MARKET INQUIRY INTO THE

LAND BASED PUBLIC PASSENGER

TRANSPORT SECTOR.

[●]

VENUE:

(Polokwane)

Date: 22nd August.

Contents

Session 1

CHAIRPERSON: Morning everyone, I would like to welcome everybody to the Competition Commission's Public Transport Market Inquiry Hearings. Today is the 22nd of August 2018. 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 Head of the Market Inquiry's Technical team. Both Ms. Nontombana and Mr. Mandiriza are Economists based the Competition Commission. And on my extreme left I am joined by Mr. Itumeleng Lesofe and Mr. Jabulani Ngobeni who are also from the Competition Commission, they will be acting as evidence leaders in these proceedings. They together with a team of the Commission's lawyers and Economists will be assisting the panel in soliciting evidence for the Inquiry. Before we begin today's session, I would just like to recap the rules that will be applicable to this session.

The 1st is that the session - thee formal seating of the Inquiry will be open to the public at all times except when the Chairperson rules that part of the proceedings will be closed on grounds related to confidentiality or for any other reasons deemed justifiable in terms of Competition Act.

Secondly, all sessions will be recorded and will be streamed on YouTube save for those sessions or parts of sessions that are will be closed.

Thirdly, in order to allow for the proper ventilation of issues, the Chairperson or the panel members as well as evidence leaders may pose questions to any persons making oral submissions or to any witness in these proceedings. The Chairperson will not permit any person neither personally or through any legal representatives to put questions to any witnesses or any person making oral submissions during these public hearings. In the event that any stakeholder has an objection, a comment or question in respect of any submission made during these proceedings that stakeholder must submit the objection, comment or question to the Inquiry in writing and the Inquiry will attend to such an objection, comment or question at an appropriate time, as soon as possible.

Lastly, we also have interpreters who are on standby in case any person making oral submissions wishes to make use on an interpreter. We wil now receive the 1st presentation from the Limpopo department of Transport. Welcome lady and gentleman, thank you very much for your time and for also being on time. There is a piece of paper in front of you, you may take the oath or the affirmation starting with the lady.

MS. KOEDYK: I, Willeminah Petronella Koedyk 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 Ms. Koedyk

MR. MAINGANYE: I, Paul Mainganye 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 Mr. Manganye, if we could start with an indication of your current positions within the department and how long have you held your current positions, starting with Ms Koedyk.

MS. KOEDYK: Thank you Chairperson. I am the Chief Director for Transport Operations in the Department of Transport in Limpopo. I started in the position in 2010.

CHAIRPERSON: Mr. Mainganye.

MR. MAINGANYE: I am the director responsible for subsidy funding and I started in that position in 2011, but I am also the Chairperson of the provincial regulatory entity in which position I started in April 2018.

CHAIRPERSON: I understand you have prepared a Power Point presentation; you may proceed with your presentation. That will be followed by questions from evidence leaders as well as the panel.

MS. KOEDYK: Thank you Chairperson, I just wanted to check whether I should read the questions or can I only continue and present?

CHAIRPERSON: Ja, it is up to you.

MS. KOEDYK: Because we have responded to the different questions.

CHAIRPERSON: Ja, it is up to you whichever format you feel comfortable.

MS. KOEDYK: Okay. Thank you Chairperson and good morning everybody. We have responded in terms of the questions that we received from the Competition Commission. The 1st area that we responded to was on rail, however the department does not have or the province does not have a metro rail passenger service. PRASA rents a mainline service from Musina to

Johannesburg and fro Johannesburg to Musina. And then I have just indicated there the travel times because it is not a very convenient service because the travel from Johannesburg to Polokwane, the train arrives in Polokwane around 01:15 in the morning which is not a convenient time because during this time there are no connecting transport and there are security concerns as well. Money people need convenience, a faster, safer and affordable traveling which is lacking in the rail service in Limpopo currently. A train trip to Musina takes around 14 hours. Travel price, that was launched around January 2018, there is a flat rate from PRASA side of R100 to any stopping station in the corridor. And PRASA to improve the service to Musina to relieve the traffic congestion on the N1, that is the proposal from the Province considering the traffic congestion that we are currently experiencing on the N1 especially over weekends.

Section B, please indicate the challenges that have been encountered or different spheres of government in the implementation of the integrated rapid transport networks and the development of integrated transport plans. The only place where an IPTN is implemented in Limpopo is Polokwane Municipality. The municipality has done phase one of the network and has commenced with the construction of the bus stations. It has not yet started with operations, challenges encountered in the implementation of the IPTN has been the lack of funding to cater for the operational and the subsidy costs and the agreement by operators. That is still in process to get the final agreement. There is only one bus operator affected by the implementation of Phase One of the Polokwane BRT, and that is Great North Transport. I can mention here that in the last meeting that we had with Polokwane, there was a challenge by the Taxi industry because of Great North Transport that is a government subsidiary whose and it seems there is reluctance from the taxi industry to go into an agreement with the bus operator. But those issues are under discussion by Polokwane municipality, and they are dealing with the matter.

The department developed a rural integrated public transport network for Sekhukhune district in 2010/11, but could not implement it due to the unavailability of funds. The Sekhukhune IPTN was presented to the National Treasury for funding, but then Treasury then indicated that they will be funding BRTs and Metros and Cities. In the transactions strategy, it was mentioned that the focus will also be on the rural IPTNs. But unfortunately, at the end of the day it was not funded like the BRTs. The development of ITPs is slow within municipalities because the majority do not view it as a priority and do not make budgetary provision for it. Others have ITPs that are not reviewed as required in terms of the NLTA. The department is assisting municipalities to develop ITPs, but do not have sufficient funds to assist all. The department is focusing mainly on the growth points in terms of the development of ITPs. The implementation is a challenge as well of the ITPs because the municipalities do not have funds to implement projects as identified through the ITP process. The other challenge which is fundamental is that municipalities do not have transport units and transport planners or practitioners. As a result, issues related to transport planning and ITPs are not prioritized in municipalities in Limpopo.

For other spheres of government like the Province, the challenge is that of a lack of coordination of transport related programmes in municipalities. For example, for the provincial regulatory entity to consider entities for operating licences, there must be an indication from ITPs of the need and the extent for public transport services to avoid routes being over saturated which again lead to unhealthy competition by operators especially minibus taxis.

I have tried to – I am not going to read all of this. I have included in my presentation the status quo of integrated transport plans in the province as additional information for somebody that may be interested in this. This is just to show where do we have integrated transport plans, where there are no integrated transport plans and also outdated integrated transport plans. So, I don’t think it is necessary for me to read through the list. It is in the presentation.

What measures can be put in place to ensure that capacity is developed for successful implementation of IRPTNs and the development of ITPs. There must be a directive to municipalities to firstly establish relevant transport planning units in their relevant transport units in their organizational structures. Staffed by qualified and competent personnel and then secondly, it must be compulsory for ITPs as part of the sectoral plans and to form part at the end of the IDPs because we know that the IDP also require an integrated transport plan. This means that municipality should be encouraged to set aside the budget for transport planning as part of the standard budgetary items. That will enhance stakeholder management through transport expertise within municipalities.

QUESTION B3 Section 57 of the National Transport Land Act of 2009 sets outs a process for objecting as part of the operating licence application process. What are the main reasons raised by operators during the objection process? The main reason for the objection is that the route applied for is the same as the objector or there are already other operators for the same service. Normally buses object to mini bus taxis or vice versa, if not one taxi association against one another. I think here we are dealing with a little of sort of entitlement where associations consider their routes which was given or structured in terms of the registration administration system as to do the conversions of taxi licences where those routes were given and no one else is allowed to operate on that route. Operators who lodge objections also do site over saturation in the specific routes which has potential to affect the markets and its share. The taxi industry through the various taxi associations argue that it is their routes that are affected as I have mentioned previously.

QUESTION B4: How widespread is the application of objecting to new applications especially by large bus operators. The practice of objecting to new applications especially by large bus operators is mainly concentrated in the Vhembe (sp) district, and this could be due to the large concentration of transport consultants that are active in the area. Bus companies especially object against charter and organized party applications.

B5: The instances were objections were raised by the large operators that the provincial regulatory entity for instance ally grants such operating licences and how long did it take the PRE to issue such operating licences. The refusal or the granting of operating licences in instances where there are objections depend on the reasons for the objections and the merits thereof. Where there are merits of the objections, the PRE does not grant operating licences. The standard turnaround time for issuing of operating licences is 90 days. It is described in the Act as 60 days. But we have as our service standard in the province have a standard of 90 days to accommodate the whole processes of objections and unforeseen delays. So, the standard turnaround time for issuing operating licences is 90 days from lodging of an application to issuing unless there are specific reasons why such is not issued within the turnaround time.

Is the PRE dealing effective with the objections? In the absence of reliable and up to date municipal integrated transport plans, the PRE is not dealing effective with objections. The PRE depends on the strengths of counter-arguments presented by interested parties which in the main is the usual citation by taxi associations or bus operators that routes are theirs and that new operators cannot be allowed into their space.

Identify ways that can be utilized to balance the legal provisions in the NLTA of objecting with potential abuse of the objection process by the larger operators. The ownership placed on the objecting party to provide adequate proof as to how the new application will affect their existing operation. The onus should be placed on larger operators as well as taxi associations in the Province.

What are the impediments to the competitive bidding process by government? The impediments to the competitive bidding process by government is the lack of adequate funding to provide subsidy for wider coverage, providing fare model split. If no additional funding is made available, new areas and settlements may not be covered through bus subsidy contracts and such can continue with the mini bus taxi industry being further relegated to the periphery of the economic mainstream. I think the biggest challenge here is we currently, we cannot, we can hardly sustain the current subsidy services that we have. So, expansion and new contracts is still a challenge for the province.

Mini bus taxis section C. Does the PRE in terms of new routes act more reactive in such a way that they would be obliged to approve operating licence s because the mini bus taxis are operating already? The PRE has been acting reactive in the absence of municipal integrated transport plans to guiding allocation of routes and guiding of operating licences to new operators. The taxi industry has over the years been recruiting new members without operating licences and these are the ones having to operate without licences where the leadership of the taxi association pressurizing the department or the PRE to issue operating licences to people that are already operating. Most of the time the PRE only get to know of the proposed new routes when applications for operating licences are made by operators for such. It's ordinarily the responsibility of PREs to guide municipalities to where there is a need for an introduction of new routes with developments planned by municipalities.

What would be the optimal process that will need to be followed by taxi operators to get to new routes allocated to them? Municipalities need to develop and update their integrated transport plans and create a scientific basis to quantify demand and supply of public transport. When such data is verified, the municipality should advertise routes that are available for service providers to apply through a fare and public competitive process to acquire those rights. The current system where operating licences for mini bus taxi services are only linked to taxi association undermines competition and it is unfair and restrictive to potential new operators or participants in the industry. ITP should also be informed by the special development plans of municipalities as they indicate where growth will take place according to planned social developments.

Underlying reasons and/justification for the PRE to issue a moratorium and the effectiveness of the moratoria in deterring entry into the taxi industry. The reasons for the so called moratorium was to allow the department to establish a mechanism to effectively quantify the total number of taxi vehicles operating in the province as opposed to the number of permits or operating licences issued once the conversion process was concluded. This has proven to be a moving target as taxi associations continue to introduce new members without operating licences which I have not included was also the challenge that the conversion process was extended cods the conversion of permits to operating licences was supposed to come to an end on 7 December 2016, the National department extended that process. To this end, the moratorium has not served its purpose as previously intended. However, the department is embarking on a process to order the supply and the demand of public transport across the province. The outcomes of which will serve as a baseline to develop the provincial operating licence strategy and circumvent the absence of credible municipal integrated transport plans in responding to the growth need for public transport and operating licences. The PRE does not accept what mechanisms that the PRE and municipality put in place to enforce these moratoria. The PRE does not accept new applications for mini bus taxi services except for associations whose municipalities have completed credible ITPs with a clear operating licence strategy as well as clear quantities for demand and supply of public transport. So far, there is one municipality that has achieved that, and that is Lephalale local municipality.

What are the underlying causes for backlogs at PRE and how can they be remedied? The main cause of backlogs in terms of the processing of operating licence applications is an inadequate organizational structure of the department that does not cater for the magnitude for function. The following demonstrates the work load and the capacity of the PRE support service. If you take for instance your Capricorn district service, it is serving 33 taxi associations with 3910 operators, 4 subsidized bus operators with 241 buses plus other services like small bus operators, unscheduled services, organized party meter taxi and scheduled services and scholar transport operators. With only with a staff component of 3 operating licencing offices and one assistant director. The situation is the same in all the other districts where Mopani is serving 21 taxi associations with around 1647 operators, the operators that is indicated here is obviously those operators with operating licences. They also service 4 subsidized bus operators with 176 buses plus other small bus organized party and taxi and other scheduled services and scholar transport operators. With also with a staff component of 3 operating licencing officers and one assistant director. In Sekhukhune, we are servicing 23 taxi associations with around 1320 operators, and we have 1 subsidized bus operator with 43 buses and the staff component in Sekhukhune is the same. Vhembe district the staff component is a little different but they are serving 18 taxi associations with more than 2900 operators, 11 subsidized bus operators with 484 and the staff component that is servicing that area is 5 operating licencing officers and one assistant director. In the Waterberg district we are servicing 21 taxi associations with around 1382 operators, with the same staff component with your Capricorn, Mopani and Sekhukhune. The provincial regulatory entity and its staff component 29 951 operating licences in the 2017/18 financial year which include applications for special trips. Backlogs also exist due to the following: the leniency by collection points that is by our district offices to accept incomplete applications because those applications cannot be processed and therefore, be considered as a backlog. Delay in submission of outstanding supporting documents by operators, operators taking long to uplift long approved applications due to a lack of compliant vehicles, tax matters, etcetera and objections against routes applied for. Remedies: implementation of the new approved organizational structure will relieve the pressure and with will definitely assist. Applications lacking compliance in terms of documentations must not be captured by the PRE support staff until such time it complies with all requirements. And the operating licence administration system need to be cleaned in the province. All operating licences not uplifted within 180 days must be removed from the system.

The question on the meter taxi or the e-hailing services. Do the proposed amendment to the NLTA address the issues of area restrictions between traditional meter taxi operations and e-hailing services and if not, propose mechanisms that will address the issues identified.

There is currently no e-hailing services in the province, hence we have no knowledge of the challenge and the conflict. The province does not have experience on this matter as such. I think the only conflicting situations that we may deal from time to time is between meter taxis and mini bus taxis. But e-hailing services, we don’t have the experience in the province. Thank you.

CHAIRPERSON: Thank you Ms. Koedyk. Mr. Mainganye.

MR. MAINGANYE: I think the presentation covered all areas, regulatory bus services and transport planning. Perhaps if there were to be specific questions, I could come in and respond

CHAIRPERSON: All right, thank you. Who will start gentlemen, Mr. Lesofe?

MR. LESOFE: Thank you Chair, good morning and thank you very much for the presentation. I am going to focus largely on the subsidy system and I suspect Mr. Mainganye would be the most relevant person to assist. So, as a starting point, if you could just indicate or rather give an indication in terms of the total number of companies or entities that hold subsidy contracts in Limpopo?

MR. MAINGANYE: Thank you, we have got a total number of 26 contracts in the province and those are shared amongst 18 companies.

MR. LESOFE: And of these 18 companies, which company has the largest share?

MR. MAINGANYE: Great North Transport, a state-owned company. It has 8 contracts out of those.

MR. LESOFE: And if you could just give an indication of some of the key areas that are serviced through the subsidy contracts including some of the deep rural areas.

MR. MAINGANYE: Okay, I will take them district by district starting with Waterberg. The areas that are served, could I at the same time indicate in the specific districts the areas that are not served? Will it be fine?

MR. LESOFE: Yes, that will be helpful. Yes, yes.

MR. MAINGANYE: I will start with the Waterberg district, the 1st contract is in Lephalale municipality, a contract by Lowveld[Inaudible] bus services, services the entire Lephalale local municipality including the rural areas of Ga Seleka and Shongoane, as well as the urban areas of what used to be the Old Town of

Ellisras . Then the municipality of Thabazimbi does not receive subsidy in its entirety. The municipality of Bela Bela does not receive subsidy in its entirety. Then the next municipality which is a merger of what used to be Mookgopong and Modimolle also does not receive subsidy. There is only one bus that is operated by PUTCO from the Mpumalanga area of kwaNdebele into the small town of Modimolle. Coming into Mogalakwena municipality, they receive a subsidy through Great North transport and it covers almost the entire municipality including its rural areas. The next district of Capricorn receives subsidy through Great North Transport and Great North Transport covers largely the area of Polokwane municipality, a portion of Lepelle Nkumpi municipality and some of Blouberg, the Bochum area, My Darling etcetera are serviced by GNT. But the deep areas of Blouberg such as Indermarkgoing down to the Botswana border, they do not have a subsidy. The other portion of Polokwane municipality receives service from Bahwaduba bus service which is subsidized. There is also Madodi bus service which services the area of Makotopong etcetera. Bahwaduba also takes care of parts of Modimolle in some of its other routes. GNT as well takes care of the area of Ga Mashashane and Ga Matlala though with very few trips that are subsidized. Going into the district of Mopani, the municipality of Giyani receive subsidy from Great North Transport. The municipality of Letaba receives subsidized service from a company called Mathole bus services. The municipality of Tzaneen as well is served by Great North Transport. Tzaneen its entirety, the urban and the rural areas starting from areas around Burgersdorp, Lenyenye into town, as well as Mariveni into the other side and the villages etcetera. They are also serviced by GNT. Then there is Risaba bus service which takes care of a portion of

Tzaneen municipality particularly the Nwamitwa rural areas and I am forgetting the name of the village where their depot is, but that is on the rural side of it. Nkowankowa , that is where their depot is. So, they take passengers from that side into town. Then there is the municipality of Maruleng which is serviced by GNT. Part of the GNT operation takes care of the rural areas of Maruleng which is Ga Sekororo area towards the small town of Hoedspruit. But 70% of that operation carries passengers from Mpumalanga. Your Bushbuckridge area, the villages into the farming areas of Hoedspruit, largely your farm workers. But because we are the receiving province, we are paying and the subsidy thereof out of that service. The last district is Vhembe which has a concentration of subsidized contracts. 11 of them, but they are shared largely within 3 municipalities. The 1st municipality of Thulamela which has the biggest share has services from Magwaba Transport, Mukhondeleli Transport, Enos, Do Light, but only services what is originally Thulamela, the Western part. The Eastern part which is now Collins Chabane municipality which used to be part of Thulamela, the area east of Malamulele, your Lombardy and the Giant Reef going down there do not get subsidized services. And I think these are historical problems which have not been addressed due to challenges in finances as the Chief Director was indicating. In the Thulamela municipality, there is also service by Netshituni bus service which takes care of [Inaudible] area, Aminga into town. And then moving on to Makhado municipality which is serviced by Mulaudzi Transport, taking care of passengers from Nzhelele into Louis Trichardt, as well as Mabirimisa Bus Services which does the same. And there is also R. Phadziri Bus Services which takes care of what used to be your Vuwani area, which is now part of Collins Chabane municipality, as well as G.

