

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

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**JOHANNESBURG, DAY 2.**

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**Tuesday 05 JUNE 2018**

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PLACE:

**(CONSTITUTION HILL THE ATRIUM)**

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Session 1

**CHAIRPERSON:** Morning everyone. Today is the 5<sup>th</sup> of June 2018. This is a public passenger transport market inquiry conducted by the Competition Commission. This is the second day of the public enquiry process. I will like to formally welcome everyone to this inquiry. My name is Bukhosibakhe Majenge. I am an Attorney currently based at the Competition Commission in its legal services division as a chief legal counsel and I am the Chairperson of the panel. My co-panellists are Ms Nompucuko Nontombana who is the Divisional Manager for the Market Conduct Division of the Competition Commission. The second co-panellist is Mr Thulani Mandiriza who is a co-panellist in his capacity as the head of the inquiry’s technical team. Itumeleng Lesofe as well as Mr Jabulani Ngobeni who are from the Competition Commission will act as evidence leaders. Before we start we would just like to explain the rules that will be applicable to this inquiry. The first one is that the inquiry is open to all members of the public, except when the Chairperson rules that part of the proceedings will be closed on grounds related to confidentiality or any other reason deemed justifiable by ourselves and all sessions will be recorded and streamed live online, save for those sessions or part of those sessions which are

closed and in order to allow for the proper ventilation of issues the Chairperson, the panel as well as evidence leaders will pose questions to any person making oral submissions to this inquiry or any witness. The Chairperson will not permit any person neither personally nor through a Legal Representative to question

5 witnesses or any other person making oral submission during this public hearings, because these public hearings are not a judicial process. But are an evidence gathering process for purposes of a market inquiry. In the event that a stakeholder has an objection or comment or question in respect of any submission made during the proceedings, that stakeholder must submit an

10 objection, comment or question to the inquiry at an email address that will provide or to the Commission's address and the inquiry will attend to that objection at an appropriate time. Due to time allocation only one Representative either personally or through a Legal Representative will be permitted to make oral submissions, other than witnesses the parties may wish

15 to call in support of their submissions. Where the parties anticipate that different Representatives will be needed to address different topics, appropriate arrangements should be made with the panel in advance. The panel may conduct joint hearings in terms of any number of persons in terms of which any number of persons may be combined as participants in the same proceedings,

20 if their respective submissions or responses seem to the panel to involve substantially the same facts. For purposes of today's inquiry proceedings, we will receive a submission from North West Transport Investment. Welcome to the inquiry sir. If you could please state your full names for the record.

**MR DE BEER:** Good morning Chair and members of the panels, members of

25 the public present here. Good morning to everybody. My name is Nick de

Beer. I am the Senior Manager responsible for operations at North West Transport Investments which is a state owned company based in Pretoria.

**CHAIRPERSON:** Mr de Beer, you will see a piece of paper in front of you. If you could please take the oath or the affirmation, as you wish.

5 **MR DE BEER:** I will, I will take the oath Chair.

**CHAIRPERSON:** You can go ahead.

**MR DE BEER:** I Lombertus Nicolaas de Beer swear that the evidence that I shall give shall be the truth, the whole truth and nothing but the truth. So help me God.

10 **CHAIRPERSON:** Thank you very much Mr de Beer. I understand that you have made a submission, a written submission to the inquiry and your submission covers various issues. Before we our evidence leaders as well as the panel pose questions to you, we will like to invite you to very briefly give an outline of just the key issues or the just of your submission.

15 **MR DE BEER:** Thank you Chair. This submission was based on a letter that we received from the Competition Commission asking some clarity on specific issues which I have then included in the presentation and we will start off with the allocation of operational subsidies, transformation within the industry, a long term contracting between government and bus operators, the licencing of  
20 vehicles and licencing en routes and then price setting mechanisms. Those were basically the issues that were highlighted in the letter that was received from the Competition Commission, and on which this presentation is based. So if we can then go to the allocation of operational subsidies. There was a question in the letter on how effective the subsidised mode of public transport is

currently in providing passenger services to the poor and majority of South Africans. Now if you will allow me, I will then just briefly go into there. Subsidised public transport services caters mainly for your daily commuters travelling from their homes to their work places in the morning and then the reverse trip in the afternoon back to their homes. During this time in the morning, it starts round about five o'clock until seven o'clock. It is the peek time like we call it in the transport industry. Now currently only mass transport modes like your busses and trains are currently subsidised. During the off peek there is not really a subsidised service rendered by the mass transport modes, because of the size of the vehicles, the cost of operation and then your lower demand during the off-peek periods. Your subsidised public passenger transport modes currently caters for approximately 32 percent of the total market and as I have indicated, during the peek times that these passengers are mainly making use of subsidised transport services. So in short your subsidised public transport services currently are only benefitting passengers travelling during those peek times, and enables them to earn a living through employment which is mostly far away from their places of residence, and it is also only mainly focussed on your major cities and towns where your demand or the number of passengers that you, that you, that are subsidised through this service is benefitting through this subsidy. Our subsidy is benefitting the majority of the poor, given that subsidised services have limited the accessibility compared to minibus taxis. These routes that are currently subsidised are was determined a long time ago. We have interim contracts that were concluded with the Department of Transport in 1996 and 97, and since then there has not really been a lot of movement. There has not been an expansion of the service,

and the services are currently still rendered on the allocation or the routes that were identified in 1997 and we are still operating basically in the same areas. Your minibus taxis which is currently not subsidised are mainly operating on your shorter distances. It is due to the limited hours of your peak operation

5 when the demand is the highest and the shorter distances. The vehicle capacity makes it easy for them to load quickly, travel a short distance, do a second and third trip during that peak time. So ja, currently the minibus taxi operators are not part of the subsidised services for public transport. The impact on subsidies competition between the different modes of public

10 transport. The aim of the subsidies for public transport commuted bus sector is to provide affordable fares to passengers. In other words your subsidy benefit directly the passengers that we are currently conveying, and mostly over the longer distances. The high entry cost into the bus market in terms of vehicle prices and establishment of infrastructure to maintain these vehicles as well as

15 the high operating cost of a bigger vehicle and the longer distance operator due to the size of the vehicle, renders the operation of a bus fleet rather expensive when you compare it to your smaller vehicles, like your taxis. Passengers from poor communities who are the beneficiaries of subsidised services, would not be able to afford the fares that would be needed to operate the service without

20 any subsidisation from government. Government contracts for the operation of public transport services enables the formal commuter bus market to operate at affordable fares and has a further advantage to the passengers as the fares of the minibus taxi operations are kept in check by the competition from the bus market. What I mean by that is that your market you know the market dictates

25 that your prices are more or less kept in line. From your operators that are not

subsidised and the operators that are subsidised that can lower the fares to the passengers. Allocation of operational subsidies. What measures can be put in place to ensure that subsidies do not prevent or distort competition between the different modes of public transport, in particular minibus taxis and busses. The

5 different modes of transport all have a specific role to play in the provision of public transport in every area or region. Minibus taxis are most effective when operating short distances, typically feeder and distribution services to longer distance operators like your busses and rail. The design of the integrated transport networks, whether it is for the province, metro or the town should take

10 cognisance of this and allocate these routes properly between the different modes of transport. Your, the pre-provincial regulatory entity responsible for the issuing of operating licences should adhere to the guidelines and the design of the [inaudible] completed, so that routes and contracts can be allocated in the most cost effective way and that you do not have this competition on the same

15 routes between the different modes of public transport operators. If we then go to transformation, transformation within the industry. How best can meaningful participation of historically disadvantaged individuals be achieved in the industry? Now the integrated transport plans is in an advance stage of completion. I am now talking specifically for Gauteng, and the CSIR has been

20 contracted by the department to assist or rather to do then the integrated transport plans for Gauteng specifically. So when these contracts are then designed in terms of the [inaudible] and are put to tender or operated with the current operators, what we call negotiate the contracts in terms of Section 41 to

25 46 of the NLTA, a provision should be included in the contract that will enforce the inclusion of historically disadvantaged individual as subcontractors or

partners in the operation. So this will enable these individuals that previously did not participate in the subsidised transport services to gain experience in the operation of public transport and to build operational capacity in the same time. The current situation where the existing contracts were extended for short

5 periods of time since the expiry of the contracts was not conducive for the introduction of new entrance into the public transport market. The current operators of the services could not offer new entrance extended contracts beyond the short life span of the contract extensions, which made it very difficult for new entrants to obtain the finance required for the acquisition of busses and

10 for entry into the market. Government contribution for the funding of tender of negotiated contracts should also be increased to an economical viable rate to ensure that historically disadvantaged operators will be attracted to the market and that the introduction of these operators into the formalised transport sector will be a success. We then go to your long term contracting. It has been long

15 term contracts with the existing operators in the public transport market, especially in the bus sector of the public transport. Now this had a lot of impediments to the negotiating you know, to the competitiveness of the operators currently operating these contracts. Expansion of the areas, or rather let me just start from the top. Very little progress was made with the design and

20 completion of the integrated transport plans for a long time and this resulted in insufficient public transport planning within the Gauteng province. Expansion of the areas to be services will increase the funding required to finance the implementation of public transport services to these areas. A competitive bidding process will increase the funding required to operate and efficient public

25 transport service on the extension contracted routes. The readiness of the

Tshwane Metro. Now we are operating mostly in the Tshwane area. So I am concentrating more on the Tshwane area. The readiness of the Tshwane Metro to take over the public transport function from the Gauteng Provincial Government as prescribed in the NLTA delayed the process of finalisation of the transport networks for the Tshwane area. The impact that it had was that new entrants could not enter into the market. Current contracts were extended for a short period of time and there were no new entrants into the market, specifically in the Tshwane area. North West Transport Investments is currently operating four interim and three tender contracts with the Gauteng Department of Roads and Transport. These contracts were concluded in 1996, 97 and 98 respectively. The interim contracts were intended to serve as an interim measure to ensure the uninterrupted provision of public transport services whilst the integrated public transport networks were in the process to be designed and implemented. It was envisaged at the time that the interim contracts would be converted to negotiated contracts within a period of not more than three years. Negotiated contracts would have been concluded for a period of seven years where after the services would be put to tender. The tender contracts were awarded for a period of five years. They were concluded in 1996 and we started with the operation in 1997. Upon expiry of the contracts, it was extended on a month to month basis later for a period of one year and in 2015 it was extended for a period of three years which expired now in 2018. Now subsequent to that it was extended again for a period of six months, ending now in September. Now since that time of 1997 there were no invitation for tenders for the provision of public transport services. In 2002 a moratorium was placed on the awarding of further contracts. New entrants into the market could

therefore not compete for the rendering of public transport services since 1997. That is practically what happened. Another question that was raised in the letter sent to us, what message can be put in place to ensure that government's contracting system is effective and promotes competition between bus operators. First of all your integrated transport plans needs to be finalised. The contracts need to be re-designed. A competitive tender process should be implemented for the awarding of the re-designed contracts. Additional funding should be allocated for government to ensure that economical viable and effective operations will be maintained throughout the contract period and that passengers will enjoy the financial benefit of government subsidies. Awarded contracts should be put to tender upon expiry and not be extended like it happened since 1997. Now the competition between the operators of public transport services will ensure that the contract rate remain market related, but economical viable period for the contracted period. Provision should also be made for subcontracting of SMME's in contracts to allow for new entrants into the market to gain experience and to build operational capacity. Licencing. North West [inaudible] and Atteridgeville Bus Service which I represent are registered operators of public transport services and the contracted routes are registered with the Gauteng provincial regulatory entity. Operating licences are renewed upon expiry for all the, you know once all the necessary processes are completed. So from NTI's side we do not have a problem with renewing the licences and we do not apply for licences on new routes which makes the process much easier for us. Price setting mechanisms. What is the impact of price setting on competition between the different modes of public transport on routes where the modes of transport compete. Commuter fare increases in the

formalised bus industry are consulted with your passengers and implemented on an annual basis. The annual increases are then approved by the contract authority, in our instance the Gauteng Department of Roads and Transport, and you base that increase on the expected inflationary operating cost and the  
5 increase in the contracted rate per kilometre, allocated by the contracting authority. Over the past years I must mention that the annual increase that we received from the Gauteng Department of Roads and Transport was below our actual cost increases. It was capped in terms of the division of revenue act and therefore we had to increase the increase in the passenger fares that the  
10 passenger paid to compensate for the loss in your increase in the contract rates. Your minibus taxi operators, they are much more flexible to increase or decrease your fares when their cost, mainly the fuel price is increased or decreased. So they are much for flexible. We as the formalised bus sector with the fixed contracts with the department are restricted in your price fluctuations,  
15 because it has to be approved by the Department of Roads and Transport. Rail operations as far as I know is also regulated and their fares are also adjusted annually. Passengers who historically use the most affordable means of public transport available to them, and that will suit their travelling patterns. That was basically the questions that we were asked to prepare the presentation on and I  
20 thank you for the opportunity to come and do this presentation.

**CHAIRPERSON:** Thank you very much Mr de Beer. I think at this stage we will invite the evidence leaders as well as the panel to pose questions to you, to the extent that they have any questions, and if we could to both the evidence leaders and the panel, follow the sequence of the topics in posing your  
25 questions as they have been raised by Mr de Beer. I think let us start perhaps

with the allocation of operational subsidies or questions related to the allocation of operational subsidies.

**MR LESOFE:** Thank you Chair. Some of my questions are actually based on their initial submission to the inquiry.

5 **CHAIRPERSON:** Ja.

**MR LESOFE:** So they may not necessary follow the sequence. May I propose to start with those then I can take it from there?

**CHAIRPERSON:** Alright. No, no, that is fine.

**MR LESOFE:** Good morning Mr de Beer.

10 **MR DE BEER:** Morning.

**MR LESOFE:** Thank you very much for the presentation. For ease of reference I will refer to North West Transport Investment as NTI. Is that okay with you? My first question is from the initial submission. So in the submission you make reference to a coordinated arrangement between NTI and the City of

15 Tshwane on certain routes. Do you recall that part of your submission?

**MR DE BEER:** Are you talking now about the submission that was done in October?

**MR LESOFE:** Yes, yes. If you have it in front of you, you can quickly go to paragraph 3.4.

20 **CHAIRPERSON:** For the record NTI refers to the North West Transport Investment Limited.

**MR LESOFE:** So if you look at the second sentence, which reads the far western parts of the Mpumalanga provinces (JS Morake to Hammanskraal and Mabopane) where trips are coordinated and passengers are transferred to busses operating to the City of Tshwane as far as Mamelodi. Can you just  
5 perhaps explain what this means? I may probably misunderstood what you were saying. Perhaps if you could just clarify.

**MR DE BEER:** Ja. Okay. What I have just explained in this submission that I made here, was that we are operating long distances. JS Maroko is situated in Mpumalanga. 90 percent of my service is then coordinated at Hammanskraal.  
10 We have got a transfer station there. Not our own. It is part of the, part of a shopping centre, the Jubilee Mall. So we do a coordination function there where your busses come in from your outlying areas, passengers then go to this transfer station where they then coordinate or rather we have from this transfer station busses operating to certain areas within the City of Tshwane.  
15 As far as Midrand. So it is just a transfer station where we, where passengers transfer to go to the bus that goes to the destination where he wants to go within the City of Tshwane. So it is not an arrangement with the City of Tshwane, it is basically we are rendering services mostly towards the City of Tshwane from the outlying areas.

20 **MR LESOFE:** Okay, alright thanks and I also wanted to ask you about the proposed implementation of the BRT, right. So there is a proposal to extend BRT to Mabopane. That is from the CBD to Mabopane.

**MR DE BEER:** Yes.

**MR LESOFE:** I just wanted to find out from you what would be the likely effect of that on your operation.

**MR DE BEER:** Ja, it will definitely have an impact on the operation, specifically from the Mabopane area. From Mabopane you currently have rail services  
5 running as well. Going into Pretoria. So you definitely will have an impact on the services that we render from Mabopane. There will be feeder and distribution services towards this BRT system that will then passengers might make use of it, depending on the price they pay there, and the areas that will be covered. We as the bus operators operating within Tshwane has been for the  
10 past five years in consultation with, Tshwane has got a team that they put together that do the consultation and the planning and the design of these services, the BRT services. So they are, we are in consultation with them. We are highlighting where we will be affected. The idea is there is a private company that was formed that operates the BRT. It is called the TRT and we at  
15 the end as well as other operators of public transport services, your taxis will become shareholders of this company and the routes that will then be taken away from us, especially should the BRT system be extended to Mabopane, the level of effectiveness will determine your shareholding within this company, so the subsidies that we currently receive on those routes will then be re-allocated  
20 to the BRT system and we will be compensated in the sense of getting shareholding into this company that operates the BRT.

**MR LESOFE:** And how far are your negotiations in that regard?

**MR DE BEER:** No, we have been busy with these negotiations since for the past five years. Up to now the level of effectiveness has not even been

determined. So it is a long term process. The impression that I am getting is that there is a sort of a delay from the Tshwane side. That leg going to Mabopane specifically has been put on hold you know. So what is currently operating is basically just from Wonderboom to the CBD and then from Hatfield  
5 that area to the CBD. That is the only two legs that are currently operating. It is a slow process and it is a long process.

**MR LESOFE:** Okay, and then to what extent does rail pose a competitive constraint on your operation?

**MR DE BEER:** In what sense sir?

10 **MR LESOFE:** So to what extent do you see rail as competition? To what extent [intervenes]

**MR DE BEER:** The BRT system?

**MR LESOFE:** No, no, no rail. Rail. The train from, commuter train from Mabopane to ja.

15 **MR DE BEER:** Ja, the train has been there fore quite a number of years operating from Mabopane specifically. So the market has been established. You know, there is a market for the train passengers going in. the problem that they have with the trains is that it is not always going to the location where or the destination where passengers want to go. So in terms of that, the bus  
20 services is more flexible. Taxi service are even more flexible because they are not operating on predetermined routes like we are in terms of a contract with the Department of Transport. So you have your passengers for each mode of transport that has been established, that has been making use of the specific mode of transport for quite a long time.

**MR LESOFE:** Okay, and then in terms of taxis do you compete with taxis on all the routes that you operate?

**MR DE BEER:** Yes.

**MR LESOFE:** Okay. So one of the issues that taxi operators have raised, or  
5 perhaps before I even get there. Why is NTI not operating on unsubsidised routes?

**MR DE BEER:** Ja, there are not routes as such unsubsidised, we are operating on extended, you know your regional when the contract was entered into in 1997, the route only went to a certain destination. Now with time your  
10 areas where there is a need for public transport expanded. We are covering those areas and those portions are not subsidised. So it is not routes per say, but extensions on routes.

**MR LESOFE:** Okay. So can you just explain to us your operation on those routes, for instance how do you do pricing and to what extent do you involve the  
15 provincial government in that regard?

**MR DE BEER:** Okay. These contracts that were entered into in 1997, as I have explained started at point A, ends at point B, your distance is for example 40 kilometres. You are only getting your subsidy for that 40 kilometres. We now have extended the routes, operating let us say 50 kilometres. For the other  
20 10 kilometres there is no subsidy on that. It comes from the company's pocket, the operation on that as well as the fares of that you know, that the passengers pay. Your fares that passengers pay are determined in terms of what we call zones. So you will have for example a zone 1 in Hammanskraal which is quite a huge area to zone 10 in Pretoria which is CBD or rather the north of Pretoria,

Montana area. So you will then have a ticket starting from zone 1 to zone 10. There is a specific price on that. Zone 10 covers the whole, the north of Pretoria. So it is quite a vast area you know. So if I extend my route there by two or three kilometres there is not a different price on every kilometre. It is in a  
5 zone. So we have got 18 zones in Pretoria itself, starting from the north of Pretoria right up to Midrand, and your price for that ticket is determined by the kilometres that you operate, that the passenger travels on that.

**MR LESOFE:** Okay. So one of the concerns that have been raised by the taxi industry is that they are put at the competitive disadvantage because they do  
10 not benefit from the subsidy system. Is that a fair proposition?

**MR DE BEER:** Ja. Look, your cost involved in operating a taxi operation is lower than on a bus operation because of the size of the vehicle firstly, and then secondly on the infrastructure. It is easy to take a taxi just to the garage to get it serviced or repaired. A bus operation we have depots and workshops where  
15 we employ a lot of people. So your cost, your fixed cost and your operating cost for a bus operation is higher than for a taxi operation. So it is cheaper to operate with a smaller vehicle. More expensive to operate with your bigger vehicles and ja, it is true. The informal sector, the taxi operations has not been subsidised but their fare per passenger can be kept lower because of the lower  
20 cost of operation compared to a bus operation, and also the taxi operation as I have indicated is more suitable for a shorter distance where you can do a number of trips within the peak period. The longer the distance, you know if you can only operate one trip with a 16 passenger vehicle, I mean obviously then your revenue is not sufficient to justify the operation of a taxi operation whilst  
25 with a bus we operate 65 is your smaller vehicles, 80 seaters and then we have

got train busses with bigger capacities as well. But we can only do one trip because of the distances.

**MR LESOFE:** Okay. Thank you Chair.

**CHAIRPERSON:** Ja. I think perhaps this gives us an opportunity to focus on  
5 the operational subsidies which is the first topic covered in the presentation. You mentioned Mr de Beer that these operational subsidies for busses have been in place for some time.

**MR DE BEER:** Yes.

**CHAIRPERSON:** Can you give an indication more or less roughly how long is  
10 that?

**MR DE BEER:** Look, I have been in the bus industry now for 30 years and the subsidies has always been there, but before that I think we started operating, previously there was another system in place. A subsidy per ticket that you sold, in other words a direct subsidy on the number of passengers that you  
15 have. That was changed in 2009 to a kilometre rate. If I am not mistaken and some of my colleagues sitting there at the back can maybe help us out on that as well. We as far as I can remember, the North West, NTI started operating in 1972 and they started operating on a subsidised service. It might even be longer than that, I am not sure.

20 **CHAIRPERSON:** And you said that there was a change in the subsidy model.

**MR DE BEER:** That is correct, ja.

**CHAIRPERSON:** If you could elaborate on those changes?

**MR DE BEER:** Okay. Up to 2009 we operated contracts where the number of tickets that you sold or rather the number of passengers that you recorded based on your ticket sales, you compile a claim based on your number of tickets sold, submitted that to the department and that was paid at a certain rate per passenger. In 2009 there was an addendum to the interim contracts where what they did was they took the amount that you claimed for the 2008 financial year and simply divided or took off six percent off that, reduced that amount by six percent, divided it by the number of kilometres that you operated in 2008 and that was then your rate per kilometre from 2009 going forward until today. So it was not based on a cost per, operating cost per kilometre basis which is the way in which the negotiated contracts, which the Gauteng Department of Transport indicated will come into effect after the expiry of the extension in September 2018. Your negotiated contract will be based on a real cost per kilometre operating basis.

**MR LESOFE:** Thank you Mr de Beer. Can you indicate to us what has been the impact of this change in the subsidy policy and the subsidy framework and highlight the shortcomings that government was trying to remedy by changing this policy and whether that change has actually managed to have positive impact from the policy perspective?

**MR DE BEER:** Ja, the reason why the department decided to move away from the previous system where you were paid per passenger, was it could be manipulated first of all. Secondly it was very difficult for the department to determine their budget for the year, for the year going forward because there was increases in the number of passengers in other areas. You know, there were fluctuation in the number of passengers. So to in order for them to

determine exactly what they needed in their budget, they decided to look at another way of calculating this subsidy. So as I say you know, in 2009 and these interim contracts were only supposed to be there for a period of three years. Then a proper costing could be done on the operation of this service for every area, and rates would then be negotiated with the current, with operators based on that. So for the department it was positive in the sense that there was immediately a cost saving of six percent which they simply unilaterally reduced from your revenue, from 2008 and they could now go and do an exact determination of the money that they needed for the next financial year. For the operators you know, we lost the six percent immediately in 2008. Then when the Division of Revenue Act came into effect, your annual increases which is supposed there is a formula in the interim contract on which your annual increase in the rate per kilometre should be calculated. With the implementation of the division of revenue act, the Gauteng Department of Transport only gave us what was the increase in the allocation, the annual increase in the allocation that they received from national treasury. So if they got a two percent increase, that is what we got. If they got a four percent increase, that is what we got. So since 2009 and I would say up to 2016 the increases that we got on the rate per kilometre which was in the first instance not calculated based on your actual cost of operation was capped and it was far below our actual cost increases. So for the operators we ended up running uneconomical services. It had an immediate impact on your cash flow. We had to try and recover funds from passengers which is the poor people from our communities that normally make use of our services. So you could not really recover what you did not get in terms of the annual increases from the

passengers. You simply cannot do that. So on the operator side we ran into financial difficulties. There are some contracts that some operators already stopped operating, simply because it is not economically viable. To give you an idea on the tender contracts that we are operating in Atteridgeville. We are still  
5 operating on the same inception rates that we got the contract in 1996. Now it is 22 years ago. So you are still operating on the same rate per kilometre and there was an escalation formula in the contract which was not adhered to.

**MR LESOFE:** Ja, so I think given the challenges that you have mentioned and the impact on your cash flow. Are you able to provide a link to these challenges  
10 to the service quality that you currently provide?

**MR DE BEER:** Yes, there is a direct link to the quality of the services. In our specific instance we could not renew our bus fleet as we should have. I am operating with a fleet of an average age of 20 years. Now to maintain a bus of 20 years old and to repair it is very costly. You know, just your simply your  
15 running cost is very high. It also, the long term contracts that we, that I alluded to there, had a result that we as a company you have staff, like myself, who have been working there for 30 years. Annually you get a salary increase. So 42 percent of my total cost is manpower related cost. Drivers, mechanics, staff and over the years you get this increase in your salaries annually. So your cost  
20 of operation become very expensive the longer you operate the same contract. I would just like to add as well. The fact that we did not replace vehicles as well was since 2009. The extension on your contracts was only for short periods of time, so I could not use the contract as security to go to a bank and get finance to buy vehicles.

**MR LESOFE:** Good morning Mr de Beer.

**MR DE BEER:** Morning.

**MR NGOBENI:** Just in relation to what has been happening over the years, it seems that your passenger numbers have been going down. So I would like to  
5 just reconcile that with you saying that you have tried to maintain affordable fares, because of the type of passengers that you are serving. In terms of why then would you still have this drop in passenger numbers, what is the cause of that?

**MR DE BEER:** Okay. the, at one stage and if I may just refer to the operation  
10 specifically from the Hammanskraal area. We had 22000 passengers per day there. That was two, three years ago. That number has now been reduced to 13000 per day and it came about because of the levels of the services that we are rendering, because of the age of the bus fleet, high number of breakdowns, high number of vehicles off the road. The constrains on the cash flow of  
15 repairing those vehicles. So we definitely had a drop in the service levels and going with that also a drop in the number of passengers that make use of our services. Also there was an increase in the, because of our service levels going down, you opened up a gap for other operators in the market that then moved into our routes and took some of the passengers away.

20 **MR NGOBENI:** And then the other question I had was in relation to how you fund your subsidised versus your unsubsidised kilometres. You mentioned that you have a zonal kind of fare determination.

**MR DE BEER:** That is correct.

**MR NGOBENI:** And so I would wonder though, because that would suggest that there would be some level of cross subsidisation if that is the model that you use. So I would want you to just elaborate on how you would do that within NTI.

5 **MR DE BEER:** Okay. Within NTI we have three operations basically. We have got the operation from Mabopane, we have got the operation from Hammanskraal and then we have got the operation from Atteridgeville. Now as I have indicated the rates from Atteridgeville is very low. The rates from Mabopane as well, because of the rail system that is also running from there,  
10 that the rate per kilometre or the subsidy per kilometre that we are receiving there is much lower than on your longer distances to the Hammanskraal area. So we are operating seven contracts. Three of them are tender contracts in Atteridgeville. Two of them are in Hammanskraal area and two of them in the Mabopane area. So historically because of the rate per kilometre and the high  
15 number of kilometres that you operate, the Hammanskraal contracts have carried the other two contracts. So you get that cross subsidisation between the different contracts within the same organisation.

**CHAIRPERSON:** Now from these three operations that you have mentioned which is Mabopane, Hammanskraal and Atteridgeville, which part of that  
20 constitute the non-subsidised kilometres?

**MR DE BEER:** Okay, it is on every contract you have a portion of unsubsidised contracts. For example in Atteridgeville. The demand for services towards the Centurion, Midrand area increased to such an extent that we had to implement additional trips that are totally not subsidised from

Atteridgeville to Midrand. So on every contract you have a certain extent or a certain number of unsubsidised services that you operate whether it be extension of the area or additional trips that we have put in there.

**MR NGOBENI:** I am trying to understand what has happened over the  
5 amounts of the subsidies over time and I hear you saying that you have only managed to get a minimum if I can put it like that, increase which does not cover your cost.

**MR DE BEER:** Cost escalations.

**MR NGOBENI:** But at the same time if your passenger numbers would have  
10 gone down, does that not also somehow cover you in terms of the costs that you have to run? I understand you said that your fixed costs are quite high, but if the level of subsidies is fairly stable over time, and you get this increase even if those increases are not sufficient for what you would require, how is that affecting you, because I am thinking that there has to be a way of managing the  
15 fact that your subsidies are not sufficient, but at the same time your numbers of passengers are going down.

**MR DE BEER:** Ja, if I can explain it like this. Because of the low increases that we got, if I just go to 42 percent of my cost, manpower related cost, our annual salary increases are negotiated on a centralised forum for the bus  
20 industry. So over the past years that we got this low increase in the rate per kilometre, your salary increases was always eight percent, nine percent, ten percent, in that region. Your fuel increases was much more than what we got. So what happened because we did not have the cash anymore to really concentrate on the, on the renewal of your bus fleet, that bus fleet became

older. Breakdowns increased because it is an old vehicle. It is expensive to repair it. We do not have the money to repair it immediately. I have got about 30 percent of my fleet off the road as of today. You know, that I cannot repair. It is standing there. It is waiting for spares. It is waiting for cash. Now because  
5 I operate not all the subsidised trips I am getting even less on my subsidy so it is a spiral, a spiral effect that you have. The less you earn, the less you can get your service levels up to where you want to have it and that is the reason why you are losing the number of passengers.

**MR NGOBENI:** So if an operator that is unsubsidised is able to end a route, on  
10 what basis or how would they be able to fund their operations?

**MR DE BEER:** Okay. If it is not a subsidised service, obviously the full cost of your operation will have to be recovered from your passengers and that is why it makes it expensive. We do have small bus operators within our area. They are not operating long distances. They are mainly concentrating on your off-peak  
15 service and your scholar services, but their fares obviously is not subsidised so it will be higher if they operate the same number of kilometres than what a subsidised bus operator will operate.

**CHAIRPERSON:** Ja, if you could just explain then the relationship between, because you say in your earlier submission that my colleague, Mr Lesofe  
20 referred you to. This will appear at paragraph 4.3 of your submission. You say that your proposed fares are approved by the contracting authority.

**MR DE BEER:** Yes.

**CHAIRPERSON:** At the time of the awarding of the contract. I just want to understand the relationship between the subsidy that is allocated and the contracted fare.

**MR DE BEER:** Ja. So if you initially when the contract started, everything is  
5 being disrupted now because of the time of the, you know the long time that we  
have been operating as well as the low increases in your subsidy. So  
everything is being distorted now, but the way in which you determine your  
passenger fare is you go and look at your passenger, number of passengers  
per kilometre that you convey, okay and the cost to operate each and every one  
10 of those kilometres and then you also bring into calculation the subsidy that you  
will receive per kilometre and what is remaining that is your passenger fare  
then. But because of the low increases that we had, the deterioration in service  
levels, in the previous financial year NTI could not implement a fare increase  
because of the poor services we are rendering to the passengers. So we are  
15 still operating on 2016 fares as it is now.

