

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

5

[●]

10

---

**PRETORIA, DAY 5.**

15

**Friday, 08 JUNE 2018**

---

PLACE:

**(MANHATTAN HOTEL)**

20

## Session 1

**CHAIRPERSON:** Morning everyone. We are now starting. Welcome to the Public Passenger Transport Market Inquiry public hearings. Today is the 8<sup>th</sup> of June 2018 – today is the 5<sup>th</sup> day of the public inquiry hearings. My name is  
5 Bukhosibakhe Majenge I'm the chief legal counsel at the Competition Commission and I will be the Chairperson of the panel. I am joined by two panel members Ms Nompucuko Nontombana on my right, who is the divisional manager of the market conduct division at the Competition Commission – she is an economist and on my left I am joined by Mr Thulani Mandiriza, who is joining  
10 us in his capacity as the head of the inquiry's technical team and he is also an economist. On my extreme right we have Mr Itumeleng Lesofe and Mr Jabulani Ngobeni, who are also from the Competition Commission and they will act as Evidence Leaders during these proceedings. Both of them are lawyers – they are together with a team of the commission's lawyers and economists – they  
15 will assist the panel in soliciting evidence for the inquiry.

Before we start, we would like to recap the rules that will be applicable to the inquiry or the procedures that will be applicable to these proceedings. The first is that the inquiry will be open to the public at all times, except when I rule that part of the proceedings it may be closed on the grounds of confidentiality or for  
20 any other reason that we deemed justifiable in terms of the Competition Act. All session will be recorded and will be streamed live – say for those sessions or parts of the sessions, which are closed.

In order to allow the proper ventilation of issues, the Chairperson as well as the panel members and the evidence leaders may pose questions to any person

making oral submissions or to any witness. The Chairperson will not permit either person – neither personally nor through a legal representative to question any witnesses or any person making oral submission during these proceedings.

In the event that any stakeholder has an objection or a comment or a question  
5 in respect of any submission made during these proceedings, that stakeholder must submit such an objection, comment or question to the inquiry in writing and the inquiry will attend to the comment, objection or question at an appropriate time.

Due to available being limited – as a rule, we will only allow one representative  
10 of a group to make oral submissions, except when arrangements have been made with us in advance for multiple representatives to make submissions.

So, those will be the rules that are applicable during the course of these proceedings. Welcome lady and gentlemen to the inquiry. I think we will start on that side. If you could please switch on the mic and state that your full names  
15 for the record – if you could come closer to the mic.

**MR THOMAS RABODIBA:** Good morning. My name is Thomas Rabodiba from Aero Park Metered Taxis in Kempton Park

**CHAIRPERSON:** Mr Rabodiba?

**MR THOMAS RABODIBA:** Yes.

20 **CHAIRPERSON:** If you could just – for the purposes of the transcript, just spell your surname.

**MR THOMAS RABODIBA:** It's Rabodiba.

**CHAIRPERSON:** Thank you very much Mr Rabodiba.

**MR ROBIN MSAYIWA:** Good morning. My name is Robin Msayiwa from Gauteng Metered Taxi Operators.

**CHAIRPERSON:** Thank you Mr Msayiwa.

**MS BUSISIWE GCINA-ZULU:** Good morning everyone. My name is  
5 Busisiwe Gcina-Zulu from Gcina Cabs in Ekurhuleni Metered Taxis. Thank you.

**CHAIRPERSON:** Thank you very much Ms Zulu.

**MR OUPA SKOSANA:** Morning. My name is Oupa Skosana, I am representing the Gauteng Metered Taxi Alliance.

**CHAIRPERSON:** Thank you very much Mr Skosana. I think we will start with  
10 Mr Rabodiba. There is a piece of paper that shall be on the table – if you could please give it to Mr Rabodiba – Mr Rabodiba you could choose whether you wish to take the oath or the affirmation.

**MR THOMAS RABODIBA:** Yes, I'll take the oath.

**CHAIRPERSON:** Okay, you may go ahead.

15 **MR THOMAS RABODIBA:** I, Thomas Rabodiba, 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 Msayiwa.