Phadziri which takes care of the Western side of the town of Louis Trichardt, Kutama area and the farming areas in the west. Then going into – okay, maybe before I move out of Makhado there is also Mabidi bus service which is taking care of the Mulima, Mashamba area and Do Light Transport again takes care of the Vleifontein area into Louis Trichardt. So, Chair the concentration of these contracts is that the trips criss-cross one another. I would maybe outline later why mainly it still appears like that. But let me go to the last municipality of the district which is Musina. The portion that receives subsidies are only villages which used to be part of Mutale from Magwaba bus company which takes care of areas like Ha-Manenzhe, Tshipiseetcetera. But for a few trips which largely takes care of your teachers, educators, and government employees. The Western part, the bigger part of Musina municipality does not receive any subsidized service. There is one or two trips that Mabirimisa Bus Services does from the town of Musina into Louis Trichardt, so it does not necessarily take care of the movement of passengers within the municipality itself. I was trying to indicate why there seems to be a large concentration of contracts within the Vhembe district. Historical factors still play themselves out in the subsidy of the country. I am not sure if you would have picked it up when we were doing hearings in other provinces, possibly you would have picked it up in the North West and the Eastern Cape that rural provinces that used to have administrations do not get 100% support from the PTOG funding. They get a percentage. I cannot talk of other provinces like the other 2. In our situation, the PTOG funding only takes care of 45% of our subsidy need. And those that are funded from the PTOG are largely those operations that were linked to what used to be RSA towns. Now, what used to be the Homelands is taken care by the provincial government through its equitable share. Now, the fusion of what used to be the contracts that were serving the RSA towns and the homelands, that's what is leading to the criss-crossing of those contracts particularly in a district like Vhembe. In Vhembe, it is further exacerbated by the fact that the then government then used to have subsidy for private bus operators. So, all of these Mabirimisa , Mulaudzis that I am reading are all the contracts that were carried from that administration. Whereas, in other districts where there was no homelands, you will find the only subsidized contracts would be those that were carrying workers into an RSA town and in many instances that is being done by a state-owned company GNT. Hence its subsidies are across the board. I should go back and indicate that in the district of Sekhukhune, there are only 2 contracts that are there which are serviced by a government owned company, GNT. Which is dealing with the town of Marble Hall and Groblersdal. And those are the only 2 municipalities that are taken which is Elias Motsoaledi and Ephraim Mogale. Those are the only 2 municipalities which are being serviced through the subsidized contracts. Municipalities such as Makhuduthamaga do not receive subsidy. The Tubatse municipality does not receive subsidy although the Great North Transport has a depot there, they are operating a service which is not subsidized, so it is more commercial. And possibly when they made their presentations they would have indicated the frustrations they are getting with such depots that are not subsidized. So, from the entire district you only have Elias Motsoaledi and Marble Hall and that are being taken care of by subsidy, whilst Makhuduthamaga and Tubatse do not have subsidy. And getting into Mopani there is something that I left out which my Chief Director just indicated to me now. The municipality of Phalaborwa does not receive subsidy although there is a service there which is being provided by GNT, but it is commercial, they are not subsidized. And lastly, in the municipality of Vhembe, the other company that I did not mention is GNT Makhado which is taking care of the areas of Bungeni and the villages surrounding into the town of Makhado. And on the other side, the Eastern side, they also have trips that runs from the Mauluma into Makhado, largely, that’s how the province is covered, and this indication we are providing has been like this for the past 20 years or so because these interim contracts were concluded in 1996, I am told, 1997 and literally there has never been any changes since then meaning that there has been no new areas that have been covered because there has not been extension due to unavailability of funds. So, we are serving what is there and the new areas are not part of the system.

MR. LESOFE: Thank you very much. And you mentioned that areas such as Thabazimbi, Bela Bela and Modimolle do not receive subsidy contract services, is that also because of funding or there are other reasons as well?

MR. MAINGANYE: I think the disabling factor is largely funding because on a year to year basis, the budget that the department receives is sometimes not even enough to carry the existing contracts. Now, as a result we are not able to even plan for any extensions because even when we cover them, at times the annual increase that we give to them is so paltry that it’s not even linked to inflation. It is far less.

MR. LESOFE: And villages such as Ga Maja, Thokgwaneng and Tshwene, are they covered?

MR. MAINGANYE: Yes, they are covered. They are covered by GNT services.

MR. LESOFE: Thank you, I think we will come back to the specific issues about those villages. There are specific issues that I would like to -

MR. MAINGANYE: I thought there is a reason why those specific villages, so I wanted to outline that. But anyway, we will come back to that. Thank you.

MR. LESOFE: Ja, we will. And what is the total annual budget that the department gets from National Government? You said you only get about 45%, but what is the total budget in rand terms?

MR. MAINGANYE: In the current financial year we have a budget of R736 million, 380 is from the provincial fund and 356 is from National Government.

MR. LESOFE: I am referring specifically in relation to – oh, okay, the whole amount if for subsidy contracts, right?

MR. MAINGANYE: Yes.

MR. LESOFE: Thank you. And if you could just briefly outline the difference between interim contracts and negotiated contracts as I understand, the operators that you currently have, some hold interim contracts and others hold negotiated contracts, is that correct?

MR. MAINGANYE: Yes.

MR. LESOFE: What are the key distinguishing features between interim and negotiated contracts?

MR. MAINGANYE: From the 26 contracts that we have, 3 hold negotiated, 1 is tendered and 22 are interim.

MR. LESOFE: So, before you even get to the difference – who are the holders of the 3 negotiated contracts?

MR. MAINGANYE: The 3 negotiated are held by GNT. Its GNT Mokopane, it's GNT Seshego and GNT Hoedspruit.

MR. LESOFE: And the tendered contracts?

MR. MAINGANYE: It is Lowveld bus services in Lephalale.

MR. LESOFE: Thank you, you can go ahead.

MR. MAINGANYE: And the rest of the 22 are interim.

MR. LESOFE: Okay.

MR. MAINGANYE: Interim contracts were designed as a transitional measure form the old subsidy types that were there pre-1994. And the intention of the interim contracts where to allow a transitional period through which a playing field will be levelled to prepare for tendered contracts which would have been through a competitive bidding process. So, the interim contracts were designed to just take care of 3 months – 36 months to prepare that playing field. But they have remained interim since then because there has not been a time where government went through to tender to allow a competitive bidding process. Moving from the interim which would have been a transitional arrangement, there are 2 avenues that government could have followed. It could have been through a negotiated process. The negotiated process means you negotiate with the affected operators. Largely, it would be operators that are operating in that area and your negotiations will largely look at the quality of the service, the frequencies, trips, the rates, the age of the vehicle etcetera. And through a negotiated process you will agree with the operator that we are not able to pay you this rate because of maybe budgetary constraints from the side of the government, and they will come in to say, but then your demand for vehicles that must not be say older than 5 years puts a financial prime on us, therefore our rate should be raised to this level. And when you have looked at all the factors in a composite form, you will agree on the duration of the contract, usually which is not less than 7 years. And then as well as the related conditions. The conditions could include the types of systems you want them to have in terms of passenger information, revenue collection and as I said the quality of the buses, you know the age of the vehicles etcetera. And when you have agreed, then it will run based on the conditions that you will have agreed which will include how you are going to monitor their service etcetera. And if you monitor them, how are you going to penalize them if there is no compliance. Now, those issues are not pre-determined. You do not out rightly say this is what you want the level to be. It becomes a product of the negotiations you would have had with the affected operators. In the government, will say fine, we also want to see empowerment of small operators in the process and if there is an agreement, you can agree on the percentage set aside to take care of those. With the tendered contracts, government has a standard tender document wherein you will put in your conditions there and it becomes a public tender like any other tender. Meaning that the participation thereof is not only restricted to what I called affected operators, participation thereof would be to any public transport operator or anybody who thinks they have got the capacity to meet your requirements, buy the buses that you want and offer the service you want. S, it means they would then submit a bid document and usually in a tender process, the supplier determines the price. And when you do your evaluations of course guided by a set of objectives and the best or most acceptable bid will be successful. In the tender document you would have outrightly indicated the period for the tender that the contract validity will be for 7 years, and this is what we expect from the successful bidder. I think what differentiates the 2 is just the mechanism you employ to determine the final outcome. The negotiated one, you enter into actual negotiations with potential suppliers, but largely those that are affected. But with the tender, it becomes a tender which is through an open and competitive bidding process.

MR. LESOFE: Thank you. There is a concern that the subsidy rates that different operators get are different even though the operators may hold the same type of contract like for instance, operators may hold interim contracts, but it appears that the rates that they get are different. And this is despite the fact that their operational costs – although they may not be 100% similar, but they are more or less the same. So, the concern is that operators appear to be treated differently when it comes to the determination of subsidy rates. Would you comment on that?

MR. MAINGANYE: Yes operators' rates are different and I think I should also indicate that the operational costs can't be the same. Various companies that operating in different environments, somebody whose operation is based on a 90% gravel, their maintenance costs is likely to be very high compared to somebody who is operating in an urban environment with tarred roads, etcetera. But, what happened is in 2009, from 2009 to 2010, I was not there but I got to understand what really happened. There needed to be a conversion from remunerating contracted operators based on the number of passengers that they would have ferried. There needed to be a transition from that to another model. And that model involved remunerating them based on the kilometres that they would have travelled. Now, if you allow, when they were being remunerated based on the number of passengers, the proof thereof would be the ticket stubs. See, when you tear off a ticket, something remains. Now, I am told that there was a lot of irregularities happening there because somebody could come and claim that they sold 5000 tickets by providing you with a ticket stubs whilst they have only sold half of that, two and a half thousand. And therefore their subsidy calculations will be based on an assumption that 5000 passengers have been ferried. Now, I am told as a way of dealing with that then department decided it should be based on the kilometres that they have travelled. You move from point A to B and the distance from point A to B is 50 kilometres and another trip is from C to D, it is 70 kilometres. It means that you are doing 110km per month, and then we multiply that by the rate and then we will give you what is due to you.

I am told, at that time there was a formula used to convention and the formula was that you should measure the routes that people are travelling and the cumulative figure of kilometres should be used to divide the revenue so that you determine the rate. And I am told that was done to try and maintain the revenue levels of the bus operators. Trying to just simply make an indication of how the disparities came. If company A had a revenue of R100 and when their routes were measured, it was found that they travelled 50 kilometres in a month, it means we were going to divide the 100 by the 50 to get a 2 which will mean R2 a kilometre. That becomes the rate applicable to them. Now, when you multiply the R2 by the 50 kilometres you still get the R100. It means the income levels would have been maintained. But in the same scenario, if you had company B which also had a revenue of R100, but travelling only 20 kilometres, it means you were still going to use the same formula. Divide the R100 by the 20 kilometres you will get a rate of R5 per kilometre. So, right from the beginning, it means companies that had same amount of revenue, but travelling different amounts of kilometres will right away have different rates. The example that I have given, the company A that has the R2 per kilometre and the company B that has the R5 per kilometre, each year when you make annual increase which is now percentage based, if you give R2, you will increase R2 by 10%. Possibly it will become R2.10, by 10% I think. But the same 10% given to R5 will become R5.50. So that means from that base year onwards, the differences will be widening because all of them started at a different base line. Now, Chair, please do not ask me why this formula was used, I do not know. And, but this is the formula that was used and I think under the circumstances people would have felt that is the best way that they could arrive at a rate that is fair across the board. Now, with this history, I think then you would understand now 7 years down the line the rates are so varied because people are doing different number of kilometres and their revenue level was different right from the start.

MR. LESOFE: Thank you, and you have correctly pointed out that operators in rural areas face higher operational cost in comparison to operators in urban areas. Now, does the allocation of subsidies take that into account?

MR. MAINGANYE: No, it doesn't. At the present moment it doesn't.

MR. LESOFE: And essentially that means then that operators who service rural areas ae significantly disadvantaged?

MR. MAINGANYE: Ja, they are more burdened compared to those that are in urban areas.

MR. LESOFE: And what is the current duration of the contracts, and I understand in other provinces these contracts are renewed on a month to month basis and in other provinces, they are renewed, operators are given 3 year contracts which are subject to further renewals. What is the position in Limpopo?

MR. MAINGANYE: Ja, the current contracts were renewed in March 2018 for 3 years. So, meaning that they are valid until March 2021.

MR. LESOFE: Okay, thank you. And how does the department monitor compliance with the terms of these contracts especially the terms in relation to the provision of good quality service and adherence to schedules?

MR. MAINGANYE: We use 2 methods. The 1st is what we call the manual monitoring where we utilize departmental officials who did unannounced visits and go to specific monitoring points. There are agreed monitoring points with the operators which are linked to their timetables. So, just to give a specific example, we know a shift 7:45 is expected to arrive at this monitoring point at 08:00 just to ensure timeliness, punctuality. And therefore, if there are from the 6 minutes late then they are penalized. Or if they arrive earlier then they are penalized. So, when we use our officials, officials physically stand at those various monitoring points and check the buses as they come, checking the various seat numbers and then they keep a record that this bus arrived 15 minutes late, this one did not arrive, this one arrived with a broken window, this one arrived without a destination board etcetera. And there are various codes we have agreed in terms of the penalties. So, at the end of the month they compile what would have happened the whole month and go into what we call a penalty meeting and discuss with the operator on their observations. And then there is an agreement which is signed off and we deduct monetary value linked to the specific codes that the company would not have complied on. If for instance, they have not operated a trip, it is called a DNO and it means they do not get any money, but we still penalize them 40% for and having operated that trip. If they are late by 15 minutes and above, there is a particular percentage applicable etcetera. Then the in the penalty meeting there is discussion on the observations of our officials and then they agree and sign off and we deduct that money from their subsidy claim. The other which we have only introduced 2-3 years back is through an electronic system where the department is renting facilities that have been installed in the buses, the target was to do 50 at 1st because that is the money that could be availed. But due to unavailability of buses in some companies like GNT, I think 425 have been fitted. Now, with those then there is 100% monitoring. With the other one that is manual, it’s just announced visits, so we do a percentage. You may find that we only do 5% of their trips because our officials are not able to be there every day, every time for the whole month. Now, with the electronic one, then through the system, we are able to check all the shifts. Have all of them operated? If so, where they all on time? If not, which ones deviated from the standard time? So, with the electronic one it is much easier. It’s 100% wall to wall monitoring. And then at the end of the month again, we have a penalty meeting where we present our findings and at times you find the company saying maybe this unit in bus A was not functioning. At least this is proof that maybe when they tagged in, tried to log in, it will not allow them to log in and they would have kept the report or forward the report to the department to show shift number this does not allow us to log in. So, by the time we do penalty meeting they will present that as evidence that we operated this trip, but it was manually operated because the system will not log in. But whatever that is concluded out of that process will then be deducted from the subsidy that is due to them as a way of discouraging non-compliance.

MR. LESOFE: Thank you. From your explanation and based on my own observations, it appears that adherence to the terms of contract, it's very important in this industry and I think what makes this to be even more important is the fact that the services the bus operators render are services that are important to ordinary commuters. In Limpopo, I think the situation is even more appealing largely because most of the commuters who use these services are poverty-stricken commuters. Now, other than imposing penalties, is the department empowered to take steps such as determination of contracts on routes where there is continuous non-performance which ultimately disadvantages commuters in terms of, you know, the low of contract that is acceptable. So, I am asking you, is this something that the department from your perspective is entitled to do? And if so, has it exercised this option or this power?

MR. MAINGANYE: The various contracts have provision for termination of the contract. But there are specific conditions and speaking now because I don't have the contracts with me, and speaking under oath, I will not want to venture into the specific conditions because I can't remember them in my head. But, what the department has done so far, when there are cases of frequent non-compliance, we would sit with the operator and analyse say the past 3-4 months just to indicate them the areas where areas of non-compliance have been indicated and seek commitment from the operators to improve on the situation. I think in the majority of companies; this has proven not to be a difficulty except with the state-owned company. And I think that was a year ago – a year ago we made a presentation to the department of Economic Development, which is the shareholder on the state-owned company that we think this issue had reached levels that are unacceptable and we want, we demand immediate action for improvement. The improvement has not been that notable. And I think there are still discussions internally within the department as to what is it that we need to do. But we were at some stage considering that yes, maybe we should file a notice to cancel this contract. There were specific contracts that were affected, it is not all the services that are being rendered by the state-owned contracts that have got such problems. I think it is about 3-4 that we have identified.

MR. LESOFE: Which specific contracts are those?

MR. MAINGANYE: That's GNT Seshego, GNT Tzaneen, GNT Giyani and GNT Makhado.

MR. LESOFE: And what are the issues in those areas? Why would you – what makes you to consider terminating the contracts?

MR. MAINGANYE: Because it is a sizable number of trips that are not being operated. And this is largely because the state-owned company does not have the requisite number of vehicles or fleet. So, you will find a situation where in a depot which was supposed to be operating on a complement of 54 buses, is only having 35 or 40.

CHAIRPERSON: Yes, please note that we have 20 minutes to the next presentation.

MR. LESOFE: Thank you Chair. And earlier I mentioned a village such as Ga Maja and Thokgwaneng. Are those areas not affected as well?

MR. MAINGANYE: With the areas of Ga Maja, Tshwene, Maratapelo, Thokgwaneng, those villages are along the R37. Now, because you are a Competition Commission, the issues of choice, in those villages the Kopano contract which is sub-contracted to GNT run services from Lebowakgomo past through those villages into Polokwane. Now Kopano is a relatively new company, has better buses. I am saying better because most of their fleet is 5 years and around there. Whilst the state-owned company GNT has vehicles that are on average over 10-year old, now the community started to demand, there are 2 things that they looked at, they said the price for Kopano is cheaper than the price for GNT. So, they demanded that Kopano should then come via their villages, collect them back on to the main roads and then proceed. And it was indicated that this area was contracted to GNT so it is only GNT that can serve your villages. Some started to say they will walk from their village into the R37 and there is nothing that bares them from doing that and then take the bus of their choice into town. We engaged with GNT to improve on their quality, they were in a process of saying they were going to go and buy buses and I think there were procurement issues that led to the process not unfolding which affected everything. So, as a result, those members of the community felt they cannot use old buses because the contractor that is operating the area is using old buses whilst they prefer new buses that are being used by the sub-contractor. So, that was the challenges. It was more the competition on quality,

quality service and the preference by members of the community. But in terms of the contractual arrangements, those villages are supposed to be serviced by GNT. Now, as we response there were strikes, boycotts, people not boycotting. We had several meetings with [Inaudible], the passenger reps, the community the Councillor and the last time it was resolved people having agreed that those who what to use the GNT must continue to do so and they must not be intimidated. And those who want to walk for a kilometre into the main road and use the other service, they are allowed to do so. And I think for the past 2 years, that's how the conditions had been. But it was a source of conflict even within the community because there was a group of people who were for using the GNT and a group of people who were for using Kopano. And in interacting with them, you will then hear a lot of allegations against one group or the other.

MR. LESOFE: And we understand that – actually some of the people walk a distance as long as about 4 kilometres to get to R37 where they would have access to Kopano's buses. Now, if a commuter is willing to walk a distance of 4 kilometres to and another 4 kilometres from R37, it suggests that the issues are actually deep. So, it can't just be the issue of the quality of service. It is possibly other issues as well. For instance, issues around the availability of buses because if buses are available, even though they may be of poor quality, it would be better to use those buses than to walk 4km where you will get a bus.

MR. MAINGANYE: Ja, I am not able to respond in affirmation because even during the times of the boycotts, there were incidences were buses were just being stoned. So, denied access into the village because our understanding was that in a free open society, those who want to access a specific service should be allowed to and those who do not want to should also exercise their right. But when the buses where now being stoned and threatened with fire etcetera, it was not clear what exactly are you dealing with. But, we sent our monitors into the area during those incidences who were monitoring the movements. Apart from the issue of the quality of the buses, the other issue was the price. Kopano's price was less than GNT and which commuters felt they preferred to pay less. So, it is difficult to know as to which factor weighed heavily against the other. Whether it was price or just quality in terms of the buses or not. But we did the monitoring, and unless it was just malicious compliance, by the time we were having our officers there daily, GNT was providing the services in terms of their schedules.

MR. LESOFE: Thank you Chair.

CHAIRPERSON: Ja, we have 10 minutes to wrap up this session. Mr. Ngobeni.

MR. NGOBENI: Thank you Chair, just a couple of questions and maybe clarificatory questions on the basis of the submissions that you made this morning, I think let's just quickly have a look at the challenges that you identify in relation to the implementation of the IRPTNs, and I think one of the issues that you mentioned was the issue of funding, but in addition to that you mentioned that there may be an issue in relation to an agreement with the operators. So, the question there is if you can just briefly indicate to the panel what challenges you are facing in relation to the agreement with the operators?

MS. KOEDYK: I don't think from our side we can respond on that sir, because the BRT is being dealt with by Polokwane Municipality. They are responsible, we are not involved in the negotiations.

MR. NGOBENI: Okay, then we will pose the question to the municipality. And then in relation to – you have indicated that, I think there are some of the recent activities that you have been engaged upon in trying to assist various municipalities in the development of the Integrated Transport Plans, and I think recently if I look at your submissions which we received this morning, there are a couple of tem. And the recent one that I am going to pick you know from the table that you have provided are the ones that you have started to work on these ITPs in conjunction you know with the municipalities for the year 2016 to 2017. I have picked up, let's take for example quickly, Greater [Inaudible], Musina and Tzaneen. And those you have started to develop in conjunction with those municipalities in the year 201 and 2017. So, the question is, what is the current status given the fact that it appears to me that these were started if you take Greater Tzaneen [Inaudible], you will see all of them, they have indicated that you have started developing these ITPs in the year 2016 to 2017. So, just to get the current status of what you have been doing in those municipalities to try and complete those ITPs.

MS. KOEDYK: Thank you, sir. The ITP for Musina and the ITP for Greater Tzaneen, both those ITPs were completed. The Greater Tubatse one was also completed, it never went through the Council process and it never came to the department for approval. But they are reviewing the ITP because they also include now [Inaudible] which was a separate municipality. So, Burgersfort is and updating their ITP, but all 3 of those were completed. The department funded it, we were part of the process of the development of the ITPs.

MR. NGOBENI: And you have recently started, you know if the table, if I am looking at the table you have also started with Mogalakwena as well. I am just looking at the recent ones, I am just trying to understand how far we are with the recent ones.