**CHAIRPERSON:** And then because you mentioned the issue of a monitorium.  
If you could just elaborate on that.

**MR DE BEER:** Okay. Since 2002 that was when it was made official.  
Unofficially the last contracts that were awarded I think was in 1998. Thereafter  
20 there were no new contracts put out by the Department of Transport. Since  
2002 it was made officially. There is now a monitorium. No new contracts will  
be put to tender to give them time at the department to finalise the integrated  
transport plans. They did not want to enter into long term contracts with  
operators and then have to terminate it halfway down the contract time because

the integrated transport plan has now dictated a different mode of operation on that specific area. So the monitorium was there. It is official and no contracts has been put out since then.

**CHAIRPERSON:** Now you mentioned in your submission that in motivation of  
5 the subsidy for operational subsidies for bus operators that you service a longer distance routes.

**MR DE BEER:** Ja.

**CHAIRPERSON:** And the minibus taxis service shorter distance routes. That  
is the sense that I got from your presentation in motivation of the subsidy for  
10 bus operators.

**MR DE BEER:** Ja, no what I actually mean is should you go to an ideal  
situation, your smaller capacity vehicles that can do more than one trip during  
the peek time it is ideal for them to operate a shorter distance. To maximise on  
the number of passengers that they can take and in South Africa, the main  
15 demand for public transport is during that peek time that I have alluded to from  
five to seven in the morning and five to eight and then from half past three to  
round about seven o'clock at night. That is when all your working people go to  
work and go back home. During the off peek ja within the big metros there is a  
demand for off peek travel, but on your longer distances for example for  
20 Hammanskraal to Pretoria that is when your peek is there. So in my view, for  
an integrated transport plan to be really effective, you must look at your smaller  
capacity vehicles to do your smaller distances. High frequency type of  
operation. Your bigger capacity vehicles should do your typically from let us  
say 50 kilometres to 20 kilometres, that sort of distances where you can only do

one trip in the morning, one trip in the afternoon because of the cost of the operation. Your distances further than that should be done by more a mass mode of transport like for example your trains. Should you go to distances and it is in planning now on the Maloto corridor, the rail will be implemented there. It  
5 is a long distance. You are talking about 100 plus kilometres where it is more cost effective to do it with a mass means of transport.

**CHAIRPERSON:** Ja, just on this issue my understanding is that these routes that you are servicing are also serviced by the minibus taxi industry without any form of subsidisation. So that is why I wanted to, I was posing the question to  
10 you that the minibus taxi industry is servicing those routes with no form of financial assistance from the state.

**MR DE BEER:** Ja, okay. The bulk of your minibus taxi organisation on your longer distances do not operate to Pretoria as such. If you go and look from the Mpumalanga area, Lefiso that areas, there is very little taxi operations from  
15 there going to Pretoria because of the long distances, the running time that they have where they can make more money on your shorter distances. So ja, there is competition. If you go and look on the old Warmbaths road, the R101 from Hammanskraal to Pretoria, there is a number of taxis operating there. Now  
20 should the bus operation not be there with the higher capacity vehicles, then the number of vehicles needed to convey the same number of passengers would have been much more.

**CHAIRPERSON:** Any questions colleagues on subsidies, then we can move to the next, to the next topic that you covered in your presentation which is issues of transformation. Are you currently privately owned?

**MR DE BEER:** No, we are, our shareholders and also provincial government so we are 100 percent government owned. We are a Schedule 3D company meaning that we generate our own funds and pay our own costs. We do not get any grant from our shareholders.

5 **CHAIRPERSON:** And what is your relationship with the North West government other than the ownership?

**MR DE BEER:** No, that is the only relationship that we have with them. Long time ago we did operate in the North West province as well. Those operations were privatised. We are no longer operating at all in the North West province.

10 We are operating purely in Gauteng now.

**CHAIRPERSON:** Any questions on this ownership? I think then let us move on to long term contracting which is the next topic covered in your presentation. Any questions from colleagues on long term contracting?

**MR LESOFE:** Thank you Chair. Mr de Beer, so in a, if we the contracting  
15 system functioned properly, in other words if contracts were not extended in perpetuity as is the case currently, what in your view would be a reasonable duration for a single term or for a contract?

**MR DE BEER:** Ja. The National and Transport Act prescribes that a contract  
20 should operate for a period of seven years with an option of extension of another five years and that is based on your financing of the operation. As I have indicated there is quite a high inception cost when you start operating a bus operation. That gives you time to finance the assets that you need over a period of six years which is long and then so a term, a contract term of seven years with an option of an extension provided you know, based on your

effectiveness of your operation an extension of another five years I think it is quite reasonable.

**MR. LESOFE:** Let us maybe work on the basis of a contract of seven years. Is that period sufficient enough to enable you to recover the costs and also to  
5 break even?

**MR DE BEER:** Yes. Yes, a period of seven years will give you, normally when you do a financing of whatever assets you buy, you finance them over a period of 60 months. That will give you time to pay off the debt that you incur on the financing of, and if I am talking assets it is mainly busses. You know, then and  
10 it allows you another year of operation after you have paid off those debt.

**MR. LESOFE:** Thank you Chair.

**CHAIRPERSON:** Just on this issue of long term contracting. In your submission you make it clear that you favour a competitive bidding process.

**MR DE BEER:** Ja.

15 **CHAIRPERSON:** In order to improve the level of funding for your operation. Will that model, the model that you are recommending or proposing be a competitive bidding process with a subsidy or minus a subsidy?

**MR DE BEER:** No, of course, look there will always be a subsidised provision of or a system to help passengers, to keep the cost affordable. The travelling  
20 cost. So that subsidised system will always be there to make it affordable for our passengers. So ja, if you go into a bidding process contracts are put out by your provincial governments and in terms of the NLTA that contracting authority function has now been devolved to your metros. Tshwane has already taken

over the contracting duties in Tshwane. Joburg I know is very close to going the same route. So ja, your, the contracts that will be published will be subsidised contracts and that is what the bids is for. Is for subsidised contracts.

**MR. LESOFE:** So in terms of contracting, to what extent does the current way  
5 of contracting or perhaps even if there was to be a bidding process, to what extent would that favour the incumbent operators, because one of the advantages I would think would exist is for example the number of fleet to service a particular route that is required. There are also specific terms that we are aware of in some of the contracts that seem to favour the incumbent  
10 operators. So if you want to encourage new operators to enter into the industry and compete effectively on some of these busy routes, how would you make that possible for those operators?

**MR DE BEER:** Ja. As I have indicated in my presentation, my proposal is that you know the contracts will now be concluded and it will mostly be with the  
15 incumbent operators from the 1<sup>st</sup> of October when these contracts expire should make a provision that a certain portion of your operation should be subcontracted to your small business operators, small bus operators as well as new entrants into the market. Now typically what the subcontracting entails is that you enter into a contract with a subcontractor for the same period that you  
20 have the contract for. Which enables them to acquire assets, gain the experience in the market and then when at the expiry time of let us say it was for seven years when that contracts expire and it is then put to tender then, these guys that have been subcontracting with the current operator will then be able to bid competitively and to gain entrance into the market. I mean during  
25 this time that you are subcontracting, you have the capacity to build up funds to

acquire assets in order to enable you to when contracts come out to be a competitive bidder.

**MR. LESOFE:** Are you then suggesting that there are no operators that can compete effectively with the likes of North West at the moment?

5 **MR DE BEER:** There are some operators ja, that can do that but we need more entrants into the market.

**MR. LESOFE:** And are you suggesting then that the only way to make sure that there is adequate competition, is through subcontracting?

**MR DE BEER:** No, I am not saying it is the only way. When tenders are put to  
10 contract or tenders are invited for contracts, anybody can submit a bid. The established operators that is currently in the market have the infrastructure already there. Most of us has been operating there for quite a number of years. So our infrastructure in terms of workshop, in terms of staff, in terms of depots is established you know and a new entrant into the market will have to incur that  
15 cost to establish that infrastructure as well which makes it more expensive and the bids that they will then submit will be higher than the current operators.

**CHAIRPERSON:** Any further questions on contracting? I think we can then move to your next topic which is then the issue of licencing. If you could explain how operating licences work.

20 **MR DE BEER:** Okay.

**CHAIRPERSON:** In the bus industry.

**MR DE BEER:** Okay. Operating licences are issued per route. So in other words routes that you have on a contract with the Department of Transport.

You have to register those routes with the provincial entity. You also register as an operator with the provincial entity. Now your operating licences, previously it was permits. It was only for a period of one year, then it expires, then you had to apply for it again. Now it is operating licences that is linked to the term of  
5 your contract. Now term of the contract or five years I think is the maximum that you can have it for per vehicle, because an operating licence is issued on a vehicle. To operate on a specific route. Now we at NTI we are registered. Our routes are registered. Our vehicles are registered. So if you get an operating licence that expires, it is quite easy for us to just go and renew it again. It is not  
10 on new routes, it is on existing routes that are registered.

**CHAIRPERSON:** Now we have received a submission from the taxi industry that the bus industry seem to be advantaged in respect of what they call a reserve permit. If you could react to that submission.

**MR DE BEER:** Okay. As I have indicated Mr Chair, it is simply because we  
15 are operating a route contracted in terms of the contract with the Department of Transport. That route description has been registered with the regulating entity. So we have a contract to operate that route. That route is described. We have a vehicle that complies to all the legal requirements. That vehicle is registered with them, so I cannot simply go and apply for an operating licence on another  
20 route. Then I will be in the same situation than the taxi operators. But these are registered routes, there are detailed route descriptions on them. It is sitting with the provincial entity.

**CHAIRPERSON:** What do you mean by registered route?

**MR DE BEER:** Ja, okay. Your contracts with the Department of Transport has got a certain number of trips. Each trip has got a route number. That route number has got a route description. Let us say for example it starts at Jubilee Mall in Hammanskraal, it operates via the N1. It goes into Eastlynne bus rank.  
5 It will then go down Stormvoël and end up in Mamelodi, for example. So that route description is there and it is registered and it is in my contract. So in your contract you have a certain number of routes. Specific routes that is described in detail and all those routes are registered with the provincial entity.

**CHAIRPERSON:** So does the contracting system make it easier than to obtain  
10 [intervenes]

**MR DE BEER:** Yes.

**CHAIRPERSON:** Operating licences?

**MR DE BEER:** Yes, it does.

**MR. LESOFE:** What is the process for applying for an operating licence on  
15 new routes or the extended routes as you mentioned earlier?

**MR DE BEER:** Ja. The process as I have indicated we have got the, let us say the core of the route. I am now specifically referring to an extension on a route. You have got the core of the route. Now when you go and extend it you simply do a revised route description which still covers the core plus the  
20 extension and then you register that.

**MR. LESOFE:** So would that be an easy process as well as you said with the existing routes, in terms of what is required but also in terms of the time it takes for the approval?

**MR DE BEER:** Yes, yes. The time of approval because it has been there, simply the renewal it takes you about two to three months and you have the renewed and the same applies to extensions.

**MR. LESOFE:** Just a follow up on that Chair. In terms of I just want to get a  
5 sense of how do your competitors react to a situation like that, whereby you extend your route. I know sometimes in the taxi industry, this sometimes lead to conflicts and in your case have you experienced any reactions from especially from the taxi industry?

**MR DE BEER:** Yes, look your extension on routes are published in the  
10 government gazette. So any change in your routes is published there and everybody has got the right to object to it.

**MR. LESOFE:** Have you experienced any objections before?

**MR DE BEER:** Yes, yes. There were objections on routes which we then go  
15 and do a presentation at the public entity. Some of the extensions have not been approved, it is true, but it is very limited. Very limited.

**MR. LESOFE:** On what grounds [intervenes]

**MR DE BEER:** Because there are already competition on those routes.

**MR. LESOFE:** Okay.

**CHAIRPERSON:** Ja, before we move on to the last topic which is the price  
20 setting mechanism. I just want to take you back to the operational subsidies. As part of the requirements for the operational subsidies, are you required to keep books of account and to have financial systems as a requirement?

**MR DE BEER:** Yes, yes. We do keep them and every year you have to submit your annual reports to the Department of Transport as well.

**CHAIRPERSON:** Any questions on the licencing? I think we can move on to the last topic which is the price setting mechanism. Any questions on this  
5 topic? Panellists? Is there anything that you would like to say that is not covered in your submission?

**MR DE BEER:** No Mr Chair, I think the presentation that I did, all the questions that was asked, I think we covered basically the industry.

**CHAIRPERSON:** Ja, perhaps a last question, because I think the because we  
10 have also received submissions from the taxi industry as well as the bus industry. We will also be interacting with other stakeholders. Now what we would like to understand is we have this situation that we currently have where other modes of transport are subsidised and the taxi, the minibus taxi industry is not subsidised.

15 **MR DE BEER:** Yes.

**CHAIRPERSON:** And the minibus taxi industry has for years been demanding that the subsidy system should be rolled to that industry. So do you think that the current framework, the current subsidy framework is something that is sustainable, given that we have this disparities in terms of the subsidy  
20 allocation?

**MR DE BEER:** Look, as I have indicated the idea of a subsidised public transport system is to make your fares available or rather affordable for the passengers and also to make it affordable for passengers travelling over long distances. Look, I am of the opinion that there is a role for every mode of

transport in an integrated transport plan for the province. Some sort of subsidy or help should be allocated to the taxi industry as well.

**CHAIRPERSON:** One other thing that the taxi industry has indicated to us is that notwithstanding the absence of a minibus taxi industry subsidy, they have  
5 been able to keep fares at a very low cost, which seems to suggest that it is possible to keep fares at an affordable rate without the subsidy. What will be your reaction to that assessment?

**MR DE BEER:** Okay, it depends on the mode of transport. As I have indicated the bus operation is an expensive operation. Your initial cost of establishment  
10 of the operation, your infrastructure that you need to maintain a good bus service, it is expensive. There is also a lot of more people employed than in your taxi industry where it is mainly just the driver. As I have indicated it is easy to have your minibus taxis serviced and repaired at a local dealer which in the bus industry that option is not available to you. You have to do it yourself.

15 **CHAIRPERSON:** Thanks a lot Mr de Beer. I think your submission has been quite helpful and thank you for the trouble that you took in preparing your submission and coming here. Thank you very much. You are excused.

**MR DE BEER:** Thank you as well for the opportunity to come and do this presentation.

20 **CHAIRPERSON:** Thank you. We will now receive a submission from PUTCO bus services. Morning sir. Can you please state your full names and surname for the record?

**MR SEFALA:** My name is Andrew Sefala from PUTCO. I will take an oath Chairperson if you do not mind?

**CHAIRPERSON:** You can go ahead.

**MR SEFALA:** Okay. I Andrew Sefala 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 Sefala. If you could just state your current  
5 position within PUTCO bus services and how long have you held that position?

**MR SEFALA:** I am a Business Development Director for the company. I have been holding that position for the past 14 years.

**CHAIRPERSON:** I understand that you have prepared a presentation which you would like to take us through?

10 **MR SEFALA:** Yes sir.

**CHAIRPERSON:** Ja, you can go ahead.

**MR SEFALA:** Okay, thank you. I may be grappling with this Chairperson. Chairperson, my presentation is based on the questions that the commission sent to us but I just thought perhaps I go through those questions, I just give a  
15 background of the company. PUTCO Limited is wholly owned by the Larima Group which was previously known as PUTCO Holdings Limited. The company currently operates three interim contracts. We have IC which stands for the Interim Contract 48 of 1997 which is the greater Soweto. That particular contract operates from Soweto to the Northern suburbs of Johannesburg. We  
20 have an Interim Contract 51 of 1997 which is a Soshanguve contract which operates from Soshanguve to the suburbs of the Tshwane area. We thirdly have Interim Contract 52 of 1997 which is the Tshwane Mpumalanga. Chairperson, this particular contract operate from the City of Tshwane and into

the areas of Mpumalanga, the district they call Ukangala. Which is the former Kwandabele. The company further operates another four contracts in Eldorado Park which are small contracts, which is D17 of 1996, D18 of 1996, D19 of 1996 and D22 of 1996. In other words these contracts were awarded to the company  
5 in 1996. The Company operates 1469 busses and has a staff establishment of 3946 Employees. The number of busses that operates in the contracts that I have indicated in the previous pages are as follows Chairperson. The IC48 which is the contract that operates from Soweto into the suburbs of Johannesburg is 503 busses. Then the busses that operate from Soshanguve  
10 into the suburbs of Pretoria is 317 busses. The busses that operate in the contract from the Tshwane area into the Mpumalanga area that cross the border which is IC52 is 597 busses, and of course the busses that operate the small contracts that I have indicated, we are operating in Eldorado Park is 52 busses. I just thought Chairperson it would be proper for me just to give the  
15 shareholding structure of the company.

**CHAIRPERSON:** We hope this information is not confidential.

**MR SEFALA:** No, it is not. I do not think so Chairperson.

**CHAIRPERSON:** Alright.

**MR SEFALA:** I mean a shareholder in my view is being a shareholder. There  
20 is nothing that we are hiding as PUTCO unless if you are telling me that it is confidential information, but you know we talk about these issues because we have got nothing to hide. We have got the [inaudible] enterprises which were the initial owners of PUTCO who are currently on a 57.4 percent. We have got [inaudible] Investment which is the company that is owned by Dr Anna

Mogokong which is 10 percent. We have got Covex Investment which is owned by Nonthle Kanga which owns three percent in the company and then we have got an organisation for which is known as Disability Empowerment company which owns two percent. Then we have again Chairperson what we call

5 PUTCO Corporate Social Investment Foundation that owns three percent in the company as well and then we also have the Leganyane Foundation that owns two percent. Then again we also have a percentage that is currently owned by our own Employees, except the Directors. I must say Chairperson as I am speaking I am not a shareholder, which is 22.6 percent but that has got nothing

10 to do with this presentation. So all in all Chairperson our company is 42.6 percent black owned. Now I am going to the questions that were submitted to us by the commission looking for some clarity in terms of those questions. The first question being how can the provincial government determine the routes to be responsive to the change in needs of the commuters, and the new start by

15 elaborating the change in needs and expectation of commuters. The needs and expectations of public transport users have changed drastically since the dawn of the new democratic South Africa in 1994. Then that time there was a signing of what we call the interim contracts which was in 1997. In other words the interim contracts that I am talking about, were last signed in 1997. These

20 changing needs not only referred to new geographical areas, but require public transport services due to [inaudible] and migration but also relates to changing expectations of users of public transport services. This is evidence in the rise of consumer activism and availability of the [inaudible] of social media platforms where commuters can instantly share opinions and complaints with hundreds of

25 thousands of other users. The introjection of the Gautrain and the BRT

particularly in the Gauteng province Chairperson, further highlighting the expectation of bus users, who demanded a modern bus service of similar quality standards in terms of busses, service standards infrastructure from the traditional public transport operations grant, bus services and municipal bus services. We also say there are characteristics of a responsive public transport system. The first characteristic is that it has to be dynamic and then secondly it has to be relevant to the situation and of course thirdly that public transport has to be flexible. When evaluating the responsiveness of the current public transport system, we believe Chairperson against this criteria we find the following. That no new bus tenders have been awarded during the last 17 years. I think my previous colleague who was here said the same thing. That is the challenge that the traditional bus industry is facing. That all the subsidised bus contracts have actually expired. You will notice that the contracts that were signed in 1997 were meant to be there for three years, but we are still currently running them. The tendered contracts that I have indicated Chairperson, they were supposed to run for five years. They are currently still operating. I think Chairperson the challenge with them is that we are still using the very same NDC's and so on to an extent that now these particular contracts are no longer profitable. My IT man, okay.

20 **CHAIRPERSON:** Can somebody from IT please assist? You can go ahead Mr Sefala.

**MR SEFALA:** Okay, thank you. Also that the government policy on the public transport operating grant of bus contracts have been in limbo for the past 17 years. I have indicated that Chairperson and then the reality on the ground has changed drastically in the last 20 years and that the bus contracts are inflexible

and rigid. In other words you may have noticed that in the last 20 years our areas, I mean the areas where our people live have actually grown up and we are unable to cover those areas, and the market share of the industry is officially restricted and the bus operators are prevented from growing and

5 expanding their business, because of the capping of the subsidy. The other issue Chairperson which my colleague has indicated, is that this contracts are actually underfunded. This question was actually said by the portfolio committee of transport in national parliament that bus contracts are underfunded at this particular point in time. Of course we understand that there

10 are competing priorities in government, but at this particular point in time this underfunding is actually bringing more pressure on all the operators to an extent that it affects the standard of our service to our own commuters. We have as a bus industry presented some options in terms of making sure that our service is being proved. We said no, could we rationalise the service. But government is

15 not prepared to agree to this particular proposal. There is also the issue of the integrated public transport plans which is a legal requirement in terms of the Land Transport Act, and also a requirement in terms of the division of revenue act, that when funds are allocated to the public operating transport grant, there has to be integrated transport plans, but to date we do not have these plans.

20 The tool of commercial service contracts as provided for in the national transport act has not been used to grow the provision of the public transport services to new areas that require public transport. In conclusion to this particular question Chairperson, based on this analysis our conclusion is that the provincial government determine routes are not responsive enough to the

25 changing needs of the commuters, that is of which we believe is a fact and our

recommendations are therefore as follows. That the route causes that result as in the paralyses of the bus contracting system must be faced, addressed and resolved. In other words we cannot just sit back and say we have a problem. We have to address this particular issue. It is either government go out on tender on these particular contracts or go out on negotiated contracts. I mean we cannot continue to operate like this. The services that are put on contract on regular basis that those services or trips and what, what should be updated prior to these services being put on tender. In other words there is a need for government to re-design these contracts. To make sure that it covers all the communities in the areas where we operate. Should the need arise to adjust services and time tables during the life span of the contract, within the seven to 12 years mechanism provided to alter or amend services provided for in the model contract documents should be utilised to adjust the services. The current services is not easy to adjust, but Chairperson, you will notice that in the model tender document, the current model tender document, government can actually adjust these services. The concept of flexible contract kilometres can be utilised to shift existing contractor services to those areas where the bigger demand for public transport actually exist. We have given example down there Chairperson, and then we have question two that is asking what are some of the issues we have encountered regarding the operating licence application process administered by the provincial regulatory entity. I think Chairperson, this is a problem and I can assure you it is not only the problem that is experienced by ourselves. I think the colleagues from the taxi industry also have similar problems. We currently have a situation here in Gauteng where our contracts are extended by six months. You know, our operating licences in

Gauteng are aligned to the contract. So when a contract is extended with three years, then you get a three year extension on the operating licence, but currently our contracts are expanded, I mean extended with three months from April up to September this year, and the operating licence are actually aligned

5 to that particular period. So it becomes a problem for us because after September if these contracts are further extended we must go back to PRE and apply for the extension of the contracts, and it is not only a question of the process Chairperson, it is a question of pay money. You pay money for this. I think I have covered that part. Except the last point to say that in other

10 provinces like Mpumalanga, when operating licence are issued to an operator, they are actually issued to, it is a seven year operating permit. So the operator does not have to come time and again, applying for the renewal of the permit or the operating licence. It is there. So it makes life more easier for the operating licence and it also saves the operator more money, because we are talking

15 about contracts that currently are not sustainable you know, but we spend money in terms of paying for the renewal of operating licence. The different interpretation of law enforcement authorities in different provinces. We have a situation where if you have an operating licence from Gauteng, in terms of the regulations you can actually if you have a receipt that is paid for the application

20 of that operating licence, you can actually, it actually represents your operating permit. But it only functions here in Gauteng. If you cross the border, for instance our service that I have indicated that it operates between Tshwane and Mpumalanga, if you go into Mpumalanga they will impound the bus. So we find ourselves in the situation where we cannot render services to our own people

25 because busses are impounded. So we have a situation where we believe that

now there is an interpretation of laws by various authorities and so on, but indeed in terms of the contract, I mean in terms of the act if you have a receipt where you applied for the renewal of the operating licence, that receipt is regarded as an operating permit. The pre-electronic system are offline on  
5 regular basis. You know, this system there is a need for it to be updated because it will work for two, three days and then it is not working and it is not only for bus operators and I guess my colleagues from the taxi industry are also faced by this particular problem. So we are saying we require intervention in this regard Chairperson. That there is a need for the department to update the  
10 system, to make sure that it works. Unnecessary [inaudible] and impractical administrative requirements the pre-requires an individual application for each operating licence. If I apply for an operating licence and I am a big operator you know, they will require that you must certify documents of the proxy per each application. If I have 1300 busses you can imagine the process that I have to  
15 go through as an applicant. So we are saying getting all these documents for 1469 busses to be certified by the police station is really [inaudible] because when you go to the police station they say it is not our job to certify copies. You cannot come here with 1469 copies that require to be certified and I think I agree with the police in that regard. The slow process in time. You apply for a  
20 permit. Normally it is supposed to take a day I mean to apply for an operating licence, but you find that it takes more than four weeks before you get that operating licence. Like I have indicated that in other provinces they do not accept the receipt for that matter and as a result we have a problem of covering your shifts, you are inconveniencing your own passengers. So we have  
25 recommendations that we have made Chairperson, we are humbly making

these recommendations. That the electronic system needs to be upgraded as a matter of urgency and that the application procedure for large fleet operators be simplified. You know, we should not go through this process that we have to go through. The duration of the operating licence be lengthened to avoid all  
5 operating licences of large operators to expire at the same time. For instance in Gauteng now we are given six months extension and then when they expire all operators will have to come and apply for operating licence and we know that the PRE does not have the capacity to process those applications. That the staff that support the function of the PRE be given appropriate training to ensure  
10 the smooth running and the efficiency of the PRE. The question three, describe in detail your firm's prices, strategy, policy including how the policy has evolved over time and reasons for such evaluation. Chairperson, in this regard I must say we are running contracts that are issued by the provincial department of roads and transport in Gauteng and in our contract there is a procedure that you  
15 have to follow in terms of setting out the price. Unfortunately you cannot go beyond this particular process. All what is required is that it takes five months to start the process of increasing fares, I am just giving an example or changing your fares. In that five months, four months you must have completed the exercise by consulting with your own passenger forums. More often  
20 passengers believe that we have to negotiate but it is not a question of negotiate. You are consulting with them. Trying to show them that why there is a need for you as a company to increase fares and then within a month then you have to publish that particular fares that need to be implemented. There is also a provision in the contract Chairperson, that says the Employer, because  
25 you have to send those minutes to the Employer to give you approval before

you implement the fare increase. It has to be approved by the Employer. So in that there is a provision that says the Employer cannot refuse you. Unreasonable refuse you to increase the fares. So in other words the submission that you are making to the Employer which is the department, must

5 give reasons why you are putting the fare increase, but I must say Chairperson we have never had a problem with the Department of Transport, because we believe that the reasons that we normally advance to them are good reasons. So the operator shall provide the passenger with 28 days' notice of any approved determined fare increase. In other words passengers must be ready

10 before the fares are increased. So you must first give them a notice which is normally 28 days. Then there is also the issue, the question that factors taken into account to determine the fare increase. Normally you look at the circumstances. Obviously the fare of this year will not be the same as the fare for next year. So you compare the current year and then with the economic

15 developments that happened during the course of the year and determine your fare increase for the following year, and the increase in bus subsidies in terms of the subsidy escalation, also you look at the escalation that governments give for that particular year. I think my colleague indicated earlier here that our escalation is normally limited to the division of revenue escalation. The higher

20 the division of revenue escalation, the lower the passenger fare you will impose to your own passengers, but the lower the division of revenue, you are compelled as an operator to recover some of the costs from your own passengers. Passenger demand. You know, there are situations where you know, you have high capacity passengers in your busses and there is no need

25 for you in that regard to impose a higher fare, and the alignment with the

strategic business priorities. You know, it is important. We are running a business here. Indicators will show you that you are going to run a loss at the end of the year. You must do some, I mean you must make sure that you recover sufficient revenue to be in a position to cover your cost for the year.

5 The outcome of a fare increase consultation process which is very important, which will come from your commuter organisations, because we are saying commuter organisations must have an input in terms of the fare that must be imposed, but also the financial stability of the cash flow position of your company also determines the fare that you are going to impose, and the quality  
10 of service, I must say Chairperson because of the lower division of revenue escalations that we have received over a period of time, that has actually affected the service that bus operators in general are offering to the passengers, particularly here in Gauteng. Here in the pricing policy I have indicated those factors. The cost component, the subsidy component, the  
15 ridership component which is the demand and the fact that the price flexibility and affordability component that the typical bus user in South Africa comes mostly from the poor you know. My colleague here indicated that every time when you impose fares to passengers you look at the standard of living, and unfortunately passengers that use our mode of transport are the poorest of the  
20 poor. What is the impact on pricing on competition between the different modes of public transport on the routes where the different modes compete? We have just given you Chairperson the 2014 national household travel survey for Gauteng list, and the following three factors influencing the household choice. The travel time, that is 36.1 percent. The travel cost 25 percent. Flexibility 9.7  
25 percent. From this we say it is clear that pricing is the important factor

determining the travel choices made by commuters, but it is not the most important factor in influencing the travel choice. Other factors listed below are important as well, sorry. The [inaudible] from accidents, the comfort, reliability, the distance from home to transport, security from crime and driver's attitude

5 also has an important role. When comparing the percentage of respondents in Gauteng that express dissatisfaction with fares, the following comparison can be made between the modes. That in the taxi it is 54.7 percent. Bus users we still have dissatisfaction of 29 percent. Train users 10.9 percent. There was also a question that was raised that in your view how can the price

10 discrepancies between the different modes of transport be addressed? I think Chairperson, without going through the slide in this particular issue, is that my view is that if all modes were subsidised then we will be in a position to avoid this price discrepancies between various modes of transport. I think we agree with the previous presenter who said that there is a need to subsidise the taxi

15 industry. I think that is, that one in our view is not negotiable, and unfortunately we currently do not have a framework in our province that makes sure that our taxi industry is being subsidised to make sure that they can compete with the traditional bus services within the province and as a result there are cases where prices of taxis are higher than those of the busses. You know, we say if

20 government was to level the playing field and making sure that all these modes of transport are properly subsidised, then there will be a proper competition in terms of pricing of all modes of transport. There are also situations of for instance BRT in, which is here in Johannesburg. We have got phase 1A and phase 1B. All these BRT's, they have got what they call gross, they get what

25 they call gross subsidy. In other words government does everything. All what

the operator is doing, is to operate the bus and get a fare per kilometre. So traditional operators such as ourselves and taxi's, you have to drive the taxi. You have to collect the fare from the passengers and so on. So that makes all these operators not to be on the same level in terms of competition and so on.