**MR ROBIN MSAYIWA:** I will take an oath. I, Robin Msayiwa, swear that the  
20 evidence that I shall give shall be the truth, the whole truth and nothing but the truth, so help me God.

**CHAIRPERSON:** Thank you very much Mr Msayiwa. Ms Zulu.

**MS BUSISIWE GCINA-ZULU:** Hi, I am Busisiwe Gcina-Zulu, I swear that the

evidence that I shall give shall be the truth, the whole truth and nothing but the truth, so God help me.

**CHAIRPERSON:** Thank you very much Ms Zulu. Mr Skosana.

5 **MR OUPA SKOSANA:** I, Oupa Skosana, solemnly affirm that the evidence that I shall give shall be the truth, the whole truth and nothing but the truth.

**CHAIRPERSON:** Thank you very much Mr Skosana. I think we will start with Mr Rabodiba - if you could also have the mic closer to you Mr Rabodiba. I think let us first start with introductions – if you could, very briefly, explain your  
10 organisation and your role within your organisation and how long have you held that role in your organisation.

**MR THOMAS RABODIBA:** In my organisation, Aero Park Metered Taxi Association I am the Secretary. I have been with Aero Park since it was registered in 2007, but I joined the metered taxi industry in 2003.

15 **CHAIRPERSON:** What is your current role in Aero Park – is it the metered taxi association?

**MR THOMAS RABODIBA:** Yes.

**CHAIRPERSON:** What is your current role – I mean within the association?

**MR THOMAS RABODIBA:** I am still the secretary.

20 **CHAIRPERSON:** The secretary?

**MR THOMAS RABODIBA:** Yes.

**CHAIRPERSON:** If you could just explain – what is the Aero Park Metered Taxi Association and what it does?

**MR THOMAS RABODIBA:** The Aero Park Metered Taxi Association is a transport company. We transport people from Kempton Park to different areas.

**CHAIRPERSON:** From Kempton Park to different areas?

**MR THOMAS RABODIBA:** Yes, that is where we are based – in Kempton  
5 Park.

**CHAIRPERSON:** ...and which specific areas?

**MR THOMAS RABODIBA:** We are in corners Trollent(?) and 23 West Street.

**CHAIRPERSON:** How many members do you have?

10 **MR THOMAS RABODIBA:** We are like 14.

**CHAIRPERSON:** 14 Members?

**MR THOMAS RABODIBA:** Yah, that is including our drivers.

**CHAIRPERSON:** All right, and your members are registered taxi metered operators?

15 **MR THOMAS RABODIBA:** Yes, all of us – we are registered.

**CHAIRPERSON:** All right. I will then give you an opportunity to then outline or to provide an outline of the issues that you would like to raise to the inquiry affecting your organisation or even perhaps the metered taxi industry in general.

**MR THOMAS RABODIBA:** Yes, I have something here in black and white  
20 that I wrote. Metered Taxis versus E-Hailing – the E-Hailing App is our problem at the moment – the App's operators. I wrote here Metered Taxis versus E-Hailing App's operators they reach Uber and its partners versus the metered taxis and legal and illegal in terms of the National Land Transportation Act. First

and foremost, the Department of Transport, being the regulator of all of most of transport in South Africa failed to regulate and enforce law to illegal Uber and taxi operators – so much so, that they were given a space to violate and destroy the metered taxi industry with their law, uncompetitive prices of fares  
5 determined by their E-Hailing application service providers.

On our side the government was [inaudible 00:12:47] and involved in certain App fares as a way of regulating and controlling the industry. The last it was R15.50 during the World Cup and later dropped to R10.50 up to R12.50 ever since. Furthermore, the metered taxis are only allowed to park at certain places,  
10 demarcated by the municipality as holding ranks and starting points in and out the cities within the province.