MR. MAINGANYE: Mogalakwena has been completed at the end of the financial year 17/18. We are waiting the submission from the municipality to the MEC for the approval of their ITP.

MR. NGOBENI: Okay, thank you. And in terms of objections you indicate that one of the issues the is raised when they object to – when operators object to the granting of operating licences, the question of over saturation of routes. But at the same time, if one looks at your submission there is also an indication that it appears to me that there are challenges in terms of incomplete ITPs. And the question is how is the PRE now able to determine and adjudicate those applications that are I front of them given the fact that you know, what objectors are raising is a question of over saturation. And the only way I which you can deal with the – or to respond to the question is where you have done you know, your demand and supply assessments you know through various ITPs. But then at the same time you are also indicating that it appears to me that there are incomplete ITPs. So, the question is how are you then adjudicating those applications that are in front of you?

MR MAINGANYE: It is part of sometimes what delays the finalisation, because in fact, most of the ITP's that are not up-to-date, would not give you the basis to decide whether there is such a [indistinct] or not and we literally have to conduct ad-hoc onsite inspections where a member of the PRE or support staff, goes there for a day or so and does the actual counting and an investigation on the ground. It is not a scientific way of doing it, but that is the little that can be done to determine whether the objector's case really holds water or it is just a sentimental thing, because when you deal with taxi associations, they will just say this is our route, people cannot enter our space. Bus operators they will say the same, these are our routes, so the on spot investigations assist in verifying what is there on the ground and then they compile a report on the basis of which a decision is taken.

CHAIRPERSON: You can ask a question about the moratorium?

MR LESOFE: I thought you wanted to give others an opportunity to ask the question. I think one of the reasons that you have provided for the introduction of the moratorium, was the fact that you wanted to quantify the numbers that you currently have whilst we are still dealing with the conversion process.

The question that I wanted to find out and I understand you then mentioned that because of the fact that associations have continued to recruit despite the moratorium, it has therefore become difficult for the department to quantify. The question that I have is, what are the current numbers in terms of – what is it that you have seen despite the fact that there are new recruitments from various associations, because I understand that the moratorium was introduced I think I can't remember, I think it was in early 2006 or some sort, but the question is, since then and up until today, what are your numbers showing in terms of trying to quantify the numbers that you wanted to quantify?

MR MAINGANYE: I think the moratorium had a number of assumptions. The assumption was that municipalities would have developed to a level where they would have the capacity to drive their own ITP planning processes, such as that the PRE's, when they adjudicate, they will just rely on comments from the municipalities, but that has not happened over the period and I think in this current financial year, the department has taken a decision ourselves to conduct an audit for 3 districts at a go I think within the available resources, which is Capricorn and Sekhukhune and the National Department is funding us to do that, so it means that with these 3 districts, we will do an audit and in that audit of public transport services, which would then scientifically give us the baselines, the figures in terms of the corridors, what is the level of subscription, etcetera, etcetera.

On the basis of that, we will develop a provincial operating licence strategy which would be linked to numbers that these corridors, you have such [indistinct] and in this you still need more and this is the model split in terms of your needs. That information is currently not there because the assumption was that municipalities would have carried that space and [indistinct] have done that because we have funded them as the Department of Transport.

Now when you have these constraints, competing needs, we have just pleaded to you to say, the operators would have said to you that we are giving them very little increase on an annual basis on subsidy, so it means we are already constrained, but from the little that we are able to save, that is what we are doing what municipalities were supposed to be doing. For this current year, we are doing an audit and we think in about 8 months to 12 months, it should be complete and whilst the planning process continues, at least we will be having reliable data on the basis of which we can make decisions.

MR LESOFE: So my understanding, just to maybe summarise what you are saying, is that you are currently doing an audit, but in terms of what should have been done before, that has not happened because of the capacity issues that you have highlighted in terms of municipalities not being capacitated in order to do the exercise.

MR MAINGANYE: Yes it could be capacity or, lack, of, political will, because if municipalities have IDP's approved on an annual basis, a transport plan is part of the sectoral plans that are supposed to inform the IDP. Now all these municipalities have approved IDP's, but the issues of transportation are not prioritised and when you look at the organisational structures of municipalities, very few have transport units. Those that have units will have one person or so, or you will have someone acting on an ad-hoc basis, somebody who is responsible for traffic, is the one who attends transport planning issues.

So it is both I think the political will and the lack of financial resources, because if the will was there, I think people can see how they scratch around from the meagre resources that they have if this is in SA, as a priority.

MR LESOFE: Lastly Chair, from the province, I understand that you have also commenced some work on what is referred to as integrated transport master plan which is going to form a chapter in the National Transport Plan. So if maybe if you can just briefly indicate to the panel, what that is all about and where we are in terms of the process?

MR MAINGANYE: The provincial chapter for now, it is on hold so that we conclude the audit, because the NATMAP process was a top-down kind of a project, 50 year planning top-down. Now as a result, we are trying to have our basics right so that our chapter is really informed by practical issues that we have picked from the ground, because if you check the projects that are indicated on NATMAP, are long term and we do not get a sense of who is now on a daily basis, providing funding and following them up etcetera, so we thought maybe it should be the other way around.

MR LESOFE: Okay thank you Chair.

CHAIRPERSON: Ms Nontombana?

MS NONTOMBANA: Thank you Chair, just two questions. The one I wanted clarity on, is the nature of sub-contracting that is done with regards to involving smaller bus operators in the province and one thing that did come up yesterday, was that Bahwaduba Bus Service (BBS) at some point, was working with the department in trying to get them – so at some point there were some discussions between them and the department to try and get them to sub-contract but I understand that that process fell through and it didn't take place, so what happened with that?

MR MAINGANYE: The factors that we are having are three. There is Due Light which is subcontracted by G. Phadziri in the Vleifontein and then there is Kopano which is a sub-contractor of GNT on the Leboakgomo-Polokwane and then there is Madodi which is a sub-contractor to [indistinct] and this was done long time back.

There have never been any negotiations with Bahwadubaof late that we are aware of. These are contracts that me and my Chief Director here finalised running.

MS NONTOMBANA: So you are not aware of the reasons that the negotiations that had started, even if they started long ago with BBS, didn't proceed?

MR MAINGANYE: No I am not aware of that.

MS NONTOMBANA: Okay, then the other question I have, is with regards to objections with regards to I think the Vhembe district, would be related to Charter Services and I just wanted to understand what are the issues with Charter Services, because all along, the objections that we have heard, most are with regards to over-saturation in routes, so in this one, what are the specific issues?

MR MAINGANYE: The bus operators there, in most of their operating licences, they have dual authority to do a scheduled service, but also organised [indistinct] Charter Services. So each time there are applications by new players in the industry, that is where the objections come and I think we indicated in the presentation, in Vhembe, you have a large concentration of transport consultants, so when we have these hearings, it is largely transport consultants who attend on behalf of their clients which are big bus companies and that is where the objections come, but usually that is where they come in to say but the area is well serviced, our clients have got these fleet numbers that are able to take care of these areas.

MS NONTOMBANA: Okay just for clarity, are you saying that the objections are with regards to over saturation, but the people that will be making presentations, are people who are mostly involved in Charter Services, is that what you are saying, because I am not clear?

MR MAINGANYE: I am saying the objector reactions that we received, would be when there are new operators, new people who want to operate a charter service, an organised party service, that is when they do their presentations, that is where we get objections from established bus operators, because the bus operators are not only doing scheduled bus services, but they are also doing charter as well, but specifically in that area of the province.

MR NGOBENI: Thank you Chair, I just have two questions. One relates to the penalties for not complying with the schedule or terms and conditions. I think Mr Lesofe posed a similar question. I wanted to get your sense about how much have you not collected, or how much have you not reimbursed, or how much you have subtracted from the subsidies that were due? For instance, in Gauteng, they gave us a figure of around R216 Million in one financial year, so I just want to get a sense of the magnitude of the penalties.

The second question relates to operating licences for the minibus taxis. Are you currently using the National Department of Transport system, or you have your own system and is it working for you if you are using the Department of Transport's system? I think I will end there Chair.

MR MAINGANYE: 2017/18 financial year, I can't call it a saving, the penalties amounted to R40 Million for the 2017/18 financial year, that is what we were able to hold back and that is when we were looking at penalties and kilos not operated, because when you have not operated, it means we withhold the amount related to that, it was R40 Million.

MS KOEDYK: I will respond on the issue of the operating licencing system. We are using the National Land Transport information system to process and there are many, inefficiencies. It is failing us completely. I have not indicated it in the presentation, but that is also a contributory factor to backlogs, but we were told that the National Department is busy upgrading the system.

That also makes it very difficult for us to determine the number of operators, for instance, on different routes and in a specific district, because the system currently gives us only the overall statistics of the province, it doesn't give us statistics per municipality or per district, thank you.

CHAIRPERSON: Just two last questions from my side. The first one is directed at Ms Koedyk. In your presentation Ms Koedyk, you touched on the allocation of routes to taxi associations during the conversion process and I assume that that is the process of the conversion of the old permits to the new operating licences. Can you just shed more light and provide context as to how this unfolded within the province, the process of route allocations to local taxi associations?

Just the second part of the question is, whether there is a new process of route allocations, when there are new routes to associations in the light of the moratorium that you talk about?

MS KOEDYK: The route allocation process was in preparation for the conversion process where they had to convert from radius based to route based. There was a consultation process. The process was done by the Operating Licencing Board by then as well as with the taxi industry, where your associations were allocated routes and those routes were registered on the route administration system, the ROS, has been registered on the ROS and that is why the feeling is that those routes belong to associations, because the route is registered under that association and that is why it makes people from external or people that are applying for operating licences, if they don't belong to that association, it becomes difficult to get a licence for that specific route which belongs to the association, but that is how the system unfolded and I think nationally it is the case in those provinces which are working on the NLTIS which indicates the route administration system where routes were registered in terms of associations.

CHAIRPERSON: Then the second part of the question was how do you then deal with new routes?

MR MAINGANYE: The PRE has been receiving applications in that regard from associations, but in order to satisfy the system, because the system as is, is still in line with the previous legislation, it has not been aligned with the current legislation. That is why they had a lot of discrepancies. So what happens, is that the PRE receives an application by an association for a route and then we call them to a public hearing of the PRE where interested parties which will be maybe affected associations in the adjacent area are present and they make their presentation where there is that interrogation of their presentation, etcetera.

But, due to the working relationship that is there with the industry in the province, we also as PRE, ensure that each time there is a new route application, we must consult with the provincial taxi council and the district council in that region.

Just to allay issues of conflicts, potential conflict and when that is done, because the system can only accept an individual application, then the members of the application are encouraged to apply so that we satisfy the system issues. It must still be advertised and if still there are comments, or objections, we will still pick them through the commentary period until a decision is given whether to grant or to refuse.

CHAIRPERSON: Now in terms of what legal or legislative basis, are you then entertaining applications from taxi associations for the allocation of routes, because as I understand your submission, those applications were entertained in terms of the previous legislation and I assume that is the NLTTT?

MR MAINGANYE: Yes National Land Transport Transition Act.

CHAIRPERSON: Yes so, on what basis?

MR MAINGANYE: We also have our own provincial legislation, the Northern Province Interim Passengers Transport Act, which provides the process which must be done by the Registrar, but usually because the national legislation is silent on that, we tilt more to the national because it is supposed to take precedence over the provincial one, so that is why in terms of system, we only deal with an individual member when they apply and it is in the system, then we can go and listen to their case when they appear and say the route is granted, or if not granted denied, because that is how we safeguard ourselves because particularly when we refuse, members are still entitled to take our decisions for review and when that is taken, then we want to be seen to have followed the prescripts of the current legislation.

The consultative process is not part of what is in the system, it is what we do – I can't call it courtesy because I think it is helping us to maintain peace within the industry, though not regulated, but we do it in order to just get a sense of what would be the potential conflict if you just seated where you are, allocate this route without having consulted the industry.

CHAIRPERSON: Then my second question then relates to the disparities in terms of the subsidy rates which was a question from my colleague Mr Lesofe and in your response, you explained that the distortion in the rates, arose because as I followed your submission, because there was a need to preserve the revenue of the – I will call them affected bus operators and because of that need to preserve the revenue, then you had this distortion in terms of the rates and that is what you say you have inherited.

Now is there a way in which that distortion, the historical distortion, of the rates, can be corrected now?

MR MAINGANYE: There is if we get sufficient funding. In 2011 I think we had presented this problem of the disparity to the Departmental Budget Committee and the CFO then, managed to scratch around for an additional R40 Million. We had used that R40 Million at that stage, to target anybody whose rates were – at that stage, there was somebody whose rate was R3.75 per kilometre and after giving everybody the annual increase which in that year, I think it was about 5.5%, we the used the remainder to only be bias to those whose rates were less than R10 and we gave everybody whose rate was less than R10 and moved them to R10.

So for somebody who had R3.65, it was an increase of I don't know how many percentages, to move from R3.65 to R10. We did that, based the amount. The CFO at that stage, had committed that in the next 3 years, she would on an annual basis, try to save so that we can maybe move from R10 to R12 or R12 to R15 like that, but unfortunately from 2011, it was the time when the province faced serious financial problems, so all the plans fell by the way side, because instead of us realising a saving, on an annual basis, we were paying back to Treasury, I think about R400 Million.

So there has never been any money available and it doesn't look like in the NTF, any possibility of that happening, so until such time that we go through a new set of negotiated contracts where new rates will be agreed or through the tender, there doesn't seem to be any way that we are going to be having the money to deal with the disparity given the real challenges that the national fiscus is facing.

CHAIRPERSON: Alright thank you Ms Koedyk and Mr Mainganye for your time and for a very helpful presentation, you are excused. We will now receive a submission from BUSCOR (Pty) Ltd. Welcome lady and gentleman and thank you very much for coming. Let us perhaps start with the lady, if you may switch on the mic, you may take the oath or the affirmation?

MS FAKUDE: I Patricia Nora Fakude, 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.

MR MATHEBULA: I Timothy Mathebula, 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 Mr Mathebula.

MR WILSON: I Dawid Wilson, swear that the evidence that I shall give, shall be the truth, the whole truth and nothing but the truth, so help me God.

CHAIRPERSON: Thank you. If you could just start by indicating what your role or position is within BUSCOR and then you can take us through your presentation that will be followed by questions from evidence leaders and the panel, starting with Ms Fakude?

MS FAKUDE: I am the Executive Chairperson of BUSCOR and also handling the external affairs which encompasses the social responsibility of the company.

MR MATHEBULA: I am the Managing Director of the company BUSCOR.

MR WILSON: I am the Assistant Managing Director for BUSCOR.

CHAIRPERSON: You can then take us through your presentation?

MR MATHEBULA: Firstly I would like to say good morning to the panel and the house at large and we would like to express our thanks to the Commission for allowing us an opportunity to come and present here in Polokwane where we missed an opportunity to present in our city in Mbombela, so we are saying thank you, it is an opportunity that we truly relish.

My submission to this inquiry will also be based on the topics identified in the Commission of Inquiry document, starting from Item 6. I think the question is the allocation of operational subsidies, 6.1, I think I will not read the question because it is up on the board and I will focus-

CHAIRPERSON: I think it does help just for the transcript, because we are also transcribing the proceedings.

MR MATHEBULA: Okay 6.1, the effectiveness of subsidised modes of public transport on the provision of public passenger services to the poor and the majority of South Africans. I will focus my experience on our operational area which is Ehlanzeni district and I believe that the people, to pronounce on this, will be our passengers and it is my contention that at the hearings held in Mbombela on the 10th and 11th of July 2018, it was evident that there is a huge satisfaction from this sector, meaning the sector of passengers and this is best described in the words of SANCO who says travelling with BUSCOR buses, is the stress and pressure in public transport.

Now to achieve this, we are not saying that we don't have shortcomings, especially where breakdowns are concerned, because as we know, we are operating, these are mechanical tools that do break down, but we set ourselves standards and in this case, we set ourselves at least a standard which I think is above the national norm of 90 000 kilometres per break and in our first quarter, we have exceeded this norm by 480 kilometres.

6.2, are subsidies benefiting the majority of the poor, given that subsidised services have limited accessibility compared to minibus taxis? Again, I will focus my response on the area of operation in Ehlanzeni where we command over 70% of the market share in relation to other modes and we intend to maintain and grow this share as it is a determining factor as we all know in the shareholding of vehicle operating companies.

A survey conducted by Endecon Ubuntu Engineering Services in October 2016, 2 years ago attest to this fact. In their finding on the survey of Swalala, our IRPTN route between taxis and buses, they found that BUSCOR transport 71% versus taxis 25% and other buses 3%. I think if you add that, you will see it is 99%, but if you look at the table, then you can see how they arrive at the 100%.

This was based on a survey or this is based on a survey of the intended route to be piloted by the City of Mbombela for the integrated public transport networks. It is unfortunate that when this survey was done, the city was preparing to conduct the same survey, but save to say, nothing has happened until now in terms of conducting the service.

We are however, from the company's side, conducting this survey every quarter to see if we are dropping on these values, but to answer the question precisely, we are more accessible in our area compared to other modes of transport within the limitation of infrastructure to all of us. Now by all of us, I mean minibus taxis and other bus operators.

Our biggest problem is our road networks that are not conducive to render an effective transport service. This I say because in the same area of the survey, it is evident that people walk for miles on end to get to the main road. I must say that the state of the roads within this residential, is such that all modes use the main roads.

The location plan, as we can see, over there, the yellow represents the route that was identified, it is a route from Hazyview to Legogote, that one in yellow and on the side, you can see those are the residential areas, pardon me for the quality of the picture, but you can see that within that area, you can see that there dirt roads and I must say that most of those roads are not in a good state.

This is the nature of the operational area, so this is a duplication of other areas, so when talking about this, we can take this and just allocate to our other areas of operation, but you can see that passengers will have to walk, if you look at the far left, will have to walk more than 4 – 5 kilometres to access transport or public transport on the main road and this is the same for both minibus taxis as well as ourselves. The problem is that those roads are just not driveable, so passengers then end up walking such long distances.

6.3, what is the impact of subsidies on competition between different modes of public transport? I think in the case of BUSCOR, subsidies are necessary or we would not be able to stomach our ever increasing costs of operating. If you look at the table below, you will see that our location, the DORA, which is the Division of Revenue I think my colleague sitting here, was explaining the conversion touched on this, that in 2009, there was a conversion from a ticket based regime to a kilometre based regime, but I understand as he said, he was not here at the time, but we were and we know that in the first year, we actually did not receive, there was no increase, we actually got a decrease. In our case, it was in the tune of about R40 Million that we got an increase of. Sorry, it was a decrease of about R40 Million.

So there was no increase in the first year and the nature of the conversion was such that it was unscientific. I mean as he explained that you took the amount of tickets that you sold at the time and you divided them by the kilometres that were operated and first I would just like to talk on the disparities with regards to the rate.

In our case, we operate high capacity vehicles. We have grown from a 65 seater to a 78 seater in the rigid bus category and we moved in the train bus category from a 103 seater, to 114 seater. Now we have moved to a 138 seater, which means that we are able to move a huge number of people, but using limited vehicles and in this case, that will talk to our kilometres, so which means that we will do less kilometres so if you take our kilometres and divide them with what we were getting at the time in terms of the tickets sold, because at the time, it was, the subsidy is, although we talk of subsidising the operator, it was subsidising like he says, the ticket stub which represented the passenger, so it was the passenger that was subsidised, so you converted from that and in our case, where we were efficient, then our rate would be of course higher, but in a case where you would say let me balance the playing field and let me say I was operating 65 seaters, I think further in the slides, you will see that then you grow your fleet to about 700 odd buses which means to move the same number of people, you would have required more buses which means more kilometres and that would have meant your rate would reduce.

So in terms of efficiency, depending on operator to operator and the choice of how we operate, I think that is what led to the discrepancy in terms of one operator or different operators getting different rates. But it must be said that when they did the – because we were forced, I must say that we were forced into this conversion, it is a conversion that we never accepted at our own will.

When they did that, if you look at the ticketing system, the ticketing system was such that it was zonal and since then because he said the interim contract was from 1997. If you took the interim contracts and up to 2009, I mean the spatial development in the areas, they did not rebase your zonal in terms of the tickets. They took the tickets as it was, forgetting that now where an operator to load, did 2 kilometres and now he is doing 15 to 20 kilometres before he gets on the main road to transport passengers to town.

So from that point of view, we are doing more kilometres than what the conversion had, so from the word go, I think when we talk subsidy, we were dealt a bad blow, but if you look at the other increases now in relation to DORA, I think in the financial year 2018/19, you can see that the increase was 3.2% and if you look at our passenger cash fares, it was 6.84% and then if you look at what we increased, what our agreement was with labour in terms of increases for salaries, it was 9%. Yes, this is a 2 year agreement, it is going to be, 9%, for the year 2018/19 and then it is another 8.5% for the year 2019/20.