5 So we believe there is a need for government to look at this particular issue and develop a frame work that will make sure that all modes of transport are subsidised and level the playing field and make sure that we do not have a situation where one mode of transport is being disadvantaged. We are just putting here the difference between a formal commuter bus industry and a taxi

10 industry. That we have a situation where in the bus industry which I call the traditional bus industry, you know there are time tables. We have got prescribed time tables, you know. Whilst in the taxi industry of course you do not have prescribed time table. The routes as well, you know you have to travel to a particular route. You cannot divert and go to another route whilst in the taxi

15 industry they are more flexible than ourselves. The period of time of operations you know, bus industry operates in the morning. During the peek and also in the afternoon. Taxi industries that are a little bit flexible because they can still operate trips during the course of the day, although our observations is that you do not get people during the course of the day you know. Monitoring. Bus

20 services are being monitored by the authorities in terms of the trips that the operator has to cover over a period of time, and then in the other industry there is no monitoring. You know, the poor people try to monitor the service by themselves in terms of making sure that other people do not intrude in their own routes. The fares, once the department approves your fares in a bus industry,

25 they are prescribed. We are not sure about the taxi industry, but we believe

that they are flexible on that side. The labour conditions you may have known, realised Chairperson that in the last two months we experienced a very severe strike that had a negative impact on our turnover. But we are saying in the labour industry yes, they do have some strikes here and there, but they can  
5 manage the situation. Working hours. Bus industry work for rigid time. You cannot work beyond a particular time, but the taxi industry you can still work at night depending on the conditions and the safety. Training. You know in the bus industry you are required to spend a lot of money in terms of making sure that you train your own drivers and so on. We are not sure about the taxi  
10 industry. Of course, they also have training academies and so on. The infrastructure. As a bus operator you need to have an infrastructure, because these vehicles needs to be serviced. You need to have offices to make sure that, there is an admin work that needs to be done. Vehicle maintenance which is a requirement in terms of the contract. Road worthy tests. You have to do a  
15 road worthy test twice a year. Well, in the taxi industry I think you can do it once. I am not sure. Effect on exchange rate, you know the problem that is facing the bus industry is that all these vehicles come from Europe. You know, Germany, Italy and so on. So it becomes very, very, very expensive to maintain these vehicles over a period of time.

20 In fact, the whole transport policy in South Africa is in limbo. Until such time that Government goes out on tender, to make sure that they put these services out on tender, it will obviously have an impact on our passengers. We also believe Chairperson, that when tenders go out or negotiated contracts go out, there will also be set-asides for emerging bus operators, who do not benefit from what  
25 they call subsidy. But also the taxis, they will like be set aside the rules that will

be operated by these taxis and they will be subsidised accordingly. I think we believe that these contracts that we are currently having, they are very old outdated and they do not meet the needs of our own people.

Question 7: Are subsidies benefiting the majority of the poor, given that the  
5 subsidised bus services have limited stability compared to minibus services?

Yes, it is true Chairperson that if you look at the national household travel survey that taxi services in South Africa carry 68.8%, the busses carry 20% and rail carries 12.2% - we are concerned about this Chairperson. That we cannot have a situation where one mode of transport is being subsidised and then the  
10 other mode that carries most passengers are not subsidised. So, we believe it is the responsibility of Government to develop policies that make sure that all these modes of transport benefit from the subsidy.

What is the impact of subsidies on competition between the different modes of transport?

15 I think I highlighted this before Chairperson in my presentation.

Question 9: How best can meaningful participation of historically disadvantaged individuals be achieved in the industry?

I also Chairperson went to an extend explaining how the framework should look like – that the framework that Government needs to develop must make sure  
20 that it brings the previously disadvantaged individuals into the mainstream - like the emerging bus operators like the taxi industry. We believe there is a need for Government to develop that kind of framework.

What are the impedance of the competitive bidding process – like why Government is not going out on tender?

For now we believe that the high cost of the tendered contracts and then the issue of labour as well – I think you will know Chairperson that in terms of Section 179, if somebody wins the tender that I am currently operating – that’s what they call a going concern – in other words, that person must take over my  
5 stuff at the same level that I am paying them. I think it is going to be a problem going forward. So Government has to provide for that if there’s a need.

Transport play – you know I have indicated previously that it is a requirement in terms of the divisional Revenue Act – that before funds are allocated, there must be integrated transport plans in a province in a city in a town, for  
10 Government to be in a position to provide for funding. Integrate the minibus the taxi industry that I have seen ever since for the past ten years – if you look at the policies of Government talking about the integrated modes of transport and so on. This is not happening. We would want a situation where a person gets into a train, a bus and a taxi where possible, using one ticket – we do not have  
15 this and we do not know what could be the reason for this.

Question 11: The impact of lack of competitive bidding on the entry and the expansion of bus operators especially the small bus operators – I’ve indicated earlier that these contracts that we are currently operating are very old contracts Chairperson and the only way that Government can do is make sure to put  
20 these contracts out on tender, so that everybody can have the right to compete, including the emerging bus operators and some takes associations or consortiums, so that they can also play a role or benefit from this subsidy scheme.

Question 12: You have identified in your submission of the 11<sup>th</sup> of October 2017  
25 that PUTCO feels that there is generally an absence of fair competition between

different modes of transport. I think I have highlighted this Chairperson. I think all and all Chairperson, I believe this is our submission.

**CHAIRPERSON:** Thank you very much Mr Sefala. I think at this point we will invite the evidence leaders as well as my co-panelists to propose questions on  
5 the basis of your presentation.

**MR. LESOFE:** Good morning Mr Sefala

**MR SEFALA:** Good morning sir.

**MR. LESOFE:** I have one or two questions and these questions emanate from your October 2017 submission. Do you have it in front of you?

10 **MR SEFALA:** I do.

**MR. LESOFE:** Okay. So, from your presentation it appears that the biggest geographic markets serviced by PUTCO are the greater Soweto area as well as Tswane and Mpumalanga area?

**MR SEFALA:** Correct

15 **MR. LESOFE:** If perhaps – so that we can have a complete picture – if you could go to page 4 of your October 2017 submission at 1.8 – and perhaps for the benefit of the panel – if you could just speak to that table.

**MR SEFALA:** Okay, yes sir. I think they – Chairperson, you will recall in my introduction, I gave an indication where PUTCO operates and I gave the 3  
20 interim contracts that we are currently operating, which is – starting from the first one – Tswane and Mpumalanga business unit and then that gives the total number of passengers that we have transported over a period of time. That in 2013/2014 – okay, before we start, let me put it this way – our financial year

starts from July to June the following year – so that period will be from July 2013 to June 2014 that we transported 28.6 million passengers and then in 2014/2015 we transported 29.06 million passengers and in 2015/2016 we transported 27.7 million people. I think – we you look at it, your understanding  
5 would be that it would be individuals that we have transported – this is based on the number of tickets that we sell. So, in other words, for that period we have sold so many people – so it can be that people repeat themselves over a period of time, but when we do our own calculations in terms of the passenger transport – every person that you carry at the moment is counted as a  
10 passenger for your own transport.

So, Soshanguwe the same thing so that in 2013/2014 we carried 13.7 million and then it increased slightly in 2014/2015 at 13.8 and then in 2015/2016 11.7 and Greater Soweto in 2013/2014 it is 17.9 and then in 2014/2015 it is 16.8 and then it went down to 13.2 in 2015/2016.

15 **MR. LESOFE:** There seems to be a decline, especially if you look at Greater Soweto – what would you attribute this decline to?

**MR SEFALA:** I think Chairperson, the decline is the implementation of the BRT – the BRT took quite a number of passengers from us, so it shows there is some sort of competition in that field.

20 **MR. LESOFE:** Is there any other factors that you could attribute the decline to?

**MR SEFALA:** I think the – as I have indicated before – this contract services Soweto and the northern suburbs of Johannesburg. You know, we get more passengers due to the growth of the economy. When malls are being built

and shops open you know, they employ a lot of people from Soweto, so that's when we benefit. So, when there is a decrease as well in terms of people losing their jobs, we also lose passengers in that regard.

**MR. LESOFE:** Okay. So yesterday we had evidence from the Chairperson  
5 of the Greater Soweto Commuter Forum, Mr Fred Khumalo, and there are a number of issues that he raised. Maybe we can listen to part of his testimony and then we have a conversation thereafter.

*In your submission there is a section that speaks to commuter experiences and you have divided this section into 3. So, you discussed commuter experiences  
10 in relation to late taxis and subsidy busses. I would like us to move to that section and then I would like you to share your experiences as commuters as they are reflected in this section. Perhaps we could start with subsidy busses and as part of that as you reflect on this – where possible, could you use particular examples to straighten out the points that you are making in your  
15 submissions? Let's start with the first bullet point – that is the lack of customer seats in terms of subsidy busses, subsidised busses.*

**MR FRED KHUMALO:** Yes, lack of customer seats – number one, they don't regard customers as – like the commuters as customers – it is like they are doing you a favour by transporting you. There is a lack of communication  
20 actually none, there is no communication. Let me just make an example, the recent one – the busses were on strike, when they come back, instead of calling maybe the stakeholders to sit down with them and then say 'guys you bought the ticket in advance, before we went on strike, what are we going to do, because your ticket has already expired'. No, they just issued the notice  
25 [inaudible 02:13:01] commuters that as from now those who have [inaudible

02:13:06] you go – you are going to use those monthly tickets and you are going to buy a new ticket or else you are not going to use it anymore. And by the look of things you are going to see that is a daylight robbery, but we don't have a say. That was left like that – we've reported it to the Department of

5 Transport and they will tell you there is nothing that they can do. Maybe they are scared of PUTCO or whatever, because I made them aware – even before the strike I was telling them we are going to have such a problem, please speak to PUTCO in advance and they assured me that those things will be sorted out, but when it came to that – even today – I show them and even up to today they

10 say they have spoken to PUTCO, but now they are doing this [inaudible 02:13:53]. So, when it comes to customer, they don't care about the customers – they only care about their money, because the very other thing based on the very same issue of the strike. The company is very much aware that they are going on a strike on the 18<sup>th</sup> a month before, but instead of monthly tickets have

15 confidence in your commuters and in return when they come back they made it a point that they rob them of their money – we don't have a say. Then how can you treat your customer your daily bread like that? There is no there is none and instead right now they don't communicate nothing to commuters. Let me give you another example of last week – last week there was a problem – when

20 they came back from strike last week three times [inaudible 02:14:45] no communication that you hear from drivers no I did not have the bus the bus was in the depot – there was not a sentence to say to the commuters there was no communication to say to the commuters even to apologise and say sorry there was this or that and that – nothing – because we have already paid upfront and

25 when that ticket expire I'm the loser – they are gaining and end of the story.

**MR. LESOFE:** So in instances where say for instance in the last example that you gave – where the commuters were informed that there is no [inaudible 02:15:22] what then happened with commuters – did they plan to use the subsidised busses?

5 **MR FRED KHUMALO:** Unfortunately it's like that during a strike – they have to pop up more money to use taxis, because even if taxis say they don't take somebody who is using the bus a lot of people did not go to work, because you have to make sure that even if you have a PUTCO ticket you must also have the taxi fare – that is guaranteed.

10 **MR. LESOFE:** I see also that you have a bullet point on constant break downs and perhaps you may want to as [inaudible 02:16:08] another bullet point where you call it dirty busses.

**MR FRED KHUMALO:** Okay – constant break down – on my way coming here this morning – along 83 Corridor Road 5 PUTCO busses break downs this morning and it is not something like they are feeling ashamed that we  
15 inconvenience our commuters. To them a break down is just another day, they don't worry about it and then what happened to that commuter – he must get off that bus and then there is no other bus coming they must go to the taxi [inaudible 02:16:48] is subsidised.

20 When it comes to dirty busses – you know it is very sad, you know when they talk about the fare increase and all that they complain about the worker that is cleaning the busses and all that and that one I can challenge you to go to any PUTCO bus right now and see how dirty it is. Never ever and on that presentation to the Gauteng Provincial Legislator they say they spend over a

*million to clean their busses – I don't know which bus they are talking about.  
Those busses are so filthy and dirty.*

*When it comes again to unroadworthiness of busses – all will say that I am not  
a specialist to say that bus is not roadworthy, but really within that bus there is a  
5 cloud of smoke behind it. In that very same presentation, I was so disappointed  
last time when the Portfolio Committee in Gauteng with regard to transport, they  
posted the City of Tswane transport.*

**MR. LESOFE:**      *Thank you.*

Mr Safala, in a nutshell, Mr Khumalo's evidence under oath suggests that  
10 PUTCO's performance – at least in the Greater Soweto area market or region is  
very poor and that PUTCO is very inefficient – essentially the evidence  
suggests that what you referred to in your presentation as factors that play an  
important role in competition – factors such as comfort, reliability are essentially  
lacking – at least in the Greater Soweto area.

15 Firstly, would you say these are fair concerns and complaints?

**MR SEFALA:**      Chairperson, allow me to give you a background about Mr  
Khumalo. Mr Khumalo in our view from where I am sitting and from where I  
stand, he does not belong to the Commuter Forum of Soweto – he belongs to a  
sprinter group that is fighting the Commuter Forum of Soweto. He alleges that  
20 we don't communicate with people – every time that we have issues in that  
particular operation, we've got Operations Manager and we've got the PRO that  
calls a meeting with the Commuter Forum and decisions are taken in that  
particular meeting and unfortunately at the end of the day Mr Khumalo and his  
group do not recognise those decisions, because they are unfortunate

situations. We have reported this matter to the Portfolio Committee – we have reported this matter to the Department, but every time we want to have meetings with the Forum this particular sprinter group is disrupting our meetings.

5 Secondly Chairperson we have a situation where Mr Khumalo himself was actually looking for a job from PUTCO and we could not give him a job simply because of his criminal record – I really sorry now to have to tell the committee about this – and that became an issue now every time that he is criticising us, because we could not give him a job, but we explained ‘no we could not give  
10 you a job, simply because of the record that you are having’ – those are personal issues Chairperson, that perhaps I should not be saying to this particular court.

But, again, Mr Khumalo goes on to say that we do not communicate to passengers when we are going to experience a strike – colleagues, you will all  
15 agree that when a strike comes it comes – you are never going to tell when a strike is coming. You will have some indications that there will be a strike, but we always believe as an operator that we will be able to manage, but when it happens, we tell them that there is a strike and the only way we can communicate with the people, particularly the passengers is to make sure the  
20 day before the strike you issue pamphlets and every bus has pamphlets or that every individual receives a pamphlet so that those people can take the pamphlets and give them to their employers and say they do not have a service. We have done that.

So, I am asking myself from where I am sitting – what is it that Fred Khumalo  
25 actually expect from us as a company to do in terms of communicating that.

Then when the strike ends – you don't know when the strike ends – we also don't know as operators when the strike ends, because these people goes through the Bargaining Counsel – they have discussions, but we have an indication that it looks like the strike will end. As soon as the strike ends we  
5 make sure that our drivers take shifts – and not everybody will take a shift – we had a situation where drivers would take shifts and not even checking if the bus has diesel and so on.

So, those are the problems that you would experience as an operator, but if you explain these issues to a person like Tatti Khumalo – he seems not to be  
10 interested to listen to that. He's saying that we have not communicated in terms of what we are going to do, because they bought the monthly ticket – we have communicated sufficiently Chairperson. We made sure that our passengers knew exactly what was going to happen. We even went to the extent of giving them free days for that particular month, because we believe that they were  
15 inconvenienced and it is us as an operator who inconvenienced them. Regardless of the fact that it was circumstances beyond our own control. So I think that is the situation – he will do everything Tatti Khumalo will do everything to destroy PUTCO – any opportunity that arise, he comes in and he destroys PUTCO. He's been doing this to the Portfolio Committee the Chairperson has  
20 called him to order on several occasions – he has tried to do this to the HOD and he couldn't get his own way.

I do not deny the fact that there could be a situation where one bus is dirty or there is a break down – break downs of busses are inherent from any transport industry. Yes, you will get a break down – you will not get a guarantee that you  
25 will not get a break down. In fact if you look at the Model 10 that document says

– your break downs should not exceed 2% of your fleet. We are doing everything to make sure that although we are not operating in line with that particular contract – it does not exceed the 2% of our fleet. But to Tatti Khumalo – no, we should not have a break down.

5 We've indicated previously Chairperson in our submission that we had a problem in terms of funding and I think my previous colleague from North West Investment or NTI has indicated the fact that funding is an issue. You can't buy busses every three months contract – you cannot do that. Currently we are having a contract that ends at the end of September.

10 There is no way that you can buy a bus – to an extend that we are now going out of our own way to rent busses to make sure that we render services to the best of our own ability. But, to Mr Khumalo that is not enough, because passengers pay a certain amount of money – there must be a new bus that is just sitting there and we must cover our own [inaudible 02:25:28] without break  
15 downs and so on. You know – those are the challenges.

He goes on to say we are operating with unroadworthy busses – you know, that is a very serious statement – you know, I have challenged various authorities to say when you say a bus is roadworthy, what does it mean? When a bus has a break down it does not suddenly mean it is not roadworthy. It may get a break  
20 down because of other issues, but unroadworthy is a relative issue in my view, because there must be processes that must be taken. I mean that needs to be carried out and an inspector must say this bus is not roadworthy. We have not had a situation of that kind in Soweto – we did not have a situation where the authorities have said that a PUTCO bus in Soweto is unroadworthy. We have  
25 put 15 new busses here in Soweto, regardless of the fact that we do not have a

contract – simply because we have argued to our own board that these are the people that supported us through thick and thin – we went all out to make sure that we put 15 new busses in Soweto and to Mr Khumalo that is not enough and unfortunately Chairperson, I do not know what is enough to Mr Mhumalo.

5 Yes, we will have break downs – we will have a situation where busses are dirty and we are trying everything possible to fix that particular situation. He says we are spending so much money in terms of cleaning our busses – yes, we are spending that money – we’ve made sure that we outsource that particular function to the people in Soweto. So, these busses leave early in the morning  
10 3o’clock 4o’clock in the morning – it may not be possible for us to see some weaknesses in terms of one individual not have cleaned their seat – yes, we have said that. But in those cases – let it be reported to us and we will take it up with the cleaning company, but I do not think that Mr Khumalo is fair in terms of criticising and saying that we are doing nothing in terms of communicating. We  
15 are communicating on a regular basis – he belongs to a sprinter group that is bringing divisions to the committee that serves the people of Soweto and that is unfortunate.

**MR. LESOFE:** Thank you Mr Sefala for that comprehensive response, which provides a new perspective. If maybe we just focus on the complaints  
20 itself – have you received more or less similar complaints from other stakeholders – other than Mr Khumalo? Generally does PUTCO receive similar complaints such as the complaints that Mr Khumalo has raised?

**MR SEFALA:** Chairperson, because of the magnitude of our operations, you will get quite a number of complaints from people and more often I  
25 personally go there and follow up you know. We for instance had a complaint in

Eldorado Park and we followed that complaint – we went to the extent of even changing the management there, to make sure that we resolve those complaints.

**MR. LESOFE:** So, just on that – if you could elaborate on the nature of the  
5 complaints that you have just referred to.

**MR SEFALA:** The nature of the complaint would be that the bus did not  
turn and people missed their shift and so on. Those will be the kind of  
complaints that we receive. In other words – the bus running late – maybe we  
find a situation where we've changed the driver – the other driver is sick and  
10 you bring in a new driver and he does not know the route – the bus gets late  
and people get late at work and that we accept and we normally go and  
apologise to those people.

We have a big operation in the formal [inaudible 02:29:40] valley, where we run  
more than 90kms from Tswane and those busses that I have indicated, they run  
15 on the Maloto Road within 1 hour 30 minutes – you will have problems, I can tell  
you now. It is a very complexed operation – you will have a situation where  
people would say they missed the trip and so on, but remember that when  
people miss a trip in that kind of operation, there will always be a bus that he  
can transfer him to that bus – but, that is not what we want, actually our  
20 passengers don't even want that. They want – our passenger, when they take a  
bus from [inaudible 02:30:23], he wants that bus to take him to Centurion and  
not to transfer to another bus and so on – it is an inconvenience to that  
passenger. We agree that we have that particular situation.

We had a situation in Soshanguwe – in Soshanguwe we are operating quite a

number of busses and we are competing with the colleague that was sitting here. So, in that regard, there are situations where we had to scale down quite a number of busses, simply because of the passenger carry that is low and yes, you get situations like that and complaints on a regular basis, but not like every  
5 day.

**MR. LESOFE:** Okay. Has PUTCO conducted or commissioned any customer survey of their service?

**MR SEFALA:** The customer service that we do – you are talking about passenger carry or something in terms of what people say about PUTCO?

10 **MR. LESOFE:** Yes.

**MR SEFALA:** Okay – the one that we have done is more than 5 years ago. We have not done a recent survey, simply because we do not know how long the contract is going to last you know. For the past 14 years that I have been with PUTCO – when I joined PUTCO, we were operating on month-to-  
15 month basis. The longest term that we had was the 3 year contract that expired in March this year – we now have a 6 months contract. So that is to some extent – it makes you feel that you don't know whether you will have a contract the following month or not. We will love to do that when we secure a permanent contract.

20 **MR. LESOFE:** If you can – would you tell us a bit about the last survey that you spoke about – I understand that you did it about 5 years ago – what picture or what did you get from the survey?

**MR SEFALA:** I'll put it this way – we've got different markets in terms of our own passengers – you know, there will be traditional passengers that would

want to be taken from one point to another and they will be happy about that, regardless of the situation they will be happy about that and more often that kind of passengers are the passengers that are very close to the driver – you know, he'll be very happy with the driver – he'll be happy by the fact that that  
5 bus driver will take him from the one point to another without any delay.

Then there is another class – if I may put it that way – a class of passengers that are a bit sophisticated. You know, they want modern things like WiFi in the bus and they believe you should give some promotional benefits for them like you do draws and they win something and those are the kind of results that we  
10 got from the passengers, but all-in-all I think they were happy about our own drivers.

Drive problem is not a real problem in our own operation. There will be one or two situations where there is a problem – in fact, I can give you a situation where one of our drivers were beaten by passengers – simply because  
15 she arrived late - a woman driver for that matter, simply because she arrived late for her shift and passengers assaulted that particular driver. You know – I ask myself how on earth do you assault a woman driver? I can understand, the bus came late by about 30 minutes or so, but I don't think that warranted people to really assault the driver. Yeah – those are some of the complaints that we get  
20 – we get them internally and outside as well.

**CHAIRPERSON:** Thank you very much Mr Sefala. So, in 2015 PUTCO did not renew some of its contracts in Gauteng. Is that correct?

**MR SEFALA:** Yes, correct.

**CHAIRPERSON:** How many contracts were not renewed?

**MR SEFALA:** There were actually 8 contracts, but maybe let me class them in terms of the areas that we operated.

**CHAIRPERSON:** Yes.

**MR SEFALA:** It was a contract in Mamelodi, it was a contract in Meyerton  
5 - Sebokeng to Meyerton, it was a contract for Ekuruleni, in other words  
operating from Vosloorus, Katlhegong to Joburg and Boksburg area – all and  
all, they were 8.

**CHAIRPERSON:** Okay. If maybe you can summarize for the panel the  
circumstances that led to PUTCO not renewing these contracts and maybe  
10 linked to that would be how has this affected your operation – it can be in a  
positive or a negative way?

**MR SEFALA:** I think Chair, you will also know that you can only operate a  
contract up to a point – it must break even – at least to break even. You know, if  
you don't break even it loses all the profits the company make in terms of law –  
15 that is reckless trading. We did not want to have a situation, because now we  
are having a situation where the auditors were about to qualify our report that  
we continue operating contracts that are not making profit.

We have reported this matter to the Department – on several occasions to date,  
to say these contracts are not profitable. Remember, these are very old  
20 contracts where one will assist where we would prefer the Department goes out  
on tender and perhaps I want a new tender that the tendered will be in a  
position to make some profit and unfortunately because of financial constraints  
that the Department face, they could not go out on tender.

But, we also as a company did not want to be in a situation where we are going to be found trading recklessly. In fact we are on the verge of being declared of trading recklessly and that is the result that we gave notice to the Department to say – this is the situation and yeah – that is where we stand.

5 **CHAIRPERSON:** Would you attribute your inability to be competitive or to be profitable in those markets to competition especially competition from minibus taxis.

**MR SEFALA:** No, I think it will be wrong for me to say that – the taxis were competing with us to an extent that they took passengers. It wasn't a  
10 situation of passenger carrying – it was a situation of cause that we are rising on the early basis. Remember a situation of a tendered contract is that you tender at a particular price and then hoping you are running that particular contract for only 5 years, but beyond that 5 years then it becomes very very expensive.

15 For instance, the labour cost that the industry is currently facing on the early phases – you know I also want double digits increase – that is what they want on the early phases and I can tell you, normal businesses find it very difficult to cover those costs. So we find ourselves in a situation where the costs were actually running away with us and the little profit that we were making in other  
20 contracts was actually cross-subsidizing those tendered contracts. Then we thought it was a wise idea to perhaps hand them over to the Department and for the Department to resuscitate them.

**CHAIRPERSON:** A representative from North West Transport Investment mentioned earlier that this entity extends its operation by operating under

subsidised routes. Has PUTCO considered this or has PUTCO doing the same thing and if not – why not?

**MR SEFALA:** I think to me that is a social service that you render to your own community, because you feel that your community does not have a service  
5 – so you provide that service to them. I think if we are making money I think we will do it, but remember here it was a situation to where we are literally running a loss that we could not even defend to our directors – we could not even defend to our own auditors. The auditors felt that now we are becoming reckless and we had to erase that. I think that no-one wants to be in a situation  
10 where the auditors qualify you poor, because you are trading recklessly.

We don't do that currently in PUTCO, because we also believe that there are other modes of transport. What we think is not business for us, could be business for another mode of transport. It could be a business for a small bus operator, which his or her cost structure is actually very low – they could do  
15 that. It could be profitable for a taxi operator that carries people from that particular area to a mall in a particular area – so, I believe that perhaps other people – it is a chance for other people to be able to do that, but there was no way that we could operate those trips unsubsidized and running into that heavy loss.

20 I must say – the trips that we have abandoned we gave to the Department. Those were subsidized, but the subsidy was very low. I shouldn't say there wasn't a subsidy – there was a subsidy, but the subsidy was very low and the cost was actually running away with PUTCO.

**CHAIRPERSON:** In your evidence earlier I think you agreed that taxis should be given subsidies. I just want to check if you then accept that the granting of subsidies to one mode of public transport that is busses, puts the other mode of public transport that is taxis at a competitive disadvantage – to make it a bit  
5 difficult for the likes to compete effectively?

**MR SEFALA:** Chair, I must say this is historical – that is why in my submission I said it is the responsibility of Government to level the playing field. This is historical – we also, as operators do not want that practice and that particular situation. We want a practice where we are competing from the very  
10 same base and remember it takes all operators – they are all South Africans. It will be unfortunate that we as South Africans are saying they do not qualify for a subsidy.

You know, as life has indicated and I accepted the fact that they carry more passengers on a daily basis, but unfortunately the people that are responsible  
15 for the [inaudible 02:44:23] of the country to realize that and begin to allocate more funding, so that these colleagues of us can also benefit from that subsidy.

**CHAIRPERSON:** Okay, and in terms of – so if they are to be included in the funding scheme – in your view, what would be an ideal model? How can that be achieved?

20 **MR SEFALA:** My view is that there are various scenarios. The first scenario is a situation where – depending on the distance that taxi operators operate – it could be a situation where we convert the taxi operators into bus operators – like the BRT. We've got phase 1A, phase 1B and I think the municipalities are looking at phase 1C. Most of those people – the majority

shareholders there they are taxi people. So, that is the one modality that I see, where distances are reasonable, where the authority can design some BRT routes and then make sure that taxi associations or taxi operators take part into that.

- 5 Secondly, it could be a situation where these contracts are redesigned – completely redesigned to make sure that certain rules are earmarked for taxi operators – I hate saying only taxi operators, there are also small emerging bus operators out there, who also wants to become part of this, so that they can be set aside in those designs - for taxi operators emerging bus operators.
- 10 There could be another third modality in my view where now – what you call traditional bus operators – I hate to say BIG operators Chairperson or BIG operators begin to evolve the taxi operators in the shareholding you know at the shareholder level, so that they can benefit from this subsidy, but that would require the Government to look at the allocation of the operating grant that is
- 15 allocated to the provinces, because as it stands now – we'll still have a problem with the small operating grant that we are giving them. It may not even be sufficient for them to make a living out of it. So, we must look at it as a Government, reprioritize it and make sure that we allocate sufficient funds.

I know funds are not always available, but to allocate sufficient funds to the

20 operating grant that is given to the provinces.

**CHAIRPERSON:** Thank you very much. If we could maybe focus on competition – intra-model competition that is competition in the same mode of public transport – as I understand the bus industry applies the principle of

competition for the route as oppose to competition on the route. Are you able to just share with the panel your understanding of the two principles?

**MR SEFALA:** Yes, my understanding is that it all comes from the white paper, because the white paper says you should not compete on the route –  
5 you know. The very same mode of transport competing on the route – that is what the white paper says. But I think what is important – it is not all about the white paper – it is about the policies that we develop to make sure that concept works.

The issue here is – would it be realistic if we don't compete on the route? For if I  
10 am a bus operator operating on this particular route and I say that route must only go to me – what am I saying about other taxi operators that operate on the same route? Am I saying these taxi operators should not operate on the route? I think that is where the question of unjust and unfairness would come into play.

**CHAIRPERSON:** But, currently – in terms of – if you look at just bus  
15 operators – given that routes - subsidized busses don't share routes – essentially there is no competition on the routes – at least for subsidized busses, and in light of the fact that the current contracting system is dysfunctional – I think you do accept that the current contracting system is dysfunctional. It therefore means that even that the envisaged competition for  
20 the route principle cannot applied, especially because the current contract has just been extended [inaudible 02:50:26]. In other words, essentially there is some sort of dysfunctional facility on certain routes even though it caters for operators that hold the contracts that would have been extended [inaudible 02:50:42].

**MR SEFALA:** I think I fully agree with you. That would be a challenging situation if you find a situation where a subsidized mode comes and compete with another subsidized mode. Remember when they are subsidized and another subsidized mode enters that particular route – that person would have  
5 invested in terms of vehicles.

It would have invested in terms of the infrastructure and then when the other mode comes in – it means now he is going to take revenue from the first operator and then as a result that first operator will either have to scale down or be liquidated. So, it all depends if we want these industries to grow or whether  
10 we want the industries to be liquidated. I think that is where the problem would be.

But, in terms of different modes of transport I think that shouldn't be a problem. But, for the subsidized mode of transport I think it would be a problem, but also it would be a problem of how Government makes sure it gives a particular  
15 operator a certain amount of money and this other one a certain amount of money,

But, also you do not want a situation where this same mode of transport start fighting each other, because they will be fighting for the very same cake – I don't think that would be correct. So, it would be proper to give a certain mode  
20 of transport a one operator – you operate this route and then you you operate this route – so that they don't compete against each other, because once they start competing against each other that when the issue of riots and so on starts and we want to erase that.

**CHAIRPERSON:** I think I fully agree with you that it wouldn't make sense to have different operators competing on the same route, but given that form of competition apparently it isn't good. At least there has to be healthy competition at the contracting level. In other words – competition for the route and it has to  
5 be healthy. You cannot have a situation where there is no competition for the route and also no competition on the route.

**MR SEFALA:** I think I fully agree.

**CHAIRPERSON:** Thank you – thank you very much. Are there any questions from the panel?

10 **MR NGOBENI:** Mr Sefala, in your presentation you've mentioned something about the rationalization of services that is not happening in Gauteng compared to other provinces and I am looking at that submission in line with one of the recommendations you've made in your submissions that they say [inaudible 02:53:57] to the transformation of the bus industry is due to lack of  
15 [inaudible 02:54:08] in terms of co-coordinating the passenger transport industry in all spheres of Government. I just want you to give us a sense of some of these issues that I've identified but also at the different fees of government in the public transport industry and also just in line with one of the things that we have mentioned of the different moods of transport if you can just elaborate the  
20 possible efficiencies or at least the inefficiencies in the system that you think some attention should be paid on those.