The App operators do as they wish by parking everywhere they feel comfortable in as much as they do when they are picking clients. The [inaudible 00:13:29] Uber and taxi based companies allowed every Tom, Dick and Jerry who can  
15 afford to buy new cars to flood the industry with non-permit cars - some belonging to the public servants (proof attached). So to make more profit by taking a higher percentage increased from 20 to 25% with no fare increase from the poor drivers who work long hours without rest to make a living.

It was also stated in the outcome of the meeting held on the 27<sup>th</sup> July 2017 that  
20 the public servants and their partners, their spouse and their immediate family members must not have direct to financial or business interest in any sector of the public transport industry by association. The Minister was addressing the metered taxi operators – fully aware of the government officials' wrong doings. Until today the authorities are forever engaging with all parties involved,  
25 excluding the public servants who captured our industry illegally using their

financial power and prioritising undocumented foreign national drivers over their own local brothers and sisters.

So, it is our own government – the ANC, that we voted for in tears and pain – they call it a healthy competition, innovation and technology. Mbalula said – in a way – *the poor metered taxis to suffer more and more, losing our vehicles so that repossesses due to non-payment, which also impacted very bad in our families' lives – we are no longer able to support our children and entire family as breadwinners – ever since we've raised concerns to the government authorities at a higher level about the parallel unregulated illegal operations and unfair competition, there is no positive response except threats that they will close the ranks.*

The MEC said *so that they can be able to create a slot to amend the bill, so to legalise the illegal and rich App owners to keep out the [inaudible 00:15:49] and the poor, pushing them out of businesses as it is happening now.* It is hard for us poor metered taxis to see the government looking down at us. On the other hand preaching the gospel of BEE, who deserved to be empowered and when and where and how. Here the rich are enjoying the malpractice of unfair competition to the poor as well as exploitation of drivers by the partners.

**CHAIRPERSON:** Thank you, thank you very much Mr Rabodiba and I think you are exemplary in being to the point. If you could also do likewise, starting with Mr Msayiwa – it is now your opportunity.

**MR ROBIN MSAYIWA:** I think we have made an electronic presentation. I think if they can just show it there, so that you are able to follow it.

**CHAIRPERSON:** Whilst they are setting it up, maybe we will come back to

you – so that they can set it up, but in the meantime let's jump to Ms Zulu. It is now your opportunity Ms Zulu, if you could introduce your organisation, what it does, how many members it has and then talk to the issues that you would like to raise.

5 **MS BUSISIWE GCINA-ZULU:** My company is Gcina Cabs in the Ekurhuleni area, Alberton. So we are operating there and I am the managing director of the company with 15 members on my database. If I am coming to this issue of why I am here – we meet the taxis – although I have written it down, I forgot my glasses so I can't read with my bad eyesight. We are metered taxis and I am  
10 experiencing a big problem. I have been in the industry – I have joined the metered taxi from year 2000 and then from 2005, I opened my own company in Alberton.

I was working, it was nice – a woman operating 24/7 with no stress. I am a single parent and I was managing everything, affording every expenses that  
15 was coming in front of me, but today we are doing nothing. Our main point that is killing us – we metered taxis, before we were calling ourselves as the traditional metered taxis, because wherever we are we are subjected to a locally municipality's like ranking facilities and we had to have the office. By the office we had to employ like the people you would call the controllers who is  
20 going to dispatch first. We got the radios – the walky talky radios and the base radio at the office, which is also costing money to install it and channel it.

But when the time goes by there is this – I can call them the opposition parties of us, who just came – they don't have their rank like us – they don't even pay to taxi to the government – they don't have expenses at all. Their money – I  
25 don't know where they are from, but which means that if they are not paying the

taxi, they are not helping us as a South Africans. So, we are battling.

Our cars are not in a good condition – where are we going to get a new car, because we are not getting any money at all? The cars that we were driving before I mean we got now – we used to pay cars we were driving [inaudible  
5 00:20:29] I mean it is not easy to maintain it anymore.

What I am trying to explain – if maybe one day government can help us – even when we are going to the bank to ask for a credit, nobody can finance us. They are coming to the point – how much is going to the bank – they got nothing. The petrol is going up now and again – these people they just put the price lower.  
10 With this price when they put it – if we can think more lower than them to do the competition with them – that will take us absolutely out of the industry.