CPI we can see, is sitting at 4.6% and that in relation led to the Division of Revenue increase, you can see it is way below that and then you look at what is everybody's headache which is fuel and this is quarter to quarter comparing, so it is the first quarter of last year compared to the first quarter of this year, so you can see fuel between then and now, increased by almost 21%.

As I said, we had a 9% and an 8.5%, but the question that you ask and this is increase with regards to your salary increases and the question that we ask ourselves, but in the minibus taxi industry, what was the increase and this I think we do not know, but I do know that it is clear that the increasing costs of operating, is at the end of the day, going to eradicate the benefits that we receive from subsidies.

Our endeavour has always been to provide an affordable service to the passengers, but it is clear that if there is ever increasing costs of operating, then this will catch up with this and the low increases from both DORA and workers cash, will have to be looked at which means then that the fares of passengers will have to be increased substantially if we continue in this format.

6.4, what measures can be put in place to ensure that subsidies do not prevent distort competition between different modes of public transport in particular minibus taxis and buses. The question for me should rather be, how, can the minibus taxi industry be subsidised taking into consideration, the particular circumstance.

In our area, as submitted by our passengers, BUSCOR is providing a satisfactory service, but I cannot from a bus operator's perspective, pronounce on what should happen in the minibus taxi situation. In our addendum to the interim contract, it states 6.5, if it appears to the operator that the passenger demand on a particular route or trip regularly exceeds vehicle passenger capacity, the operator may apply to the employer for permission to introduce additional trips to cater for such passengers. If written permission is granted and additional trips introduced, the employer shall compensate the operator, therefore at the contract rate retrospectively from the day upon which the passenger demand exceeded 45% of seated capacity of the bus per trip and all costs incurred by the operator prior to that day, shall be for the operator's own account.

If we were to work on the number of seats and currently, BUSCOR has 46 554 seats and if we were to work that into first 15 seater minibus taxis, then we come out at a figure if we were to divide that and say convert the seats that BUSCOR has, convert them first into 15 seaters, then you come out at a total of 3 103 minibus taxis. If it were 18 seater minibus taxis, then you will come out at 2 586 minibus taxis and if it were 22 seaters, then you would come out at 2 116.

CHAIRPERSON: Mr Mathebula, the 46 554 seats, how many buses does that represent?

MR MATHEBULA: It is 434 buses, but the composition of the buses, is such that you have 350 train buses which carry 114 passengers and 22 bi-articulated buses which carry 138 passengers and the balance would then be [indistinct] which carry 78 passengers, but if you take this conversion, because if you were to talk, you need to level the playing fields. If you were to talk subsidy, you must level the playing fields. To talk of a bus in relation to a taxi, the economies of scale are not the same. We know the current pressures to the fiscus, so if you were to take this conversion and take our current infrastructure especially where Mbombela or government is planning to institute IRPTN's, those roads are already congested as we speak, there is already congestion.

If you were to take and convert and put these number of minibus taxis on the roads, I think the cost to the infrastructure would increase and not just the cost, but you will be having an extra pair of eyes on the road. It will be extra kilometres, so for me to say in relation to taxis, I think without doing the conversion so that you can compare, it becomes a bit distorted on its own, hence I say we need to look at a taxi solution separately from the bus solution.

But it is clear from above, that in our current operation, where we introduce the train bus to assist an overloaded rigid bus, we should in actual fact, be introducing another rigid bus at additional subsidy for the additional kilometres, but we opt to introduce or higher capacity vehicle to save on kilometres, thereby saving the department money.

We introduced 114 seats to replace 65 seats and this is 49 seats or 75% more that we introduce. 45% of a 65 seater according to the addendum is 29 seats, so we introduce more seats than what is allowed and most operators, you will appreciate, use 65 seaters. So in our case, where we should be introducing additional buses at additional cost to the fiscus, we are not doing that, but instead, we are saying we are introducing a higher capacity vehicle.

This brings us back to the rates question, so the rate question is, it cannot be that you pay the same rate for a 65 seater for a 114 seater for a 138 seater bus, we are saying you should be paying different rates because it is clear that you are saving so much for the department or government. In this case, if it were a different rate for a 15 seater taxi, for a 18 seater, for a 22 seater, even if you were to subsidise, it cannot be at the same rate. It would have to be at different rates, because if you look at the volumes that you are transporting at a go, it is different volumes and if you look at the kilometres that you do, it is different. So it is clear that with capacity, you achieve the same [indistinct].

7.1, how best can meaningful participation of historically disadvantaged individuals be achieved in the industry? Now we had a look at the locality plan. It is clear that our people walk for miles on end to reach the main roads and my suggestion, as per the government's White Paper on public transportation, is to use feeder services to the main route. This would mean of course, that government would have to spend, but at times, I think we need to put the passenger at the centre of this investigation and the current system does not benefit the passenger. If it were to benefit the passenger, then we will have to minimise the walking distance that they do almost every day. Like a member of the panel said, 4 kilometres to work and another 4 kilometres back from work.

So we will have to look at infrastructure in our own areas, we have to look at our road infrastructure in our own areas which would mean looking at tarred roads within the [indistinct] in these areas, so that we can of course bring the people out to the main roads using these vehicles and then use higher capacity vehicles to transport them to cities.

I think we see the examples, I mean if you go overseas and you go to London there is still the red bus. The red bus is a double decker bus and it talks to higher capacity and then if you go to Europe, you still find the trams. The trams are either articulated or bi-articulated which talks to higher capacity. So we can't go, it is not backwards, but we need also to adhere to these times and yes, like I said, if you look at congestion within our cities, I can imagine these many other rigid buses, or minibus taxis on our roads especially in our city of Mbombela, I think we will choke the entire road network or system.

Companies like BUSCOR that achieve good scores on their triple BEEE scorecards, should be encouraged. BUSCOR is a Level 2 contributor and is 100% Black owned and historically, BUSCOR was started by Black people, but with the following years, of course you had White shareholders that came on board which had very good contributions to where the company is today, but the company is back in the hands of Black people. I think for the past 8 years, it is back in the hands of Black people and as such, we were able to achieve this rating on our scorecard.

I mean there are discerning views on what sufficient empowerment is, but it is verification of a company that attests to the extent of meaningful participation of historically disadvantaged individuals. An example would be, the relationship that we have with operators in this area like Phadziri where we sell our older buses to them and they don't have to go out and look for a loan and we know what the problem is with the cost of money for our people, but this has assisted us on the scorecard to achieve whatever points that were there on enterprise development.

So if you look at the scorecard, there is enterprise development. What are we doing towards enterprise development? We have now sub-contracted the small bus operators, minibus taxis to ferry our staff or our drivers from their homes to our depots and back from our depots. I believe we have over 16, but that remains to be corrected, but I think it's over 15 suppliers from be it small bus or just PDI's, that are providing the service. Through that, we are able to improve our scores on enterprise development. There is a whole lot that we do that has made certain that we attain this scoring.

Long term contracting between – that is Item 8, long term contracting government and bus operators. What are the impediments 8.1, what are the impediments to the competitive bidding process by government? The impediments to the competitive bidding process by government, is that in the case of our operation – in 2009, there was non-scientific conversion by the Department of Transport from ticket based system to a kilometre based system. We are now going to almost 21 years where there has not been any change to how the bus operation or passengers are subsidised. In our case, other operators did get the privilege to go out on tender, but BUSCOR since its inception, has never been on a tender contract or negotiated one. We tried in 1999, to negotiate a contract with the Department, but we had problems of investigations which were not founded, same as my colleague alluded to here that the problem with the ticketing system was that operators could inflate their claim on the tickets that they claimed for.

But in our case, we were investigated and we were cleared, but we missed an opportunity to either negotiate or tender, so we are sitting in the same predicament and hence the reason we say if it was not because of high capacity vehicles, I don't think we would be where we are here today. It is clear that if the Department were to go out on tender, then they would have to pay more for rendering these services. I think a colleague here did say that there are pressures to the fiscas, if you wanted to correct some of the distortions that are there now, with regards to payment of subsidies, it is clear that if you were to correct those, because you will have to start with proper operational plans which means you would have to take the spatial development into consideration and I think that's what to my own conclusion, that's what has stopped the government from going out on competitive tendering, but now only extends the interim contracts.

The impact of the lack of competitive bidding on entry and expansion of bus operators, like I said, the impact in our case, is the same because the subsidy is shrinking or it has shrunk to the extent that in the near future, passengers will have to pay more. If you look at other operators, the alternative is that BUSCOR suffers the same fate and fail to recapitalise on their fleet. Our average age of our fleet is 5.7 years old and if you look in relation to other operators, I think it is a standard that is not there, but they are also faced with the same predicaments that we have, but if this situation does not change, I think we are also looking at an increase average age which of course will mean an unreliable service which will mean increased costs of operation.

So something needs to be done sooner or later, or else these kinds of services will be relegated to the stone age, but it is true what the statement said, that there are impediments to the entrance of new bus operators, but the alternative, if you go out on tender, is that government will have to pay a higher price.

8.3, what measures can be put in place to ensure that government's contract system is effective and promotes competition between bus operators? In our area, we are the only bus operator, that is the area of Ehlanzeni, that receives subsidy, but if we were to talk to effective competition, then government will have to follow the example of at least Scandinavian countries where government owns the infrastructure as well as the assets and we as operators, come and beat to operate the service, but even this, like my colleague said, there are pressures currently to the fiscus as well as the subsidy with regard to rolling out IRPTN's, so for me, this would be the ideal situation, where you don't have to find capital as an operator, to buy the vehicles and government provided that and you only operated that and you were penalised if you failed to meet whatever targets that are set. In our case, we could have waited for government to provide infrastructure, but we could not, because we put the passenger first.

Historically, we come from a situation where we had to buy land that was previously owned by municipalities and other private individuals and develop those into bus stations. We currently have a bus station in Mbombela or Nelspruit and we have another bus station in White River, because our people were exposed to a lot of things. First they were exposed to the elements and when it rained, previously they were exposed to mud. In rainy weather, they were wet, but as well as exposed to winters, where it gets dark quicker to pickpocket's because when people are rushing to go back home, they don't follow queues and within those, there will be pickpockets. So there is a lot that our people were exposed to, but currently, the kind of facilities that are provided, is that it is light, it is safe, we are able to provide security and we make sure that every passenger that goes on the platform, has a ticket because we've got gates that passengers go through that validates if a passenger has a valid ticket, so you cannot go down and push on the queues if you do not have a valid ticket.

Item 9 licence – BUSCOR's experience in relation to applications for operating licences, according to me currently, we are not experiencing any problems. Only when the systems are off line do we have a problem with regards to operating licences.

Price setting mechanism Item 10 – what, is, the impact of pricing on competition between the different modes of public transport on the routes where these modes of transport compete? We set our own prices based on the effect of increases that we experience in the course of conducting business. We have quarterly meetings with our passengers at a stakeholder meeting where we explain, where we take a basket of spares, we take fuel, we take inflation, we take everything that has an inflation response to our operation and we do not negotiate, but we go through those, we consult on those, we go through those, so that when it comes to the end of the year, when we need to increase, we don't start with this where they will ask questions, but to the build-up, they know exactly what inflationary pressures the company is experiencing.

So come to that time at the end of the year, I think since we started this process, we do not spend a week discussing increases and these meetings are now attended and they are minuted and they now attended by people from the Department as well as people from Mbombela municipality. We also have cash tickets which are zonal based and it is where we say, because cash tickets, historically, people that were casual workers seeking for employment, according to the previous dispensation, those people were not seen as workers, so cash passengers were not subsidised. That is why tickets were subsidised, because it was believed that if you buy a weekly ticket, you buy it because you work. If you a monthly ticket, you buy it because you work, so casual passengers were not subsidised and it is so that in our area, short distances, it is like an inverse relationship. For short distances, you have taxis or minibus taxis, they sort of have the market share there, but on longer distances, where we become cheaper, then we have the market share and that forms about – the cash revenue on our side, should be about between 15% and 20%, so that portion of the income is not subsidised and both taxis and buses compete, thank you for the opportunity.

CHAIRPERSON: Thank you Mr Mathebula. We will allocate 15 minutes for questions to allow us to take the tea break before we take the next presentation.

MR LESOFE: Thank you very much for the presentation. What is the total number of subsidy contracts that are held by BUSCOR?

MR MATHEBULA: We have in total, historically, we had 3, still 3, so historically we had [Nkomazi] Transport, we had Max Trans and we had Hazy Ridge, so those interim contracts are still, I see IC97 for those different companies.

MR LESOFE: And all of them are interim contracts, not negotiated contracts?

MR MATHEBULA: All of them are interim contracts they are IC which means interim contracts.

MR LESOFE: Thank you and what is the total number of routes that are serviced by BUSCOR through the contracts, if you can just estimate?

MR MATHEBULA: I think it is a lot, but we can give you the factual, because we prepared these stats for the Department of Transport, because that is how we claim to say these are the number of trips, these are the number of kilometres, these are the number of passengers, these are the number of buses, so this is in a spreadsheet that we submit to the Department, so we can give you a copy.

MR LESOFE: Thank you.

CHAIRPERSON: And if also if you could just indicate the areas perhaps, more or less the areas that you are servicing even if you are not able to give us at this stage, the number of routes?

MR MATHEBULA: Yes I would say we touch the two borders of Swaziland, meaning as well as Jeppe's Reef Border Gate and we come the Nelspruit side, we go towards Barberton and then we go towards Mataffin area and then we extend towards Mahushu on that side and Jim Brown on the Hazyview side, so everything inside, we operate. Then we border Mozambique as well, which is the Lebombo border which is closer to Komatipoort.

MR LESOFE: Thanks I may have missed your response here, but are there any unsubsidised commuter bus services that you render?

MR MATHEBULA: Yes we have unsubsidised kilometres. Historically, the passenger from one town to the next town, was not subsidised, so all the kilometres that are from like White River to Nelspruit, those kilometres are not subsidised and you would say give or take 21 kilometres, those historically are not subsidised. Kilometres going towards the suburbs and we do a lot of transfers to the suburbs, surrounding areas, be it Nelspruit, White River, those kilometres are not subsidised. But we were fortunate enough that town to town between Barberton and Nelspruit, the provincial subsidy then came in just to top up, so on that portion, we have the provincial subsidy, but historically, town to town, passengers were not subsidised. With growth now, there has been additional, I think we just had a figure here – it is 98 000 kilometres which without giving you the rate, is about R2.6 Million per month that is not subsidised, but forgetting not what the conversion did, how tickets were converted because it did not take into consideration, the spatial growth, so if you add that as well, it is not part of the unsubsidised, but there are additional kilometres.

MR LESOFE: Sure and one of the concerns that has been raised, is the issue that the current system is such that it doesn’t fully respond to the changing needs of commuters, especially where there are new developments. In some provinces, it appears that there is some level of flexibility in terms of amending the contracts, for instance where demand is not so high, there can be amendments made so as to cater for areas where demand is high. What is the situation in Mpumalanga? Is there any flexibility in terms of your interim contracts, or the areas that you service, are the same areas that were originally intended to be serviced?

MR MATHEBULA: Yes, I think in terms of the interim contract, there is no flexibility, hence the additional kilometres that we operate in, because those additional kilometres are as a result of requests from our commuters to add or increase or it is either a new service. I think I saw a response from the taxis the other day, that we just started operating in the area of Sholozi which is a new area, we are rendering a service there, as well as Matafen next to the Mbombela stadium which is growing, so we are servicing those, but without any compensation on the subsidy side.

MR LESOFE: Thank you.

MR WILSON: Maybe if I can just add on that, there is [indistinct – no mic].

MR LESOFE: Thank you, another probably unintended consequence of the manner in which the system is currently run, is that it now serves as a barrier to entry specially for small and medium sized operators, for instance, you mentioned earlier that BUSCOR is the only operator in your area and this has been the case for over 20 years now. When the system was initially designed, I don't that this is what was intended to be achieved. Be that as it may, this is the current situation and as a result, there has not been any new entrants, although you do have informal small and medium sized bus operators, so the effect of the perpetual extension of these contracts, is that there has been no competition, there has been no entry, so my question is, from your perspective, what can be done to facilitate the entry of small and medium sized enterprises? I appreciate the fact that funding is a problem, but is there anything that can be done – to give you an example, in Limpopo, GNT has entered into sub-contracting arrangements, some of which have benefited small and medium sized enterprises, such as [Kopano], so that's the model that has been used to facilitate the entry of these small operators, if you could just comment on that?

MS FAKUDE: Thank you Chair. If you look at the interim contract that we have been operating from since 1997, nothing has changed and it is only when we go out on tender where it would be open for other operators to come in. In the model tender document, there was something alluded to, 30% for small operators, but that system fell flat, so we are still in the interim contract which limits us and during these times in some periods, we had only one year, the contract was extended for one year and at some point it was month to month, it is only the past 2 years that we have been linked to the MTF 3 years. So you could not look at a small operator going to buy a bus for about R2 Million or R3 Million for a period of a year or 3 years for that matter, so there are limiting factors which are related to government policies and the changes in the law that gives the uncertainty to consider. Maybe GNT had operated on a contract at some point where it allowed them to introduce other operators or sub-contractors, hence we tried from our side, that we bring in taxis and small operators to at least transport our staff.

MR MATHEBULA: Like I said, we were on the verge of negotiating a contract and we had looked at an area where we were going to do all this, but that was abruptly stopped and like I said, then we did not have an opportunity, but as we stand now, we are still at a disadvantage from that era, but what we said what we could do from our side, then is to then give, because it is small bus operators, some of them that are operating on these services.

MR LESOFE: Thank you Chair.

CHAIRPERSON: Mr Ngobeni, Ms Nontombana?

MS NONTOMBANA: Just one question for clarity. I think in your presentation, you said that you largely operate in semi-rural areas and I wanted to get a sense of what the percentage is of the passengers coming from rural areas would be if you know first?

MR MATHEBULA: I think I would have to do a computation to give you a thorough response, but we can do that. I think we know from our ticket sales, we know where our passengers come from, so we can do a computation of that.

MS NONTOMBANA: Then just one last question is, given the challenges that you have had in terms of the increases in input costs versus the revenue that you are able to generate, are there routes that have been exited by BUSCOR to deal with the financial constraints?

MR MATHEBULA: No I don't think we have the luxury to do that, because then there is no alternative for our people.

CHAIRPERSON: Thank you very much Ms Fakude Mr Mathebula and Mr Wilson for your time and your presentation, you are excused, thank you. We will now take a tea adjournment and we will be back at 12:00 to take the next submission from the Polokwane municipality at 12:00.

Session 2

22 August 2018

CHAIRPERSON: Starting with Mr Chavangu.

MR CHAVANGU: Currently I am the manager, business and financial planning under transportation unit. I've been holding the position of manager, business and financial planning since the 1st of September 2015.

MR SEBAKA: Mantlako Sebaka and I have been holding the position of the marketing and communication manager for the past 4 / 5 years, but in particular since 2012, October 2000, yeah 2012.

CHAIRPERSON: You may take us through your presentation and that will then be followed by questions from us. In making your presentation, please bear in mind that we also need to have an opportunity to put questions to you. Welcome to your colleague – if you could also take the oath or the affirmation and please switch on the mic as you do so.

MR RAMAKGWAKGWA: I, Mokgwahli Ramakgwakgwa, swear that the evidence that I shall give shall be truth, the whole truth and nothing but the truth, so help me God.

CHAIRPERSON: Thank you Mr Ramakgwakgwa. You may proceed with your presentation that will be followed by questions from evidence leaders and the panel.

MR CHAVANGU: Thank you. We would like to take this opportunity to thank the competition commission to have invited Polokwane to make presentation. I will be leading the presentation. My name is Russia Chavangu, as I have indicated manager, business and financial planning. We have prepared a short presentation – it consists of four components that we would like to highlight before the commission. The first item there, we're looking at the national policies and legislations, the broad transport objective, the hierarchy of transport sector plans, the IPTN planning and approach for Polokwane.

Starting with the national policies and legislations – we have identified various legislations and framework that addresses the issue of public transport in South Africa. The first document that we look at is the national development plan, the medium term strategy framework and the state of the nation address in 2017 – the President highlighted the need for transport infrastructure that will have to be at that as the 9-point plans for South Africa.

And we also look at the National Land Transport Act, that highlight the responsibilities of the municipalities insofar as land transport planning is concerned and also the public transport strategy of 2007. Further than that, the public transport strategy reflected the action plan that identify a couple of projects of which one of the projects is the implementation of integrated rapid public transport network, which is RPTN and also the focus on the intermodal integration. So, those are the key projects that we are looking at.