**MR SEFALA:** Ok I think the regionalisation of services although from some point we might argue it is the right to follow but it has limitations as well, remember when you regionalise you cut your suit according to the cloth.

The department is given so much you can only render so trips and then come next year that money goes down you cut again and then eventually the passenger don't have the service.

I think that is the whole principal of regionalisation is the, its not adequate it  
5 cannot you can only claim regionalisation for a year you cant do it this year, the following year and the third year eventually people will no longer have the service. And It will in role against the government I think that is it and then when it comes to the issue of integration I think to some extend we need to go into that line where there is an integration of your own services, you know my view  
10 is that services should not be that when I buy a ticket I cant only use that ticket on a part [inaudible 176:53] I should be able to use that ticket also on a taxi. Then come that issue of competing on the route. I should also be able to sue it on the NTI – on Gauteng coaches.

So it is very poor, then a customer has an alternative remember he already has  
15 that ticket he has got a alternative to take an taxi, he has got an alternative to take mega bus, you know, in that regard we will not have people that will come an complain that there was a break down and there was no bus. But that in my view has to be regulated we should not have a situation where a lot of bus operators operating on the route and then they start fighting for passengers the  
20 system should be flexible to allow the passenger to use another mode of transport or to be able to use another operator to go to the second destination, that is what I'm talking about.

**MR NGOBENI:** Thank you very much Mr Sefala. I think I'm largely covered by my colleague Mr Masofe I only have one question I think in your tab you  
25 mentioned the differences between the formalised bus taxes and I think

particularly I want to refer you to your presentation where you said contracted services are monitored for contract compliance. I just want to get a sense about how is the monitoring done is there some kind fo service or some kind of service level agreement in terms of some of the services and how effective is that monitoring active? Thank you.

**MR SEFALA:** Yes, thank you for the question. What happened is that in this subsidised contract the department apposed what they called monitors. The monitors comes and make sure that you cover yours shifts, but also makes sure that you are on time in a particular point. Also makes sure that passengers arrived in a particular destination on a particular time. So in a way as an operator you do not cover or meet a shift you've been penalised it is not that when you have a break down you've are being penalised a lot of money that you as an operator you pay for not operating that trip, the people that transfers from one bus to another one you are still being punished because you did not operate.

So that is the kind of monitoring that the departments implements. But there are deficiencies in that monitoring so that means that a monitor must be at the particular point at time to watch all busses leaving and going and then the other one must be at the other side to make sure that the busses reached a particular destination. So what we believe from our side is that there is a need to have a proper electronically system, because at any point of time the authority or the monitor sitting in one place would be in a position to monitor. Monitor that shift number this is now operating it has reached the destination and tick, so yes there is monitoring but it is physical monitoring by people. I think there is a lot of improvement like I'm saying the department could implement a electronic

monitoring system that will enable that operators cover the shift and that they are being penalised accordingly when shifts are not covered.

**MR NGOBENI:** Yes, just two last questions from my side. You support the extension and the role out of the operational subsidies to the taxi industry. Does  
5 this mean within the context of a South African it si not possible to have a public passenger a public transport team that does not have subsidies as an integrate component that is my first question?

The second question is has also made the a submission that is similar to yours that this operation extended to the mini bus taxi industry. But there take is  
10 different from yours, they say that what should actually be subsidies is not the mode of transport but the commute. If we could just have your reaction to those two?

**MR SEFALA:** There is very interesting answers, maybe I should start with the last one. I think this review chairperson was raised where I come from the  
15 government so and I have been to [inaudible 183:25] getting involved in subsidies and so on. Head of department, various departments saying we want to see into the passengers we don't want you to operate and get a subsidies it must go to the passenger which is the presentation that SANTACU made. Sit with operators that is what they will tell you, they will tell you that no you are not  
20 subsidising but you are subsidising the passenger. So their view is that it si the passenger that is benefiting, I think the presentation by SANTACU could be a good one, the question is how do you do it you know. Saying no no instead of giving these operators a subsidies and then identify people that are struggling within the communities give them an allowance, taking a bus and going to an  
25 particular place. Because it is only operators who are benefited to some extend

I think that there is truth in it . If it was possible from the policy perspective development it will be proper to subsidise the subsidy. I mean subsidise a passenger that will mean the agreement should go out to establish a data of people that are using transport to a particular place and begin, that will be a  
5 process I don't know how but it can be done.

If the government can pay social grants to people, they can identify people that are using transport and subsidise them so they are able to select motor transport that are able to take them from point a to point B. But there would be a lot of work that needs to be done in identifying those people we should not have  
10 a situation where you have ghost, one risk that I see is that you have ghost that subsidies from that but there are using it for their own benefit. I think there is a mortality if the government went out and develop a modality it is possible that it can be done.

Now coming to your first question there could be those that are not subsidised.  
15 You know, one disadvantage about me talking about other things is that I'm the chairperson of Sabua and Sabua has go different rules regarding transportation. There are those that are subsidies, there are those that are not subsidies you know. For instance cross boarder and so on, some of them believe that they should be subsidised but if you ask me as a cross boarder service it cannot, the  
20 person cannot be subsidies like a committed passenger that goes work on a daily basis.

But also if you look at the national land transport act it also makes provision for commitment within a particular area. In other words contracts that will be awarded will not be subsidies you know, but I guess that you will have a  
25 problem with regard to that because you will have to reason why you are not

given subsidy to those people and given subsidy to a prty. That is another challenge that the authority will have to explain, yes but I think during the inception it might be possible given a person a contract to say that you have this commissionable contract you operate from here to [inaudible] I'm just giving an  
5 example your not going to get a subsidy and a person up to take that particular contract.

It could be possible, how that person will survive is up to him because he would have opted to take that particular contract but I don't think it will be the intention by the government just to kill an operator by redeeming a contract that he  
10 knows at the end of the day that particular operator will not make a living. But yes it is possible to identify some services that may not be necessary to be subsidies and we will need a framework as to that regard as the government to make sure that people understand the consequences of operating those contracts.

15 **CHAIRPERSON:** Yes, thank you very much Mr Sefala for your time and the efforts that you made in preparing your submissions. Thank you very much you are excused.

**MR A SEFALA:** thank you very much it is my pleasure.

**CHAIRPERSON:** We will now receive a submission from the  
20 provisional SANTACO, if they are here you can move to the table. Welcome gentleman today to this enquiry if you can please state your names?

**MR M MALI:** My names are as follows Mantu Midday Mali.

**CHAIRPERSON:** And how do you spell your surname MR?

**Mr M MALI:** Mali.

**CHAIRPERSON:** Are you the only one who is going to be speaking or  
– I think that we can have your names.

**MR JONES:** My name is Ralph Jones.

**MR SEYENGI:** My name is Seyengi .

5 **CHAIRPERSON:** Can you please spell your name for the record?

**MR SEYENGI:** [Inaudible] Seyengi is my name.

**CHAIRPERSON:** Ja, if you could there is a piece of paper in front of  
you. If each one of you could take the oath or the alteration as indicated MR  
Mali.

10 **Mr M MALI:** Thank you very much. I am Mantu Midday Mali, I swear that the  
evidence that I shall give is the whole truth and nothing but the truth, so help me  
God.

**CHAIRPERSON:** Thank you MR Mali, Mr Jones?

**MR JONES:** I Ralph Jones swore whether the evidence given shall be the  
15 whole truth and nothing but the truth, so help me God.

**CHAIRPERSON:** Thank you MR Jones, MR OLD John?

**MR OLD JOHN:** I Seyeni Old John swear that the evidence that that I shall  
give is the whole truth and nothing but the truth, so help me God.

**CHAIRPERSON:** Thank you, you have submitted a report to the enquiry, if  
20 you could maybe take us through the key highlights of your submission.

**MR JONES:** Thank you very much, I think it will be an honour to present to you  
who we are. We are the South African National Taxi consul SANTACO  
Gauteng. I'm the secretary general and I must bring to your attention that

SANTACO Gauteng is made of five regions which is Joburg with 54 associations, Tshwane with 26 associations, West Rand with 14 associations, Ekoloreni with 18 associations, Sikibeng with 10 associations. We cater for both local and long distance operations and this is from all of these other  
5 regions that we are catering for both local and long distance.

I wont be going into the nitty gritty thousands of operators that are there, the drivers, car washers, cooking mommas, Q marshals, squad men. So we have got an component of a whole lot of constituency that we represent. And we need to extend our appreciation in this moment that we have though our  
10 national was here, but we are here because of SANTACO Gauteng. And based on the questions that we had to register, we will start with the issue of licensing, route allocation and the entry we come in.

Routes overlapping causing conflict between associations this issues lies with registrants refusing to issue licenses and proper location of routes. And also  
15 looking at municipalities not implementing the integrate transport plan as per regulation, causing unfairness in terms of the new route locations. Associations are locating themselves based on routes within the vicinity In which they are custodians instead of obtaining proper licensing and obtaining licensing on that route. There was never an engagement the government placed the moratorium  
20 by themselves an exposed it on the operators and the issues seems to only affect Gauteng province.

Now chairperson on that I must say we don't know why we are being treated like this in Gauteng, we are not sure where we belong to South Africa has got its own dynamics, what is happening in KZN and Western Cape, Free State is  
25 not happening in Gauteng. Our operate license takes a decade to be issued It

can take between 3 and 7 years operator license and that is only after we had have a summit with the premium where things started to role. But all of these years we never had a situation where we can get a operator license over the counter.

5 Now that only caused a lot of mishaps into our business where our cars were impounded on a daily basis because he on hand in the government does not know what the other hand is doing. When a operator license expires it is automatically removed from the system and that we given is not fair. Our license used to be indefinite and that system worked for a minibus taxi  
10 operators. Now days if a license is not in use for a 180 days, which is 6 months It is withdrawn automatically. Now section 78 of act number 5 of 2009 “ before an operator license can be removed or is expired a operator needs to be informed and he has to give good reasons why he hasn’t been using it’. In this regard the operation license lapses without even that operator knowing.

15 There is supposed to be an enquiry to why it si not used but that is not done and just withdrawn without warning. Reapplication of that license is made impossible after the license has expired which is a problem because these licenses is an asset to sometimes the inhabitants to the family should the operator of the minibus taxi passes on. Now that point chairperson it is  
20 something that we feel as an industry, you know for 33 years between 1960 and 1993 I think we never had a problem because our permits where indefinite. After 1994 with the new dispensation that is when hell broke loose where now all of these had to change, our operators’ license had to expire between 5 or 7  
25 years and this was our inheritance from our parents, this is an inheritance to our children.

This is our [inaudible 03:19:07] in the industry but it has been taken away from us. Meaning if that operator license expires your children can not take over from you because when it expires even your spouse is deprived of that to say she will continue with that kind of business. Now these are the situations that we  
5 find ourselves in where you know if you look an Indian for an example, the bungee will have a shop and the next thing is his children will grown into that shop they'll even sell you sweets and cold drink. One they when they are big they will say I still remember your old man because they have that continuing in them. But in this industry it has been deprived through our own people and I can  
10 say chairperson when I served for three years before 1994 is that maybe at the time it was an occasion in Afrikaans they say "Laat hulle mekaar dood maak, laat hulle mekaar dood skiet. Ons het geen tyd vir hulle nie". It was the then government at that time but probably it was better for us because we didn't have a situation of that we find ourselves in now.

15 Whereby we cant even say this is our own you cannot say that this is an asset, it has lost its value. The operators has lost its values therefore the application process requires a individual to go to an association an present an ID and any other requirement document as well as a joining fee. Once the person become as member they then receive a recommendation letter from their association to  
20 apply for a permit and that is the route we go, we don't just go and say we start and operating like some people will say if section 41 dictates that you can do that as a individually it recognises an individual whiles we as an association we let people come in you apply and if you qualify and fit all of the requirements then we give you a recommendation letter to go to the permit board to apply,  
25 then your operators license is granted, you get a vehicle and you're a fully flash

member of the organization.

So memberships are guided by the transport act and the association constitution, there is constitutional issues that we look at. You need to obey by the constitution of the transport association inclusive of the act that is in place.

5 Now SANTACO has decided to not to take any more members in order to control the situation in the industry. Why we are saying that chairperson if you lose your job as a chairperson here at the commission the first thing that you think of is I'll go and buy a taxi. Anyone who retire, retires within the taxi industry, the BE law enforcement, people from the government, people from this  
10 private sector anyone will come and say I've got money.

I think even these guys who are doing the injustice to our country now these guys who are busy with heist, the first thing [inaudible 03:23:00] they in flood our business and they then want to tell us, hens now we took an addition above that membership it must stop so that we don't over flood the – our market. So  
15 that is on the licensing route and allocation chairperson. I don't know if my colleagues want to elaborate more on that? Can we continue?

**CHAIRPERSON:** You can continue MR Jones.

**MR JONES:** When you look at the pricing mechanisms but maybe let me just emphasis pone point before we continue chairperson. I just want to emphasis  
20 when there was a moratorium there was no such things as a moratorium to us. It was something that was decided there but not with the industry and you know that lead to when the TRP was introduced we – the twenty two seater where deprived having operators licenses. For all of these years the twenty two seaters where operating without that and the introduction of the TRP taxi

program it was that we need to have 18 seaters and 22 seaters to curve the mass that we have, but that came with pain because there was no 18 seaters that came and there was 22 seaters they where there but they weren't licensed.

And what we were told was we went to submit two permits for one meaning you  
5 have two 15 seater permit that you will give back to the government and they will issue one 22 seater operation license. That never happened, so I though maybe Ill bring that to your attention.

**MR OLD JOHN:** Thank you chairperson. As we are ruling out the next part where MR Jones is going to embark on. I just want to reemphasis the following  
10 because people must understand the backgrounds or how we are operating in terms of our job graphical spread as per the government demarcation so you have got 5 regions where SANTACO is represented. And the other part that is very critical is the fact that other regions, because we are talking competition from the previous presentation we have hear the bus company being involved  
15 other regions there are no busses operating. So as we proceed in terms of our presentation some of the pricing remember they are contested by the other comparators such as busses so the other part that is very important also to bring to your attention we are an industry that s – stakeholders which is our provincial government in the department of transport, you've got commuters,  
20 you've got drivers, you've got also other important stakeholders which are transport training authority that is involved in ensuring that the training is done in our space.

Now MR Jones has indicated the issues of moratoriums we want to bring it to your attention indeed we fail as a industry discs advantaged by the government  
25 imposing moratoriums to the industry. Without involvement of the industry it

looks difficult to look and know full input to government in terms of regulation. Some of the regulations are imposed and sometimes we found wanting how to engineer them. So these fears of the government that we have the provisional your district, your local municipality we have realised that there is a gab in terms

5 of communication when we deal with motors of route allocations province must be due to municipality down where we are operating our fleets. So there is a gab in terms of that, so as MR Jones is going to also unpack with our presentation from the back of your mind one will understand what informs our approach.

10 Because in terms of the request that has been brought to our attention that what [inaudible 3:28:46] can you recommend by doing to make sure that we bring down these coffins that exist within the industry. So as we go along the presentation we also enter acting against those issues that will be indicated by MR Jones. Thank you.

15 **MR MALI:** Thank you very much Chairperson I maybe us want to emphasise a few points in terms of the licensing. The challenge that we do have here in Gauteng the systems are always down, Now when you look into the way the operating license are issued into other provinces for an example the KZN and Eastern Cape, if you do an replacement you will get it over the counter. If you

20 do a renewal you may also get it over the counter, but here in Gauteng it becomes a long process to an extend It doesn't paint a good image to the dealers when we are buying the cars in terms of the replacement. You may go and buy a car before they release the vehicle they say come and present the operating license, but when you go back to the dealer you wont go with the

25 operating license you will go with the receipt. Also that receipt on its own at the

bottom. It is written it does not authorise commuters or the passengers. It also gives a serious challenge in terms of compliance also another situation we do face in terms of the expiry of the operating license by the government and Gauteng.

5 Say you operate for example the operating license is left to expire in two years, it happens you passed on, you need to transfer your operating license to your family, wife or the kids. There is a process that you need to go – that you need to go and apply for an executorships letter and instant for you to get the executorships letter it is a process that you when you finish the process you  
10 may found out that your operating license has expired. And remember already there are vehicles that are commuting on the road that are transferring passengers.

It means that those vehicles will be operating without operating licenses. Has it now start taking the lives of the commuters at risk unnecessarily so. So I just  
15 wanted to add those few words in terms of the licensing here in Gauteng in terms of serious alleged that we are facing. But there is also a worrying factor to say in a country there is one minister that are emesis that belongs to the minister. We really want to ask ourselves when they are sitting with the minister in the [inaudible 03:32:11] what is it that they are sharing that should be  
20 common for the whole country in terms of the passenger public transport. I thank you.

**MR OLD JOHN:** Chairperson time will also reflect the interest and our passion in terms of the industry. I think colleagues will understand that this is a holly black owned industry, our view is that is a family business. It is an  
25 inheritance that ahs to be protected by all means, we believe that this is the only

holly black owned industry that ahs a potential of employing masses in the country. You don't have to have an degree to work in the taxi industry, you don't have to go through education to work in the taxi industry. The taxi industry it is a fall back for those who has collapsed from the their formal nursing of  
5 employment.

Some people retire because they see a n opportunity in the industry, we are very protective we will make sure that we protect the industry by all means that it is not taking away the pieces of legislations that exist within the industry, we feel there are grossly much analysing us as black people. Because we believe If  
10 we speak of a transformation agenda and economic empowerment, please look at the background of the [inaudible 03:33:58] during the apartheid during today still existing in large numbers that is why I'm bringing this matters to attention that we are here and we are worried that this inheritance slowly its been taken away from us. And we cannot afford that this is the only thing in the industry  
15 where the poor of the poor can live on it. If you have heard from the presentation of MR Jones that how many people are involved in the ... chain we talk about the taxi rank.

Your marshals, your queue marshals, your ring managers, your car washers there is to much value at that. We are saying go to any taxi rank and you will  
20 find 90 percent black people ding their own business there because it is our business as black. Thank you.

**MR JONES:** Thank you, on the price sector mechanisms that we go through, fair pricing is gathered by the market. Now there is one thing that you need to understand we are CBO's community based organizations. We don't just  
25 increase for the sake of increasing, we increase when they need arises and you

know in our implement this consultation with our local SANTCO our association are always going to your SANTCO or unions that are based around. Bu we don't sue a mechanism of percentage or mechanisms where we are going to price ourselves out of the market. Our thinking capacities always will consider

5 our comittance first to say a lot of people are not working, a lot of people are walking you know from one point to the next. You know, people working at – or domestic workers they walk to work because they cant afford whether you increase by 50c or not for them it is to much the affordability is not there. So our pricing mechanisms are based solely on the need if that happens. We don't

10 increase because petrol is going up but we increase based on the inflation to say we have [inaudible 03:36:25] every year we are going to increase or whatever, you know.

As leadership our structures or our associations of the instruction that comes out is you need to for local operations for example, you will increase between

15 15 cents and a two rand so in between. And for a long distance it will be between R5 and R20. So people don't go beyond to say a fair was increased for so much or whatever, we always try to keep our fairs as low as possible although we are not subsidised we try to subsidies our commuters of course. So on that the unfair competition is feel that is in place where there is a lot of unfair

20 competition because other [inaudible] of transport is being subsidised. And they do not consider or with a wink of an eye to look at should we or shouldn't we increase the increase and they increase on a yearly basis.

So unfair competition is due to the favour of the bus and railway sector are subsidies which is why the taxi industry is struggling. You know, people think

25 taxi people makes money, chairperson let me bring it to your attention there is

no money in the taxi industry, there is no money in the taxi industry. We always advise people to say no that car will pay itself, I will buy a vehicle and it will pay itself. That is a advise that we give to members don't even think of it because you come into this industry it is a risk industry your car can make an accident, it  
 5 can be stolen, it can be hijacked, it can get a breakdown and when you get a breakdown you fin there is not even parts.

A lot of people that bought the Nyathi chairperson when the TRP was introduced to say we need to buy new vehicles, a lot of our people went down the drain. You buy a Nyathi after three months it is like you had it for ten years  
 10 that is why when you look at the Toyota people still have that. But people are struggling because of when we bought the high A's before the taxi recap came in. We use to buy it for R150 000 chairperson and that R150 000 there was an affordability at the time. The introduction and compliance with the government we need to comply with certain regulations and all that, we need to buy cars  
 15 that has got rallbars, cars that are safety orientated and all fo that which they don't even have that seatbelts, our cars have got seatbelts that are not even being sued by our commuters.

For that care you pay something like between three and four hundred thousand. And that is before the ban k comes in you pay vat, so it is times two for that for  
 20 the same number of seats. It is not that you pay so much a 15 seater a Toyota was a 15 seater, you buy a [inaudible 03:40:05] it is a 15 or 13 seater. But double the price of that or even more that is why fi I can bring it to you just for you to remember eh struggle that took place last years the SA taxi finance when we said people are paying one million, you know, it was like they are saying  
 25 something like we are nuts. And yet chairperson I'm putting it to you that our

members pay something like one million to a hundred and twenty thousands for six or seven years. Because what they do is the deal the car breaks, he takes it in he leaves it there, the banks are signed the arrears are growing and growing and on this side there is a top up that he needs to have. So you'll find that has  
5 driven people out of the industry because right now you'll find that the bank is on your case to say that they want the care they want to reposes, the arte of repossessing is so high because of this pricing of these vehicles.

So that is something that you also need to look at, why is it not regularised you get [inaudible 03:41:20] when it was launched it was something like 475 000 it is  
10 a better version of a E twenty if you remember the Datsun Nissan E twenty. That car is so expensive that you cannot even afford to buy break pads. And the parts are not easily available you know we are running 5a business here and it is a commercial business for that matter. That car is not supposed to stand even if it went to a panel beater the panel beater must know that this care is a  
15 business because the bank this side here the wheel is moving at month end they want their money. I don't mean when the car was in an accident it will stop or whatever it moves on, so you'll find how do you pay for a car panel beater to the bank when you are suppose to make that money. So some of these we are going to invite you to assist us into insuring that we are better of then worse of  
20 at this point in time. So it is crucial that we understand that the pricing if only chairperson we can have something like a smart card like and example then we will see our money.

Which is something that the drivers do not want and with that smart card we can even look at all of these use of transport. One card for all of these moves of  
25 transport and even part of the subsidy it will be as easy as A, B,C. But because

of the competition that exist within ourselves, within the government, within the business our thinking capacity is narrow minded to that effect to say I jus want to make my money and does not care what now. With us as an industry we are not after profit we provide a service, that is our [inaudible] our is to provide a  
 5 service to the community, but if you can help us with that to subsidise and to regulate all of these pricing and all of that then we will be seeing our money.

So I think I will just pause there I'm not sure if my colleagues want to add on it.

**MR OLD JOHN:** Thank you chair also under advising certain mechanisms we are also [inaudible 03:43:55] the commuter organizations within the regions.  
 10 Before we can increase we look into a number of factors for example the region to another region it may take two to four years before we increase our fees. Also what we do we look the unemployment rate that grows within the region, that si quite key to us. Also we do have the communities that we do forms within the regions to confirm that we talk to the commuters in addition to the SANCTO  
 15 association. We sit with them with the community in the taxi industry the taxi fare index community that deals with the fares.

In addition to what MR Ralph Jones has said we don't just increase the us efo the petrol no, but we see it as an unfair competition because the service that we are giving to the commuters of the province is not subsidized 100% not  
 20 subsidised. Also being subsidised we are refereeing the more percentage that are in any other mode of transport. Also the challenges that we do is that we can see that they come unfair every year second month of the year February. Our vehicles increase by 5% starting the date that they buy the ... it was about three hundred and something, today the rent it goes to four hundred and  
 25 something it means every year they increase by 5%. Immediately when they

give 5% incensement on the vehicle it tells you everything that you buy the components of the vehicle it will be increased so therefore we see that if our government can value that we [inaudible 03:46:14] a larger presentation they may help us by subsidy. I think it will easy our communities out there, it will  
 5 relieve because to date when I'm in an industry we will not say it is bad for a profit. It should be there for more offer on service that you are offering to the community, thank you.

**MR MALI:** On matters of subsidy again when I look at the picture there I see the bus the train and other modes of transport. Below I don't know if it is by fault  
 10 that we see the taxi pillar which is the last. We feel much analysed grossly the illustration that we see here speaks for itself that it looks like we don't belong. The first issue that I want to emphasise is that why imperilment the issue of taxi subsidies it is not an issue that is in tack all parliamentarians be their families, the taxis irrespective of their background the other matter that we feel strongly  
 15 was indicated earlier on is that it will take our permit and convert it to an operating license and it become definite. And for you to re obtain into it you must forth full certain conditions, for us having a permit is not child play it is not even by default by the taxi industry as not recognised as this industry that one can make money instead it was undermined and we feel under mind as we  
 20 speak when we look at the chart there. The industry itself it is a - on its own you don't have to go and hunt and get a private company and try to get a score card in terms of BEE e are a broad based black economic empowerment, you don't have to look for points here. Its given on that we have a right, on this vat that is increasing this vat that is forever increasing and effecting the public why are we  
 25 not even benefiting from it through the subsidy. This is a matter that ahs to be

escalated on eh agenda I'm utterly [inaudible 03:48:55] the lat presenter from  
PUTCO you see when you go for negotiations and strike and you let your  
committees become stranded you don't even check with the taxi industry after  
they bought tickets here. If you are[inaudible] to us we don't even know your  
5 background how do you apply these busses to PUTCO.

If we can go deeper and look at PUTCO how it can be p[inaudible] and posted  
apartheid you will realise that we are still much analysed. We still feel that you  
know, it is brutal the manner in which we look the industry SR indicated that it is  
a holy blacked owned industry that is transporting nicely black population. You  
10 have got PUTCO marshalling black people and yet there are taxis here that  
are together with PUTCO but they decide not to look at the taxi. On top of that  
as we are not even subsidised we still carry on with the business the last part in  
terms of subsidy we are very worried that the government is begging out all of  
these state owned entities to an extent that if you look at [inaudible 03:50:43]  
15 when we cannot even afford due to the circumstances that has not even is in  
the research of the government we are penalised that is why we had our own  
strike in Midrand and we said that this is too much. We are trying by all means to  
have a business running but we can't because the government is closing its  
eyes purely because we were previously disadvantaged and we are still  
20 disadvantaged. Then we still feel oppressed by the same government that we  
voted in, what we are saying is review and re-look at us getting our subsidy in  
terms of the modalities you cannot just picture and say no it is not possible to  
have a subsidy in the industry involve us we will tell you the modalities. And  
SANTACO has made the submission on how we can do that as an idea and we  
25 are ready.

The last part it is electronic fare collection that we view as a solution that will drive formalisation and professionalism of the industry. Remember we are operating from an informal dispensation, we are in a transition of professionalizing and formalising the industry through empowerment and through training. And yes indeed the industry is taking it within itself with the empowerment but we want the government to listen to us we want to be involved, we want to make a difference. Thank you.

**MR JONES:** Chairperson you know our contribution to the GDP it didn't go unnoticed. Right now the petrol is going to increase by 82 cents tomorrow our full tank is something like R800 on a daily basis and that is what we meet and that is how we operate now if you can calculate the hundreds and thousands of vehicles that are out there, just through the economy that we contribute to in Gauteng and in Joburg then you can see that we are just not a small fries but I don't know why I always ask people who talk to us like in your case when you where at school, you used to use us to go to school, you graduated and went to varsity you still used taxis. When you come back you don't see the need to improve you see you criticise I'm talking about people who are learned people who are in varsity, they are all coming back and say I've picked up this. You know, like this one guy this one lady they called our drivers [inaudible 03:53:26] so she is getting of at a certain place and she is saying to the driver, driver I'm getting of at the sugary, so the driver does not know where the sugary is so he is driving " hey you [inaudible 05:53:49] I say that I'm getting of at sugary so somebody said its not sugary it is surgery.

A learned person now this is what we are going through on a daily basis you know, now people like that need to come back and say how can they help us.

But people always do things and say [inaudible 03:54:12] and you know people in the industry some of them comes from the corporate world and they change the industry chairperson. And this is what we need to adopt to say don't judge by the past but how can we better our services but you know let me bring  
 5 something to attention. We buy a car for that amount of money a hundred thousand we do not blame vat for it. I never heard a taxi person claiming vat for it we pay something like seventy five thousand and so forth for vat. What happens to that money because it does not come back to us. If you can look into that please, the Gautrain came and the [inaudible 03:55:04] said it is  
 10 something good but instead of looking at the Gou train must use us as feeders so that the revenue can be, no they will move from Midrand to four ways two people in that big bus. What are you saying as government?

Because no economically failing we are failing because a bus of that element cant go and there is a lot of them out of Joburg, out of whatever you'll find two  
 15 or three people in a bus. And then you call that [inaudible] service and you want to be coming and being proud and say we are subsidised and so on and so forth and all fo that. No we also need to help the helpless so that is why your intervention here is vital, look at transformation, eh transformation we have always said to the government we need to look at self-regulation. Things are  
 20 happening out there which we can't safe because it's what the government wants to do. But part of transformation is let's look at how we can empower people in the taxi industry, skills development is one of them, driver training is one of them. For a person to drive that person needs to be accredited, that person needs to be vatted you know, right now we have the situation of people  
 25 are raped and people are being kidnapped and so forth. The next and the very

same person will go and work for somebody else. Now we put mechanisms in place but you know sometimes personally chairperson I always say the constitution of the country is unfair because it gives the people so much right that you can't even control them, now people says it's my right. No when  
5 SANTACO was formed in 2001 15 of September in Durban it brought together a inter mingle of all those, they were killing each other like flies and all of that and SANTACO was born and there was peace. But now because MR Mali here didn't get a position then he became a rebel and said no [inaudible 03:57:37] I'm not going there.

10 And that is where now the constitution is allowing to do that because of once we [inaudible] the kind of situation and somebody else has got the right, I don't have top go and belong there, hens now I was talking of the constitution , you know, government support is vital, the responsibility of commuters or transportation its to the government. But the government do see us as public  
15 transport they see us as taxis, now we are running a business to a specific transport business with taxis, but we are public transport. Whiles the busses has dedicated lanes we were deprived of dedicated lanes with the introduction of the BRT, the only route that we had that was pattern was taken away from us as an industry and given to [inaudible 03:58:37] .

20 **CHAIRPERSON:** Mr Jones if you could just pause there we just need to take a lunch adjournment. And then I think that we can then wrap up after lunch so we will break for the lunch adjournment and be back at two o'clock to finalise your submission. And then just for the benefit of everyone who is here just like yesterday we will have lunch served in the room next door. Thank you  
25 very much.



Session 2.

**CHAIRPERSON:** We are now resuming the proceedings. Mr Jones I think you can continue?

5 **MR JONES:** Thank you, I think we were on transformation the last time and we spoke of self-regulation and so forth, but I think also what is important, is consultation from the government's side, proper consultation on infrastructure development and proper town planning. Now as an industry, we don't want people must do things for us without us. You know there was a time with the  
10 introduction of the mini buses when infrastructure was formulated. Because there was no consultation, these buses couldn't even enter the ranks.

What we picked up Chairperson is, when malls are being built, there is no consultation to the industry and you know we end up being far away from the mall itself, meaning that the workers of that mall are not catered for, the  
15 shoppers are not catered for, meaning the commuters are not catered for. Now only the last minute when the mall is being opened, it is when now they realise that we need to consult or didn't consult and will put the rank wherever. So you will find people walk long distance to there, so if only when these things happen and we are part and parcel of that, we can add value to it.