Maybe – please, one of them – maybe God to help us – this issue is really critical. Thank you.

**CHAIRPERSON:** Yah, thank you, thank you very much Ms Zulu. I think let's  
15 move to Mr Skosana.

**MR OUPA SKOSANA:** Chairperson, morning and colleagues and everybody. I wonder, because we actually did our submission in writing before.

**CHAIRPERSON:** Yah.

**MR OUPA SKOSANA:** So, you want me to deviate, because this is the  
20 whole submission that we made through you. So, do you want me to go through our submission as it is?

**CHAIRPERSON:** Yah, I think what – it is indeed correct that we have received a written submission from yourself and perhaps what you could do is to highlight areas of emphasis. You don't have to necessarily take us through

the entire submission, but areas that you really think that are quite critical for purposes of this inquiry – those that you could highlight and emphasize.

**MR OUPA SKOSANA:** Thank you Chairperson, because I think if you say that I must just highlight the areas – okay, my colleagues have said these that  
5 are actually worrying us, because when I am sitting here – I am not just representing one company, I'm not representing one association and I am not representing one co-op – we are a provincial structure that represent associations under us, companies and co-op, which they are standing now at  
20.

10 Okay, just to highlight to what they have said – we are all talking in one voice about over-saturation, over-supply of the metered taxis – that is one point that we are dwelling at and then we are talking about the regulation of the transport per se – not only metered taxis, minibuses – metered taxis, busses, because as we are sitting here we have to understand and know that metered taxis are  
15 regulated. Because if you go to National and Transport Act, Section 50, it will tell you exactly to say *to operate it, you need to be regulated*.

So, the saturation of metered taxis – it defeats the purpose of the ITP (integrated transport plan), because if the decree will be issuing these operating licence and permit we will be merely like the hot cakes – we are going to have a  
20 problem, because there will be that over-supply. And, Section 36 again of the Act, it empowers the municipality to issue what we call concurrency, because they are the people that are owning the space who are owning the land – they must know how many taxis that they want – it could be metered taxis it could be minibuses – they know exactly.

But, then with the way Uber and Taxify is operating and unfortunately I cannot say they are operator, because those are private cars that we have been complaining about that are being owned by me and you and everybody, government officials civil servants. So, it defeats the purpose of the ITP again,  
5 because once again there is this problem of like cross-border. Because you'll find cars that are registered in the eastern Cape and Cape Town and the Limpopo, everywhere operating in Tshwane operating in Johannesburg operating in Ekurhuleni and everywhere – which is a very unfortunately situation, because the Act doesn't allow that.

10 So, here we are talking about the Act. We are saying – whoever wants to come into the taxi business has to be an operator, has to be regulated, has to have an operating licence or a permit – over and above that, I have eluded to the space to say *we need the space* the municipalities are the controllers of the space.

So if those people – before coming to the issues of the fares – no, let me come  
15 to the fares. You know we have a problem with the fares – we cannot allow to say that around 1990 we were charging around R7.00 per kilometre around 1990, but today we can go back and still charge R7.00 – that is very very unfair and at the same time the Act allows the Minister or the MEC of Transport of a respective province to regulate the fare.

20 That will be when you go to Section 66, sub-section 3, you will find that it says *the Minister of Transport or the MEC of Transport may regulate the fares of the metered taxis in consultation with the relevant stakeholders*. So, the Act is there to protect us – these fares need to be regulated – we need to sit down and start talking about the fares as we speak.

So that, no-one is going to charge below the agreed regulated fares, hence the industry reiterated that is why we are talking about regulation of fares. So, that is there – it is in the Act. That empowers the Minister to do that, but we have been crying and saying a lot of things.