The broad public transport objective – the national government have key objectives with regard to public transport. One of the objectives it's around environmental concept and the issue around operational objective and social-economic objective and the operational objective – the key components there is that we need to make sure that we need to make sure that we reduce environmental pollution. Issue of reduction and accident – there are a lot of accidents that are happening in the roads, so it is the responsibility of everyone, including the local government to ensure that there is a reduction in accidents.

Issue with regard to reduction and traffic congestion – you will see that whereas in fast growing cities congestion and traffic is becoming problems. Operational objectives we look at integration, intermodal integration through the development – relevant infrastructure that is needed – the intermodal facilities. Service liability and accessibility – we need to ensure that the public transport within our cities are reliable and are easily accessible to the users of such services. We're also looking at improving - improved service coverage, improved service efficiency, improved safety and security, because it is key that those components for commuters to be happy we need to address those issues.

Under social-economic objectives, we are looking at social integration inclusion – so every person must be included when we deal with the issue of public transport. We should not exclude any persons. Issue of universal accessibility as we plan the public transport, we need to be mindful of people who are living with disability, so that those particular individuals as well, can access public transport without any problems and crisp productivity from time and cost saving. If we have efficient public transport and reliable public transport – it means that productivity will also improve and it will also improve the issue of economic growth of the city.

Better lifestyle and health - as we plan public transport we need to ensure that we promote different modes of transport, including non-motorised transport so that people can start walking, cycling (those who can cycle) – so, those are the key components that we looked at.

Polokwane have adopted pillars – we call them Smart City Vision 2030. We as transport unit, we're looking mainly on the pillar of smart environment, because we are concerned about the environment of our city and the pillar around smart mobility. Those are the key pillars that we as transport unit are focussing on. Realising Polokwane's smart mobility – what we would like to do is transform the public transport sector, by ensuring that the public transport is attractive, it's safe and efficient – it is actually efficient. Improve access between residential area and economic nodes, we want to make sure that you know people around Polokwane they should not struggle to access their destinations – so, we are closing that gap.

Reduce the overall journey time of passengers – if there is traffic congestion, it means that the time that you are going to spend travelling is longer, but if we have properly planned public transport, it means that the time that you will spend travelling it will be lesser – that is basically what we are looking at.

Issue around reduction of vehicle emission – if we, as part of our plan, we are looking at reducing the number of vehicle on the road, so that we can be able to reduce the level of emissions that a lot of vehicles are causing into the environment. Integrated system, which promotes one city image of Polokwane – our plan is to have an integrated public transport system – this can be achieved by integrating all modes of transport within the city, whether you are using a bus, whether you are using a taxi – you should be able to have one access insofar as the payment system is concerned. You can use the [inaudible 00:09:55] Polokwane card to board into a taxi, to board into a bus – we would like to have that integrated system, there must be a linkage in that process.

The next slide please. The hierarchy of public transport plan – we have developed in Polokwane what we call the comprehensive integrated public transport plan. It was approved in 2000 I think 2014 and approved by MEC of transport in 2015 and there is a strategy public transport network and that broken down and then we go down and we look at the integrated public transport network, which is IPTN and then on the IPTN we identify the integrated rapid public transport network, of which currently that's what we are implementing in Polokwane.

The next slide - the public transport network planning and approach for Polokwane – we have conducted the survey I think in the travel survey in 2013 – household travel survey. The current population of Polokwane is around 797000 and the majority of those people they are earning below R2000.00 and in terms of the population you will see that the red point there is the area that it is more dense densified – between the city, in actual fact, the distance between you will see we have done the cycle – that is the red cycle there – those are the areas that are within that are within the 20 kilometre radius within the city. So, the most dense area is the area of Seshego and in terms of public transport planning, we have to take into account the needs in terms of looking at how many number of people are using public transport within those particular area and so that we can plan accordingly the public transport and any other to respond to the public transport objective that I have highlighted before.

Can you move to the next slide? The next one – I will deal with this one later. You can move to the next one – okay, thank you. Yah, Polokwane, in terms of the IPTN and MNT strategy – you will see there are two pictures there – there is the current situation and in the current situation we are demonstrating that if you are in Seshego and you want to go to the middle of the north – you don't have a direct service that taxi to the middle of the north – it requires you to connect through the CBD, but when you are talking about the future we should have a situation where you are able to connect from your current position to your destination to wherever you want to go, without having problems in terms of your journey, because now it requires you to travel to town and possibly the time that it takes to get to your destination and in terms of planning as well, it means that you have to leave possibly an hour before, so that you can be able to reach your destination on time, but the future plan will not necessarily require you to leave three hours before your meeting time. If you move, if you know that it will take you – you know, ten minutes to get to your meeting, then within ten minutes you can leave your house or your office and go straight to wherever you want to go, without any problems.

The implementation programme you will see that between 2007 and 2012/3 Polokwane was busy on the research on the rapid transit system and part of the research that I spoke about that we have conducted the household travel survey in 2012, it reflect that Seshego in terms of the passenger numbers to date they have passenger numbers of 42000, followed by Mankweng, actually it is followed by Moletji by 21000 and Mankweng with 20000 and then northern part of Moletji I think that is the far part of Moletji that is around 20000 passengers per day – so, out of this data we had to develop a plan that will have to respond to the transport need to say – in order to accommodate 42 passengers how many vehicles are needed in terms of seats – you will see we are reflecting in terms of the seats that we need, the vehicles that is required there. So, that is why we have decided to plan for – you will see for Moletji and Seshego, you will see we have decided the rapid transport system, known as BRT, was adopted by Council to say that will be the approach to address the public transport need for those people there. And then, with regard to Mankweng and the far north, north west of that's Moletji, because of the distance that we are looking at – the current plan in our CITP is that we need to restructure the operation around those particular area with regard to Mankweng – looking at the distance and there is nothing in between the CBD and Mankweng – the best was to restructure the operation within that particular area and also to introduce services that will be required for that particular area, without necessarily introducing the rapid transport network immediately.

Next slide – this slide just reflect the maps in terms of the SDF of the municipality. You will have noticed if you are familiar with Polokwane – you will have noticed that that planned operation for BRT between CBD and Seshego most of the part of the land along the main corridor, which is Nelson Mandela Drive – currently the land is vacant up until you get to Seshego, but there is current plans and approval has been granted by Council to develop those particular space and development of those particular space will also support the public transport plans that we are putting together – so, the slide is actually saying that as we plan for new development, we're also taking into account the need for public transport within those particular areas.

You can go to the next slide – this slide is still the same as the – it talks about the same development in terms of the mixed use – instead of putting the you know houses separately and shops separately we are encouraging the mixed use of those land parcels – so that you don't find schools far away from the residential area or shops far away from the residential area – we are trying to promote the land use, so that even the distance that people travel to do whatever they want to do are shorter. The MNT strategy we are also looking at how do we promote people from walking, how do we promote people from cycling – we develop infrastructure, we are improving the - you know the walking and cycling lanes in Polokwane. If you are familiar with the city of Polokwane, there is a lot of cycling and walk ways and also in Seshego as well – there is a lot of development around the improvement of infrastructure around non-motorised transport. This is just to demonstrate how we are linking the non-motorised transport, because we are talking about integration. So, if you talk integration you cannot talk integration of one mode of transport in a solution to the others – so, there is a link between the infrastructure that we are building for non-motorised transport and the public transport system that we are building. So, when a person is walking from their – you know, their house into the bus stop, they should be walking or cycling in an improved infrastructure.

You can go to the next slide. The key strategy factors – the issue of financial sustainability - funding it is always a concern as we would plan for an improved public transport system. You will see in my next slide that in terms of the approach of improving the public transport network for Polokwane, we are starting very small in terms of the impact that we want to make. The issue of the need for [inaudible 00:20:48] integration – there is a need for us as the institution of Polokwane municipality, the operators commissioner, the Department of transport and national Department to work together in order to realise – you know, the objective of public transport.

The need for operational integration, I spoke about the issue of integrating various modes of transport – so there is a need for us to ensure that we move toward that direction. The map that is reflected there shows the network plan, the full network plan for Polokwane. You will see phase 1 and 2, it covers CBD Moletshi, Seshego, Westenburg and Florapark and then phase 3 is the restructuring that I spoke about for the services around Mankweng and the far north west of Moletshi. That's the full network of Polokwane in terms of public transport network.

Next slide please. This is my last slide – the new service that is planned and we are working on is the phase 1A of [inaudible 00:22:09] Polokwane, known as BRT – the focus will be in CBD Seshego – not all the routes in Seshego and those areas that I have mentioned will be launched when we launch phase 1 – this will be out learning phase. You will see that in terms of the passenger numbers for phase 1A, we have a total of ± 14000 for all the routes. The black line there when you look at it is the main trunk – the dedicated route and then the blue line is the trunk extensions – so the bus when it is moving on those particular routes, they will go into those green blue lines and come back into the main trunk – so, there is no further service currently that we are introducing. And then in Westenburg and Florapark as well – it will be a direct service – the busses will go straight to those particular routes, it is not all the routes, it is only the identified routes that we have identified for launch in phase 1 and this route network that I'm reflecting here, it's still part of the engagement with the relevant or affected taxi operators, who are operating within those particular space. There is a level of – you know, understanding in terms of the approach, because we would find by all means to engage them, so that we reach – you know, consensus in as far as the operations is concerned, so that we don't create conflict and we put the relevant vehicles that should be able to service those particular areas and this can only be achieved by working together with all relevant stakeholders – the public transport operators, the current operators, the Departments and the community. This would be my last slide – thank you.

CHAIRPERSON: Thank you very much Mr Chavangu. Mr Sebaka and Mr Ramakgwakgwa, anything that you would like to add or any points of emphasis that you would like to make?

MR SEBAKA: I think we are covered for now. Thank you.

CHAIRPERSON: All right. Mr Lesofe.

MR LESOFE: Mr Ngobeni will go first Chair.

MR NGOBENI: Thank you Chair and good afternoon Mr Chavangu. I think – if we can just start with the on your submissions on licensing route allocations and regulations. You mentioned that the MEC has now approved your integrated transport plan and just – you know, to get your indication – I assume that given that yours have been approved and it is not one of those which were identified this morning by the Department as being, because – you know, this morning the Department identified several ITP's, which were still – you know, being finalised – given that yours has been finalised, I assume that you are now able to make recommendations to the PRE as and when they request for your recommendations when they consider applications for operating licences – so the question is – what has been the relationship, the type of relationship that you've had with the PRE insofar as the issuing of operating licences is concerned?

MR SEBAKA: Thank you – Mantlako Sebakaonce more. The CITP obviously is also a legal document – we are also mindful of that fact and as you rightfully indicated that the MEC at some point put pen to paper. The question that you are asking it's as and when the PRE currently, as it is their responsibility – the Limpopo PRE – whether we find comfort in giving proper suggestion which emanates out of the CITP – yes, we find comfort in that the CITP itself, it is geared towards ensuring that we don't leave any stone unturned in terms of planning for integrated public transport system in the city here.

MR NGOBENI: I think – you know, maybe just to clarify – I am asking in relation to instances where there are operating licences that are being considered by the PRE and if one looks at the NLTA – I think you will agree with me that one of the things that you are supposed to do as the municipality as the planning authority is to give recommendations to the PRE, as and when they make their determination – so, in other words, you guide them and you provide directives to them – you know, which then assists them – you know, in performing their functions. So the question is – what is insofar as that function is concerned what has been your relationship with the PRE? Are there instances where maybe to – you know, to put an additional question – are there instances where the PRE has gone ahead and they've issued operating licences without having received a recommendation or directive from your side?

MR SEBAKA: I think to answer your question directly – there is co-operation between the municipality and PRE insofar as issuing of operating licences are concerned, because every time when there is a request for a new licences or possibly a renewal of the licences – the submission are made to the municipality for the municipality to make comments and recommendation, so I do not recall any instances where an operating licence had been issued without our input.

MR NGOBENI: Thank you. And on the question of the assignment of powers and that is what you then referred to in your submissions as devolvement of powers from – you know, the PRE to the municipality. You've raised the concern and one of the issues that you've raised is the question that – you know, there may be financial issues – it is a question of funding and there is also a question of human resources. I am just trying to understand – when you say the question of human resources – the capacity issue – are you saying this, because when I look at your submission you somewhere in your submission I think that is in response to A5 of our question – you then indicate that the unit that where all of you are based is currently forecast in the implementation of the BRT – so, in other words, to an extent that you then get assigned other powers by their – you know, in terms of legislation – you are saying that you are going to be constraint in terms of how – you know, you should now be executing those powers – is that what you're referring to? Because I now see on your A5 – you know, if is very clear that what you are saying is that the transportation unit is only focus on the implementation of the BRT – is that what you are referring to as an issue of capacity?

MR CHAVANGU: Correct. We have looked at what NLTA – I think Section 11C, requires us to do in terms of the public transport planning and all the functions that are reflected there. Our current focus is on the BRT – so if we were to take all the functions that are described in NLTA, which means that we need to have – you know, more people to be able to perform those functions and it means that we also need financial resources to be able to perform those functions as described in the legislation.

MR NGOBENI: And if you were to be capacitated – is that something that you would be interested in – you know, is that power that you would be interested in getting as the municipality?

MR CHAVANGU: It is the municipality's wish that that process should happen and we are also undertaking the process of putting forward an application ourselves to the Department to devolve those functions, but before then, we need to make sure that we do all the relevant studies and also do a feasibility of what will be the impact to the municipality if we take over all those functions, because if those functions could be taken immediately what are the implications immediately. And how would the municipality be able to manage such a transition.

MR NGOBENI: Okay. And, you then mentioned again on the same issue of assignment that the function – the operating licence function cannot devolve in its isolation and that – you know, the other functions that have to come with it. What are you referring to? I think if you can just have a look at your answer to A1 as well – at the bottom. Maybe just to clarify for the panel, because you are saying that function cannot be applied in isolation – so, in other words, you are saying you are not going to – you know, request for the assignment only of the operating licence function alone and that that function – you know, the other functions which may need to come – you know, with the request. What are you referring to there – as additional functions?

MR CHAVANGU: I think what we are referring to is that the municipality is not only required to – you know, issue operating licences in terms of the broad planning for public transport for the areas of the municipal jurisdiction – we need to make sure that we perform all those functions, which include the issue of monitoring the operation within the city and any other – you know, functions that are related to public transport in terms of regulation, because we need to make sure that we take charge of that process as a municipality as highlighted in I think reality described around 26 activities – so, of which the operating licence function is part of those as well.

MR NGOBENI: Okay. And, in terms of the challenges that you are facing in relation to the implementation of the IRPT, hence the question is – we heard – you know, we've heard from the submissions from the Department this morning that one of the challenges would be in relation to – you know, an agreement that – you know, has to be signed, I think with the operators and there may be challenges there. Maybe, if you can just take the panel through what those challenges are in relation to the agreement in terms of phase 1 for the implementation of the BRT.

MR CHAVANGU: Okay. Currently, as I am sitting – I wouldn't say that there are challenges with the relevant operators that were engaging – engagement with affected operators currently are moving smoothly and there is an undertaking from all the relevant stakeholders, including the operators that we are talking about integration and the approach that we have taken together with the operators is that we are talking about inclusivity, which means that all operators who are participating currently in the public transport space within their affected areas will have to be integrated into the new plan system. Possibly the concern will be – we are not at the stage where we can say that we have signed agreement with the operator – it is a process that we are undertaking. In the month of June May / June, we have concluded what we call a compensation survey, because those surveys are key in making a determination of the operations to say what is the value in terms of rand value of those operations, because we need to rationalise the service and withdraw ex-number of – you know, minibus in the area of operations. So, those part of engagement are still happening – we haven't signed as yet the compensation survey, because currently they are analytical stage. So, as soon as we sign and agree, because the methodology that we planned were agreed upon by all the stakeholders and they were signed off. So, I don't foresee any challenge with regard to that process insofar as signing the agreement is concerned. So, yah.

I think perhaps the perception is – why not engage all operators maybe, however – well, operator – engage all operators at once – however, the submission that we've made earlier on here is that we have a phased in approach, wherein phase 1A requires us to focus mainly on the operators that are directly and indirectly or directly affected by the implementation of that phase 1A. Hence, we have phase 1 up to phase 4 and I think that would be my addition on that.

MR NGOBENI: And in relation to phase 1 – who is affected? We had SANTACO yesterday and today there is a submission that is going to be coming from the NTA – are any of their members affected in phase 1? Or, who have you been engaging with in terms of phase 1?

MR CHAVANGU: Okay. Phase 1 in our initial plan – it was phase 1 and phase 2, combined – so, the operators that we are currently engaging it is Seshego Association, Moletji Association, Florapark Association and Westerburg. Those are the operators that we are currently engaging. You will have seen in my route network that Moletji is not reflected there, but they are part of the team that we are engaging, because when we started the plan it was that we are going to also launch the part of Moletji – so, at the – you know, better end of last year, that's when, based on the financial constraint in terms of rolling out the system once off for phase 1 and phase 2 – we had to moderate the system and that moderation happened in consultation with all the affected stakeholders.

MR NGOBENI: And are you able to share the type of engagements – just the details – what are the kind of issues that you were discussing with these operators? You've mentioned that currently one of the things that you are doing is to conduct a survey - a compensation survey – I am not going to ask questions on that, because it appears to me that it is not yet complete, but as for the details of the current engagements – what is it that you guys are currently discussing, other than – you know the compensation schemes?

MR CHAVANGU: The key to our engagement is the issue of operation of the operational plan – we engage on the operational plan, to say how is the operation going to be – that's why we also agreed on the route network that we have reflected to say – for a start, this is the area that we can cover to implement – you know, integrated rapid public transport BRT and then the other issue that we engage on is the issue of capacity building, because we want to ensure that as we finalise and we go into launch, because it is the issue of transformation – we need to make sure that we prepare all the relevant – you know, stakeholders from the municipality side, the operators themselves – they must be ready to take over the function, because the type of service that we are introducing is different from their current – you know, operation. Currently they operate individually – so, now we are moving in an era where we are saying they need to form companies. Those are the discussions that we are engaging on and they have started forming companies that will be contracted to the municipality to run this service. So, those are some of the engagement that we are involved in and also the issue of compensation as well. It is key to the taxi operators, because they will want to know that if you remove my vehicle in the operation – what is there for me – how do I benefit from that – so those are the discussion that are happening, although they are not yet concluded – we are moving towards concluding some of those discussions.

MR NGOBENI: And, we also understand that in other provinces for an example, operators are being requested to – you know, to relinquish their operating licences – you know, for them to be able to be part of the system itself – what is the model that you have in mind, or – you know, what is it that you are telling the operators in relation to their operating licences?

MR CHAVANGU: It is true that for us to implement a new service we have to look at the number of vehicles on the road and this is what we are bringing into the road. So, in terms of the approach, we are not necessarily saying to them they need to withdraw their licence in order to be a shareholding into the business. Our approach is that we need to make sure that for the vehicle that we are putting – let's say we are putting a bus, because we need to make sure that services are rationalised – we cannot have over or excessive supply of vehicles on the road – so when we put in the vehicle the bus, we say to them we are going to withdraw permanently the operating licence – so, the withdrawal of the operating licence currently, based on our current discussion with them, is not replacing the shareholding into the new service – it is a complete withdrawal, but the remaining people who are there will continue to participate in - the remaining licence holders will continue to participate in the service, because whoever who will have withdrawn their operating licence will be paid a fee equivalent to the value of their business.

MR NGOBENI: And it appears to me and you correct me if I am wrong that it is a similar approach that has been followed in other provinces as well – you know, where operators have been requested to relinquish their operating licences in order for them to be part of this system. I mean, the question that I have is – have you consulted with – you know, some of the – you know, other municipalities in other provinces, just to – you know, see how – you know, to draw off some of the lessons of how that model is currently - you know, being experienced in other provinces?

MR CHAVANGU: Okay. The consultation with other cities – we do that on a regular basis – the reason why I was saying that I was just a little bit different, because I know other cities when they withdraw the operating licences and compensate – with the compensation you need to buy the shareholding into the new service – ours are just a little bit different where we – part of our engagement with the relevant operators is to say – because we are bringing a new service, we have to identify the taxis that will be withdrawn from the service – now, how do we do that? Because one of the approach that we spoke about is the issue of inclusivity – we are targeting those people who will want to be out of the system in terms of public transport – they don't want to operate anymore, they don't want to be part of the new service – so, those are the people that we are targeting. So the secretariat that we have set, but we haven't concluded on who will be who will be – you know, withdrawn and compensated at the end of the day. That is the discussion that is still ongoing – the taxi operators that we are engaging with, they requested that they need some time to consult their members on the strategy, because we put – you know, a proposal forward to say this is, this will be our proposal that when we withdraw an operating licence we are targeting people who are holding multiple operating licences – so that we don't take everything from that particular operator – we can either take one from the operator and then – so that that person move to create space for the new service.