20 One such structure is the Kliptown rank, you know with Kliptown rank, we were consulted from day one and that is why there have never been problems on that rank, but we were consulted on there, because we were part and parcel of it, we were part of the management thereof, or forum that was in place there. But

now these others, we are only told as and when, so I think that planning is very important for us.

The dedicated lanes, the lay-byes, why taxis stop randomly wherever they stop, is because of these are not provided for. If you come down Saur Street into  
5 JHB, there are no lay-byes, appropriate lay-byes, so taxis stop anywhere anyhow. Some even stop on the right hand side and offload on that right hand side. At the corner of Saur and Pritchard Street, that is a horror film there. That is where the ANC headquarters is.

On a Monday, that street is being closed, so cars or taxis operating on that  
10 route, President Street, they cannot even turn right, now they must pass, now it causes another congestion, so there was no planning to say that if something like this happened, what do we do? We ended up allocating our marshals to assist with that operation, so that there can be some smooth running, but what we don't understand, when there are big matches at FNB, we are being  
15 deprived to ferry commuters or supporters.

Just the other day, there was this big one there, when Barcelona was here, they closed, the city will close those routes and say only buses, only BRT buses and trains must operate. We are being deprived of that and yet, people come from the townships, people come from wherever, there are people that are travelling  
20 from different areas to bring people to the stadium, but we are being deprived to use that. Why? Why should that happen, because we are also part and parcel of public transport?

The only time we were involved, was during the 2010 World Cup when we were doing feeders, people had to do park and rides and all that, then with that, we

gained some, but since then, since the introduction of this BRT, we are being deprived where there is precinct around, we are not given that latitude and JMPD will go out in their numbers. They will go out in their numbers that bread and butter they will block it between the stadium and Booyens, then you need  
5 to look at an alternative route. They don't think for the commuters to say they are going to be late and there are in-betweens as well, how do those people go home or go to work.

Proper government support and protection, is one other thing when you talk about transformation. We don't have resources to fight taxi violence. If only we  
10 could have had resources to fight, then we would have, so that we can fight there and as leadership, we never deploy people to go out there and impound vehicles, but it is happening and government then closes one eye and opens the other one, but when we report these things to say look we've got information, we can give you information, but you will find that information,  
15 sometimes we are even afraid to talk Chairperson, because we are being sold by the officials that are in place there.

If I come and say I know who did 1 2 3, it is not for you to say Jones said. You must do your own investigation, get your own intelligence to come up with a concept and say how do, we proceed with the situation. The other thing, when  
20 you do that, now they want you as a witness, now you must go and stand there and that is a recipe for your death. That is your death warrant.

So if only all these things, we can sit together, we plan it together and we can prevent an ugly situation. Personally I am privileged to have contacts of most of the high hierarchy whereby if anything happens, I can phone the two MEC's, the

Commissioner, the Brigadier whoever to say there is something that is going to happen, but I am putting to you that no action will be taken until somebody gets hurt and that is how we are now being perceived to say [inaudible] let them kill each other first and then we will go, so the reaction to that, is always after the effects have taken place.

The value chain that comes with it, part of transformation is the value chain that we need to have. We bring people to the rank. There is no way that you can have a white elephant as a rank there when there are taxis. Go to Bree Street now, it is full of foreigners A B C, those metros is full of foreigners and how much are they are paying to the city? I think R1 per stand. We have reported the matter to the MEC, to say we can't as an industry, we can't own a stand, but certain people own it. How they got it, we don't know.

There are advertisements, but we gain nothing out of those advertisements, but there are companies that make a lot of money through advertising at our ranks. Some will only come and put a stand there, but we are benefiting nothing out of that and when we adopt a situation of such people we chase them away from the rank, it is like now [inaudible] are not right, now we are business men and women who also want to see profit at the end of the day and we don't have to rely on the taxi to see profit. There are value chains that are available around there. We are having the [Kazen] that is going to open probably in July and we propose that we need to talk to retailers that will be operating from there.

I am talking about the KFC's of this world, about the Pick n Pay of this world and so forth. We need to have a stake in that. We do not want to be end users or end eaters, we want ownership of that and we don't want to say okay right,

you will take 80% and then you will fight for 10%. No, we are looking at – if we must get 70%, then we must get 70%, otherwise without us, there is no rank.

This is what we need to look at. The business men and women out there, who are well vested into assisting us, through you, we are inviting to say, let people  
5 not say what is there for me. They must say how can I help you, how can I add value. Some of these things only needed some legality to go with it, so that is part of the transformation Chairperson.

**CHAIRPERSON:** Because some of the issues Mr Jones that are covered in the rest of the submission, some of them, the SANTACO representatives covered  
10 some of the areas, so what I would perhaps suggest that we do in order to give an opportunity for questions from the evidence leaders as well as the panel members, I would suggest that at this point, you perhaps wrap up on the presentation so that we can then have sufficient time for questions, because we are running a little bit behind, if you could bear with us.

15 **MR NGOBENI:** Okay. Chairman, thank you Chairman, you will be given that moment. Chairman I think it is important for us, because this has never happened, this kind of a platform is given to us and express our views, because we are loaded with what we feel as an industry. I want to start from the angle how do, we define transformation. What is transformation? I don't want a  
20 definition because a lot of regulation is in English and our people need translation at some point when we document some of this information, we require that at some point.

Chairman what we are very concerned about that, is that originally when you start the industry, it starts from nowhere, from the informal settlement and

gradually there is development in terms of townships and so, so what is so surprising to our side, is that as and when we have started our own initiative in a gravel road, where there are no buses, all of a sudden there are regulations that are coming after us and limit us in terms of doing our own business.

- 5 When we start a business informally and you come in as government and say no you need to regulate, you need to be compliant, when are you going to involve us in translating this transformation, do you call that transformation, when you take away our business and give it to other people because you've got resources to marginalise the industry? So we are concerned about that.
- 10 Where we have started our initiative, government comes in with laws and by-laws and so on, so that has to be taken into account, because we don't think proper research has been conducted and check the situational analysis of that area. Really there is a need for this, intervention if you may call it.

The Chairperson has also indicated the most important part in terms of value

15 chain, we have observed in our space that a lot of companies are coming in and doing business without us, but they are taking from us. The revenue that we generate, we give it to them. We don't see anywhere where the industry is empowered to claim its ownership and share equity in terms of the value chain, starting from tyre companies, any other company that is doing with business,

20 but we don't benefit out of that. Instead, we are being penalised also. Remember we buy from them and pay VAT and that VAT affects us, even if we want to speak.

Chairman the other part that is very concerning, we are saying and we started on that note, there were permits and now we have got operating licence. Today

the language is about expropriation of land without compensation. As an industry, we are saying, expropriation of permit without compensation that is the route we are taking, because we are concerned about, these definite operating licences that are being issued out. We want a process that will at least  
5 safeguard our inheritance in terms of the operating licence.

You put certain strict, stringent, requirements, that, makes it difficult for us to operate. Give us a bail-out put us on a, business incubation. If you realise that we can't do business, empower us that is part of economic empowerment that is radical. Put us in a business incubation, put a programme that deals with  
10 training programmes, that deals with fleet management if it means we must have that, that deals with customer care, that deals with administration, that deals with financial management, because we are crowded and crowded by banks that has its own requirement for you to have a loan that is going to exorbitant to pay back again and we are saying there is a lot of money in  
15 circulation that the industry needs to get it back and how do we do that?

The route that we are taking as an industry, we are looking forward in terms of having our own corporative bank where we are going to circulate our money amongst ourselves. All that we need, when we say support, support us with ideas that we have, not bring ideas to us. We know the industry has got  
20 intelligent people. The industry has got wise people it doesn't mean that when they cannot speak English, they are not wise. They can reason adequately, so we are putting the interest of our family, the interest of the community, the interest of the public, the interest of the Black people at heart first. Hence we are saying the value chain needs to be reconsidered and re-configured, so  
25 that we are able to participate meaningfully.

If we cannot make money on the operations, but somewhere we must also make money within the value chain of the industry. I will pause there Chairman.

**MR NGOBENI:** The Commission must also consider the facilities that our government is building. It doesn't suit us as a taxi industry, we can take for an  
5 example, when we look into the OR Tambo, it represents the image of the country, but when the ranks are built, they don't propose that our commuters, if they arrive in the evening when there are no taxis, they must have a space where they can sleep, or a space where they can rest up until they get taxis in the next day.

10 The facilities are also a big challenge. Also the challenge that is quite key to us, that we see as unfair to us by government, if I do have an operating licence that is a 15 seater, I want to replace it with a 22 seater, they will not allow me to do that, but if a bus contract comes into space and the BRT, they will take our permits and give it to the buses and BRT. That is also another challenge. Also,  
15 another issue of buses, that are used in our routes, we don't have control over them, so we don't know when the buses are increased, when the buses are limited, because that is quite a challenge to say, when we woke up in the morning, we used to know that our buses are operating from peak hour in the morning and peak hour in the afternoon, but sometimes on these days, you will  
20 see the buses in the Gauteng Province, with the registration numbers of not Gauteng GP, of other provinces.

Now you ask yourself, does that particular bus have a licence to operate. Also, they tap into a space where we are there already operating. It brings new other

modes of transport that at the end of the day, they cause conflict on its own, I thank you.

**MR JONES**: Thank you Chairperson, now I am going to wrap up. The issue of e-tolls, government said we are exempted from paying e-tolls, but you know  
5 amazingly, we are receiving statements and that impedes us in getting our vehicle licences, because we are owing those funds, so e-toll does not work and it is not going to work.

Now we thought as part of public transport and if we are exempted, then it needs to be legislated because you can't even take them to court because we  
10 don't have a leg to stand on. We can say no they say, now the courts don't work with they say, we need to come up with facts, so if only that could be looked into.

Section 45 of Act Number 5, talks of the municipalities, you know we are having a challenge Chairperson where we have got long distance operations and that  
15 dictates that we need to have concurrencies. Now that is one challenge we are having from our municipalities from Limpopo and the associations are coming to Gauteng and it must have a concurrency. We are having a challenge with our municipalities because they don't want to issue that and why they don't want to issue that Chairperson, they will always blame one another, they will say it's the  
20 province and when you go to the province, they will say no, it's municipality, so now we are having those challenges between these two components of government.

Now the challenge we are having, or the unfair competition we are having, is in JHB here, we've got the metro bus. Metro bus is an entity belonging to the

municipality. Now we are competing with them, because when things must happen, they first consider that and I remember vividly well, if my memory serves me well, when there was a bail-out from the municipality that metro must not die a slow death, because now they say it cannot compete with the BRT,  
5 but when we have meetings, the metro is represented there. We are sitting with the city officials and there is metro also sitting there.

So it was just to say but these people, how are they taking us for, so that is what we need to look at, that Section 45. Then the BRT 12 year contract Chairperson, we have always said no to it, because what we were told, in 2009,  
10 personally I was part and parcel of the people who rejected BRT. My wife was even kidnapped because luckily I am alive, but at the time, I wouldn't be sitting here if I was reckless, because of we said it is not that we are saying yes or no to the BRT, but we want to understand it. Even up to now, we don't understand that is going to happen after 12 years, because what we were told, is that  
15 whether we like it or not, it is going ahead and it is going ahead whether we like it or not.

But what we don't understand, after 12 years, what is going to happen, because I have submitted my permit, my vehicle, now I am with the BRT. Come after 12 years, they said it is going on tender, it is not renewable, so meaning you are  
20 out of business after 12 years and that is what makes us people in the taxi industry not to want the BRT because there is so much uncertainty about this thing, we are uncertain about what is going to happen and there is no document that the city can give us to say no, here is a guarantee, because give us guarantee, that is what we said, give us guarantees on this, but there is none.

It is just like the IPT's and the networks we don't have a document that guides us on that. There is nothing that brings us together to say here is the integrated transport plans or transport networks, there is none, they can't give us anything that guides us on that and that is where the unfair practice comes in place.

- 5 If you look at the cross-border Chairperson, we can't go to Mozambique, Malawi, Zimbabwe and go do whatever we want to do that side, but one person comes from that side and does whatever he wants. They are full here, even in Hillbrow, they are full up here, so there is that unfairness that the city does against its own inhabitants here.
- 10 That [Kazeni] already the people, individuals, now we go there as a structure, as SANTACO Greater Johannesburg Region, we go there as a structure representing 54 associations, but here comes Molumondo or whomever, comes and he is representing his own jacket. Then he wants space here. Now if SADEC is going to come with these things, then we need to relook at SADEC,
- 15 because nobody can come into here. Internally in South Africa, you can't come from Limpopo into Gauteng without having a JV with an association here, but with these cross-borders [inaudible], they come from Malawi, he is alone, they come from Mozambique, he is alone. Even the taxi associations, we don't have ranks that side, where they come from, but here they will tell you they want a
- 20 rank here, they want a rank there and the city gives it and provides for them.

So this thing of cross-border, in fact we need to look at the terms of reference of this cross-border because as SANTACO National now, why we must allow somebody to come from the outside? I can't go to Botswana, but Botswana can come into my country, my province, my region and do as they please. Where is

protection from government? Have you seen those buses of Malawi? They are like this with [Mtwalo] on them, it is like they are going to fall, but then nobody arrests them, but here-

Then I've got just 2 last things Chairperson. Funding, KZN is being funded by  
5 the government. Mpumalanga is being funded by government. Limpopo is being funded by government, but Gauteng, the biggest, is not. Now we want to know because when we spoke to MEC Vadi, he said we must bring him proof as to why they should fund and there was funding, but it was stopped.

Gauteng had funding, but it was stopped. Now why should Gauteng not be  
10 funded when other provinces are being funded, because here we are talking, it is in South Africa, it is only Western Cape where it is only DA as an example, but South Africa as a whole here, we are all in this country, why are not funded like the others?

That funding is not to make me rich, but it is to look at projects that we can  
15 come up with, skills development that we can come up with. SANTACO has got an academy in Welkom which is a white elephant. That could be used to educate our drivers, our marshals, even operators. Even operators need that kind of training or workshopping.

Lastly, two centres of power do not work Chairperson. We have got two MEC's  
20 here. One for community safety and the other one is for transport. When our cars are impounded, this one will say that car does not have an operating licence. When we go to this one, he says but they know that the system is down, or they know that we don't have a system. So we are having a challenge on that. We have been advocating to say let's have one MEC who can say

[inaudible] who used to be the MEC of transport and community safety here, we never had such problems, but now here, they are fighting. You will find this department fights with this department here because they are not speaking the same language.

5 Other provinces, we had [KOMPELA] at Free State, he had both, no problem. We had [Shongwe] in Mpumalanga, no problem. So is the others, but only here in Gauteng where you get two and that is a recipe where now our cars are impounded left right and centre. You know the ugly one is when they impound our cars, they take the disc off and I don't know where that comes from, but  
10 they take the disc off and they say go and drop passengers. Now while you are dropping passengers and you meet with an accident without the disc, it means then that the insurance is not going to pay, but this is what they do. Only here in Gauteng and JHB, that is where it is happening, where a traffic cop will come and take your disc and say [inaudible].

15 Now, if the laws of this country are not the same, let us know about it, but let's do it together and from us, as an industry, we are prepared to always fold our arms and say can we work as a team and this is what we are saying as SANTACO today, thank you.

**CHAIRPERSON:** Thank you very much Mr Jones and your team. At this point,  
20 I will hand over to the evidence leaders to pose any questions.

**MR NGOBENI:** Thank you Chair. Mr Jones thank you very much for the presentation on behalf of SANTACO and there are a couple of issues I want to discuss with you and some of them, I think you would see that the way I have structured my questions, is to try and seek solutions to some of the things that

you have spoken about today and I think maybe let's start with the issue under licensing where you spoke about routes over-lapping. I think there, I just want to try and understand, we understand the criticism that has been levelled against the regulatory institutions that are responsible for the allocation of routes and all of those things and the concern that you raised, was also raised yesterday by the mother body which is through the President of SANTACO.

What I am more interested in, as a region and as SANTACO that is on the ground and representing the thousands and thousands of members that you have spoken about today, what is your recommendation, what is it that you would like to see happening in order to try and address this specific issue? Let's start with the issue of over-lapping of routes.

**MR JONES:** Many moons ago, when routes were issued, there was a verification process. We took a decision and I don't want to mention NTTTT because NTTTT it's a document I don't know whether it is still relevant or not, but we always use it. Other people don't use it from government especially, but verification process was to curb a situation like that. You will find a route has been issued to two associations, one route, two associations.

The next thing, it is a question of when I say but this is my route, how can you give joe soap this route and that is only after the intervention and some calamity that came with it or there is death or whatever, then we say but you people, why don't you work together. So from our side, we say if verification must take place, before I can be issued with a route, let there be an investigation, am I not going to tramp on anybody's toes there. If there is, I would need to call that person and say listen, here is this guy, he wants to go to the other side. Now

that over-lapping, now people always say and I will make an example that you are ofay with.

The Mall of Africa, the Mall of Africa used to be called halfway house that area or Kyalami, there was no Mall of Africa there, but there were associations  
5 operating on that. Now there is an R101, I am not sure of the other one. Now with that, two associations are fighting on that route, because now, here is a new component that came in place, which was caused by government, because government called 7 associations and said here is a new mall here, you need to apply for it, but already there were operators there.

10 Now if that can stop and you know, the protocol documents that we have signed with the city dictates that before you can go to an association, speak to structures, because sometimes our interventions in structures, assist, but if you go to associations, associations are ill disciplined. If you call somebody, he will come. If you call this one, he will come, knowing that he is not supposed to be,  
15 but he will come and cause chaos, so from our side, proper verification and consultation can prevent that.

**MR NGOBENI:** Thank you Mr Jones, I think maybe just on the second issue, you have mentioned under I think where you dealt with associations allocating themselves routes in the vicinity of the areas and all of those things, one of the  
20 most important things that you mentioned, in your evidence in chief, is the fact that that has also resulted in a substantial backlog because sometimes the reason why these associations end up allocating themselves these routes, is because of the delays in terms of the obtaining of operating licences and all of those things.

What I am more interested in finding out, is from your engagement with the provincial regulatory entities, how far back are these backlogs? Do you have the stats in terms of the numbers that are coming out from your members and most importantly, how far back are these backlogs at the PRE?

5 **MR JONES**: Last year October, after our engagement with the Premier and we started rolling out on engagement with the PRE and the Registrar's Office, I think there was about 11 000- that was the backlog that was in place and sometimes these backlogs, if I must say, are caused by the government does not have a system of communicating with us. Personally, I was phoned last  
10 week whereby I applied in 2012, I applied for an operational licence. It was granted, but when I go there, they say it is not ready, so last week, somebody phoned me and said, your operation licence is going to lapse. Now this is 2012 when I applied, but last week, somebody phoned me and said your operation licence is going to lapse, bring your papers.

15 Now there was no system, or there is no system in place that could have advised me to say your operation licence has been issued, bring papers 1 2 3, they don't have that. Now part of the backlog is caused by that. Secondly, part of the backlog is caused by some people staying in rural areas and if only people can be contacted to say you don't have to go every day, but if you go  
20 every day there, even those employees, the clerks, they no longer like your face, because every time they know what you want.

Now some of the backlog is, you will find that there is this issue that has been introduced SARS. SARS is a cancer, because if you don't have that document,

then you can't have your operation licence, so there are a lot of inter-mingled issues that causes that kind of delay or backlog.

**MR NGOBENI:** Okay thank you Mr Jones, I think on a related issue and I think you have raised the issue under the moratorium issue and there, I just wanted  
5 to understand for the licences that are withdrawn without an enquiry having been conducted for an example, what I am more interested in, is to find out if the association has ever utilised the other mechanisms, because I do see from the NLTA, that where a member has been aggrieved with a decision that has been taken by these entities, you can still approach the transport appeal  
10 tribunal, so the question that I have, is as an association that is on the ground and that deals with its members on a daily basis, has there ever been an instance where one of your members has approached the transport appeal tribunal to have these issues ventilated and for a decision to be taken by the transport appeal tribunal and that mechanism is provided for in the national  
15 transport land act?

**MR JONES:** That mechanism is provided, but it is not implemented. If you go to PRE, he will tell you that you can take it to wherever. Now they know the minute you go to national, National Department of Transport, you will wait forever, so they will encourage you to say if you are not happy, go there, but it  
20 does not hold any water.

**MR NGOBENI:** But then sorry to interrupt, but on the basis of the complaints that you receive on a daily basis from your members who are affected by these withdrawals, because Mr Mali also indicated the importance of this asset. Once

it has been withdrawn and you now start dealing with these complaints, there is an avenue.

The question that I am asking you, is whether or not some of your members have tested the system to see if that system is not going to come to their  
5 assistance in terms of having the issues resolved.

**MR JONES:** Well I am not sure, personally I am not sure, but it hasn't gone beyond the MEC's office, or maybe the PRE, but if there is any, I am not sure about it.

**MR NGOBENI:** Okay thank you and just one other issue, the issue was never  
10 raised with the President yesterday when he was here and I think you have dealt with the issue today, the issue of moratorium which is placed by these municipal regulatory entities or the PRE's in terms of operating licences. I appreciate that the powers that they exercise, they exercise those powers in terms of legislation and that is very clear, but the question that I have is, were  
15 you informed when these moratoriums were placed, what that moratorium is for and how it is going to be implemented and if you were informed, the question is how were you informed about that entire process?

**MR JONES:** The last time I knew and I have been in the leadership hierarchy for a number of years. There was never a moratorium that was legislated, there  
20 has never been one, so on that, I am not sure if my colleague knows anything here, but as far as I can understand and know, there has never been a moratorium. What transpired on that, it seems there was a gentleman's agreement somewhere somehow to say it is like we are having this overloaded system, or we are having this backlog here and the only thing we must say,

there is a moratorium and to substantiate, I can vividly say while that was happening, there are people that used to get operation licences. There are associations that got operation licences and you will never understand how did they get this operation licences, but they got them. So there was not even a  
5 document that I can give you and say this has been uplifted, or the moratorium has been uplifted. It was never there, it never existed on paper, but it was there.

**MR NGOBENI:** But then you were never told by – say for example, your members, let's take an example of Ngobeni for example and he is a new entrant  
10 into the industry, he comes to you and gets all the necessary documentation and his application is sound, there is nothing wrong with the actual application, it meets all the requirements, you have indicated in the backlog. In the last say for example, recently, were there ever situations where an application that meets all the requirements has been rejected on the basis that there is currently  
15 a moratorium that has been placed in terms of legislation and I think from the PRE, it would have been done in terms of Section 39 of the NLTA.

**MALE SPEAKER:** Well I would say the industry was not informed about this moratorium, we just only heard about the moratorium, even if the applications that are submitted, they will not be replied to, they will be just kept lying there.  
20 You will just follow up, follow up, with no proper answer towards your application.

**MR JONES:** In fact, just to add on that, is that when you went to Derek Masuku, Derek Masuku is a building, a transport building and there was an office there, it was full of brown envelopes or maybe folders and those were our

permits that were lying there for a number of years, so even if you apply, they will just go and dump it there. Now that is when we also started enquiring but all these here, what are these permits, at the time it was still permits, what are these permits, why are they not going out and there has never been an answer,  
5 no we are still busy, no we are still busy.

**MR NGOBENI:** Okay and I think maybe if we can just go to one last issue on licencing, the application processes, when you deal with individual members joining the association, I think you have mentioned the documents that are required and all of those things and you also mentioned that one of the things  
10 that is also required, is a joining fee. Are you willing to share with the panel, how that is arrived at and what is the current amount?

**MR JONES:** Firstly, let me bring it to your attention that what constitutes you as a member is an operation licence, not a joining fee. Joining fee is goodwill because now you are coming into a business that is in existence. Some time  
15 ago when you joined the taxi association, the others say finally you must go and stand whatever, but today it is not happening like that. Today when you come in, your car goes in and you operate, but obviously the process that goes with that is, first you must come to me as an association and you apply to join the association. If there is room, then I give you the requirements and you need to  
20 pay a joining fee which is- it differs from association to association, it can be R5000, it can be R10 000, it can be R20 000, it can be R30 000, it differs.

Then out of that, you need to bring your ID and you must be resident around here, even if you are moving from an informal settlement, you need to bring a letter from the council and then that is when we give you a recommendation

letter to go to the operations licence board, because even then, they won't issue with a permit unless you belong to an association. You know sometimes it is like you are putting the cart before the horse, but I mean that is how it works. First you go to the association, get all the requirements. Sometimes you might  
5 even be rejected by the board, to say the board don't want to give me a permit and then what do you do? Then we need to take you off, but from our side, we do what is supposed to be done.

Sometimes we reject you at that point in time and then people end up going to government to say we don't want to take them and we are protected by the act,  
10 we are protected by the constitution on that. We cannot just take for the sake of taking a person in. We follow all those processes and procedures.

**MR NGOBENI:** Thank you Mr Jones, I think maybe just one last issue. You have raised various issues and we have heard SANTACO. One last question that I have is and this is because the issues that you raised are very important.  
15 The question is, there has recently been a process in Parliament, you are aware the NLTA was undergoing some process of panel beating if I can use the word, so the question that I have, is that were you as SANTACO Gauteng, involved in any of those processes, because the reason why I ask, is because some of the issues that you raised, are issues that can only also be dealt with through a  
20 legislative process, issues around e-hailing, your uber issues, your funding issues, your subsidy issues, so the question there is, in terms of that process in Parliament, were you involved and if you were, what kind of submissions did you make to the portfolio committee that was looking into the NLTA in trying to come up with various amendments?

- MR JONES:** I think if I may put it for understanding purposes, we had a session with the legislature portfolio committee on transport, we had a session with them, but it was not based on the amendment of an act, or transport act or a bill. It was only to look at why Gauteng is not functioning and that is what we
- 5 registered to them. When we had a summit with the Premier, we gave him all those things that were not met, or everything that we felt we need to bring it to the attention of the government. Now you must understand, we in the industry, we do not differentiate between municipality, province and national, they are all government.
- 10 If they treat themselves into those 3 tiers, we don't do that. If the municipality fails us, then it means government fails us. Now even with the bill and all that, that is why with the act, Act Number 5 of 2009, that act came into being to accommodate the BRT, because most things were changed to accommodate the BRT and we were not given an opportunity to add value or probably to give
- 15 our submissions and Chairperson let me also bring something to your attention, you spoke of our national structure. Yes, we have got a national structure but sometimes national looks after national and we are in Gauteng, so what we are saying here, is on behalf of Gauteng, because we feel if KZN and others can get funding, the operation licence system is in place, why not in Gauteng?
- 20 So national should have fought on our behalf here, but we are the people that made the Department of Transport in Gauteng to go as far as Western Cape, to go and get the template from Western Cape and KZN for this operation licence system that has failed for all these years and national was not there.

**MR NGOBENI:** Just one last issue for clarity, the issue around the 22 seater, I just want to try and understand, is that the issue that relates to the transport regulator not attending to inter-provincial challenges, I just want to understand what is the issue there, where you raised an issue around the 22 seater  
5 operator licence issue. Is that the one that relates to inter-provincial licences or are you talking about something that has to be attended to and it only relates to Gauteng?

**MR JONES:** It is only now after we have put up an issue on that, now 22 seaters are getting operation licences, but all these years, other provinces have  
10 been issuing 22 seaters with operation licences, but at this point in time, it has been accepted and it is happening as we speak. 22 seaters are getting operation licences now.

**MR NGOBENI:** Thank you Mr Jones no further questions Chair.

**CHAIRPERSON:** Co-panellists, I think as my colleague Mr Ngobeni has  
15 correctly pointed out, Mr Jones and your colleagues, I think the issues that you have raised are of tremendous importance. I think there will be a need for a follow-up engagement between ourselves. I think the time allocated was not sufficient. I think we definitely need to have further engagements on the issues that you have dealt with, quite important issues.

20 So at this stage, I think we thank you very much for your submission and the time that you took in preparing the submission and also coming here, but we will certainly like to have further engagements on these issues, so that we can find a way of taking these issues forward and to try to get a resolution of these matters, but thank you very much.

**MR JONES**: Just in closing, we also want to thank you Chairperson. You know we come from an industry Chairperson that is Zulu orientated, so it is like when this old man said to this boy [inaudible – Zulu] thank you very much.

**CHAIRPERSON**: I think the next presentation will be from FEDUSA. Are the  
5 representatives of FEDUSA here? Welcome Sir to the Public Sector Market Enquiry, if you could please state your full name and surname for the record?

**MR KHUMALO**: My name is Fred Khumalo, I am the Media and Research Officer for FEDUSA.

**CHAIRPERSON**: Mr Khumalo if you could, there is a piece of paper in front of  
10 you, if you could take the oath or the affirmation as you wish.

**MR KHUMALO**: I am going to take the oath Chairman.

**CHAIRPERSON**: You can go ahead.

**MR KHUMALO**: I Fred Khumalo, swear that the evidence that I shall give, shall be the truth, the whole truth and nothing but the truth, so help me God.

15 **CHAIRPERSON**: Thank you very much, if you could state what your current position is within FEDUSA and how long have you been in that position?

**MR KHUMALO**: Chairman my current position is the Media and Research Officer so broadly, I am responsible for media communications and researching policies and other matters of interest to FEDUSA.

20 **CHAIRPERSON**: I think we are running a little bit behind schedule, so I would like to request you to be succinct in making your presentation, so that we can also give an opportunity to the evidence leaders as well as the panel members to pose questions to you, but you can go ahead with your presentation?

**MR KHUMALO:** Thank you Chairman, my presentation is from the perspective of the transport user and an organisation that is a stakeholder in what is happening within the transport sector and broadly, it is divided into 2 parts. First is our general position, our position on public transport in general and then, I  
5 have got specific issues that are of interest to FEDUSA concerning public transport, especially focussing on the Western Cape region.

So what I will do is, I will read the presentation Chairman.

The Federations of Union of South Africa, FEDUSA, acknowledges and appreciates the resources that the government has invested in improving the  
10 transport system over the past decade, which Statistics South Africa has estimated to total more than R130 Billion, which includes the renewal of the rail commuter network system and the BRTS or bus rapid transport system in the Gauteng province.

The BRT which was pioneered here in the City of Johannesburg before being  
15 extended to Pretoria to Tshwane was for us a welcome response by the State to the chaotic and unsatisfactory transport system in the province. For us, as FEDUSA, the state of the public transport system at the point of the introduction of the BRRLT, which is estimated to carry about 120 000 passengers daily going one way, could be appreciated by acknowledging that by far the greatest  
20 number of South Africans, rely on the minibus taxi industry as their prime mode of transport to and from work and when visiting families and relatives, but then, for us, the minibus taxi industry as a public transport system, is still problematic, as it is beset by a plethora of challenges, such as the physical safety of commuters as many times they are caught in the random and fatal violence

between rival taxi associations and the problem of very old and un-roadworthy vehicles which most of the time, are dirty and uncomfortable and the route treatment of the public by taxi drivers and queue marshals.

We acknowledge that the physical state of the minibus taxis have vastly  
5 improved since the scrapping of the old Toyota's and their replacement by the new Quantum vehicles. However, it is common knowledge that thousands of un-roadworthy vehicles especially the Zola Budd are still on our roads carrying passengers in most urban centres in Gauteng with no apparent response or reaction from the transport authorities in the province.

