their
shareholders I'm not sure because they are rendering service to the
municipality of which that service is being compensated for. They are being
25 paid for rate per kilometre in terms of what they've run, they are paid for a
fixed course in terms of the fuel, in terms of the staffing, in terms if all the
running coats that they are using. In doing that at least that they are getting
all that is due to them as a service provider for the municipality. Now we
generating money through the [inaudible: 01:20:31]. I'm not sure because
30 what I'm understating is that the principle that is used in terms of our policy
is that if you buy tickets. You're buying tickets we have got only two areas
where we are selling our tickets because we are still in the process of
expanding it. We are going to tender now to get more, to create a database
for everybody at least to participate. Because [inaudible: 01:20:57] said we

10 must use their offices to run this service we are using two. What we said to
them, to everybody is that if you buy a bulk of tickets of a particular amount
then you will get a discount of 10 percent to the amount you are supposed
to be paying. If a ticket R10 then you buy for R9. Then when you go out you
can sell it for R10 because we don't want anything to be beyond the amount
15 of the ticket so it becomes fraud once you do that. We give that 10 percent
is that it comes to you as a seller because you have bought bulk. That is
what they are doing to assist in distributing the tickets. In the amount that
they have they go and buy in bulk and then sell it round the area of Cleary
Park. After 3:30 our customer services are closed so people for them to get
20 more tickets after working hours, after hours they get it from those smaller
vendors and areas that they are selling the tickets to. That is what is
happening Chair.

MS SOMJALISO: Chair if I can also add included in the rate per kilometre
payment is 10 percent profit for the VOC. I don't know whether I heard
25 correctly about revenue from tickets. We have a gross contract with them
the revenue tickets come to the municipality. We pay them the other
payments they we have just mentioned.

CHAIRPERSON This relates specifically to the ticket sales...

MS SOMJALISO: The ticket sales okay alright thanks.

30 **CHAIRPERSON** Mr Gaushe was talking about.

CHAIRPERSON: Is there any additional amplification of the response?

MR MAHBOZA: I just think in terms of dividends. They'll probably see they
have been running for about four months probably after a year they will be

10 able to see what has come in and declare dividends at the end. I think they
are just moving a bit quick.

CHAIRPERSON: Just my next question then is. Is the IRPTN model going
to be rolled out in the other phases? On the same basis as it was rolled out
in phase 1 in terms of the compensation model. If so that is the structure of
15 the compensation model that currently obtains in phase 1. Will the grant
funding be able to accommodate the same structure of compensation
across the other phases on the same basis as it currently obtains in phase
1?

MR MABHOZA: I think, like I've been saying that has been made very clear
20 to them that government is not subsidising taxi, is subsidising a passenger.
Going to Njoli the surveys will clarify how many passengers we're carrying
there. If they have over capacity they might not get 7.7 they might 6, they
might get 5 for compensation depending on what passengers they are
carrying and how many taxis di they have there. It's not just standard that its
25 7.7. It's going to be calculated as per the passengers that we are carrying in
that route. In terms of the IRPTN we might not be able to perhaps crystallly
answer that question. Like I'm saying that we are now we are doing surveys
as we move along. We will do the surveys, we'll have a business plan then
we'll do the sums and see what is possible and what's not possible and
30 advise our... At the moment we think we will be able to implement our
phases up to D and it will be probably by the financials that we have. As we
move forward we will be crystallising those finances. National has been very
clear that the envelope is not growing. Whatever we implement must be with
the envelope. I think everyone can add.

10 **MR NTSHEBE**: Chairperson on the issue of the compensation model I think
it has to be clear that when you speak of compensation you are
compensation for something. Hence Ms [inaudible: 01:26:17] earlier was
speaking surveys, PTOV surveys because those PTOV surveys they are
meant to [inaudible: 01:26:25] for the municipality before we even go into
15 negotiations. They have mandate to tell us the municipality how much are the
taxis making in those routes in terms if net profit. That's the whole intention
of doing such surveys. So that when we go to negotiate we say to the
operator this is how much you are making in terms of the route and this is
what we will compensate you because remember that's what the ministers
20 advocate was referring to earlier. That's what the mister said in terms of the
policy statement that he made. That no one would lose legitimate income.
The way that we feel legitimate income [inaudible: 01:26:53] once we have
taken everything out in terms of the fares that you collect. That is what will
be compensated. If the amount there is 4000 there's no need for us to say
25 we compensate for 7000 because tats really not compensation. We'll
compensate according to the income that one is currently making. That's
what we foresee as compensation. It cannot be taken as a given that since
in Cleary Park because the figure in Cleary Park came out of the surveys so
the figure elsewhere will also come out of the surveys that will be
30 conducted. Thank you Chairperson.

CHAIRPERSON: I think that we have come to the end of our questions. We
will like to thank you very much for your time and for your submission. We
have come to the end. You are excused. We have come to the end of
hearings in P.E. we would like to thank everyone who has made

10 submissions as well as everybody who took their time to attend the hearings. Thank you very much. The next league of the hearings will be in Limpopo next week Tuesday and Wednesday.

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