And, the second thing was the issue of age to say we are also targeting people who are over the above or the age of 55 years, because some of the people they may want to retire at that age to say if you are a multiple operating licence holder and you are over the age of 55, somehow you may be getting yourself ready for pension or maybe that will be a pension that you will hunt the cash – so those are the people that we are targeting, but through engagement with them, they have indicated that it is not the approach that will work, because it looks like there may be other people – other than those that were identified who may be interested in that approach – so, they want – you know, to consult with their members to come up with the number that we need in terms of withdrawing from the service, so that we can put on the busses.

MR NGOBENI: And when do you think you will go live and maybe in addition maybe another question as to – were you given any timelines as to when the industry is going to come back to you with – after having consulted?

MR CHAVANGU: Our plan go live in this financial year – we are planning to go live probably in the first quarter – in the third quarter of our financial year, which is between January and March next year – that is our plan go live date. Insofar as response to that – as part of our engagement, because we constantly engaging with them – they are busy with the issue of responding to the issue. I believe that before the end of September we'll have the – you know, a proper guidance in terms of how do they prefer, because we need to know what they are feeling, or what they are thinking around the issue of compensation.

MR NGOBENI: Okay. Thank you Chair.

CHAIRPERSON: Mr Lesofe.

MR LESOFE: Thank you, I have no questions Chair.

CHAIRPERSON: Ms Nontombana.

MS NONTOMBANA: Just one question for clarity. When you talk about affected operators – are there or is the criteria that you are using for taxis similar to busses that would be affected in all of the routes?

MR CHAVANGU: Okay. Affected operators include all operations – bus and taxis - currently in the routes that we spoke about – the phase 1 operation. We are also engaging Great North Transport – they are also part of our or the operators that we are consulting. So, there is engagement between ourselves and GNT.

MS NONTOMBANA: The second part of the question is – if for example you are taking – you are saying that for taxis you've set specific criteria on who you will be targeting – are these the very same that would apply also to the bus operators and in this case GNT?

MR CHAVANGU: Currently, with regard to GNT, we are not taking the same approach, because of the level of engagement between the two stakeholders and what we have done – there was just a time lapse between the time we've completed some of the processes between the two stakeholders. We've completed the market survey for the taxi operators into 2016 and then GNT did not participate at that time – so, we had to reschedule the process for GNT to complete the survey and that was completed in 2017 and they were signed off last year in October. Now, we are still engaging with them, but in terms of withdrawal – based on the high level of survey that we have conducted – on the route network that we have identified and reflected there, GNT, in terms of the impact does not look like that they are directly affected. So, there is a possibility that they will be in for the interim phase and there is a possibility that they may not participate in the interim phase, but that will depend on the level of engagement between the parties.

MS NONTOMBANA: Thank you Chair.

CHAIRPERSON: Mr Mandiriza.

MR MANDIRIZA: Thank you Chair. I just have a couple of questions. I think the first one relates to the taxi operators that potentially might not opt to become part of the new system. You know, do you have a sense of how you would deal with the applications for renewal of the licences?

MR CHAVANGU: Part of the process that we are working on as a municipality, because if we want ourselves to be ready for launch in 2019, we need to be in consultation with the Department of Transport – most especially with regard to the issue of renewal of operating licences. One of the things that we need to look at is that we need to notify the Department of Transport PRE – to say on those specific routes, when they decide to renew those licences – certain routes that we have identified as a route for launch should not be extended. They may do extension for other routes or we can mention that – if there is an extension that is granted for those particular routes that we are targeting – it might be for a specific period, depending on the actual date that we are planning for launch. So, the engagement between ourselves and the Department and also including the relevant stakeholder – the taxi operators that we are engaging – we have to make sure that we are engage them, because it is one of the things that in our engagement the taxi operators who are part of the engagement, they have raised that to say – you as the municipality must be mindful of the fact that people will be renewing their operating licences, so you need to make sure that you close that gap, so that you don't get a renewed operating licence on the route that you are targeting to operate on, because that will create conflict.

MR MANDIRIZA: So, if I put it maybe differently so it might mean that the operators really they don't have a choice, but to opt in – so he might decide to maybe distinguish the periods – so the first one is the current one where they still have a year or two in terms of their operating licence, but after that period there is no guarantee. So, it might appear as if they have options now, but at the expiry of the licences, they might not have an option?

MR CHAVANGU: If that is how we're interpreted - I will say yes.

MR MANDIRIZA: Okay. Then, can you maybe just assist us in your thinking around the structure of the – you know, your operating company that you want to form the compensation – what would be the role of the municipality to be?

MR CHAVANGU: Currently, we have an engagement with the taxi affected operators is that the structure will be – the municipality will be the contracting authority and then we are going to contract the vehicle operating company to be still to be formed, but below the vehicle operating company, because phase 1 affect more than one associations. So, as part of the transformation model, we have recommended to the industry that they need to form companies for each and other association and those association based companies will take shareholding into the main vehicle operating companies to be contracted by the municipality.

MR MANDIRIZA: And who is going to fund the procurement of the busses?

MR CHAVANGU: Currently we – if you are following this tender processes – we have advertised the tender for busses – engagement between ourselves and the taxi operators – affected operators, concluded that the municipality must assist the new company to be formed to procure the busses and this was done looking at the cost association associated with the procurement of busses and also looking at the time required. If we say the operators themselves at this point must go and procure the busses, because they still need to organise themselves into companies and all those kind of processes. So, the scene was reached where the municipality will buy the busses and that is in line with the public transport infrastructure grant that it allows the municipality to assist in the procurement of busses, but one of the conditions there is that we need to be the owner of the busses. We cannot buy the busses using public funds and transfer it to a third party. The agreement is that those busses – at a specific point in time – will be disposed to the operator.

MR MANDIRIZA: Okay, because what I think we have heard in some of the cities is that the municipality might procure the busses and lease the busses to the VOC – is it different from in your case where – you know, the lifespan of a bus let's say it is 7 years – it is only at that time when it is fully repaid – where you are going to transfer it to the VOC – is that the model?

MR CHAVANGU: Yes, that's the approach, but like you rightfully said that we will be leasing the busses to the operator before the transfer happens.

MR MANDIRIZA: Okay. So, the current operators that you are negotiating with – do they have a financial or legal advisors assisting them in their negotiations?

MR CHAVANGU: We assist them in all the processes, including the legal advisors. So the municipality is covering the costs of their behalf.

MR MANDIRIZA: Okay. No. Thank you Chair.

CHAIRPERSON: Just to follow up on the question asked by my colleague on the structure of the vehicle operating companies and the model. The affected operators, who will take up shareholding in the vehicle operating company –

what is the structure of income that they will be receiving – have those details been negotiated or is it something that is still up for discussion?

MR CHAVANGU: We haven't concluded those discussions, but there is appreciation that, because we are talking about three associations and their income levels are different and a proposal based on the engagement is that the shareholding will depend on the market share of each association. So, if your market share in terms of the service that were conducted is 10%, it means that you will get your 10% share from the income that is coming from the VOC. So, those are the details that are still to be concluded. We haven't concluded those discussions through there.

CHAIRPERSON: And just to be clear – your model is based on a complete substitution of existing operators with the rapid transit system or stream as you call it?

MR CHAVANGU: I will say probably at the initial stage of planning – the plan was to do a complete substitute of the service, but recently with realisation of the financial implication that it will have to the municipality – the affordability of such a service to the municipality, we are looking at – you know, different mechanisms of saying how do we integrate the existing operations into Leeto La Polokwane instead of replacing all the taxis. So, there is still a role that the existing taxis will play in the public transport space, but maybe in 50 years to come or 20 years to come, we'll be talking about replacing the existing – you know, vehicles and put new vehicles, because there are requirements that we are looking at. I've mentioned earlier in my slide that the type of vehicles that we require and the type of service that is required, it should be able to accommodate people with or people who are living with disability and currently the existing type of fleet that we have – they don't really accommodate – you know, a person who is using a wheelchair or a person who is using or who cannot see, so those type of things. So, those are the type of – you know, type of discussion that we would like to have with the operators going forward. Even if we don't take the operating licence, but the type of vehicles that it bring into the service – what will be the requirement, so that we don't discriminate against any other person.

CHAIRPERSON: Yah, if we are to take the route between Seshego and the CBD, which you've said currently carries about – is it 42000 commuters on a daily basis? What are the inefficiencies which were identified in the current services, which then serve as a rationale for the model? What was broken or what is broken with the current service, which necessitated a shift to your model?

MR CHAVANGU: Thank you. I think when you look at most public transport systems, particularly aligning the BRT models – what we are highlighting there its – and also what was picked up through the service was the fact that the systems are not scheduled – if I want to reach town in 5 minutes or in 7 minutes, I can't say for sure the taxi will be here in 5 minutes. So that is the part on unscheduled service, unreliability as well – there were also issues around affordability of the system and also – yah, I've mentioned reliability as well and other elements are also issues that relates to the safety of the system as well. So, those were the elements that we sort of picked up through the surveys which were conducted as well as the overall strategy that was looked into in 2007, yah.

CHAIRPERSON: Yah, what we've been told in terms of, I mean, in other provinces, in terms of the service provided by the minibus taxi industry – is that – although the service is unscheduled, but it provides a rolling service, that is responsive to consumer or commuter preferences and your own stats says that the service is able to carry 42000 commuters on a daily basis.

MR CHAVANGU: I think you may be correct based on those responses it appears to be the right service that one would want to use or one can say it's reliable, but we want to develop a system that at any given time – not necessarily that there must be ex-number of passengers, because remember the taxis currently they operate during the peak period mainly – during the off-peak you will see a taxi in some areas after an hour 30 minutes for instance, but the type of things that we want to introduce is to say even during the – you know, off-peak period how would – you know, passengers travel without – you know, having to wait for that long to travel if I need to go to the hospital at 10 o'clock, will I find a bus that will take me to hospital at the particular point in time. You might wait in the bus stop for a very long time without having a service that is coming – so the reliability issues there also come into being.

If I can go back to the issue of safety, because the current service as it stand, it is target based – the owners say the target is to say this is how much I need per day and it is up to the driver that he meets the – you know, of the operator – now, what does that do? There is an issue of violation of traffic loss and that put or poses a danger to the same commuters that are using the service. So, there are multiple factors that we are looking at. So, if we schedule the service – the bus will be travelling at a specific speed and the bus cannot cross the road where it is gravel or drive on the pavement and put – you know, the life of the commuters at risk. So, there are multiple factors that we are actually looking at. So, the issue of training of the drivers of the new service will come into being to say – when you are driving this type of or you are operating this type of a service, this is what is expected. Any violation to any of those set standards means that there is a penalty that will be imposed to the operator. So, those are some of the things that we are looking at when we are talking about the safety element.

CHAIRPERSON: Just a last question from – I am sure the taxi industry will respond to that when you take the submission from the NTA. Just a last question from my side – if we can go to slide number 18 of your presentation, which sets out a schematic presentation of your IPTN and MNT strategy – I see two elements which are – perhaps they are reflected elsewhere, which are not in this slide. The first one is the minibus taxis are not part of your IPTN and MNT strategy and the second element is the subsidised commuter bus services. I accept that you are not the contracting authority for subsidised commuter bus services, but from what we heard yesterday as well as today – that service plays a key role in terms of providing services to commuters within your city. So, my question is – those two elements – is there a plan to integrate them within your model or your strategy, because they are not currently reflected?

MR CHAVANGU: Okay. Thank you. We might not have reflected them in this picture – as I have indicated, I think there was a question that was asked with regard to the integration and I have mentioned that the initial plan was to do a complete replacement of the existing fleet, but now we have a plan to integrate the existing fleet into the service. Now, the issue of MNT – it is also linked to the minibus operation, because in the areas where the busses won't reach, there is an upgrade of infrastructure insofar as MNT is concerned. We might not have reflected it in this diagram, but there is a plan to integrate all services and one of the plans that we are looking at is to make sure that we have an intermodal facility that will accommodate all various modes of transport – whether they are talking about the [inaudible 01:12:13] or whether they are talking about any mode of transport that you can think of – there shall be a level where they – you know, they come together.

CHAIRPERSON: Yah, thank you. It is fine – you can add Mr Sebaka.

MR SEBAKA: I think there is also an element of - you know there are taxi facilities within the city and everywhere else – we have not captured them on this strategy as you have alluded as well, but it is our responsibility that we will be undertaking forthwith – I think the main thing was relinquished what we had on [inaudible 01:12:59] Polokwane as a new service completely.

CHAIRPERSON: Okay. Thank you. Thank you very much Mr Chavangu, Mr Sebaka and Mr Ramakgwakgwa for I think what is one of the moves that [inaudible 01:13:20] presentations that we have received and quite helpful in terms of outlining the transport issues within your cities. Thank you, thank you very much for your time and for your presentation. You are excused.

We will take a lunch adjournment and we will be back at a quarter to two after the lunch adjournment to take a presentation from an academic at the North West University and that will be followed by a submission from the National Taxi Alliance. We will be back at a quarter to two. Lunch will be served in the hotel restaurant. You are welcome to join us.

Session 3

CHAIRPERSON: Uhh welcome back, we will now receive a submission for Mr Ofentse Mokwena who is an academic based at North West University. Thank you very much Mr Mokwena for your time and for coming. If you could just start by taking the oath or the affirmation. And then just telling us who you are and you can take us through your presentation that will then be followed by questions from evidence leaders as well as panel members. You may proceed.

MR MOKWENA: Thank you Chair. Good afternoon so I will take the oath, I Ofentse Hlulani Mokwena 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: Okay thank you. You can just introduce yourself and then take us through the presentation.

MR MOKWENA: Okay, so first of all I would like to apologise for the draft that was distributed to the panel, the write-up, there are quite a lot of typos that we picked up in the, in the write-up. So I am Ofentse Hlulani Mokwena I am a transport economist. at the moment I am responding to examiner's feedback for my thesis and much of what I do is to focus on decision making in the transportation space, and I have grown an interest in designing methodologies and processes to address complex and simple problems in passenger and freight transport, uhh sectors. So I think what I will do with the presentation is, it's, the presentation is more of an a narrative around uhm, what, what I have been doing over the past five years and I haven't been doing this alone, there are a lot of people who have been involved and there is quite a lot of interesting pieces of experience and I thought that it would have been, it would be of value to share this with the commission, with regard to this hearing. And to be quite clear when we move to the outline, the submission itself is, is not a, what I am trying to respond to are the determinants of competitive practice. And that's actually the core. So I am, so, I am, in a way sort of extending the narrative, because what I am suspecting is that some of the inputs that are coming through from, coming though, through the sessions, through these hearings, are going to be inputting to the Single Transport Economic Regulator. So that for me is quite, quite important. And the six topics that I cover are not exhaustive of all the dimensions and factors that we find important or that I have identified in our research over the past couple of years. So the first, the first the first piece of the puzzle is to talk about the value chain and you know I have been listening to some of the hearings and there has been a lot of talk about the value chain, but the narrative that I am concentrating on is the industrial relationship with the transport, travel and behavioural side of the market. The second aspect that I concentrate on is with regard to how we think about cars, and basically mobility in itself and the various dimensions within which should consider how transportation actually takes place and how land passenger transport should be regulated in general. Then, the third element of the storyline is on education, so access to education, we, we don't have an appropriate policy framework to address how to design solutions that enable access to education, and where, where we do have a policy that does so, we are dealing with the National Learner Transport Policy, but it doesn't address post-school education mobility, which as we have seen over the last couple of years has become quite an important issue. Then the last three elements, the first of the three is on labour markets and my concern here is how do we manage, how do we manage the labour market, how do we coordinate our services, how do we coordinate the, the tension between bargaining and, and commuter needs and welfare gains. And then I lean onto something a little more contemporary with an example from the para-transit sector, what we call minibus taxis. And the conversation is on regulating technology data and information and service systems as one bundle. And in this particular input I am trying to extend the regulatory framework that exists in the National Land Transport Act, as amended. And the last point is the enabling mechanism, or the enabling instrument which is on, some people refer to it as the devolution of transport functions, but I, focus on the functions themselves and how to design processes to enable implementation and facilitate contact points of and for service delivery. So if we go to the second to the first slide, which is which reads *"Competition Regulation across the value chain of transportation and travel economic system, systems needs to occur in order to effectively regulate the market or liberalise certain aspects of the market to derive the greatest welfare."* And what I am presenting in that particular diagram is really an extension of some research that was done by Mansky and Wright and their basic idea was, hey we need, we are balancing you know taxi availability, taxi utilisation, demand and supply and coordinating operator and user preferences in that market. However what we know is that we tend to focus our contracts, our service, service prescripts on, on serving the consumer, meanwhile the supply side of the market is not considered appropriately, nor is it regulated effectively. So what I did was I extended the conversation into the meso-economy and macro-economy but the argument is that we, you know taxi operators or owners are vehicle consumers in the industrial market and if you look at the automotive incentive scheme which is one of the biggest or part of the biggest tax relief uhh structures that National Treasury has, we, we are basically encouraging the manufacturing of minibus taxi vehicles for example, that's just one point, and we are doing that in order to enable industrialisation and industrial activity in, in our market, or in, on our continent. But the, the side bit is that the instruments that should basically, that the operators or the owner were purchasing these vehicles should derive benefit from, they actually not surfacing, so these tax, these tax reliefs don't seem to be manifesting through the entire value chain and uhm that's a bit concerning you know and so on one hand some would argue that SA Taxi Finance is, is you know controlling the extent to which these operators have, or these owners have access to the market and also the banking infrastructure also has you know, a substantial control with regard to interest rates etcetera. However, the challenge still remains that from an industrial perspective we are incentivising the manufacturing of these vehicles for you know broader gains in the labour side, but, we are not interacting, we don't create a platform for these two sides to interact. So what happens when we have an oversupply of cheap minibus taxi vehicles, in the domestic, in the domestic environment, is that, is that volume of minibus taxis commensurate to what's required, what's demanded, in the market, in the travel, in the travel sector, so in the demand and supply for moving from places and so that's, that's one side. In the private care context, you know the introduction of, of for example electric vehicles is, is something that's quite fascinating and what I have seen from the Department of Trade and Industry is that they do have a conversation around incentivising the production of electric vehicles or electric type, electric type technology. However, what we are not seeing is how that interacts with you know travel policies or transportation policies on the ground, because the, so the conversation is that this is happening in the Department of Trade and Industry, it is great for labour productivity, it's great for employment, at the same time, those benefits should be interacted with from a transport policy perspective in the travel economy. Which is the economy of moving people from point A to point B. This is something that I raised also in the White Paper, but I am not sure whether that was considered or not. Okay so we can move to the next element. So on the other side, on the other side the conversation is about the value of the car and other dimensions to land transport regulation, and how they need broader consideration in the regulatory framework of transportation systems. So distance consumption is at the heart of the issue and cars are only vehicles that contain the distances demanded by household as a result of their proximity to these trip purposes. So this particular concept refers to how transportation is a derived demand and how if we want to understand the fundamentals of regulating the market, one of the core ingredients is understanding what is actually demanded at the core. So if we are dealing with the change in the way employees interact with their employers, whether it is through staggered hours or shifting the number of hours within a particular urban centre, or it is through tel-commuting, or it is through myself not necessarily traveling to this particular session, but I am Skyping, all of that refers to some changes in the way in which distance is consumed. And in the land passenger transport context, distance is consumed across multiple transportation modes, whether it is in our shoes, whether it is on bicycles, whether it is in actual transit units or whether it is tele-communications wise. But what I am showing in the, in the chart or in the diagram is that what we have is the relationship between for example a driver and a company. And this could be and employee and a company in general and there, the argument is that when do people start commuting? Do they start commuting when they are in the transit unit? Or do they start commuting the moment that trip purpose manifests itself, so the moment you wake up, are you in the journey, or are you in the journey only when you are in the vehicle. And that's, that's a very important issue because what we are seeing is that if people spend three hours waiting you know basically waiting to make the trip then there is quite an important element that we need to account for across various transportation modes, and this is essential, for integrating transportation services in general, but it is also essential for integrating and bring the proximity between the trip purpose, the derived demand and the transportation services, making the proximity much closer, we cannot be in an environment where the travel times in our cities and in our small towns exceed what is required. So we don't have a travel time budget for example in South Africa. What we do have is a transportation household expenditure on transport budget and it's actually not even expenditure it refers to income, that says 10% of your income should be used for transportation, however what we know is that people inflate their income through credit etcetera and then what you see well that, that takes the form of expenditure, so we don't have an appropriate measure for that. So its travel time budget on the one side and on the other side, it's the actual you know cash that's spent moving from one point to another. But what, the other side of this particular, the other side of this particular diagram is to show for example the, the way in which when we think about, you know transport operators and users, you know sometimes these operators are actually users themselves, so you could find that a driver actually commutes to work, they might not own that vehicle, especially in the bus and passenger rail sectors. And then on the other side, you, in the minibus tax space, you find that the commute is built in to the vehicle ownership. So that individual owns the vehicle and therefore as and when they are in the vehicle they are basically working. and what, what kicks in is that there, there is something around the commute time to work that we don't account for, whether, whether we are dealing with a driver or we are dealing with individuals working in the retail sector and that, that concerns me quite significantly, and it is part of the reasons why there, there have been these new unions coming up, that are trying to represent, the mobility of retail, employees and what's going to happen next is that the mobility of interns is actually going to sort of surface as well. Mainly because these are, these are baskets of, of, of labour that I are not accounted for in the mobility space because, fundamentally because transportation is not affordable to their ncome segment, and that, I don't want to exclude the fact that what we are seeing in the tax base, so households earning under R135 000, R153 000 a year are experiencing basically a lower tax base. So they, they basically pay relatively lower tax in general. You know and, and we are trying to, what I am trying to understand is where, how that translates in the transportation and the travel economy in general and for this hearing in particular how does that, how does that influence the way in which competitive markets are structured between various transportation modes. And in fact should affordable housing be, should affordable housing units be allocated with respect to the individuals and their proximity to work, in order to reduce their transportation expenditure, so that we are in a situation where, households in, this is from the Living