10 FEDUSA sincerely believes that a lasting solution to the challenge, besetting our public transport systems, lies in embracing a couple of network and design strategies that have been very successful especially in the European Union. Key among these successful strategies is the model integration of the land public transport systems. Such integration will revolve around a well-planned  
15 linking system, whereby the minibus taxis, the BRT and the commercial bus operators including the local and the long distance, are integrated with the rail commuter system such as the metro rail and the long distance Shosholoza Mail.

Of course, we acknowledge that designing and operating such a vast integrated passenger transport system presupposes the injections of large amounts of  
20 resources by the State that could easily run into Billions if not Trillions of Rands in the form of new inter-model transport terminals, subsidies to the minibus taxi industry, including the construction of maintenance and tactical training facilities, but as FEDUSA, we believe that such an investment is vital to the

introduction of a model public transport system for South Africa and for the world being of commuters and long distance travellers.

We believe that land transport authorities, both provincial and national, also need to review the criteria of issuing operating licences to minibus taxi owners  
5 as a matter of priority, as a vast majority of taxi commuter routes are currently over-subscribed, from the perspective of the number of permits that have been issued per route.

The over-subscription of routes in terms of permits has spread cut-throat competition between taxi associations, resulting in ongoing violence that has  
10 seen many taxi drivers losing their lives or seriously injured, also passengers losing their lives and seriously injured.

Another important issue for us as FEDUSA, that we would like to be addressed by the authorities, is the matter of safety of passengers in trains, especially in the Western Cape regions. Over the past month as FEDUSA, we have  
15 repeatedly called on the Western Cape provincial government to act decisively to stop rampant murders on trains in this region. When we approached the Western Cape transport authorities, especially the MEC for community safety, Mr Dan Plato, he confirmed that as at the beginning of this year, that a total of 32 commuters have been murdered in the trains over the past 2 years and that  
20 66 have been seriously injured. Two suspects have been arrested, but the problem is still ongoing, but those were the numbers at the beginning of the year.

We have also repeatedly and continued to appeal to both government, national and provincial and to PRASA which is the operator, also PRASA stands for the

passenger rail agents of South Africa which owns the metro rail trains, to re-introduce rail police on the trains in order to monitor the movement of trains and to protect commuters, most of whom are our members, either as ordinary workers or as workers on the trains, such as train drivers and conductors.

5 One of the problems that have led to this problem with the transport in the Western Cape region, is the unreliable frequency of running of these overcrowded trains along the Cape Town main line, which we have appealed to the authorities, the national or provincial, to attend to it as a matter of urgency, as this delays in the running of the train. It has seen most of the time, our  
10 members arriving either very late at work or not arriving at work at all and some of them have been taken through disciplinary hearings and some of them have lost their jobs because of this kind of situation of this unsatisfactory operating of trains in that region.

Last but not least, as a worker best organisation, FEDUSA would like to appeal  
15 to both the State and private land operators, to embrace the provisions of key labour laws such as the Basic Conditions of Employment and Labour Relations Act and the new national minimum wage act which will soon be introduced in South Africa, in order to align their employees hours of work contracts and wages within this vital constitutional provisions that are encapsulated in these  
20 acts of Parliament, thank you Chair.

**CHAIRPERSON:** Thank you very much Mr Khumalo for what I think is a very helpful presentation with I think quite very interesting proposals and also for being succinct as requested. At this point, I will hand over to the evidence leaders to pose questions to you.

**MR NGOBENI:** Thank you Mr Khumalo, if I may start with your last point on overcrowding in trains, in your view, what could be the cause of this? Is it because there is excessive demand for train services especially in the Western Cape, or it's just limited capacity?

5 **MR KHUMALO:** Chairperson I focused on the Western Cape, but it's not only on the Western Cape where this problem happens. The issue really, I mean of course over time, demand for services, any services, not only transport increases, the population increases, but in our vision, there has been a lack of investment in the system by the State, whether it be the provincial government  
10 or the national government. Our main affiliate which operates there, that is an affiliate of FEDUSA, is called UNTU, the United National Transport Union, they have actually written a document actually appealing on both PRASA and provincial government, to put resources into maintaining this system.

The signalling system is in a very bad state. I mean we have had very serious  
15 accidents. I think if I am not mistaken, one was at the beginning of the year in the Free State it was because of a signalling error. Most of the rolling stock, they are in a dilapidated condition, they are old, so they need re-investment and also the sizes of the fleet are not growing at the same rate as the growth of the commuting public.

20 So it comes to basically investing resources into upgrading and renewing the system that has led to this problem and we have appealed several times and they have not been very responsive, so it is a problem for us that is ongoing.

**MR NGOBENI:** If I may move to overtrading in the taxi industry, so in your submission, you mentioned that authorities should perhaps review the criteria

used for the allocation of operating licences. I just want to get your views in terms of what do you think could be done in that regard?

**MR KHUMALO:** I think most important of all we have through some of our affiliates in the transport industry, done some review. Maybe it might not be  
5 extensive enough, but we have found, is that of course there are some of the colleagues that spoke before me, they also talk about this question of route, but I mean a region in terms of operation, they are divided into routes and I mean to keep the industrial peace, I mean obviously it should be one operator one association per route, but you find that more than one operator has been  
10 assigned to one route, so a route might have 2 or 3 operators and for the taxi industry, that leads to violence. That is how most of the time they solve the issue and this makes it very unsafe for the public. It is not only for the operators themselves, but including members of the public, so we know that our colleagues in the taxi industry will not agree with us, but we think more and  
15 more, a BRT type of system should take over the transport. I mean of course we know that they will object to that, but I mean in Europe that has worked very well, because these buses are safe, it is easy to regulate and so on.

It is a livelihood so you can't take away livelihood from people. I think maybe the State at both provincial and national level, should find ways of integrating  
20 them into the new systems, like into a national BRT system. We think that will be a solution.

**MR NGOBENI:** You also mentioned an integrated transport system for long distance public transport. If I could ask you to expand a bit just to understand your thinking in this regard?

**MR KHUMALO**: If I may take the City of Johannesburg, for example, maybe people wanting to travel from Johannesburg to KZN, the minibus taxis will take them directly to a terminal that is maybe the park station where you have long distance buses, they will take them directly to the – it is very convenient and  
5 very safe. The same kind of situation maybe where they arrive in Pietermaritzburg or Durban, you have minibus taxis taking them to the townships or the city centre that is the kind of system we have in mind.

**MR NGOBENI**: In other words, it is desirable to have a system or an infrastructure like Park Station in different provinces.

10 **MR KHUMALO**: Yes.

**CHAIRPERSON**: Mr Khumalo I think your presentation is quite illuminating and it is a very helpful presentation, thanks a lot for the trouble that you have taken to put together the presentation, as well as for coming here, but we will certainly take the issues that you have raised forward with all the relevant stakeholders.

15 **MR KHUMALO**: Okay thank you Chairman.

**CHAIRPERSON**: The next presentation will be from City Roads Transport. Welcome to the enquiry Sir, if you could please state your full names and surname for the record?

**MR NCHE**: Sidwell Nche.

20 **CHAIRPERSON**: If you could also please take the oath or the affirmation?

**MR NCHE**: I Sidwell Nche, 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 Nche. We are running terribly behind in terms of time, so we will also make a similar request that we made to Mr Khumalo, which is if you could just please be very succinct in your presentation, but maybe before you do that, you can just give us a background of the company  
5 that you represent, as well as your position in that company?

**MR NCHE:** I represent the company called City Road Trans Services. I am the Director and the owner.

**CHAIRPERSON:** Alright, I think you can go ahead then with your presentation?

**MR NCHE:** Thank you Chair, the company I represent, it was formed in 1987  
10 under close corporation. It operates from Soweto to Tabote which is in Lesotho through [Caldonspoort] border. 2009, the taxi owners of a taxi association called [Fouriesberg] taxi association, stopped my operation for a month. I went to High Court to obtain the court order which I was successfully- my presentation to the High Court was successful and I obtained the court order.

15 After that, the taxis stopped to interfere with my operation and they stopped until 2014 June, when they started to stop my buses from operating from Lesotho to Johannesburg and they forcefully removed the passengers out of the buses, ordering them to get into their taxis. Surprisingly, when I was expecting the law enforcement to support me, instead they were supporting those taxi operators  
20 to remove the buses, to remove the passengers from buses to their taxis.

I showed them the court orders and they said they are not legal people and then they cannot even read the court orders so I have to obey by the instruction of the taxi operators and offload the passengers from the buses into their taxis. By this action Chairperson, I believe that the City Road has been treated unfairly

and the competition also has been unfair. In a sense of this, when it comes to the fare, I charge the fare that is equal to what the taxis are charging, though in essence, the buses could even be less than what the taxi charges in terms of the capacity, but to avoid the conflict, I charge the fare that the taxis are  
5 charging.

I have been running 4 buses all along Chairperson, but due to this treatment, I have got 3 buses that are standing on engine breakdowns and I am unable to repair those engines, because of coming back from Lesotho unloaded going down maybe with half a load which is not economical. The matter was reported  
10 to cross-border agency which I am using the permits of cross-border for my operation, but they are failing to resolve it. That is the end of my presentation Chairperson.

**CHAIRPERSON:** Thanks a lot for a very succinct presentation Mr Nche. I will now hand over to the evidence leaders to pose questions to you.

15 **MR LESOFE:** Thank you very much Chairperson. So my first question would be, have you tried operating firstly, obtaining operating licences for different routes?

**MR NCHE:** No it is only the special hires that I have got the permit for.

**MR LESOFE:** But have you considered trying other routes other than the  
20 current route that you operate?

**MR NCHE:** No, it is only the route that I have started since 1987 Chairperson.

**MR LESOFE:** You also mentioned that your fares are similar to the fares that I charged by this specific association that seems to be giving you problems and I

understand that you have done that to avoid conflict. I am aware that there are certain routes, for instance there is a route in Durban where some of the Inter City bus operators were specifically requested to reduce their fares so that the fares are similar and in this instance, were you approached by the association  
5 with a demand that you reduce your fares, or you did it without being approached and acting out of caution?

**MR NCHE**: No, my fares have not been lower than what they were charging and instead, my fares should have been lower, but I decided to get my fares to match what they are charging, so that it cannot be the issue of saying I am not  
10 getting more passengers because I am charging less.

**MR LESOFE**: Alright thank you Chair.

**CHAIRPERSON**: Thank you, so if you can just give us a sense perhaps of the size of the buses that you operate?

**MR NCHE**: They are the 40 seater buses Chairperson.

15 **CHAIRPERSON**: 40?

**MR NCHE**: 40.

**CHAIRPERSON**: And you operate in terms of cross-border permit from Soweto to Lesotho?

**MR NCHE**: Correct Chair.

20 **CHAIRPERSON**: And now what is the link to [Fouriesberg]?

**MR NCHE**: It is a border that I go through it to [Butabute] and then I pass through a small town that is called [Fouriesberg] Mashaye and then the taxi

operators which stopped my operation, they are from that location, which is about 3 kilometres before the border post and then they don't stop me at the location, they will go straight down to the border post and then when the bus comes in, enters South Africa, it is whereby they stop it and offload the  
5 passengers.

**CHAIRPERSON:** So you say the taxi operators who intercepted your buses belong to the [Fouriesberg] taxi association?

**MR NCHE:** Correct.

**CHAIRPERSON:** Is this association affiliated with any of the national taxi  
10 structures as far as you are aware?

**MR NCHE:** I haven't got proof of that, but they said it is affiliated to SANTACO.

**CHAIRPERSON:** Any questions from the panel?

**MR MANDIRIZA:** I just have one question, thank you so much for your presentation, so in terms of your cross-border licence, does it allow you to pick  
15 and drop people within these specified zones, because I think the issue might be that you might be picking people may be closer to [Fouriesberg] or somewhere there. I think just explain how, what is allowed in a cross-border licence in terms of pick up and drop off, because there are taxis operating on the same routes?

**MR NCHE:** It is Point A to Point B. Point A is from Soweto and B is in  
20 [Butabute] Lesotho. The drop off will be for them to do the passport stamping, going in and coming back, that will only be the stop in the middle.

**CHAIRPERSON:** Just a follow-up on that is there a link between the [Fouriesberg] taxi association and your Point A which is Soweto as far as you are aware? In other words, does the [Fouriesberg] taxi association compete with you in terms of your Point A which is Soweto?

5 **MR NCHE:** No.

**CHAIRPERSON:** Alright I think we will follow up on the issues that you have raised with the relevant stakeholders and we will certainly come back to you.

**MR NCHE:** Thank you Chair.

10 **CHAIRPERSON:** Thank you very much for your time and for your very succinct presentation, thank you very much.

**MR NCHE:** Thank you.

**CHAIRPERSON:** I think the next presentation will be from the City of Johannesburg. Welcome to the enquiry, if you could please state your full names and surname for the record?

15 **MS SEFTEL:** My name is Lisa Seftel.

**MR MASEKO:** My name is Ben Maseko.

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

20 **LISA SEFTEL:** I, Lisa Seftel, solemnly affirm that the evidence that I shall give, shall be the truth, the whole truth and nothing but the truth.

**MR BEN MASEKO:** I, Ben Maseko, 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:** Ja, thank you very much. Ja, if you could please before you get into your presentation, if you could just indicate your positions, your current positions within the City of Johannesburg and how long have you held those positions.

5 **LISA SEFTEL:** I am the Executive Director for Transport in the City of Johannesburg. It is a position that I have held for just more than nine years.

**CHAIRPERSON:** Mr. Maseko.

**MR BEN MASEKO:** I am the Deputy Director Business Development. I have been at the City of Johannesburg since 2013.

10 **CHAIRPERSON:** Ja, you can go ahead with the presentation bearing in mind, I think, the time constrains that we have.

**LISA SEFTEL:** Thank you, Chairperson, and thank you for giving the City of Johannesburg an opportunity to present here. I must say, listening to the presentations since we have been here, you do not have an easy job. And I am  
15 not sure if I am going to make your life any easier either. But really, we have engaged significantly already with the Commission. We had an introductory meeting with some officials. We made a submission in terms of the initial terms of reference since September. We responded to some questions in May. We also sent some attachments. But when I spoke to, I think, Balisa, and I asked  
20 her what is expected today, she said you can do anything you want. So, what we thought we would focus on today, is really just to give you some understanding about public transport in the City. And then we've got some views around the key issues linked to your scope. So, then firstly to look at the overview of public transport, I won't go into all of these into detail, but you will

see that the role of the City has a very extensive scope when it comes to transport in line with the Constitution, the schedule, I think, 3 [a] or 4 [a], which says we are responsible for municipal public transport. I think the critical thing is, and obviously something that the Commission has been looking at is, what we do in respect of integrated transport planning. So, in line with the NLTA, we have a number of transport planning instruments to guide infrastructure investment, operational planning, transformation and budget. The critical document is an integrated public transport network plan. We also have a number of transport master plans. So, public transport network plan is about transport. The master plan is really about integrating public transport with non-motorised transport. And then we have a number of operational business plans for different services. I am going to talk a little bit about the integrated public transport network, because I think it is quite important to understand the planning role that we have, which we see in line with the NLTA as a way of ensuring that there isn't unfair competition. So... okay sorry, it is just difficult... I can't see... So, when we plan our network, we look at a number of issues to establish what is the best mode, whether it is a taxi or whether it is rail or whether it is bus. Looking at the demand, the number of people that want to use it. The speed that it can offer. The frequency of stops, as I said the mode. And also how much money we have and how much money is required to be able to put up this particular mode. Then, what we have, and again I won't go through a lot of detail, but I think it is very important, is a hierarchy. So, what we would like in an ideal situation is that we would have a rail network where there is incredibly high demand and in our city it is mostly from Germiston in the east into the city from Soweto and to some extent from Orange Farm in the south,

where there is a lot of people, we think that rail, heavy rail is the best. Then there is light rail together with what we call bus rapid transit, which really is where there is 6 000 to 9 000 people in the morning peak. And we have also tried to link this to a program in the City called corridors of freedom or transit orientated development, so that the land use along the corridor supports the demand. Then we have, what we call, medium capacity, which can still be supported by bus rapid transport. We have medium to low capacity, which is best suited by ordinary busses without a dedicated line. And then 500 to 1 500 in the peak, which is about busses and mini bus taxis. And then we see a role for the Ubers and the meter taxis and the e-hailing [?] and the Tuk-tuks where there is very low demand and what we can call where that can be demand responsive, where they don't necessarily have to have a license for a route, but they can have a license for an area or they can have a license to operate and the extend to which they are competitive is about their own innovation, quality, price and so on. So, then what we have done is, bearing in mind, a hierarchy, and looking at, we've built a transport model which is based on household surveys and other information. And if you look just briefly, and if you understand Gauteng, you can see from this map the major, what we call desire lines, where the major demand is, that is how big the line is. And you can see that in our City the major demand lines are coming from Diepsloot, Ivory Park, into the CBD and into Sandton. And from Soweto in the south again into the CBD. And there is an increasing growing line, over there for those who can see it, which is from Soweto through to Roodepoort. And after that what we did is that we then built a network and for those of you who can see, there is different colours to the network. The grey colour is where we think rail should be, which

you can see coming from the south and going to the east. The pink line is the Gautrain. The bright red is where we think bus rapid transit should be. And the blue is where we think ordinary busses should be. And then this then influences operational, and this is planning as well as an operating license strategy – in theory that is what should happen. But remember as the City of Jo'burg, we are not really working on green fields and that is really one of our challenges, particularly with the introduction of something like the Rea Vaya BRT. So, I might talk about the Rea Vaya BRT and I think you've heard from FEDUSA that it is something that they welcomed, because it really does offer another standard for public transport. I think more than any other, except maybe Cape Town, we have introduced 277 busses and our passenger numbers are 56 000 in a weekday. Now I think the BRT has been our most significant intervention, even though it may not touch a large number of taxi people in terms of public transport and taxi transformation. Over 600 taxis have been removed from operations. They are now shareholders in two bus operating companies and they, instead of collecting money each day or each week from their drivers and from fares, they now get a dividend in exchange for handing in their vehicles, their licenses and becoming a shareholder. I think we mustn't underestimate not only the transformation of the operators or the owners, but also the fact that over 400 ex-taxi drivers are now bus drivers. They have formal conditions of employment, they have medical aid, they have the right to strike. Then, I think another aspect that you asked us about was about procurement. The first busses had to come in time of the World Cup and they were fully imported. The second busses complied with the local content requirements over 80%. I will talk about fares later, but fares are not related to

the operational costs, they are tariffs set by Council after a consultation process. now, I think as other people will also tell you is that there has been quite a lot of criticisms of the BRT because it is very expensive. I don't think we are in the game of anti-competitive behaviour, but I think our problem has been

5 is that, it is a very expensive mode of transport and increasingly in context of competing priorities, and also doesn't get implemented as quickly as everyone thought, that there is a suggestion that we look at introducing ordinary busses and restructure minibus taxi routes, which is what we are trying to do on the third phase. But the economics of this is something that still needs to be

10 proven. However, we are in very significant negotiations, including with Mr. Jones whom you spoke to earlier on, about introducing this Rea Vaya BRT in partnership with minibus taxis and bus operators. I think that because – and he makes the point about the uncertainty around the 12-year contract – I think it is a concern for all of us, but I don't think how this thing can be addressed,

15 because we have a constitution and procurement laws... You know the law says negotiated contract 12 years and I think it will be unjustifiable, you know in relation with the Constitution, if we went for more than 12 years, bearing in mind the issues that the minibus taxi industry have raised. Now, we also have within the City of Johannesburg Metrobus, I think Mr. Jones talked about it. It is a City

20 owned operator and we see it continuing to play a role, but in a restructured way as identified and anticipated by the NLTA. However, as I think you will see and you will hear all over the country in your hearings, there is an overall lack of capacity in transport and that includes operations and it includes in regulation. And I think, I would say that Metrobus has suffered from a lack of capacity. And

25 even though they have introduced new busses, they still have declining

numbers. Let me just say that Metrobus has respected the fact that they are late commers in townships, because in townships that was the prerogative of taxi people and rail. And in fact that is one of the issues which doesn't make Metrobus very competitive or successful is because they really stick to old white areas. They tried at one point to go into Soweto. They are only into Soweto with, I think, 21 busses going to Protea Glen after quite a lot of litigation and violence and a kind of agreement, which initially was a written agreement both with PUTCO as well as with the taxis, and is now just the way things happen. Ja. Now then there are provincial subsidised bus services and I have deliberately put two kind of provincial subsidised bus services here. The one is the conventional PUTCO JR2 [?] and others, of which the majority is PUTCO, and then the Gautrain busses which actually are subsidised in a different kind of way through the concession agreement and by province. So, the Gauteng Department of Transport operates contracts to the value of half a billion, mostly from Soweto to the north of the City. I don't think it is a secret that the contracts are poorly managed with an impact on passengers, the operator as well. And province last year got an adverse opinion from the AG because they just don't [inaudible] the contracts and they don't really know which contracts run and which don't run and where fares are collected and all those kinds of things. The province is very keen to hand this problem over to the City, but it was discussed extensively last year by our Executive Mayoral Committee. And we don't believe that if we just take over those contracts without them being part of an integrated plan, that we can do so successfully. And we also believe that there are many of those routes, I think, as Mr. Jones said, where they also affect the minibus taxi operators. So, we are now in the process of very significant, very

complicated operational and business planning. So that what we'd want is either to go out tender, where taxi people also have an opportunity to tender or use Section 41 where there is a negotiated contract, so that you can have proper sustainable contracts operated not only by ex-provincial subsidised contract holders like PUTCO, but also by minibus taxi people, either operating taxis or operating busses. And that requires an incredible amount of planning with a lot of capacity. Now Gautrain busses – Gautrain operates feeder busses and in fact they also operate some minibus contracts on contract, you know, operating per schedule from various stations. These busses are part of the Gautrain system and if a passenger uses them, they use them at a reduced fee. If a non-train passenger uses them, they pay a very high fee. Now Gautrain have said the reason why they charge a high fee, so they are not seen to be competing with the minibus taxis, but in fact many of their routes are not routes that are similar to those operated by minibus taxis, because, you know, well Midrand is not necessarily a residential area where there are large numbers of, what you called earlier, [inaudible]. I think one of the things that I think is uncompetitive is that despite significant discussions and disagreement, they continued to operate a parallel service to Rea Vaya from Park Station. So, we subsidise Rea Vaya, they subsidise Gautrain, they are both servicing the same, absolutely almost identical routes. But the reason why they say they have to operate this route, is because we are not reliable enough, because their bus leaves from Park Station when the train arrives and our bus starts from Library Gardens, which is about 500 meters away, according to a set frequency. But we do operate a very frequent service. And also they say there is no air conditioning in Rea Vaya busses while we do have quite a good ventilation

system, but we don't have air conditioning. And they have promised a particular standard to Gautrain users, which is, I am sure, something that you will be discussing with them when they come and present, if they have not done so already. Now minibus taxis – Minibus taxis, I think we do regard as an integral  
5 part of the transport system and we are committed to improve the quality and safety. Now, so what does our work involve with minibus taxis. Integration with the BRT system, I think I have talked about that already. And we have agreed as part of the roll out to the next phase, to seek regularising over 5 000 taxis in the north-east quadrant. Now this involves all those, remember you heard  
10 about Mr. Jones' 11 000 backlog – that means that there is a lot of people who have applied, but who have never got licenses. We are setting up, and this is Mr. Maseko's big job, to set up an independent process where we can regularise these taxis. And one of the important reasons about why it is an independent process – and it is not a nice thing for me to say – is because [1]  
15 the PRE does not have the capacity. And not necessarily only the staffing – and I am sure they have told you or they should tell you – they have a very inadequate operating license system which delivers very slowly and is a lot of paper-based thing. And the second thing is that, when you don't have a sufficient system and when you have a lack of capacity and when you have a  
20 backlog, those are tick, tick, tick, all ingredients for significant amounts of corruption. And with us particularly with the BRT is that we are going to be given an economic right to somebody who has to prove that he/she owned a minibus taxi and operated on a particular route for so many years. We can't afford to be giving an economic right, which is a very important and valuable  
25 economic right, to somebody who doesn't deserve it. The second thing we do,

and I think Mr. Jones talked about it, is public transport facilities. And yes, they don't have places to sleep, as I think his colleague said. But we are doing a very [inaudible] state of the art facility called, what he called Cazurny, we call JITI [Johannesburg International Transport Interchange] and we deliberately  
5 called it the Johannesburg International Transport Interchange, because we want to compete with the OR Tambo International Airport in terms of quality. Because the number of people, particularly from sub-Saharan Africa that will be using this facility, we think, is going to be very significant, and I will talk about it a bit later. We have also attempted to give them a stake in what Mr. Jones  
10 calls a value chain, in other words cleaning and security and so on. But I must say, when we went to our Executive Mayor to try and explain to him what this is about, he said to us, but minibus taxis are in the business of taxis and transport, they are not in the business of cleaning and security. And in fact, it is not the taxi people that bring people to taxi ranks, it is the passengers themselves and  
15 the need for transport that they have, that they bring themselves to these ranks. So, I think there is a very important debate about what value chain opportunities the minibus taxi industry should be entitled to in respect of public transport facilities. Nevertheless, we do try. The other thing that we think is very important is capacity building of associations and regional structure leadership.  
20 And now here comes the issue, which I think is the heart of your inquiry, Mr. Jones talks about concurrencies, we believe that the Act tells us that we must provide direction letters. And actually what we have told the MEC and we have political support from our member of the Mayoral Committee, is that despite the fact that the NLTA envisages – now maybe a small town can do it, but a city as  
25 big, as dynamic and as changing as Johannesburg, cannot do an integrated

transport plan in year 2000 and think that you can read off that plan that the demand of taxis between Alexander and Rosebank is 20 and that we must only issue 20 licenses and not 22 licenses. Demand is much more flexible and that is much-much true now with these new modes, Ehailing and so on, but even for

5 minibus taxis. So, we believe that we can't, unless there is a very detailed operational plan like what we are doing in our so-called north-east quadrant, we can't properly apply our minds and we don't want to properly apply our minds. Also, what often happens, especially with cross border – and I think Mr. Jones alluded to it – is that we only agree for a bus to come into our area or a taxi if

10 we have got ranking space, but that is completely unfair to the commuter. Because there may not be ranking space, because our city is congested, but a commuter wants transport. So, it is quite a contested area around this area. We believe that the operator [inaudible] should give a license and should be much more strict about safety and about forms of competitiveness which link to

15 safety or compliance. So nobody should get a license without SARS. It is just like that, because all of us residents, all must equally pay tax. Nobody should get a license without vehicle fitness and the system is not that good. There is a provision in the Act about without a criminal record. That is what province should be focusing on when they give licenses. And then the issue about

20 supply and demand is better managed through – which I am sure you are very familiar about – the market. But, in this industry, to make sure that market forces can manage, there also needs to be very strong law enforcement. And there needs to be a lot of work done to understand the extend to which criminality, because the taxi industry is such a cash business, has infiltrated the

25 taxi industry. Okay, I think I have talked about the issues on the second page.

Oh my gosh, I am so sorry... you must tell me if I am not on top of the... okay, I am now there, the minibus taxis. There is a significant amount of over trading and that is because there are very low barriers to entry. So, you know, I think there were a lot of questions in your second set of questions around route allocation and so on. But to some extent that should be left to market forces, provided that every taxi that is allowed to operate there, is operating on a level playing field, they are all equally safe. Because also what you find around the taxi industry is that, you know, scoro-scoro [?] they come out, you go on weekend, you know, you go to the townships and you form settlements. That is where you find ventures, that is where you find Zola Buds, that is where you find unsafe taxis, you know, and it shouldn't be like that. Every passenger should be entitled to have access to a safe taxi. Okay, I think I have covered this slide. The next slide is rail. I think rail is very sad in South Africa at the moment. We really believe that rail has an important role to play in the City of Johannesburg and we have been committed to support the upgrading corridor modernisation strategy to ensure an integrated network, to try and work with PRASA around railway stations, to promote transit [inaudible] and development. And again to make sure, because rail there aren't a lot of stops, that there are sufficient facilities for last [inaudible]. But really due to both the capacity weaknesses in the city, but much more the capacity weaknesses and instability in PRASA and the key part, shifting deadlines about when the new train sets will come, there hasn't really been a lot of cooperation. In respect of Gautrain – we do have an operational relation with Gautrain. I am sure they will come and tell you all about how the Ubers and the meter taxis all fight outside their facilities. And we think that – and we have tried where we can – to make sure that it isn't only one

mode that dominates the street outside. And that we try and make sure that there is, because it is our role to do designation of ranks and spaces that there is a space for meter taxis, of which we see Uber as one, there is a space for corporate shuttles, there is a space for busses. In respect of Gautrain, Gautrain

5 has got very extensive plans for expansion. And in fact those plans are only aimed at a particular income group, because of their model. And in some instances their plans are not aligned to our land use and transport planning. The next one is what we call... *[Microphone went off]*. So, I think as we see demand responsive vehicles, meter taxis as well as Uber and taxi [inaudible] all

10 together, four plus ones... now four plus ones they are sometimes called Avanza's or Ventures, in the old days they would be called cockroaches, they are generally run by minibus taxi associations for local trips in residential areas with a flat fee. So, in some senses they resemble minibus taxis and they are operated by minibus taxis, but in other ways not all of them follow routes, so

15 they resemble meter taxis. And then there is also tuck-tucks, luckily, I think tuck-tucks have found a niche, you know, in relationship to, you know, market demand. But we do support them particularly in tourist spots and CBDs and we so have a consultation process if a new operator wants to come and we make sure that they don't compete with the taxis. But again, because most minibus

20 taxis are operating from, you know residential areas to places of work, while tuck-tucks generally don't play that service, they play a more niche service. Again the NLTA requires that we provide direction on supply and demand. Again we believe it is inappropriate. If you look at something like, you know particularly like Uber, they have created a whole new demand for themselves

25 with school kids and old people. Now I see there is an advert for a function and

people are told don't come by car, there is no parking, come by Uber – you know that is a new demand. And again for us, we believe that our role is rather to ensure safe mobility for passengers. And we would like to see the pre-imposing conditions such as marking. We don't say that they have to have a big, what do you call those things, like the old taxis, what do you call that thing... anyway, but they can just have a small mark on them like ...intervened.

**MR BEN MASEKO:** A scolly.

**Ms. LISA SEFTEL:** A scolly, they don't have a scolly. We really believe it is very important that there is transparency around maps and fare information, but [inaudible] is not really keen on this at the moment, so we are also going to do a bi-law where we are going to require it. The next area is the long distance cross border busses and minibus taxis. Again we see our role more around that there is sufficient safe transport at affordable prices and that there is safety. And so, as I said earlier on, we are building a new R400 million facility. And what we want to do – and it will be interesting to see whether you regard this as competitive or uncompetitive – we see this is critical to level the playing field and promoting competition, is that we are going to have access control and you can't get into our facility to get access to passengers, unless you have a license and a vehicle fitness – and this will all be done electronically through an access control system linked to the vehicle registration plate. At the same time, we will have to have a much stronger enforcement plan together with JMPD so that if you don't have the license and the vehicle fitness certificate, you can't pick up people outside the facility. And this is going to be a big shift in behavioural change and will be interesting to see whether we are able to achieve this in an industry which is traditionally very resisted attempts at regulation. Okay, so I

won't go through the next slide. I think this slide is in our submission. It just summarises our role. I will go on to responding to the Commission issues. The first issue was around planning, and I think because I have covered this, I think I will try and go quite quickly. We do believe that the NLTA, if it can be implemented as expected and assist to ensure that there is fair competition and no duplication of government subsidies and unfair competition. But there are complexities and unintended consequences. I suppose the biggest one... you know public transport is not all publicly owned. In fact the vast majority of public transport is privately owned. And I think there is a limit to which government can regulate public transport in private hands, even if it didn't have all the particular features of the minibus taxi industry, bearing in mind it is history. And that is, I think, your key question – why must a minibus taxi sector be regulated differently from a hairdressing sector? And if there are differences, what is the justifiable difference? And what is the appropriate regulation for the justifiable difference, as opposed to where the NLTA has come from, believing that public transport is publicly owned and it must be regulated as a public good. So, I think this is really the heart of, I think, what should be driving your enquiry – if I may be so bold to say so. And just a last point here is that a regulation model depends on an enforcement. And if the people – as Mr. Jones said – it is public safety departments and JMPD or Metro Police. Metro Police, their span of control since 1994 has expanded and expanded and expanded, often into areas of the SAPS. They just don't have the capacity to also manage regulation of public transport. Yes, they must deal with safety, but for them also to be checking operating licenses is often a step too far, in terms of their capacity. And then I think the other problem for us particularly is that there are three

spheres of government responsible for different modes, all impacting on the same geographical space and often with different objectives. Like Gautrain is inter-metro... so that also creates complexities. The next issue is a much simpler one, it is price setting. Luckily, we are not involved in price regulation.