- 5 Amongst other things why we find that Uber and Taxify are cheap – as my colleague has eluded that they don't have overheads – they don't own cars. All that they want – they want that 25% - as long as they take 25%, they are more than happy. Whether the operators are suffering, they don't care, because they circulate them all the time.
- 10 That is the reason why we got what we call carbon permits operating licences, because a person will buy a new car simply because they are told there's a lot of money and then they will work for one month or two months – the car is involved in an accident – they cannot pay for the cars and the banks will repossess the car.
- 15 If we come to insurance today, we are paying a very exorbitant insurance for metered taxis. I will give you an example – the car that I used to pay R1200.00 in 2012 when I bought it – today I am paying R1653.00 – why? Because of the high accident rate – those people – most of the people that are operating there – I don't know where they pick them up, but to be quite honest – those are not
- 20 South Africans – we have to be fair.

If someone has to come to me and say we are creating a job – why can't we create a job for our own South African. Why do we allow for people to over flood the market – who - 90% of them are not even South African. We have to look into that.

Let's come to the issue of the incident that had happened here in Pretoria – two three months ago – where a young man was killed. The poor young man was killed, because they were given some promises – false promises – to say *no you will be having a car, come and work with Uber, come and work with Taxify –*  
5 *we will give you a car – you start working here and in five years' time you will have your own vehicle* that is the mentality that they know a black child, when you hear that in five years' time I will have my own car, then definitely they'll know that we are vulnerable, because of our background of where we come from – we want to be seen driving new cars.

10 All those things are purely exploitation of our children – they are supposed to be at the universities. We need to look at that – we are not fighting in here not for our own survival – we are fighting for our children. They are there that we need to protect them from this exploitation again.

So, that is the reason why we say – let's look at what the ITP says – let's look  
15 what the Act says – let's look at the regulation and then the over-supply of illegal operators. Let me pose that.

**CHAIRPERSON:** Thank you very much Mr Skosana – I think we will now – it looks like the presentation is up on the screen – we will now give an opportunity to Mr Msayiwa. You can switch on the mic and go ahead.

20 **MR ROBIN MSAYIWA:** Thank you sir. I would like to first, before maybe I get in – so we look at what we have done electronically, then I will add in that regard.

**CHAIRPERSON:** I think Mr Msayiwa to perhaps highlight similar – in the same way Mr Skosana did – just key issues.

**MR ROBIN MSAYIWA:** But it will be paragraph by paragraph as it appears there.

**CHAIRPERSON:** Yes.

**MR ROBIN MSAYIWA:** Thank you. Well, my introduction would be first and  
5 foremost this inquiry will change its thinking about auto metered taxis – reason  
why I am saying that is that one of our colleagues in companies submitted it to  
the Competition Commission – he was solely talking about the pricing as Mr  
Skosana said, because our story is similar, but it is different in terms of  
representing people. I am also representing people from provincial up to  
10 national.

Now, what I would say is that Uber came here, we complaint about this amount  
– not only about it, but it was the carelessness of the government, because  
Uber was not arraigned, even arraigned now they are focussed – they can give  
you seven days, nowadays as we speak.

15 When Uber started here in 2013 – it started in America in 2009 – now in a  
government way, they should have realised that in Africa in South Africa is the  
magnet of any person – they should have realised that it will have come to us,  
but instead government officials decided to take it for themselves – we won't  
mention names here, but we know that even Ministers [inaudible 00:33:11] they  
20 own cars in Uber – that is a realistic.

Sometimes we are taken for granted, because we are not like, but we have  
changed it, because we have blocked the highways to show the guys that we  
are existing like everybody. But to be realistic and common is to there in our  
presentation we put it clearly you know it was better for us before 1994 at the

current regime, because when the white community owned the cars, they protected them. The metered taxi was there, exclusively for whites before – there were companies that there were no whites in like Rose Taxis, they only absorbed black people from 1990.

5 Before then I even had a permit that I bought from them – I didn't change it, because to me it was a legacy – says NET NIE BLANKES, just only like that. But when we thought the black faces will protect their back faces, it became different, including Competition Commission.