Conditions Survey, so households that are in urban settlements, in rural settlements are spending 18% of their income on transport and that is the same as, that’s the same percentage as households that are living in urban settlements but on the outskirts, it is also 18%. You know, and that is aggregated so we don’t even know how that is distributed across various incomes, and we don’t even know how, how employment interacts with that consumption space and which transportation modes they actually use. And this is just on income and not on travel time. So I just, so that is just to summarise the basic narrative here, but the companies struggle with balancing this act so the challenge is how do companies enable their employees to commute effectively in a way that basically represents their affordability scale or in a way that adds value to the companies in general. And various transportation modes can support this but what is interesting is that the emergence of transport network companies in this space adds substantial value. So for example Go Metro as, as a technology firm is providing these travel smart solutions for various companies and it is really very interesting to see this happen and what’s happening is that you, you could have a midi bus, minibus or even a smaller vehicle being contracted by the company to provide these connected continuous services for employees. Now imagine an average retailer that is trying to maximise their revenues by being open until 9 pm. How do the people working the second or the last shift get back home at 9 pm? And these are contracted services that can be structured by the employees but my question is how, how on earth do we actually coordinate this market in such a way that it is fair for the individuals working in these particular industries because we don’t, you can have a travel allowance, that’s one thing, but it's another thing to provide a service in-house, or to outsource it through a network company. so ja, and the core is that whether this is actually worthwhile or not and quite frankly there is some research that come out from Tommy Garling, that talks about how people when if you commute frustrated or you, you experience this some kind of frustration while you are commuting, that actually translates into your, your work performance. It fills in your, your employment space and what that does then is it can actually reduce your productivity in your work environment. And that reduction in productivity is quite cumulative and it adds on over time. So you might find that economic, economic efficiency might not necessarily just be about people working uhm eight hours a day, it might actually be about enabling them to commute much shorter spaces of time in a very comfortable and good quality manner. Okay. if we move on to the education access space, my argument here is that regulating transport services uhm and providing access to education is an essential, is an essential activity for the effective development of South Africa, however the challenge is whether the market is sufficiently coordinated and whether it represents the genuine systems in place and these systems are formal and informal, and potentially regulating the competitive spectrum of education mobility may serve as a gateway to other public transportation service markets. So if for example we can address the, the education access component, we might be able to access regulating other sectors, so in the chart, or the diagram that I am showing here is, is the dynamics around affordability for, for scholar transport or for learners in general, and what we have is the transport operators right in the middle. So we have learner and a parent, they are informing the monetary access to transport and, then we have the transportation operator who is influenced by the policy, the vehicle standards, the services and the costs associated with operating or providing a service. and then we have the education facility which informs the location and then we have the educator who also has to travel to work, most educators do not live at the schools, so then, so that informs the physical access side, and you know more broadly speaking there is need for some social resources to enable persons to access education, because education access to education because education access is not just about being able to get there, it's also about having the appropriate social schedules so children for example shouldn't be found working three hours before going to school but at the same time you find that in many of the many of the so-called rural areas but more settlements, what you find is that there are a lot of candidates or students who walk tremendous distance and they are still expected to have shiny shoes when they get to school and yes we do have a Shova Kalula solution for, in terms of cycling, however that does not provide for the dynamics of non-motorised transport mobility. And this is actually a fundamental regulatory point, where if you are depending on the topography, you know different types of bicycles are required because when you are cycling you need to change gears, if the topography is very difficult for you to navigate around. The other thing is, the policy itself on Shova Kalula does argue that we need to provide the maintenance, maintenance and solution infrastructure, like sort of training students or learners how to cycle and how to move around the environment on their bicycles, but what we do not have is the actual implementation and the threshold to measure this type of initiative and the same thing actually interacts with the public transport space. What's the point of being able to cycle ten kilometers when you do have a bus service that is five kilometres away, but you can't really put your bicycle into the bus and that, that's very, very futile. So it is about model integration as well. At the same time there is an element where the, some, okay some of the people that we have been interviewing raised the concern that many educators have to carpool especially in our villages, they have to travel very long distances in groups, in order to get to the schools and provide education service. And the question was to what extend does the learner transport policy actually facilitate for this? And it doesn't. Then the other dynamic, the other dynamic is that in the post school education space you have got 26 universities in a country more or less, public institutions, however, about six of them already have contracted transport services and there is no regulatory you know solution that actually informs how this particular contract structure has to work and whether it is commensurate or it adds value to, to the education value chain in general. So that's just to summarise my general input with regard to access to education. but I think something that I have to mention is that we, you know minibus taxi operators who are providing access to education, you know are not appropriately represented, mainly because they are full time scholar transporters and there are part time scholar transporters. And so the full time scholar transporters depend on scholar transport as their main source of income. And the income varies depending on whether the households pay or not. And also it has to do with whether the candidates is retained at a particular school or not, but it also has to do with the way in which, candidates or scholar's parents choose schools that are close or far from their locations, and that is a route allocation issue but it is also a network allocation issue. and that could actually in the long term as vehicle volumes and learner transport volumes increase, that could actually cause quite a lot of competitive behaviour that might not be that might not be suitable for these types of candidates. You know and it is very hard to drive with children you know under the age of 10 you know screaming and shouting you know uhm in your taxi. And this is a very interesting space that we must actually account for. So this is my second last input with regard to the uhm the regulatory space and so with this one, this is with regard to labour markets, essentialization and some of the dynamics that have been kicking in in the South African context of late, and it comes from an input I made with regard to the bus strikes but clearly there have been quite a number of strikes that have been taking place and you know, a colleague asked me to what extent does that influence the competitive practice of competitive behaviour in the market and I, and I argue that well, it has a lot to do with labour competition, it has a lot to do with modal competition, it has a lot to do with tensions between employers and employees so what it reads is that land, land transport labour markets and essentiallization is a balancing act between bargaining power, equitable pay and effective welfare containment for consumers and operators alike. We may need to consider the extent to which we could construct some sectors of passenger transport the passenger transport market in a manner that is professionalised and governed by daily structured program such as what you find in the teaching, nursing, correctional services and policing sectors, and this sounds like a very distant kind of conversation but some sectors can actually be included in, in a very structured kind of program in order to provide the dignity and represent the value of the labour and the service that, that public transportation, operators actually provide, but what, what I am showing in the chart is the cost of short-term decision making where we, we constantly have these you know strikes that are taking place and we have these two year, increases so and what happens is that the real value of money changes over time, what also happens is that many of these operators are not necessarily in positions where they, the agreements incentivised savings and long-term long-term equity agreements and I am concerned about that because what, what that does is that you, you have a situation where some operators start to become rather mobile across the, the transportation market so what I have seen is that you have taxi drivers who have been truck drivers, who have been bus drivers and are now in the taxi space and are also willing to move again back into the trucking space and the main reason why they go to the trucking space is particularly because they would earn fundamentally more, but then the behavioural requirements of moving across these sectors are very different, and what we see this in the BRT driver behaviour context, so City of Johannesburg Rea Vaya has been reporting a lot of incidents and accidents taking place, mainly because of driver behaviour changes, and what drivers are not going through is the value add of new network information. So if you introduce dedicated lanes or new type of information that we have to interpret there is a genuine change in the way we should behave and whether it is, whether the K53 has to be amended to accommodate this or whether you know, tax operators need to be, need to be encouraged todevelop strategies to absorb this type of behaviour and bus markets as well but there is a challenge with regard to labour productivity with respect to the new networks and the long term benefits in the market. So what I am showing here is really just, just a summary of, of what happens with regards to some of the, some of the the short-term decisions when, when we have the, these negotiated salaries and they are basically extremely expensive in the long term. Unless we have sort of staggered, sort of staggered agreements in the labour market, especially for, for transport. But what, how does this relate to, to pricing and consumers? Well we have a study where we show that commuters and operators interact in a very interesting way, so for example you wouldn't expect people to be willing to wait longer for a transport service but people actually do wait longer for a transport service in order for them to have a guaranteed seat, and you find this in the bus context. In the minibus context people don't want to wait at all, they want to just get in and leave. And what that does is that it creates a vacuum for opportunity. So there will come a day when taxi operators say you know what, if you, if this group wants to leave earlier we can, we can provide and express service so you will be paying for all the empty seats in that particular group and then you leave the rank before everybody else. And that is something that will happen, especially when we start to integrate technologies in these markets, from a competitive perspective, we have to ask this question and as to whether we are ready to actually intervene when these types of things start happening. The other thing is something called route circulation which, which we are seeing in business when, , well it happens with regard to fleet utilisation, so you are basically using one transit unit across multiple routes, and but we are not seeing that in the minibus taxi space. And why that is not happening is particularly because of barriers to entry across route associations and the, and the relative conflicts between the markets, but when you go to smaller towns, what happens is that, that becomes much more viable as an alternative where routes that are not responsive to the peak can actually be, the vehicles that are standing there can actually be allocated to routes that require much greater assistance. And you see this in Ethekwini where you know households, where commuters would be chewing, you know to leave up to about like seven or eight in the evening and this is just for some of the you know regional journeys, it is not even like outside of town and you see this as well in Pretoria Station you know. The same thing happens where you have got people waiting at eight in the evening on a Wednesday to go to Germiston, they are queuing up and but the reason why those vehicles are not available is because well the vehicle that should be coming in is actually on its way back and that is an issue around you know vehicle circulation inside the market and that would enable a very different type of complimentary infrastructure over a competitive infrastructure. So in this particular slide which is the next one, Chair may I ask, I have got about, how many minutes do I have left? Five or three actually ja?

CHAIRPERSON: Yes I think you may proceed for another five minutes.

MR MOKWENA: Thank you so much, so the, so with this slide, my argument is that the regulation of technology data, information and service systems is fundamentally the relationship between signals to policy maker and the receiving systems that public entities have capacities got absorb, or don't have capacities to absorb. The other side is the need for both new regulatory schemes and an alignment between data, information and systems with the policy goals and objectives and targets across the ward, municipal, provincial and national levels. So, the core here is that we are in an environment where data is becoming an asset and more and more companies are collecting data of our people every single day. And what we don't have is the appropriate infrastructure from a regulatory perspective to reflect the value of this data and also to use it to inform our policies and the challenge with this is that it is quite expensive when transportation network companies enter a market and the market is not ready so the institutions the authorities and the bodies that are supposed to coordinate this market are not ready to absorb you know the inflection that kicks in when something disrupts the, disrupts the existing system. And the resort or well the, some operators in the market do resort to violence and terror and that is inefficient. So my argument is that we, we need to find a way to convert something like the National Land, the National Household Travel Survey into a tool that informs directly the objectives, goals, mission and vision of the National Land Transport Act and the White Paper on National Transport Policy. And this is actually quite important because we don't have ward specific data, you know we don't have you know municipal level data, we don't have data that you know is, is a representative sample that could be useful for local municipalities to actually make appropriate decisions. What we do have however is a large scale data set with 50 000, you know respondents as a sample and can only really be used at a provincial level, and that's, that's a fundamental risk. Meanwhile you have got these transport companies that are coming in or technology companies that are coming in with data collection capacity and they are collecting data, but we don't know how to integrate that into our transportation registers because the policy hasn't gotten around to that yet. And we also not regulating the way in which this technology is supposed to work, and treatments around protection, anonymity and so forth. And this is all in the face of an environment where through ticketing is going to be at the heart of a seamless system and our infrastructure is not even geared up to that and if you look at the, the transposition of the meter taxi definition to the e-haling definition, that in itself is also quite a risky dynamic because it does not reflect the fact that e-haling is not just about taxis, you know. There will be bicycles that you can hale. There will be grocery services that you can hale, there will be min bus taxis that you can hale, but not in the way that we conceive today. You might just need to book a seat, you know and that has happened here in Limpopo uhm, there was a study that was published by Venter and it was an SMS based booking service. So you could book a seat you know while you are waiting at the entry point of where sekorokoro [unroadworthy vehicle] used to be. and in the chart what I show is just an example of what we, what we consolidated when we were in Rustenburg, so the, the Bafokeng taxi operator association organised a conference, to say hey, we want to know what, what are the potential avenues we can get into as a public transport operator and some of the interesting things that they spoke about was that hey we can actually get into goods delivery, we can get into booking services, we can get into express services, we can get into purchasing other, other commodities or other markets segments that inform out value chain, whether it is manufacturing tyres or it is building batteries for our vehicles. Okay, I think the last one is, I will just read it out for the purpose of time. So at the heart of everything is the, the establishment of, of tools, and institutional infrastructure that embodies the transportation functions. So transport functions, implementation and contact points of and for service delivery at the heart of realising the value chain wide regulatory scheme that enables vast arrays of competitive behaviour and the idea here is that transport components or transport functions should enable and facilitate competitive behaviour, not necessarily stand you know, stand between it you know but the should actually find mechanisms to enable competition to take place. in a good and fair manner, but competition that is fair across various sectors and spheres of formal and informal institutions is actually very, very important in this particular case and for our continent in particular, many of the components or many of the warm bodies that should be acting upon the functions are responsible for interacting with the associations having long term good quality relationships with various entities in the transportation space and they should be able to receive a street signal that says, hey we have a new taxi operator in the market. and integrated in the planning and budgeting systems, transportation functions will add long term value to the effectiveness of enabling, facilitating, and enabling competition across various instruments and with this last sentence my argument is that you know how, how transportation plans are integrated into integrated development plans and how that is translated to service deliver budgets, that entire stream of institutional behaviour, we are not looking at that from a regulatory perspective, are policies are not accounting for that quite clearly, and many municipalities are arguing that there are no funds to populate the transportation functions that, that they require. And what this chart shows is really just an example of how planning authorities could be structured, and depending on the scale of the local municipality, you could find that planning authority is at district level or is at local municipal level but what we seeing for example in Gauteng is that you know they, they believe that they should be, you know a region wide authority but I have a different view with regard to that. Ja. That's my submission.

CHAIRPERSON: Ja thank you, thank you very much Mr Mokwena for your submission. Mr Ngobeni?

MR NGOBENI: I have now questions Chair.

CHAIRPERSON: Mr Lesofe? We do have a little bit of time for questions ...[laughing]

MR LESOFE: No, no questions thank you Chair.

CHAIRPERSON: ...[laughing] Don't be scared to ask questions. You may proceed to Mr Lesofe.

MR LESOFE: No I have no questions Chair.

CHAIRPERSON: Oh Ms Nontombana?

MS NONTOMBANA: ...[laughing] Okay I think the submission is very interesting but I find to, to, to be more informative in terms of the policy questions that we would be facing. So the question I have though is on something that is not in the Paper itself and that is in relation to the issues that are coming up in relation to subsidies, whether you have any specific views uhh on the issues related to that.

CHAIRPERSON: Perhaps may I add to this question? we have received numerous submissions that there cannot be a sustainable public passenger transport system internationally, without some form of subsidisation because public transportation is at the heart of the economy. and that is why then this question is around, subsidies then arise where you have this situation as we have in our case where the, the subsidy model currently supports certain modes of transportation but doesn't support others and what does one then say because in the light of the fact that it's, it's a, it's not sustainable to provide a public transport service without some form of subsidy assistance, so that is the weight of the submissions that we have received in relation to this question of the role of subsidisation in the provision of public transportation.

MR MOKWENA: Thank you that's a very interesting topic, it's quite hot at the moment and so there are three you know key, key cornerstones here, so the first one is asking the core question, what exactly is a subsidy. You know because we actually don't ask that, in terms of whether a subsidy is supposed to provide equitable access, whether it is supposed to provide welfare gains, or whether a subsidy is supposed to encourage the incumbent to improve their efficiencies and what we are doing at the moment is we are subsidising in a way that does not communicate with trying to address you know efficiency gains. So we are not saying that you need to reduce your costs base. We are not saying that, what we are saying is hey we are going to subsidise you based on whether it is a number of ticket or whether this is a recurring agreement or not, so the, the infrastructure that we are using or the instruments that we are using to structure our, our subsidies is, are actually inefficient. And that's particularly because we don't have an opportunity cost measure. So we don't have an opportunity cost measure for public funds and especially in the transportation space, and therefore it makes it very difficult for us to actually specific the appropriate subsidy technology that we should be using in order to enable whatever it is that we want. Whether we want patronage or whether you want coverage, and now the second element is, sustainability of subsidies. If subsidies are about circulating welfare right, if that's what they are about, so injecting a subsidy in a particular segment of commuters enables you as a, you know as a regulator to you know encourage a, you know benefit in the market, that exceeds the cost of that subsidy even though it is direct or indirect type of benefit, then the question of the subsidy is, you know, becomes quite complex because if you look at the Gautrain and the KPG report you know the narrative is that hey we are spending like 1.5 billion Rand and this year it is going to go up, well last year it went up to 2.5. You know but the unit return on this particular technology is what 45 billion Rand for, for Gauteng, you know I mean this is, these are huge numbers you know from a benefit, from a cost benefit perspective, so the conversation should be you know what are the costs of this subsidy and what are the benefits that we derive from it and whether those benefits are what we actually want, and now taking us back to sustainability of these transportation services, subsidies in particular, well there are two sides of looking at this. What are we subsidising. You could subsidise for example the land use sector in order to encourage more people to live closer to public transportation facilities and use those services for their trips on a day-to-day basis and that way you might not even need to subsidise transport, transportation technologies you know but it depends on, it's case specific. It depends on the area, it depends on the context, but some people say that we need to subsidise passengers by patronage, other people say that we need to understand that transportation companies need to expand the way they think or else we will say, okay this year we gave this much of a subsidy, next year we will give you a little bit more, the year after that we will give you a little bit more and the efficiency gains will never be manifested because some of these transport companies, metro bus will not decide that they are going to start and advertising agency or PRASA will note decide that hey we are going, we are going to focus on you know creating content around our rail stations, I mean look at what airports are doing? If you, if PRASA treated airports like ACSA did, you know then you know that train stations like ACSA did then the conversation will be completely different, you know because the revenue stream would be much broader and that's the conversation that we are not having so we are still in the you know, you know subsidy space but there are different ways of expanding something called the Farebox, so increasing the, the variety of revenues that public transportation, service providers and operators can actually get and min bus taxi operators are way ahead of the market with regard to this, I mean you know they have got DSTV in their taxi's you know. They have got, these are not even consignments, there are no contracts, there are no deals with, with Multichoice, you know they are just doing it because it, you know it brings them more passengers or it brings more high school students because they like the sound and it's, it's an important narrative that we have to play with but we are not really dealing with the competitive side of the market. Why? Because we are focussed on how, how these, how people who are receiving these subsidies are just constantly, almost addicted to this particular you know, to the side of the coin. But it is also important if we want coverage, we want to make sure that we enable as much equity as possible, which is quite crucial but equity has two sides. One side is you know physical access, the other side is location so we have to balance the two markets and that's very, very important.

MR MANDIRIZA: I think just one question from my side, I think you mentioned something around the disjuncture between financing, I think for minibus taxis and also the automotive incentive scheme. So I think here there is a question around which one do you focus on, is it the demand side or the supply side. So if you are given an opportunity to choose, where should we be focussing because currently, it appears as if the subsidies are more on, on the supply side you know we, we have, we provide incentives for minibus taxis as part of the automotive sector. At the same time we are not creating, we are not making any incentives to finance, to assist in financing for the uptake of those, of those I mean, because I just want to get a perspective of which one I you know would you focus on more given an opportunity.