5 We do set the prices only for Metro Bus and Rea Vaya. And we don't look at, we basically look at passenger numbers, we look at CPI and other economic indicators. We try and make sure that public transport, people shouldn't spend more than 20% of their disposable income on transport, which is sad, because we should be looking at 10%. And we try benchmark the fares against other

10 public transport modes. In respect of Rea Vaya BRT operators are paid a fee per kilometre and there is an escalation clause to make provision for increases in fuel. So when the fuel price increases, it doesn't mean to say we take that increase, like the private sector would do, onto the passengers. It rather leads to an increase in the subsidy. The next slide just shows you how we compare

15 with other modes and we are basically cheaper but marginally cheaper than the taxi, all except Metro Rail. The next slide talks about route allocation. I have already referred to this already quite a lot, because this is where we were meant to provide direction. But just to summarise for all the modes. Ideally the City... You see the City, as I think Mr. Jones said, Metro Bus is from pre-NLTA. Metro

20 Bus should really have a contract with the City and be in private hands, in terms of the vision of the NLTA. They historically have determined their own routes, but we would like to align their routes to the IPTN [?] and restructure that. Rea Vaya is very done with a lot of planning and business planning in line with current and anticipated passenger demand. The provincial subsidised contracts

25 we play no role. Their routes operate historical basis. I don't know what

province does, but I suspect when the route, when there are no more passengers they take the route off. Gautrain busses – the CIJ [?] provides letters on request, but we have said to them that when we have an IPTN we will withdraw your direction, direction for you. On the commuter minibus taxis we

5 did in our 2002 [inaudible] minibus taxi routes, they were never implemented, I think I have talked about the reasons why. Now Mr. Jones talked about verification in response to one of your questions. And we once did try, I think in 2006, a very complicated thing to try and verify all the routes and call in all the operators and, you know, try and resolve conflict and it was just a process

10 beyond the capacity of the City and beyond the capacity of even the operators. And again that is the whole question about how much, in a big city like Jo'burg, can you really try and have everything regulated as you may wish to do. And will that really respond to passenger demand even if we can do it. Because things are changing, a school is opened, a building is opened, a factory shuts

15 down. And then with long distance and cross border busses, I think I also talked about that, but at the moment we are really only focused on ranking space, which is also not really fair. So the next slide talks about operating subsidies. Again, we pay a lot of operating subsidy. Metro Bus gets about 70 to 75% and the remainder is covered by fare collection and this comes from the

20 City's rates and taxes and it is not a very transparent process. they ask for an amount of money, they get it through the budgetary process. Rea Vaya, both the City of Johannesburg and the national government subsidises Rea Vaya. There are very specific issues, which the national grant pays for. The operating subsidy is about 68%, but hopefully, you know as we increase the network it

25 should go down. The bus operator is paid a fee per kilometre and they are

charged penalties if they do not perform. The minibus taxis we don't pay any direct subsidy. However, we believe the fact that the minibus taxis come free into our facilities, constitutes an indirect subsidy. And we do believe that if we can get minibus taxis to operate either scheduled but on a contract, on a performance-based contract, then we could pay them a subsidy. But to think of subsidising minibus taxis, if they are not operating a scheduled and contracted service, there is no - and they are as informal as they are – there is absolutely no guarantee that that money, that subsidy per passenger will actually go and benefit the driver, the operator, improve safety of the vehicles or anything of the sort. Then on transformation, as a City we believe that we have active process of transformation, job creation, entrepreneurship development and broad based black economic empowerment. Our main focus is the minibus taxi sector, but obviously also where you look at learner transport and small bus operators. So, as I have said we have established two black and predominantly mini-bus taxi owned companies. I indicated earlier on 600 taxi drivers, 340 staff, so we have created lots of jobs. On the value chain, as I said it has become a bit complicated for the City for the value chain, but both Rea Vaya and Metro Bus companies have their own supply development program and, you know, give contracts like to black... Metro Bus recently awarded a new contract to fuel suppliers and they made a particular effort to award that contract to small SMME black owned fuel suppliers rather than to just one white owned or monopoly owned service provider and there is still working progress in this regard. And then on capacity building, we pioneered an NQF accredited course for minibus taxi operators at Wits School of Governance. The last slide is the concluding remarks and these are the most controversial. And we did, I am

sure you are going to ask me the question, did we participate in the NLTA process. We didn't go to parliament, mostly because I think that is for the political and legislator sphere. We participated in trying to influence the amendments as officials between the NDOT [?] and so on. And there are some  
5 amendments that I think are useful. However, I still think the heart of it around section 39, 50, whatever... no the section in the 50's, is still incomplete and possibly unimplementable and has meant that in some areas harmful and unfair competition exist. But that is about the philosophy of the act. The point in which... these amendments have been coming, I think for six or seven years.

10 Where is their potential uncompetitive and harmful competition in the City of Johannesburg? The minibus taxi competition with Rea Vaya and Metro Bus, including where they use our dedicated lands, does lead to a loss of fare revenue, which does need to be made up with the greater operational subsidy. Although, I don't think it is that significant. And then there used to be  
15 intimidation of bus passengers by minibus taxi operators, but this has declined. I think there is a bigger problem these days, I think even Mr. Jones alluded to and the gentleman before me, where passengers are forced to go on a particular mode within minibus taxis, because there is bara qua qua [?] and joba qua qua [?] and all those kinds of things between busses and minibus taxis at  
20 this point in time. then there is duplication of services between Metro Bus and Rea Vaya on the one hand and Gautrain on the other and this is, I think I explained it earlier, due to the Gautrain requirements for certain frequencies and standards linked to their train service. And then the lack of regulation by [inaudible] in the City, and this is not only a lack of regulation because there is  
25 no will or because there is no capacity and because of the weaknesses of the

legislative framework and misunderstanding the sector. The minibus taxi industry began to regulate themselves and often are regulated by third parties, sometimes with in appropriate sanctions and rewards. And often legitimate operators may lose out. And I really do think as part of your commission, I don't  
5 know if people are going to come and present to you, but it will be very important for the Commission to investigate the extend to which third parties, cash launders or money launders use the taxi industry to legitimate illegitimate gains and that has an impact ultimately on quality public transport provision and safe public transport. Thanks.

10 **CHAIRPERSON:** Thank you very much for what is certainly a very detailed and comprehensive presentation. I am not sure whether your colleague would like to add anything on what you've said.

**MR BEN MASEKO:** No, I think we have covered all the issues that we wanted to raise, so I won't add anything. Maybe I will participate in the question  
15 session.

**CHAIRPERSON:** Ja, thanks a lot Ms. Seftel and Mr. Maseko. I will now hand over to our evidence leaders to pose questions to you.

**MR LESOFE:** Thank you very much, Ms. Seftel. Could you comment on Park Station as an intermodal transport facility, to what extend does this facility  
20 support integration in the City?

**LISA SEFTEL:** I think you ask a very important question and something that we have been talking a lot with PRASA about. Okay, so, Park Station consists of many different aspects. So there is the part that is owned by PRASA and that has a rail service which is, you know, well located... the station is well-

located in relation to the minibus taxi hubs. And then on the east side of the City – owned by PRASA but managed by the City – there is Park City which is a taxi rank, a long distance taxi rank that is not relatively well managed and there has been a lot of issues between us and PRASA about that. But we are in the process now on the west side of Park City, west side of Park Station to build this new interchange. And we are planning that all the taxis that are now in Park City, will become part of this new cross border and long distance bus and minibus taxi hub. If you want, I can find, it is a bit complicated, a picture which shows you exactly what we are trying to do. Then on the south side of Park Station is... on the north part of Park Station is the Gautrain Station. And then we also, as Rea Vaya, we also have a bus station on the north-east side. So, it is a very important place for modal interchange. It is not always that safe because there is different owners, but we have tried to cooperate in recent years to improve our coordination and safety.

15 **MR LESOFE:** Sorry, if I may ask about this new interchange that you are talking about, essentially that would be more of an extension of the current facility, isn't it?

**LISA SEFTEL:** Okay, let me come to that, I want to come to that.

**MR LESOFE:** Sure.

20 **LISA SEFTEL:** So, sorry, PRASA also has a bus station on the east side, which services mostly provincial busses and a few cross-border busses. And those cross-border busses are generally of a bit higher quality like Eagle Liner compared to busses that are currently cross border busses, that are currently being located and housed in our facility called Fleet Africa. Now PRASA is also

building another facility what is called Platform 19, which they want to open for cross border busses as well. Now, we are in discussion with them, because we are saying to them that the City and Cross Border Agency decide what are [inaudible] points of busses, you know. And we are saying to them that we think

5 it is okay that all provincial busses, the Greyhounds and all that – although they have a particular standard again, you know – can stay in their facility. And that the Platform 19 we should talk about, that we should be sharing like the cross border destinations between our facility and their facility. So, it shouldn't be that Zimbabweans of a particular standard – or let's put it this way, Zimbabwean

10 operators operate in their Platform 19 and South African operator going to Zimbabwe are going to operate from our facility. We want to make sure that at any particular destination... So, if we decide destination Zimbabwe, all of them must rank in our facility or Malawi can rank in their facility. What we are also in discussions with them, which they say might be uncompetitive is that – and I

15 don't think so, but you will decide – is that we shouldn't make it that their rates are cheaper than our rates, you know. Because we want to make sure, the key challenge for us, is to make sure that everybody comes to our facility, because that is passenger focused, and that passengers don't have to wait at street corners. At the moment their passengers, you know in Yoval, if you want to go

20 to DRC you must go and stand on the street corner in Yoval. If you want to go to Eastern Cape you must go and stand outside here in Hillbrow – that's not right. Passengers deserve dignity. Passengers deserve certainty. They need to know that... and they need to feel safe that if they go to Eastern Cape, they go to this lane in the JITI – that is what we are trying to get to. So, I don't know

25 if that answers your question.

**MR LESOFE:** Thanks. That sounds like a complicated process.

**LISA SEFTEL:** It is very complicated.

**MR LESOFE:** It will require us to do some sort of inspection. But just to check if I understand what you are saying, so I am particularly more interested in inter-  
5 city, I think that is what you referred to as provincial busses, right.

**LISA SEFTEL:** Yes.

**MR LESOFE:** So, to what extend would your plan affect inter-city busses?

**LISA SEFTEL:** At this point in time, our plan doesn't involve inter-city busses, only inter-city taxis, okay. But I think that there is a problem, and unfortunately  
10 my colleague who is the expert on this is not available today, because what I... is that there is competition, and I don't know if it is fair or unfair, between inter-city taxis and busses. I mean I think you heard a little bit of the story here about the Lesotho route, but maybe it is some questions that we can come back and answer in more detail, because I am not really the expert on that, but there are  
15 issues about it.

**MR LESOFE:** Okay, thanks. And also just to confirm if I understand you well, your facility will be connected to PRASA's facility, is that correct? So, the idea is not to develop and construct a facility that will be a stand alone facility separate from Park Station.

20 **LISA SEFTEL:** That is a very important question. We see that we are contributing to having an integrated Park Station Precinct. That our facility will complement and will not seek to be competing, you know... telling this operator come to us, you know. It is something that us together with the Cross Broder

Agency and the PRE will say, you Fouriesburg are coming here, you... you know... that is what we want to do. All the taxis will come to us, okay, because the Park City we are going to use for another use. The problem is the cross border and the provincial. But we are in very close discussion with PRASA  
5 about this. And in fact they might also tell you this, but there is a tunnel that connects the two. And we think that again for passenger centricity and safety that in the long run, you know, we should also open up that. I wanted to say something else about Park City, which you may not want to hear... is not maybe what you think about, but one of the problems about congestion and  
10 overcrowding in the City of Johannesburg is that in fact too many connections are made in the City, you know. But it makes sense for operators. So we have tried over the years to say no, no, some Zimbabweans, you must start from Cosmo City, others must start from Congo, you know, because that might be more... But because there isn't a lot of sophistication, it is not like they have all  
15 got booking offices and, you know... And that is sad, because I think that if there was more sophistication in the industry or if the industry was self-innovating, there could be a much better distribution of, like a phonocentric [?] approach rather than everybody coming here, because that is the easiest way. And as a result of that, you go to these places on an Easter or Christmas,  
20 passengers can wait a whole day for local and provincial trips. They can wait days to go to Malawi or Angola or Mozambique. It is absolutely tragic.

**MR LESOFE:** So then the whole idea behind your plans is essentially to add complimentary services which would compliment what already exists, right. and given your plans for integration, it would not make sense to have a stand alone  
25 facility which may be a bit similar to Park Station.

**LISA SEFTEL:** Let me just say that ...intervened.

**MR LESOFE:** I am not saying ...intervened.

**LISA SEFTEL:** I want to put it the other way around.

**MR LESOFE:** So, my line of questioning doesn't suggest that there is anything  
5 wrong with what you are currently doing. I am not questioning what you are  
currently doing. Essentially what I want to test is whether or not it would be...  
would it be possible in the city to have a facility that is similar to Park Station,  
regardless of who manages or owns it?

**LISA SEFTEL:** I hear where you are going. I want to try and... remember I said  
10 somewhere in my presentation that there is an ideal world, but there is a reality.  
The reality is that the City of Jo'burg, our role in public transport is designation  
of ranks, that is our role, it is facilities, it is less services, it is facilities. So now,  
ideally, PRASA should be listening to us, you know. And we should be saying  
to PRASA, PRASA Cape Town will go here, you know. And cross border does  
15 this to some extent. And we should be working out who is where, you know.  
But historically PRASA has always had these Greyhounds and you know  
those... And in fact because PRASA has Greyhound and those people, it has  
often been difficult – as they may tell you – for new entrants to get space in  
PRASA and it shouldn't be like that, you know. If you've got an operating  
20 license for this route, you should be allowed there, not because you can afford  
the fee that PRASA pays you or not, but you must pay a fee because PRASA is  
offering you services. Just like when we put our facility up, we are offering  
services, it is safe for the passengers, there is booking office, there is ablution  
facilities for your passengers, there is waiting [inaudible] for passengers, you

must pay a fee. So that is why I wanted to say it the other way around. But now, because PRASA has historically played their role... and remember I said the story of PRASA is a sad story. PRASA has, because of their problems, is focused too much on... what you call it... collection of money, revenue. So for  
5 example the PRASA Cres is under enormous pressure to maximise revenue. So, you must go on the site inspection. There is a big Dischem there and there is a big Spar there and in fact they are attracting a lot more, and they are attracting people to come there who is not using transport and creating congestion for the people that come there for using transport, particularly like on  
10 Easter and things like that. So, ja, I don't know if I am being clear.

**MR LESOFE:** Thank you very much. Let me not take this further. Perhaps we could move to Rea Vaya. Maybe you could start by commenting on the performance of Rea Vaya from inception to date, especially in terms of passenger volumes.

15 **LISA SEFTEL:** I think I did answer that question in one of the submissions. Now, you must... you know... Rea Vaya was a legacy project of 2010. It was done building on the experiences of Bagatha [?], there was no business planning like even Gautrain had, there was a feasibility study done. Now, and the number of seats that we put on in a day that could be filled is 260 000 seats,  
20 okay. now, one of the reasons we put so many seats is because we want to do a public policy objective, unlike PUTCO or the taxis, we are not demand responsive only. So you will see a bus going past here that is empty at 12:00 in the day. But because we want to show that we can provide a quality public transport service, so even if there is one person that needs to travel at 12  
25 midday, we put a bus there, okay. However, we only fill about 60 000 seats in

the day. Now where is the big gap? The biggest gap is that all – and this is the legacy of apartheid, settlement planning – is that we can't fit another person into our busses from Tokoso Park to Library Gardens over here, it is tjok and block. The busses going back, maybe there is one or two people, because everybody  
5 is coming from Soweto to the CBD. And it is worse still because we are a services city, you know. If you are a manufacturing city then you have people working shifts, you know, and a bit later. Everybody in this city works 8 to 5. So we have very intense peaks, a lot of overcrowding in the peaks and we have relatively poor performance in the off peaks. Generally in the afternoon our  
10 busses are very well frequented, about 20% or a little bit less of our people using our busses are scholars and students, learners at university and school, which is a very high percentage. And they often use the busses in the afternoon at different times. So, we have very high peak demand and I think... So, what is our performance, our performance in the peak is excellent. I think  
15 the quality that we give people is good and is affordable. Generally we don't get less than 70% in our customer surveys. The performance from a revenue perspective and putting bums on seats, is poor.

**MR BEN MASEKO:** Maybe also to add there on the volumes of passengers, the contributing factor there is also the law enforcement. That is one of the  
20 issues that you will find that there is vehicles, private cars that are on our BRT lanes. And also the minibus taxis that are also competing with the services of the busses, which also then causes congestion on our busses and then people tend to use alternative means of transport. So also those are contributing factors towards the passenger numbers.

**LISA SEFTEL:** Ja, because one of the Rea Vaya promises is speed. So, I think we have been able to meet the promise of reliability, affordability and safety, but often speed we don't meet because of the lack of enforcement.

**MR LESOFE:** Given all these challenges and concerns about, you know, poor  
5 performance in terms of revenue, do you think the system is sustainable? Do you think the system would reach a point at some point where it functions without any form of subsidy from the City?

**LISA SEFTEL:** You know, I am sure as other people will tell you, there is hardly a bus service or a train service in the world that operates without a  
10 subsidy. Even in places like Hong Kong and so on, there is an indirect subsidy through the land use. With apartheid settlement patterns there cannot be, you know... you can't say that a bus is, what do they call this thing, a revenue driver... it is just not... we don't believe it is possible and the national government policy doesn't anticipate that. I think the question is, how do you  
15 reduce the subsidy? Before I get to that... But that there are lots of gains for a city beyond public transport by having Rea Vaya.

**LISA SEFTEL:** Before I get to that, there is lots of gains to the City beyond public transportation. So, it creates more sustainability for residents, social cohesion, enables change in land use. We always use to say when we started  
20 Rea Vaya that we bringing Soweto and the CBD together because there is no longer – we are breaking down bridges of communities. But the real question is how do we improve its operating subsidy not as excessive as it is and that is challenging. I think the model was built to a very high quality, but I think it must slide on, the slide about where are we going with Rea Vaya. We are looking at

initiatives to try and – it's not easy and might not be successful. Like there is a lot of talk and I am sure the other cities will tell you how they integrated taxis as feeders and so on. But we are doing the proper business planning and financial models and economic models to see whether that really is a more sustainable way to go. There are efficiencies that you can get, if land use changes particularly our Louis Botha corridor which we are going to do now to Sandton we think there will be a lot more 2-way traffic than Soweto to CBD routes.

**Mr LESOFE:** And then if maybe we could talk briefly about some of the challenges that you have encountered in the implementation of the system especially at the level of negotiating contracts with the taxi operators. I am asking this question because in some of the cities they are still at the negotiation level. And just, are there any lessons that have been learnt to assist.

**BEN MASEKO:** Well, when it comes to negotiations it is a very difficult process in that we have undertaken at the minibus taxis especially and the bus operators into one table to discuss the issues. If I may say like for instance for phase1a, it took about 2 years just for negotiating how will they get into the BRT system and how will they benefit and how will the shareholding look like, and also, the establishment of the companies to be a shareholder into the Rea Vaya BRT agency. So, we have learnt that maybe the way that we negotiate, the way we bring in and the taxi component into our table also needs to be changed because there are no specific indications or indicators to say this is how we should negotiate with the taxis when you look at the NLTA. It doesn't say anything. So, the cities have to find ways as to how they can negotiate and bring in the taxi industry. Look, we had to train them and also to provide technical support to give people that are experts in terms of transport

engineering and economics and finances and legal people so that they can assist them in understanding the documents that comes with the City. And to really see how they will fit into the process. So, it took years and years for them to understand. And also, the challenges that we also encountered is that even if  
5 you have got a document in place, maybe you have signed a document with them tomorrow they can change to say we didn't understand what you meant to say about this document. So, that will then take us back to restart the talks and indicate what exactly has to be done. And also, the issue of vehicles that we had to take. We had challenges as to how do we identify those people that  
10 would be affected by the BRT process. Do they have licences because when we were taking those vehicles, we have to compensate them. And also, my colleague indicated we had to compensate the economic rights. We just can't compensate because of them participating. So, all of those things were very challenging to get to the point to say you Mr. Who and Who will be  
15 compensated and will be participating into this process. So, those are some of the key challenges that we have encountered.

**LISA SEFTEL:** Chairperson, I have just put on the slide there this is what we see. So, you see we have got to dwarf Park Station here. There is Park Station, this is a new facility that we are currently building. So, there will be a lot of  
20 space for taxi holding, some are taxis and some are buses and there is a lot of retail as well. So, this is our – and then there is a tunnel underneath here that goes to Park Station. So, that is what we are hoping will change really particularly for the cross-border and long distance taxis will really change the – there are catalysts to change it. That is another view of it. Okay.

**Mr LESOFE:** Thank you. Just 2 issues emanating from SANTACO'S evidence yesterday. I think one of the issues is the one that you have just touched on the compensation model and you know just to get your comment on it. SANTACO was of the views that the compensation model which was used to  
5 compensate those taxi operators who opted in to the BRT system was not fair. Your comment on that. And then the 2<sup>nd</sup> thing maybe you can comment on for the 1<sup>st</sup> time I think for myself I heard about it for the 1<sup>st</sup> time yesterday. The mono rail projects and again, it was evidence from SANTACO and it seems to suggest that although the City has this Rea Vaya system, you know that is the  
10 BRT system that is currently at play in terms of these mono rail projects. I am not sure how far it is. There seems to be a plan by the province itself to introduce a similar system on the same route. I think it is Johannesburg to Soweto which may ultimately end up competing with the Rea Vaya system. So, I just wanted to get comment on these and this emanates from the evidence  
15 from SANTACO yesterday.

**BEN MASEKO:** Okay, my colleague will touch on the mono rail part. The compensation part, look, what we do in order to compensate the associations, we get information – I mean, the operators. We do go on the ground, get surveys of exactly how much are they making and then we calculate to fit in our  
20 model and then we will come up with a certain price and for let's say a month they are getting this much and then we calculate that to the lifespan of an operating licence and then we will come up with an amount to say this is then the amount that the City is willing to pay. So, we negotiate the compensation. It's not an amount that we just come up and then we impose to them. But then  
25 we sit down on the table. From their side, I have indicated that we have given

them some experts were there will be assisting them in getting evidence and information for their side to come up with their own model to say this is how much we are making per this route. And if you want to take us out of these routes, they you must expect to pay us this much. And then based on the  
5 information that they are giving us, we will verify that information and work the amount that will be equal to the amount that they are making in that route and we compensate them based on that. And on top of the we include what we call an empowerment premium in the bus operating company that they will get every quarter. And in our initial phase, that is phase 1a, they are getting such an  
10 amount in our 2<sup>nd</sup> bus operating company they get that amount quarterly. So, it's not that we can say it is unfair, the process that we are doing because we are doing partnership with the operators.

**LISA SEFTEL:** Maybe just to dad, I think that the critic comes, it is a different philosophical or ownership approach. They believe that they own the routes, I  
15 am sure that is what they told you. And we say we only compensate them to make sure that they are not worse off than if they continue operating a taxi and we assume that they will only have a permit for 7 years, okay. The reality is that many of them have permits for longer than 7 years. And you know the gentleman here from SANTACO who made the point about we are now in this  
20 game of expropriation without compensation. You know, they see their permits and licences as land. It is an asset, it is a collateral for them. So, if you have got that philosophical approach that you own the route and the way you own the route is an unending access to owning the licence without an expiry date, then maybe the compensation is not fair. But from our side we look at it that we  
25 make an assumption of about 7 years and we think we are quite generous. And

we are required by the DORA, Division of Revenue Act. We can't just give them anything. And we give them and it has to be based as Ben said by the data that is gathered about what they are earning.

The other problem with the taxi industry is that the taxi bosses as you heard  
5 from Mr. Jones earn more from joining fees and collections than they do from passenger revenue. So, the problem is when the BRT comes, all those revenue streams also dry up. That is why particularly at a leadership, there is unhappiness on the compensation amounts. And we are now getting demands and questions in our negotiations in that we must also compensate associations  
10 because of this issue.

Just on mono rail, I think I did have a picture on where I had this RPT and hierarchy. And it is from time to time people will come, private investors, overseas people, you must do mono rail in Johannesburg you know etc. If the mono rail is a very expensive model for carrying not a lot of people. You know,  
15 you will never carry the same people on a mono rail as you will carry on a bus and definitely not as a train. And if you do the economics of it, it doesn't work out. Unless you can really charge people an enormous amount of money. That is why the mono rail is often brought up as an idea, but it is not financially feasible and the state will not subsidise it because it doesn't carry a lot of  
20 people

**Mr LESOFE:** But then just to pick on, do you know where the process is now because I am just interested because this is seen as according to what I heard yesterday as something that is also going to offer some competition to the Rea Vaya system.

**LISA SEFTEL:** There is no formal application to the City and they will also have to get lots of permission from the City. I have heard about Fourways, it is mostly private and entrepreneurs who think they are going to make lots of money and I tell them just go and do your sums and that is the last I see of  
5 them.

**BEN MASEKO:** Thank you.

**Mr LESOFE:** This is probably my last question. It is on commuter bus subsidy contracts. You mentioned earlier that these are poorly managed and I think that is the general view. I just want to get from your perspective what are key  
10 problem in relation to the management of these contracts? What would you say are key problems?

**LISA SEFTEL:** A lot of the problems are also government failures and not necessarily the problem of the operator. Because in 1994, I think the NLTTA envisaged that, look, the owners of these bus companies, the majority of them  
15 like PUTCO, you know PUTCO is the public transport, well, now PUTCO might be a BEE company by 1%, but these have had contracts especially in Gauteng, in other parts of the country there has been much more transformation, okay. Then there was an attempt to go out and do tendered contracts and things like that. And then there was this thing, I am sure you will hear about it with the  
20 unions, right of 1<sup>st</sup> refusal. So, it meant that, that didn't happen. So, many of these contracts have remained the same and just been extended for 20-30 years. And sometimes they respond to demand and often they don't. They are often very inefficient contracts. I mean, take all the Soweto contracts, absolutely full. All the way from Dobsonville or Protea Glen extension going all the way to

Sunninghill, Kya Sands, Wynberg. We did some field work and we went 2 hours and people would get on the buses and the bus doesn't have time to go all the way back in the traffic. So, the bus stays there and it is unproductive the whole day. In the evening the same bus comes. So, you have got an asset that you use very unproductively. So, you know that's one problem that they face. And with believe that the only way to solve that problem is through a proper integrated transport plan. And dedicated lands if you need or sometimes enabling transfers. But most bus passengers like PUTCO bus passengers hate transfer because they will have to wait a bit. So, you will have to make sure you know, like in the Rea Vaya it transfers easy. There are a lot of transfers in the Rea Vaya. The majority of people take 2 buses in the morning because it is quick and it is easy and there are no cost premiums. So, those are some of the problems. Because, and then I am sure they will tell you. Because the contracts are not renewed they are extended, they can never recapitalize their fleet so they have got old fleet. I don't know if you want to add?

**BEN MASEKO:** Maybe just to add on the poor management, the government side because this contract is managed by the Gauteng Department of Transport. They are not monitoring this service of the subsidized contracts. Well, they do have monitoring services but giving any value for these. You will find that the buses like when we did our own surveys, you will find that a bus will come from Soweto to Kammerville only with 5 passengers. So, you cannot run a service like that and you are getting a subsidy for that because they are paid per kilometre. So, they will just run the kilometre but with no passengers on it. If they were proper managed, I mean, they would have adjusted and optimized

the routes so that they can make money. So, those are some of the issues that are being faced by the bus companies.

**LISA SEFTEL:** There is something else and I don't know you know that if it is part of the inquiry but I don't know how to put it. It is like culture. You know like  
5 in Rea Vaya we try to create a different culture where people don't talk to the driver. They don't pay the driver, they can't direct the driver. We call it a modern culture, rightly or wrongly. But why do people stay on PUTCO. In PUTCO, the driver, they give him a Christmas party. In the morning when he comes to the stop and his regular passengers are not there he will phone them on his cell  
10 phone and ask them where are you mama, you must come now. And that is the culture that has happened. Mini bus taxi I think there is a lot, the short left. I am sure Mr. Jones will tell you that often passengers force the drivers to stop dangerously, but people like the short left. One of the most ongoing criticisms of Rea Vaya is that we don't have the short left.

15 **Mr LESOFE:** Thank you very much.

**CHAIRPERSON:** Thank you, any questions from the panel?

**Mr LESOFE:** I think I just have one question. I think since we got evidence yesterday that most likely the City is going to expand, maybe phase 1c are going into the future. My question is, does the City conduct any surveys with  
20 respect to the taxi operators that were incorporated into some of these BRTs? Because the evidence that we got also yesterday and in some of the submissions is that there is uncertainty of what would happen after a number of years. And also that some of the operators are now getting less than they were making and some of them are unhappy and they want to start competing on

those specific routes. So, I think from a City's perspective since this is your plan to roll out these services, do you have some kind of a survey so that at least you will be able to convince some of the operators that this is a viable option for them. That would be my question.

5 **LISA SEFTEL:** I think Ben can also add. I think there is 2 issues. The one issue is certainty going forward and the other issue is responding to whomever came yesterday. Yes, we develop significant operations and business plans you know. So, we have significant financial models etcetera that show what profits are possible. But like any financial model, there is a profit which is negotiated on  
10 the basis of certain assumptions. And one of the assumptions is that you run your bus company well. So, it is true that as the buses get older in phase 1 and phase 1b companies. The cost goes up and if your drivers are not well trained, your drivers are going to damage the brakes do all sort of things that requires the cost to go up, which means that your profit goes down. And one of our big  
15 lessons is that the Borgata (sp) model was premised on the fact that the new owners would really focus on the performance of the buses and lower the cost because that will be their profit driver. So, that is why they don't chase the passengers. They are meant to chase The performance of the vehicles and we give them penalties like when the bus is dirty. And do you know what they do,  
20 they make the buses dirty and they put the penalties in their bottom line. So, it is one of the things that we were really thinking about now. But it is an international problem with all bus companies you know. Because if you want them to chase passengers, you see the problem with the taxi people they don't run the services, or if there is insufficient people, they don't run their services.