MR MOKWENA: To be honest I don't know yet. Ja. To be honest I have not made a decision. Well the reason why I have not made decision, a decision yet because the market is, it's quite complex now. Especially in terms of you know the kind of metals that we need to use, the decision between using Lithium Iron batteries or Sodium Iron batteries for electric vehicles in the long term the kind of engines that we are going to need to have in the different taxi spaces or taxi vehicles and also the long term trajectory of what is going to happen in terms of the mobility side of things and also the risks around you know the conversion of panel vans you know to taxis and you know, those skips in the barrel, I think that for me is, you know those are the lower hanging fruits to address first and then try and figure out how to, how to take it from there, but to your answer, to your question directly I have no idea what to start with.

CHAIRPERSON: Just one last question from me and you, you have touched on this in your submission which is this issue of the, interlinkage uhh between, special planning and transport planning, it seems that transport planning in this country is influenced to a very large extent by obviously the apartheid special planning patterns. which unfortunately are, are still very much a defining feature of how the country is currently socially organised. And in part the operation subsidies to commuter bus operators are a response to this uhm the current structure in terms of how the country is, is socially organised. And because it seems that it will be very difficult to undo this special planning, I mean you still have townships and they are not going anywhere ...[laughing]. And obviously the country is developed in such a way that you have townships that are underdeveloped as well as former homelands and you have the former suburbs which are very well developed and that is where commuters who commute from the the townships, former homelands to urban areas the main purpose of the trips is really accessed to, it is really accessed to, to, to work, that's, that's what the subsidies seem to be about. So I just want to get your reflection in terms of you know this, how can we better manage this interlinkage between which appears to be quite inextricable between transport planning and special planning and is there a way in which there could be a correction, I think you, you have hinted at perhaps using a special planning in terms of the location of affordable housing close to places of work but we have seen that they are under constraints insofar as that is concerned because obviously that is a more, expensive solution than, than the subsidies but perhaps it's more of a long terms solution. Because this is an issue that you know we, it's really giving us sleepless nights.

MR MOKWENA: Okay so it is a, it's a, the question agitates me to be quite honest, uhm so I am going to start off by talking about the transport economics. As a science it comes from regional economics. Regional economics is concerned with space, movement and location. That's the concern. What's happened uhm with the way our places are structured is that there are number of artificial policies that have distorted the market and then we are pre-occupied with trying to correct those markets. Whether it is in the transport space or it is in the land use space. However, my concern is whether we are no using these disproportionalities to our advantage. For example, I tell people this a lot, I say, Johannesburg is already there. It's already established, it's already inhabited, but you have Hammanskraal that has lost half of its industrial capacity. You have Mafikeng that is, is losing quite a lot of traction but it is also gaining in terms of market value and, and creativity. You have Mokopane for example that's also activated you know and it is located in the, you know I think the most interesting place, the airport is like what five kilometers away and you have got a rail, train station right across the street of the city almost. You know and then the industrial centre is just across the other side. I mean these are places of activation. However much of the focus and also the manner in which labour is migrating is trapped in what you refer to the social structure, which is quite an important concept for us to understand. That we have to deal with the activation of places that would create multimodal development. Not uni-nodal where everybody has to flock into uhh central business districts, we actually have to create multiple business districts and that's the only way to distribute wealth effectively, because then people will have access to the market. Genuine access to the market and you know it's very hard to say how that is possible but it is quite clear that it is already happening I mean Soweto is an interesting example. Everyone talks about Soweto as an example, we, but the complexity of Soweto is that it is not, you know the confidence, the social structure in terms of the confidence to do so, is not spread across the entire, so-called township. You know so there is a much deeper dynamic that we actually need to address and transportation is part of moving those ideas around but as for the extent to which we can address you know the inequalities that we have now, spatially, that is something that would require us to change for example how we thought about the ecomobiltiy festival. Should the ecomobiltiy festival have taken place in Sandton? Or should it have happened in Alexandra? Who would have benefitted more from infrastructural changes? You know those are the kind of questions that we might actually have to ask. You know and it has a lot to do with the way, the way in which we do economic evaluation. Households who earn lower incomes tend to have, tend to be perceived to have quite frankly lower values of time and as a result the benefits would require a substantial you know population of individuals you know for you to justify a certain type of project but it is partly because of, of a one sided evaluation measure but on the other side it, it highlights the point that you, that you made Chair that, it is expensive for us to, to locate affordable housing in, in, in central business districts or other multi-nodal location however it might be appropriate to incentivise that behaviour across these settlementsespecially you know new developments precincts etcetera, because mixed housing is actually quite crucial but it also has to do with behavioural change as well. And that, that's one of the core ways for us to solve this problem in the long term, but we cannot do this, in a short-term way, and where we do build for example, Government subsidised housing, they should reflect the core objectives of the reconstruction and development program, which was in fact to activate, you know household ….[vernacular]. You know, that was the core, you know we are supposed to build ourselves, you know and that's something that we are ort of missing out on. Hence m focus on access to education. Because education centres are actually the core of this entire story line. Once we get that right we will be able to activate places in the long term, genuinely activate them, not you know, just provide large scale housing that is spreading sprawl, so we are going to have these extended suburbs of low income households.

CHAIRPERSON: I said that was the last question but this is really the last one. ...[laughing]. one other observation, uhm that we are grappling with relates to the issue of again this question of the differential social organisation of society along class lines as a barrier for the, for the integration uhm of the different modes of transportation. It is undisputable that the minibus taxi industry carries in the main low income and poor commuters and the same applies for instance to subsidised commuter busses and then these modes of transport which mainly cater for the poor, there appears to be some difficulties in integrating them uhh to other modes of transport that seems to be more geared towards the middle class as well as the higher income groups. A case in point for instance is is the Gautrain. we posed this question to the management company that manages the Gautrain about the question of minibus taxis as a feeder to the Gautrain and, and it was clear that this issue of the distinction of modes in terms of class or income is one of the obstacles to a full integration of this, various modes, just your reflection on, on this particular dynamic.

MR MOKWENA: Thank you Chair, that's actually a very interesting point, I, I forgot that the, the Gautrain's original plan actually had a footnote that said that minibus taxis are going to be considered as feeders for the service, I will remember the page number in maybe an hour or so, but ...[laughing] but it is an interesting, you know that was part of the proposal, you know and, and I suspect, I suspect the biggest challenge was, a structural challenge in terms of how to transfer you know, how to transfer this unscheduled service with a scheduled service, that's the more technical side, but the less technical side was it may have also had a lot to do with relationships, you know and, and my concern with regard to relationships is that many of the, many of the existing institutions, or transportation functions in municipalities are focused on public works etcetera and you know we are not working on creating these hybrid public private partnership kind of engagement places so that we can actually create an integrated service, because it is one thing for us to have integrated technology, it's another thing to have integrated people, you know and, and if we solve the integrated people part we can actually have integrated services. You know but if, if I believe that the problem is Government and you know and the, the municipal official say aai, taxis are, you know are not functional you know and we don't use taxis you know as a result and yet we have to make plans for these taxis, I mean these are the dynamics that you actually have to deal with and it's an, it's an important point because the terms that sort of the premise of your augment is that there is a differential social organisation of society along class lines that being represented across various transportation modes. And for me, it has a lot to do with the way in which we specify, whether it is contract wise, whether it's structurally or institutionally the quality that represents it dignify public transportation services. And that for me is quite important because there, there was a time, in Ga Rankuwa, there was, there was one taxi driver, he was always, you know the early one. You know, and he wore a, you know a jacket and a tie, you know and he was driving a minibus taxi you know and this guy was hectic. He spoke I don't know 55 languages or whatever and he was excellent, you know and the way in which he treated his clients, you know was a totally different, you know from, from everybody else, but that was the morning trip you know and he had a culture of his own you know and I am sure he other people as well who had that, that type of culture, but that's a quality of service that you, that you can't create automatically, you actually have to work at the people technology involved in that. You know and, and that's the only way you we could actually address something like that. and one of the reasons why the Gautrain seems to be extremely viable is because of this quality component you know, because the attitudinal barrier, I have got, I have got a cousin who, who has to travel to for example Spruit, so if, if she is moving from Pretoria to Johannesburg, she would rather use a taxi, you know even though the relative price with respect to time is similar with the Gautrain you know and she will say, no that's not for me, you know so the other side is that we actually have to break down the attitudinal barriers in the market because even when we do improve the quality of service that you find in minibus taxis, whether we put a ramp there or we change the way they are designed etcetera, there will still be some type of attitudinal barrier that says those red taxis are not for me, you know and that is something that we are also going to have to deal with, with regard to moral integration, so the class lines are real and they are also perpetuate by the narrative that exists but there are mechanisms and techniques and instruments quite frankly that we can use to change this. Just as a closing point, if you look at the National and Transport Act, sub-section I think it is section 11, sub-section c, the municipal functions, there is a function there that says, municipalities must promote public transport services. You know that's promote the use of public transport and that's advertising, that's you know representation, that's you know representation, that's campaigning and you know we have got more campaigns about drinking and driving than we have you know public transport usage which is quite interesting for me. You know and, and I am just saying you know as a narrative you know and the, PRASA was not advertised by Gautrain had an advertisement you know and that for me is quite interesting when you do see a PRASA advert it is about level crossing or something ...[laughing] you know, so the narrative has to change and, and a lot of people are talking about this, I think the, the hearing in the Eastern Cape, there was someone who actually mentioned that you know there is a, there is something that's inside you know, our psychology that actually needs to be modified and that's actually part of, of the reform process, so there is a technical element which is with regard to scheduling, service design, pricing across these different transportation modes but then there is also a preference structure element. How do we structure and reform the way in which society, us South Africans, how, how do we start to believe that you know we deserve this dignified level of service and then you have operators who also believe that you know, this is my pride and joy, this is, I feed my family with this you know and, and I value it as a service and so that's the kind of, those are the mechanisms that I would be concerned with.

CHAIRPERSON: Ja thank you, thank you very much, Mr Mokwena for a very thought provoking submission. there will definitely be a need it think for further engagement as we, as the process unfolds and I think your thoughts will be quite helpful in terms of shaping our thinking around these issues. Thank you very much, you, you are excused. We will now take a presentation from the National Taxi Alliance. Afternoon and thank you very much for coming Sir. You may take the oath or the affirmation.

MR MOGASHOA: ….[vernacular]

CHAIRPERSON: Thank you very much. Our interpretation services, do you have a mic? As long as you can be able to hear him you can, you can remain seated where you are.

INTERPRETER: Say I will tell the truth, nothing but the truth.

CHAIRPERSON: if you could then just state your full names and and surname?

MR MOGASHOA: ….[vernacular]

INTERPRETER: My name is Peter Mogashoa.

CHAIRPERSON: if you could just indicate Mr Mogashoa what your current position is within the NTA and how long have you held your current position?

MR MOGASHOA: I am the General Secretary of NTA Limpopo for more than 10 years I am sure, as from 20, 2007.

CHAIRPERSON: Ja you may take us through your submission and then that will be followed by questions from the evidence leaders and the panel members. You may go ahead.

MR MOGASHOA: On behalf of the NTA Limpopo for the taxi industry at large a representation shall unfold as follows. Number one, licensing, route allocation and entry regulations. One, point one, licensing, Taxi Associations are registered in their respective provinces of origin and there is a process that regulates the registration, the allocation of routes, that Association are operating and the membership of the association. Number two, the failure by Government to implement that process in time over those routes to a particular

Taxi Association is often a source of conflict and disputes and coupled with the inept of officials who allocate same routes to more than one association. Number three, operators are required to submit letters of recommendation from their Association to confirm their allegiance for the process of licencing, but which is often abused by the original office bearers. Again the concurrency letters are required from the municipalities when submitting their applications for pre-adjudication. Number four, shameless the ...[indistinct] is violating the right of freedom of Association which is enshrined in the constitution of the republic of South Africa by insisting that operators must prove affiliation to SANTACO. Negating the fact that National Taxi Alliance also exist, these officials are not aware of the fact that we do not have a legislated statutory body in the taxi industry. Number five, the integrated transport plan is progressing at a snail's pace by the municipalities thus causing the taxi operators to experience undue delays. The municipalities often claim that the taxi industry is over saturated but without taking stock from the ground. The municipalities acts as referee and player at the same time, because by virtue of operating busses or BRT's are directly competing with the taxis. This is why they are always reluctant to issue, to issue concurrence letters. Two, two point one, routes allocation, number one, in 2006 there was, Walawasala Campaign whereby Taxi Association were registered according to their routes. Some of the, some disputes arose immediately because of inaptitude of Government officials and they stil remain unresolved. Two, because of new developments of residential and shopping malls Associations that operate adjacent to those new developments must be the ones preferred to operate he adjacent routes. Three, three point one, operating licence moratorium. There is a moratorium imposed on the issuing of taxi permits in the country but when you challenge the brief to produce same they are unable. South Africa does not have federal provinces but in case of the Department of Transport each province has its own laws. Number two, law enforces abused the illegal operators because of the said moratorium and this moratorium is being applied to the taxi industry and no other modes of transport. Number three, in business every owner would like to grow, but in the taxi industry you are restricted not to grow because once you have one permit because of the moratorium, you won't be able to get another one even though your Association recommends you to purchase because the limits would perhaps say focus per owner. number four, price regulation and price setting. Number one, all public, all public passenger transport service providers are expect by economics of scale to charge market related fares in order to pro-act a good passenger transport service that is safer, comfortable, reliable and affordable to the users. Number two, Taxi Association surged their fees slightly above those of other, those of their competitor, meaning the busses because busses are being subsidised. The taxi industry is the mover in the biggest passenger in the country yet it is discriminately excluded from the subsidies in favour of less deserving modes. Number three, Government has neglected to carry out its mandate by abdicating to assist it's citizen to enable them to carry out their social and economic activities. We are pleading with the Government to subsist us the commuter instead of subsidising modes of transport so that the commuter can chose the mode of transport of choice. This will end the current discriminatory forms of subsidy and force the service providers to improve and better their services. Number five, transport planning. At local level the Government has failed to, to produce and finalise transport and integrated public transport plans to the detriment of the taxi industry. Without planning for the future, long-term investors would be scared away to develop the industry. Number two, the BR system, BRT system enjoy huge infrastructure funding with exclusive dedicated lanes and modern boarding facilities whereas the taxi industry is totally neglected. We therefore conclude that integrated public transport rapid mobility will not happen until there is parity on modes of public transport. Number six, trans, transformation in public transport. One, in South Africa, lack of economic transformation makes it easier for the supplier to remain White and rich, and the consumer to remain Black and poor. It is not the usual sight to see a White person boarding a taxi unless under isolated incidences. Financial institution also are reluctant to make it possible for taxi industry to access funding and related skills acquisition. Number seven, BRT implementation in relation to renewal of operating licences. One, BRT is treated with kid gloves compared to the taxi industry, which takes a longer and protracted processes to obtain operating licences. The BRT lifespan licence is twelve years, whereas the taxi industry's licence has been reduced from indefinite to five years without consulting the relevant stake holders and this impedes on long-term investments in the taxi industry. B, taxi are now existing on the behest of the BRT system because if an operator is not ready to negotiate a swop, to negotiate to swop the operating licence for money to the BRT the chances are that he or she may be refused the option of renew his or her licence upon its expiry. Number eight, financial access to taxi operators. One, repossession is too high on taxis because of the high costs and interest by financial institutions which is between 14 and 28% and the financial score cards are heavily loaded to what there would be purchasers to replace the aging ones, the ageing taxis. There is National Credit Act Legislation which is, with its intendent objective of protecting consumers against exploitation but yet the Act seems to be wanting, because financial institutions seem to have found a way to go around it. Number nine, access to infrastructure and the ranks. On the 8th of November 2017 the National Taxi Alliance highlighted in their memorandum of grievances to the SAGA about the, anomalies and demanded corrective intervention because the ranks country wide are poorly maintained and therefore are not humanly conducive. They remanded that ranking facilities are owned and controlled by the municipalities, the taxi industry which trade their business in the ranks are always side-lined when it comes to advertising and trading revenue despite the fact that they are the nucleus of the activity that is taking place there. Lack of holding areas also contribute to the overcrowding and thus retards the fast entry and exiting of movement in the ranks. Number 10, bus operators contract and competitive bidding. One, the ...[indistinct] contracts which are illegally and unconstitutionally awarded during apartheid are still exit even today at the exclusion of other role-players. Request of copies of those contracts from the National Department of Transport also yielded no results. Our last hope rests with the Competition Commission to assist in this regard. Number eleven, commuter experiences. Traveling time in, in minibus taxis is hampered by the lack of dedicated lanes which is afforded to BRTs hence the delay in travelling time to our dedicated commuters. Also the waiting time is ...[indistinct] but the very same ...[indistinct] as the traveling and also by the targeting by law enforcers on taxis during peak hours. Again due to the special planning in urban areas by the former region by neglecting to include all people of walks of life in the new dispensation other races have flooded those areas for residential purpose which resulted in the walking of commuters to be more than 500 meters to catch a taxi, irrespective of the weather conditions, age and fitness of the commuter. In conclusion, the NTA would like thank the entourage of the Competition Commission for giving us this opportunity to present and contribute in pursuance of the world being of the taxi industry and all the operators at large. I thank you.

CHAIRPERSON: Thank you very much uh Mr Mogashoa. Uhh Mr Ngobeni?

MR NGOBENI: Thank you Chair and good afternoon Mr Mogashoa. I think maybe just to firstly find out from you how many, are you able to estimate the number of members that you represent in this province? An estimation, just an estimation.

MR MOGASHOA: Ja an estimation here in the province perhaps we have got more than 24 Associations. But I won't be actually be exact with the numbers.

MR NGOBENI: Okay not that, that is fine and vehicles? Do you know?

MR MOGASHOA: Also I don't have, those will be known by the, my regional office.

MR NGOBENI: Okay. And, and, and I saw in your submission you have made submissions in relation to the, the BRT system that the municipality is currently you know planning. Are any of your members, any of those 24 Associations that you have mentioned, are any of those affected or are they, you know operating on the route that the municipality is currently planning the BRT system?

MR MOGASHOA: Yes I have got the Seshego, Moletji members, I have got the Mankweng members who are, who will be affected by the BRT system.

MR NGOBENI: And, and have you been in contact with the municipality and you know are, are any of your members involved in the discussions with the municipality in terms of the implementation of the system? We heard this morning from the municipality that they are also engaging with various Associations. Are any of your members, those that you have mentioned, operating on the route were the BRT is planned, are any of those involved in the discussions with the municipality?

MR MOGASHOA: No it is true that the municipality is currently engaged in with those Taxi Associations involved but our members since they are not in the executive, they are not involved. It the executive of those associations. So they are not involved.

MR NGOBENI: maybe if you can just clarify but are they not, I am talking about those that are operating on their route where the BRT is being planned, are they not part of the discussions with the municipality?

MR MOGASHOA: No those who are in the discussion are those who are in, those who are the office bearers.

MR NGOBENI: Okay, and, and do you know, have you been told what the discussions are all about, do you know what they are about.

MR MOGASHOA: They used to tell us when they come back from the meetings.

MR NGOBENI: And, and what have you been told by them?

MR MOGASHOA: Like the way I have presented, they say that once you refused to buy the concept of the BRT it seems when you are going to renew your permit when it expires, then you are going to be left out.

MR NGOBENI: So in other words maybe just to clarify so you are saying that what has been told to those that are, you know engaging with the municipality that they have an option to, to get into the system but if they don't get into the system when they are operating licences expire, their operating licences are not going to be renewed. Is what, what they were told?

MR MOGASHOA: Ja that is what we are told when they come back from the meetings.

MR NGOBENI: And other than issues around, okay and what is their feeling about that?

MR MOGASHOA: No it seems some of the issues they are not open to discuss them with us, I don't know, we don't know why.

MR NGOBENI: Okay. And other than the issues around licensing, what other issues, were brought to your attention as issues which were discussed with the municipalities?

MR MOGASHOA: they said that most of the taxis are going to be phased out eventually. More especially those who are not willing to buy the concept of joining the BRT.

MR NGOBENI: Okay and, and, and does NTA in the province, do you have a stance, what are your views as the province?

MR MOGASHOA: As a province we the NTA, we know we can't fight the might of the Government, we can't, we can't. If they want to do something they like, they will just implement it.

MR NGOBENI: Okay, thank you Chair.

CHAIRPERSON: Thank you Mr Ngobeni, Mr Lesofe?

MR LESOFE: I have no questions thank you Chair.

CHAIRPERSON: And Ms Nontombana? thank you, thank you very much Mr Mogashoa for your time and for your presentation. Thank you, you are excused that then concludes the public hearings in this province. We will resume with the next round of public hearings next week Monday uhm in East London in the Eastern Cape for two days and then on Thursday and Friday we will be in Bloemfontein. we would like to take this opportunity to thank everyone who has taken their time to make, to prepare and to make submissions and as well as everybody who has attended. thank you, thank you very much. there is tea as well as some refreshments outside.