And then they go fast and you know, or they wait for a passenger so that they get revenue. So, it is an international conundrum.

**Mr LESOFE:** Let me add a follow-up then you can respond. So, I think the issue that we – the submissions we have received is that whilst you are talking  
5 about the financial models and everything else, so the guy who is running the taxis, it is not involved in the management of these bus operating companies. They are not involved in the actual management and I think the submissions that you got is that there is a lot of consulting services that the City procures. For instance, that run these bus companies right. So, I think form a taxi  
10 operator, all of these things that you have mentioned, he doesn't know these things upfront when they make a decision to be part of this operating company. So, you might have run a model, remember they are coming from where they were operating a taxi and they knew what is going in and what is going out. I think, how do you bridge the gap because there is uncertainty and there is a  
15 feeling of being cheated somehow.

**BEN MASEKO:** Okay look, we haven't done a scientific research or surveys just to get an understanding as to how the operators are now, the ones that have joined the BRT process. Maybe we need to look into that and see what exactly and to have a scientific document to say these operators which migrated  
20 from the mini bus to the BRT, they are now – their lifestyle or their economies have improved or not. But what we have seen from the previous phases let's say 1a, the negotiated amount was different to an amount which was negotiated amount for phase 1b, and there was a big shift in terms of the amount and we have received a lot of complaints from them that 1b you have given then a  
25 better offer than us 1a and what they got from the BRT project in South Africa.

So, that is were all of the lessons that we have drawn out there to improve. Well, in Phase 1b, there is a lot of people that we see and even when you converse with them, they have improved in terms of their economy or in terms of their lifestyle, they have changed. Some of them have opened – because of  
5 what they have got from the BRT project. And also they are involved in terms of – they are active participants in terms of the management of the company. They have got what we call the TOCIs, the Taxi Operating Company Investments were they also participate in the appointing of the directors of the company and also in the board members' appointments. They are also participating there. But  
10 we also looked at improving the bus operating company management so that we can have a sustainable and a solid company that will sustain all the challenges that comes up from the taxi industry. You are right that they still have the mentality of getting money, when you tell them you will get money month-end or after 3 months, then it is a problem with them. They don't  
15 understand that part of the business that how can I wait for my money to be paid in 3 months' time, or for those who declare dividends after a year. And it gives them some problems. So, there is a lot of education that needs to be done. So, we have also started a course with the Wits Institution so that we can train them beforehand, before they can even start to say I am going to  
20 participate. They need to know what are the challenges, what are the risks for them to participate in this BRT process. And we also did financial training so that when they get the money, for instance, in 1b we have given lump sum. So, we said if you get a large figure, if you have never been exposed to a large figure, you also need to think about how you can use that money, to invest it or

how to open a business. So, we have done all of those just to give them an exposure into all of these business formalities.

**LISA SEFTEL:** Maybe just to add very briefly, you know not to parade our trumpets or whatever. It is not an easy thing; communication is absolutely  
5 critical. And the consultants that we have got were to mostly assist in communication. To communicate to 600 different people, operators, owners of different gender, age, nationality whatever, whatever and another 600 drivers and so on. So, it was – something that is much more complicated than if unlike Telkom or Sasol were giving shares. It is a much more complicated shareholder  
10 arrangement that we have set up.

**Mr LESOFE:** Thank you Chair, the questions I have relate to one of the submissions that were made earlier this year regarding the introduction of an MRE. And I am just wondering because there is no mention of when this would be feasible. It just mentions that this is something that will require a lot in terms  
15 of the City. So, just to respond to that, whether you have shelved it because of the challenges that you have mentioned or whether this is something that is still in the pipeline within the City.

And then the 2<sup>nd</sup> thing that I wanted to ask is in regards to planning you said that for ITPs to be reviewed frequently is not realistic right, but at the same time  
20 there would be developments that would be taking place almost all the time particularly for a City like Johannesburg that would require a more urgent response in terms of dealing with those planning requirements. So, in terms of that, what would be almost like a mid-point in terms of planning. And in relation to planning, what would the City usually do in terms of consulting other relevant

parties because it seems what is required is just to make sure that you are focused properly and also you look at what the – where the City is going in terms of for example in terms of projections of economic growth and all of that. But just in terms of making sure that other relevant parties would also be aligning also their planning in terms of what you intend for the City. Like for example, you mentioned that there are challenges with enforcement. So, will those consultations have taken place when you develop those plans.

And then the 3<sup>rd</sup> thing I wanted to ask. In one of the slides that you presented earlier, you mentioned that the City is looking at the possibility of subsidizing mini bus taxis. But then that would be subject to like a performance based model to determine whether or not they should be subsidized. And I just wanted to get a bit of detail in terms of how would be done because one of the things that you highlighted in your submissions and in your presentation are the challenges regarding to capacity. And so for something like this would you be able to implement it given all the other challenges that you have mentioned.

Thanks.

**LISA SEFTEL:** Okay, I will try to be brief and I think some of your questions are quite complicated. We might want to exchange more on paper. On the MRE, basically I think it will cost us 30 million. It is just from an institutional and were the City is and I am sure you have seen the newspapers and whatever. For the City to go into expansionary mode and build a new institution at this point in time was not feasible. And secondly, that we would still have to rely on the national system on the operating licences and as I indicated earlier in that it is very poor. And thirdly, it will be a conflict ask regulators and the contractors at

the same time. So, I think there are a number of ideological institutional issues at this point in time.

On the ITP, I think you ask a very interesting question. I think there is 2 middle points that we look at. One is, we are saying that to do a big ITP it should be  
5 done every 10 years that is something that we want to get into the NRT amendments. But it should be complimented by regional either master plans or operational or business plans for Metro bus or for a specific Rea Vaya. So, that is the 1 way of it to manage it. And the 2<sup>nd</sup> thing is that we are trying to build a transport model that will be updated through the CSIR. You know, every time  
10 even when a developer does a study or does the traffic counts it can be added into the model. And there are a lot of technologies that can enable this and it is complicated because again it needs tendering and institutionally it is not flexible institution in relation to these kinds of partnerships. But that is what we are trying. You know the City has a very complicated process of consultation, it is  
15 IDP consultation with the public. There is the built environment plan, special development framework, there is the Gauteng plan. So, you know there is an ongoing process of consultation with other inter-governmental players. And then we also are required by the municipal structures to consult with people you know. And again at different levels. If your road is going to be affected by BRT,  
20 you must be in detailed consulted. If the taxis are going to change to Rea Vaya, it is more like an IDP consultation. It doesn't require detailed attendance registers and things like that. But I think one thing about the City of Johannesburg is that there is a lot of attempts into [unclear sound 03:04:54]. It doesn't always work, but there is a lot. Then your last question, I think it is a  
25 million-dollar question about can you subsidize mini bus taxis on performance

contracts. And it might be useful for you to get evidence or to visit the Alexandra Taxi Association. They have a contract with Gautrain you know just to offer 2/3 taxis to Limbro Park and 2/3 taxis a day. and it took a lot of negotiation, a lot of stop start, a lot of conflict in the association itself. But in the end they run it and

5 they run in accordance to certain performance standards. It is not impossible, but I think as Ben says, it is a lot of institution building and there are a lot of risks.

**Mr NGOBENI:** Just one last question, can you confirm this? I think it was in your response to the questions from my colleague, Mr. Lesofe in relation to the

10 provincial government contracts with the bus companies that operate in the City. It seems from your response that you have no role to play in that contracting. Can you just confirm that?

**LISA SEFTEL:** The routes are historical, they got permits a long time ago. So, we never asked like say with the Gautrain buses, please give direction about

15 whether we should get a licence or not. We have never had that. Then in respect of contracting, province wanted was us to take over contract, but our mayoral committee said we will be taking over a lot of liabilities and problems. And then we will then be forced you know to be in the same framework and we would prefer 1<sup>st</sup> to do operational and business planning and build an integrated

20 plan or an operational plan for greater Soweto and then have a contracting strategy more linked to sustainability. I don't know, do you want to add?

**BEN MASEKO:** Just to add there, look interesting current contracts that are existing, the City is not playing any role there. But in terms of the Act, the City should be the contracting party. So, as Lisa was indicating there we are busy

with our plans. Planning on how can we take over the services or how are we going to play our role to assume our functions as the planning authority, so that is where we are going. But with the current contract, we are not involved.

**MR NGOBENI:** Ja, because I am asking this question, I think you will correct  
5 me if I am wrong. It seems to me that there are multiple stakeholders such as the PRIs, the provincial, there is also Sanrail and PRASA, your submission also talks to PRASA and the extent to which your involvement in their plans is limited. And then there is the minibus taxi industry. So, it seems to me that there is some fragmentation in terms of planning involving all of these various  
10 stakeholders, in terms of transport planning for the City. Will this be a correct observation because I can make one example, the taxi industry made a point that and you also, I think you made the same point in your submission as well and it seems to be something that is there seems to be a consensus on this issue. That the mini bus taxis carry the majority of passengers in the City and  
15 national. But in terms of how they are integrated into the various plans, one does not see that coming through. For instance, one of the points that they made was that PRASA has not integrated them into their plans. I mean, in terms of linking passengers from the Gautrain stations to the City. So, it seems to me that there is some kind of planning disjuncture and this seems to be  
20 creating some sort of you know tension and difficulties within.

**LISA SEFTEL:** Look, you are asking very critical questions which could be answered in very long ways. I will try and answer it in 2 short ways. The 1<sup>st</sup> thing is, yes, there is even in government not the best alignment and integration. I think what we have achieved in the City of Johannesburg is alignment between  
25 special planning [unclear sound 03:1:33] and with us and the Gautrain and so

on, I think it will be correct to say that there has been fragmentation and not always alignment, and that is a complicated issue the you can explore further later, but with other parties. And in terms of the taxi people, I think again, are you asking the question in a right way. Is the issue not what mode of transport would best serve customers in terms of affordability, reliability and safety? So, those people in Ivory Park are integrated into a network you know so that they drop people I don't know where, you know the they drop people in Sandton or the CBD, no. Because those people in Ivory Park, what they do is they get up short left, they get a floater or a taxi that takes them maybe they are here, takes them there to Koponeng Taxi rank, there they will stand for an hour until a taxi comes and takes them to the CBD or to Vodacom World or whatever. So, when they get into the taxi they will have a straight route. They will pay quite a lot of money for that. In the evening they will wait at Voda World or wait at MTN rank for another 45 minutes and then they will get into a taxi and the taxi will be in a congestion or the taxi will swerve into all of these kinds of things unsafely and take them home. And often when they are back home it is a short left. Now, I could integrate those operators and they will be very happy. But it is more important for me I think for the people in Ivory Park is to get a dedicated trunk route that maybe starts at Koponeng and then maybe stops at Alex and if you are going to town you might have to transfer, but the transfer is seamless. It will be safer, it will be cheaper, it will be quicker. So, that's why as City of Johannesburg that item hierarchies is quite important. Is that we are not saying that 70% of the people are carried by taxis, we want to try and make that journey as comfortable, as quick and as affordable as we can. We are saying, what is the best mode for the passenger, number 1 and secondly what is the

best mode for the landries, think about the future passenger and I am trying to be quite short.

And that is also why for the transformation perspective, the mini bus person, that is why we do not allow taxi operators and citizens and foreigners to operate  
5 our buses. We insist like what Ben talked about, it must be taxi drivers and it must be taxi owner that must be shareholders.

**CHAIRPERSON:** I think, any further questions?

**MR NGOBENI:** I think on the last question you raise a very important question of what is the best mode for the passenger? But then what we have seen and  
10 through some of the evidence that we have received that if you go to corner Von and Commissioner for example, where there is a BRT, a Rea Vaya; you are going to find a situation where instead of people getting into what is called the best mode to take them to Soweto, they still queue and they take the taxis back to Soweto. Have you done some study? Do you know why people behave  
15 they still behave despite that as the City what is considered to be the best mode you know to take them back.

**LISA SEFTEL:** I okay we have done a lot. I think the one thing is that our passengers are very price sensitive. If the taxi is cheaper and the Rea Vaya safer, they will do it. The 2<sup>nd</sup> thing peak trips in the afternoon you are able to  
20 take a taxi short left closer than the Rea Vaya and often in townships it is not safe because there isn't street lighting. You feel safer with a taxi that will take you much closer to your home than with a Rea Vaya. So, we find a lot, you know we have done surveys. There some people that will take a Rea Vaya in the morning, they will take a taxi in the evening. We are not saying that the taxi

is not a safe mode for certain origins and destinations and certain types of passengers, we are not saying that. And that [unclear sound 03:13:44] integration to go. But mass transit, more work trips is often not appropriate for mini bus taxis.

5 **CHAIRPERSON:** I think there are still a lot of issues to explore till 12 in the evening. Do we have any plans for the weather? That will be my last question.

**LISA SEFTEL:** You are very brave hey choosing this venue. Symbolism is try and comfort.

**CHAIRPERSON:** But thanks a lot Ms. Seftel and Mr. Maseko. I think this  
10 presentation is a very thought provoking presentation. Definitely there are a lot of issues I think that we still need to explore. So, I think there will certainly be a need for further engagement should you be amenable to do so. I think we need to do that. But thanks a lot for a very detailed and very illuminating and insightful and informative presentation. We are hopelessly out of time, but we hope to at  
15 least be able to take the last presentations from, I think it is Moollas Transport, will be the next. And then followed by PRASA Gauteng Region. Without further ado, Mr. Moolla if you could state your full names for the record?

**ZUBAIR MOOLLA:** My name is Zubair Moolla and I am from Moollas Transport Service.

20 **CHAIRPERSON:** If you can indicate if you wish to state whether you would like to take the oath or the affirmation?

**ZUBAIR MOOLLA:** I will take the oath.

**CHAIRPERSON:** You can go ahead.

**ZUBAIR MOOLLA:** I Zubair Moolla swear that the evidence that I shall give shall be truth, nothing but the truth, so help me God.

**CHAIRPERSON:** Thank you very much Mr. Moolla. We are obviously out of time, so we will request that you state what your position is in your company  
5 and briefly just introduce your company and just give your background to your company and then you can take us through your presentation.

**ZUBAIR MOOLLA:** Okay, my name is Zubair I am currently part of the directorship of a company called Moollas transport. It is a family owned business, It with started in 1995. Actually predated by my grandfather and my  
10 dad and his brothers in the early parts. But nonetheless in the early 2010, 2012, 2014 around there, we transformed and now bought many more females onto the board. We are now made up of 60% female and the balance, 40% is male totally historically disadvantaged individuals. We currently provide services on the private hire sector and with have a government subsidized contract called  
15 T21 and that is between Eldorado Park to [unclear sound 03:20:05]. In the greater scheme of things, it is a very smallest contract available at the moment. We also then ventured into the long distance services. So that we started up in 2016. If I can go into the presentation, it was based on the series of questions that was presented to me. On the licencing route allocation and entry  
20 regulations, the experience as a whole was an incredible learning curve. The initial application required much detail and we had to make a lot of changes because it was required in all the different requirements that were needed to be met by PRI. Hence, the documentation needed to be complete and accurate. We were able to get this right the 4<sup>th</sup> time of submissions. In doing so, we learnt  
25 a lot about the process and read the Act and become picked up a lot of legal;

jargon as well. The standard period for gazetting is 3 months. We had submitted the submissions without any hope of actually getting the long distance licences. We had also submitted the renewal application for the current subsidized department of transport. So, the applications went in together. For

5 some reason unknown to us and this is after the applications had already [unclear sound 03:21:37] there were some members from a company called David's bus service who complained that we had no authority to make any applications. However, since we had the applications with the subsidized routes, the department of transport was applying pressure on us to retrieve our

10 operating licences and why we didn't have the operating licences as yet, and neither could we as this only takes 3 months to be gazetted. If I can run you through a timeline. Applications were made in November 2014, and it was already a whole year. It was now 2015 and we were still waiting for our operating licence for our subsidized routes. Eventually the deputy director from

15 the transport operations accompanied me to the offices at PRI to gain an understanding why the operating licence have not come out as it should have been a simple process. It was at this meeting that we discovered that there was this problem of some sort of authority that was effectively made by David's bus service. And then the department then sent the matter back to PRI in December

20 2015. At this point a meeting was called by PRI between Davids Bus Transport and Moollas Transport Service. We were called to a hearing. It was at this point that the members of the board saw the application had already been approved and ask questions as to why we are here. After that questions were completed, PRI had made it clear that Moollas Transport had the authority and that the

25 applications were valid and that we should go on ahead with the issuing of the

operating licences. In short, that was our experience, I believed PRI handled the matter professionally and with integrity listening to all sides of the story using the facts that were before it. It is my opinion that the staff and the members of PRI from the application phase to the issuing phase did their jobs with full  
5 integrity and with professionalism. Something that we don't usually see. In the past the office for the operating licence was a total disaster, was a total mess. One would not know how to and when to start. But over the past few years I have seen a huge change in the operations of how the applications are captured to the forms and the ways that they have used the checks and  
10 balances that they have put in place to protect both the receiver of the applicant as well as the applicants themselves. And to make sure the any person is making fraudulent applications, hence the department should be congratulated on its improvements, even though there is room for improvement in this regard.

We had made further new applications in January 2016 for licences as well.  
15 Once we knew that this initial draft was approved, unfortunately at this point Greyhound, Eagle Liner and Davids bus service, Eldo Coaches entered objection letters into which I have attached. I have those attached letters into submission. This practice in itself it is almost regularly done to any one person or company operating licences on the long distances routes. Summarized  
20 objections alluded to the understanding that the routes are all saturated already and that there is not enough demand to warrant the need for a new operator. The routes may seem to be saturated, but the question back us is who is it saturated by. The simple question should be asked that is that these operators have been operating for decades and have total market share. In fact, it is these  
25 very same operators who have saturate the market by introducing services

constantly. And even duplicating services in the peak period rather as well as in the off peak and period. Further, during my peak period these operators moved to other sub-hire operators to fill up the gaps and for the demand that comes through. Yet they claim that there is no need for new operators, the current  
5 operators cannot use up all the capacity. In my submission I had form A2 which had the different times to show how they over saturated the market themselves and claimed it is over saturated. A pattern clearly emerges that the operators are using the [unclear sound 03:27:11] saturate the markets, in their minds this is only Johannesburg to Durban corridor. It is a short corridor, so you use it to  
10 establish yourself and entrants to find his feet. Hence, they over saturate this corridor as this route can establish this corridor. Operators can then use the static overcrowding and competition and price reduction below cost. The objections in the Moollas transport service in the above instances were late and notwithstanding that the bigger established and more experienced operators  
15 continued to object well knowing the they were late in the objections. This was an unnecessary plan to say the least. We had initially planned to do the operations in June 2016, and had already purchased vehicles. However, due to the technical processes of objecting and creating a delay, our issue date was moved to September leaving us with a massive problem of having to carry  
20 overheads for a further 3 months before actually bringing in any return on investment. Already made as far as we believe, operators acted in a way knowing full well that they knew that this delay will cost the company huge amounts of money making it more difficult and ultimately forcing the company to withdraw from the route. Attached we have submitted PRI's responses to the

objections. It was also submitted on to there. It is my opinion that PRI acted in good faith and in a good manner considering the process of the objections.

On the following question of what can be added into the NLTA to curb such abuse, I am not too sure. But perhaps maybe there should be an amendment to  
5 the act to bring forward some kind of a fine should it be found that the other operators use that as a tactic to force out a new entrant and it shows that they did this in bad faith of some kind. If it can be proved that they were being disingenuous. On the following, on question A6, the impact was massive as we had already made preparations to enter the market and because of due to the  
10 processes and issuing of the operating licences we had to carry 3 months cost. We had then eaten away in our working capital. When we then eventually began we had a lot of financial pressure. Hence, we had to find alternative ways and using our working capital relinquishing assets etcetera. The impact has to also be viewed from the perspective that we are already disadvantaged  
15 because you are a new brand, you are a new entrant. Hence you are still establishing your brand and you are busy creating brand awareness. This becomes tricky because the efforts now get dragged to just to just surviving. The onslaught is that as long as long distance initiation, it takes a longer period to break even. In traditional business environments you might beg it to 6-8  
20 months. However, in this they are much more stretched closer to about 36 months. This could be reduced to at least 12 months if the operators curb their behaviour such as dropping price lower than cost price and overpricing of time slots. I believe that the success rates are a lot higher and that the space to allow new entrants is there. The bigger and more dominant [unclear sound 0:] of  
25 sharing and cultivating instead of using a single-minded [unclear sound 0:] to

business approach and mind-set of greed. Various to entry and expansion, the impact of lack of access facilities for new entrants is difficult to quantify, but at the same time it is very negative sense not only in revenue but also costs are pushed upwards and the brand affected negatively. Extra staff are required to

5 move clients from one end to the other end for a lack of better words 'guerilla tactic' are used to ensure continuation of the business by being sneaky. We had to spray a vehicle white because we could gain entry into the terminal. Local trains, taxis and buses all use the facilities of the main station thus making it easier for the potential client to move in. Lack of access would be an automatic

10 disadvantage to any new operator.

Having said that it should be bought in mind that these facilities are being operated by PRASA themselves. Thus far Moollas Transport Services only has its operations in 2 provinces that is in KZN Durban station and Gauteng Leyds Street. We have been successful enough to gain an office in Durban Station,

15 but lack the usage of a loading bay from the inception December 2016 to April 2018. However, I must add that as of May 2018, we have now been rented a bay going forward. The impact of a no bay at Durban station meant that we had to load from outside of the station, having to walk our clients out and dropping clients outside in an unsafe environment. This left us looking really clumsy and

20 unprofessional. And it also made us hire extra staff just to move the clients luggage and the clients themselves so that we could have a consultant in the office and one would remain at the office and one would stay at the vehicle to load, thus creating duplications. In Gauteng, we have been very unsuccessful in obtaining and opening the door to the facilities that are available at Park Station

25 terminus. This forced us to take an office outside of the station so that we could

be having close proximity to the station and central hubs of all the different modes of transport where the passengers have access to taxis, train that they usually use. Our office on Leyds street is approximately 500m from the entrance from Park Station, it is around the corner from Power House cross border terminus. However, it is a very dangerous part of town. People get mugged there in broad daylight. Night it is even worse. So, we eventually managed to find a company inside for Park Station who was willing to work with us. However, it is a costly affair. We have put some vehicles in his name, we spray them white and put them in the station, we pull them out of the station and we pay commission based on the tickets that he sells for us. Which shouldn't happen because there is enough space in Park Station, there is enough space and loading facilities. It increased our overheads, and this left us with a lack of professional service which does not give us an opportunity to equal footing with our competitors. This is all based on the long distance.

Interesting competition dynamics, the state of competition region of intercity bus services, at the moment at present as we sit and talk here today is in a total mess and disarray. Whether it is panic, whether it is total anti-competitive behaviour, but I totally believe that it is anti-competitive, they have reduced fares as far down as R120, R140 at times. For one, the new entrants at times has made the operators very nervous the these operators have operated for a large number of years operated with no new competitors. There was no new threat to their market share. However, having said that , main drivers for competition are simple and clear cut. Location, stations in different parts of the country, type of vehicles, in this industry we use semi-luxes and super luxury vehicles. But the difference is service varies between the services on-board.

Some operators offer hostesses, others don't. Overall access to client and purchasing of tickets, that is the online and retail which is very critical and crucial. In light of long distance travel, competition between the 3 modes of land based transport seem not to be intense. However, the recent price war between the bus and taxi, the long distance taxi operators have been severely impacted to the point that in early October last year, taxi bosses 1<sup>st</sup> threatened violence and then led operators on the table to discuss the price war that was going on. It was understood that a passenger who usually uses the buses, they usually stick, they don't interchange too much. Your train passengers are usually your train passengers. The passengers that usually use taxis will generally stick to using the taxis. That trend however shifted because the bus prices dropped so low that it started taking away from the taxi operators. They rightfully got nervous and they can't run for R120, you can't even run a bus for R120, it just didn't make sense. However, the taxi operators complained that the prices is not sustainable which is very true. Bearing that in mind that we have had discussions with the taxi operators. They only threatened violence once, they are very easy to talk to. We sat on 2 occasions to talking to them. But unfortunately, the bigger operators are the ones that command the market pricing, not the small new entrants. Price setting mechanism and policies, I have attached that as D1 which guides the price policy framework. This is the ideal, we use this to establish what our operating costs are and exactly what our overheads would be from before we even started and what it would cost us ideally and I have given the whole breakdown on D1. Fluctuation of prices between the rationale that the price setting mechanisms take very low account of low periods which is usually the 2<sup>nd</sup> half of January months through to the

2nd of February, August also forms parts of these months when passenger numbers drop drastically. One will notice that we use cost per kilometre and services provided creating a bottom line for services cost. When taking into account, one cannot use the form that seats will be full on every service every 5 day. hence, there is variation interesting costing. During the peak periods, the rationale is more based on the supply and demand. The number of passengers increases were operators cannot cope with the demand, as of lower to R120 and oftentimes at peak period they raise it way up to 500 which makes no sense how they get to those figures. We just keep following the trend as a small 10 bus operator. Thank you, that is the end of my presentation.

**CHAIRPERSON:** Ja, thank you very much Mr. Moolla. Any questions? I think colleagues need to bear in mind the time factor.

**MR LESOFE:** Mr. Moolla, you mentioned that you believe there is enough space at Park Station, that is office space and loading bays. What makes you 15 think or believe that there is actually space and loading bays?

**ZUBAIR MOOLLA:** Well, I have personally gone to Park Station. There is offices that are sitting empty vacant for the last 3 years, 2 years at least. When you ask them they say they have got letters of intent. Who in their right mind keeps a letter of intent for 18 months. So, and the facilities are there you can 20 see it for yourself in plain sight.

**MR LESOFE:** If you could tell us briefly about your engagements with PRASA in relation to your applications, you know the process.

**ZUBAIR MOOLLA:** Well, with PRASA we had to do applications on both sides and I put both applications in at the same time to Durban station and at Park

Station. At Durban station, I got the response fairly quickly, almost immediately and they were very kind, and like professional. They handled themselves quite well like any business would. However, unfortunately at Park Station it was a whole different ball game. You had to fight to find out who you needed to talk to, who you needed to get to. Eventually by the time you got your application they took you to the 5<sup>th</sup> degree and the 3<sup>rd</sup> degree of asking you many questions. We don't have a problem answering it, they have the right to ask as many questions they want to. But in terms of being fair we had set up meetings and we had eventually showed them all our business plans everything. So, you divulge a lot of confidential information to them for them to come back to you and tell you that we don't have any space, we don't have any loading facilities. We will have a problem to say look, how can you say you don't have any space when you have an office here that has been sitting empty for the last 12 months, 'oh no, it is allocated to someone already.' There is a letter intent on it. So, you might wait and see months go by and the application is still in there. We have taken it as far as retrieving prior application against PRASA so that we could get information from them. We had to get our lawyers involved. So, Park Station has just become a total mess at the moment in terms of our application for an office there. We still hope to be inside there because it will reduce our costs. We still have to find a way to build a relationship to work with them if we do get inside. It has been a very sour relationship and especially a sour application especially once we were able with a friend to get our vehicles to get onto his list. So, there was enough space to come in provided it was on his list. But the minute he came in, your other companies, Greyhound, Intercape, Eldo Coaches made a very big noise all came and forced the vehicles out. So, they have

banned the vehicles from entering on the behest of another company. So, I just don't know what kind of protocols and what kind of value ethic codes at PRASA in Park Station, we just don't know.

**MR LESOFE:** So, currently what are you doing at the moment?

5 **ZUBAIR MOOLLA:** So, at Park Station what we are doing at the moment, I work with a company inside. He sells our tickets, we spray the bus white, we put the vehicle onto his portfolio at Park Station, we fill the buses up, he fills them up, we send the white bus in. it is just a normal plain semi-luxe, it goes in unbranded, retrieves the passengers, come out of the station, goes around the  
10 block to our office where the – our then vehicle is standing and we off load and we move the luggage across and the people across and the bus leaves. So, like I said a total guerrilla tactics that you have got to use.

**MR LESOFE:** And how has this affected your business?

**ZUBAIR MOOLLA:** To quantify it, it is very difficult monetary, but definitely it  
15 leaves us with a lot of problems of looking very unprofessional, looking very sloppy you know. We are not on an equal footing, definitely not on an equal footing to say that we are looking the same like Greyhound is looking like or Eldo Coaches you know. People look at us and they think that you know what, you are just a Mickey Mouse company, now all of sudden coming here and  
20 shunting us from one bus to another bus. And sometimes luggage gets lost in that exchange and transfer because you are doing it in the dead of night sometimes especially around the corner from Park Station, it is very unsafe. People get mugged there all the time. Just outside Park Station, the thugs sit there all the time waiting to rob you. So, we try to do things as quick as with

can, we try and keep as professional as we can. But it can become very difficult, yes.

**MR LESOFE:** Thank you Chair.

**CHAIRPERSON:** Thank you Mr. Lesofe, and the panel. Thanks a lot Mr. Moolla for bearing with us and being patient with us. Thank you very much. We will certainly take up the issues that you have raised to the stakeholders. So far, I think you are the only person that has spoken favourably of the PREs, but thank you much.

**ZUBAIR MOOLLA:** It is a pleasure and thank you very much for giving me this opportunity to express our views. It is just unfortunate I couldn't do [unclear sound 0:] in terms of [unclear sound 0:] and the subsidized contracts. If in future we are still part of an inquiry, we will definitely bring that. This is not the end of the process, you still have further opportunity to make further written submissions to us or request a meeting with us to make further submissions. So, that avenue is still open.

**ZUBAIR MOOLLA:** Thank you for that, much appreciated.

**CHAIRPERSON:** Likewise, I think we have received the last submission from PRASA Gauteng if they are still here. Thank you very much, is it Mr. Mathambi?

**JENNIFFER JONI:** My name is Jenniffer Joni. Now, I just want to address the panel on a few issues. The fact that PRASA has received two requests for information and for its bus subsidiary. Now, how we have structured our presentation is such that the Gauteng Regional office which will speak to issues pertaining to them and the on Friday we have been scheduled our main submission which will come with broad issues around subsidies, around fare

determination and transport planning. I think I would like to make a humble request to the panel around the time that we – the time constraints that we currently have. Mathambi was supposed to do the presentation for the Gauteng Regional office. But now we thought we were going to make our presentation at

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:30, our times and our meetings outside of this allocated for this particular presentation. We want to make the presentation, but due to emergencies the he had to attend to back at the office, we want to make a proposal or a request to the panel that seeing that we have a presentation for our main presentation and then our other presentation from our bus operations which is OTOPECS that he be allowed to share the time with them on Friday so that we can fully ventilate the issues because I don't think the time he has now because he has to be back at the office at 18:30 and attend to a crisis at one of our stations. So, can I hear from you if our request is acceptable?

15 **CHAIRPERSON:** Ja, thank you. I didn't get your -

**JENNIFFER JONI:** My name is Jennifer Joni, I am from Group legal services.

**CHAIRPERSON:** I think your suggestion Ms. Joni is quite helpful, I think we must also apologize about the time factor as well as the delays because the presentations overran the time allocated. That is why we are in this difficult position. But I think your suggestion is very helpful and we will manage that way as you have proposed. Ja, thank you very much. We will hear from you on Friday.

**JENNIFFER JONI:** Thank you.

**CHAIRPERSON:** I think we will then adjourn and resume tomorrow. I just need to get the time. We will resume tomorrow at 09:00 in the morning. Thank you very much.

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