Our colleagues submitted as an objection to this price of Uber, but they were  
10 told that it's a business – they cannot. Now, I don't know maybe you took a change because of the current situation to understand and realise that really there is a problem, but thanks God there are other countries that protect their citizens. Italy was the first country to ban all Uber, in terms of unfair competition. You can go there or maybe make your own representation to look at what I am  
15 saying, because I am saying under Oath.

At Tokyo – even the judge in England – before they ban it – I've got families in London, I've got families in Australia and I am interacting with them, because I like this business, which I am in. They took a decision to protect their citizens and the fallacy that Uber is creating jobs is totally utterly rubbish. I said this in  
20 SABC interviews – they are creating slaves, to be honest. There are no jobs that they are created at Uber.

Like Mr Skosana was saying – we are regulated – we are also complying with current public transport record, which any town has to have it, because if you want to see statistics about transport you look at it and say – what is it, and

even if you are trying for business you don't just put up – you go to them to Town Planners and also the Town Department and say what is your current public transport, because in any case when you want to start a business you must look at trends of the particular business.

- 5 Here in South Africa there are two towns that even Gauteng can copy them – Durban and Cape Town. Those are better town managed in terms of business, because they have got holding bays – they are also strict, although we know that. In Durban for instance, for the past ten years they have been a moratorium in terms of transport issuance of licences, but in Gauteng it is a free for all.
- 10 Somebody got Mozambique or Harare can come at 8 o'clock with a bus and by 2 o'clock a taxi sign is at the rank and he is contributing to the criminality of this country, but nobody looks upon that – that's a problem that we are looking at here.

- During Apartheid there were people that were called 'bored' those were solely  
15 assigned to look at the transportation issues and there were times when you take somebody from Carlton Centre and the car will follow you – when you drop him at airport, they will come and ask you where is your permit. Now it is no longer working like that, because the politicians themselves they have got cars in the taxi industry and the are supported by their subordinates, which are traffic  
20 law enforcements.

Where do we – as South African citizens – are we supposed to perish instead of – because even if a permit that we've talked about – you know, a permit was indefinite, because it was equal to a title deed. When I've got a permit – my children must know that my father open up a business, but today it is an insult

to the taxis. They give you a permit for one year.

Okay – I am emotional, don't worry, but it is what it is.

You know a permit – you know if it is for a bus or whatever – it was supposed to be indefinite you know, so that when you go – when you depart from this world  
5 – your children have done something to say we take the business.

Now, it is seven years that they give a permit for one year to say you know we are still busy. Now, take that one year – equivalent, when you want to buy a car, which will give you – if you get the credit, it will say to pay for seven years, which business can give you that car when they know that your permit is only  
10 for one year? It is a destruction of our business by the same politicians who – when they need votes, they come to us.

These are things that you must look at it – not only look at we are just metered taxis, but understanding that we have got a family that we also have to feed like everybody else. We have chosen this industry not to be looking that somebody  
15 will come and tell you to start at 7 o'clock and leave at 5 o'clock – we don't want that. We want to be independent, but making a living like everybody.

Now I give, because I am private in all the world – take a comparison – London Cab – if you have got the certificate of operating a London Cab, you are earning more than a doctor who had been at university for seven years, but in South  
20 Africa, those things are not taken into context – to understand that we are building a business.

These are things that we should be looking at and understand and say *are we destroying the very same industry* you know metered taxi is the only industry that has transformed in the intervention from the government. From 1990 it was

even represented in Parliament, but we took it today it is dominated – it is very few to find a white person, but when we are supposed to be enjoying the fruits of this country, we are being destroyed.

These are the issues that we should take by heart and not only at a face value.

- 5 Now, let's look at the tariffs that Mr Skosana has eluded – 2010 we were charging R12.50 per kilometre, 2010, but during the World Cup we negotiated with the Government, because that was the event – even if you go to Russia today even the hotel is the double of that price that is normal in business – we negotiated with the Government to charge R15.00 in 2010.
- 10 Now I will be lying to this Committee to say we charge the same, because of the current situation outside it is difficult to say how much now, because there is disarray in the industry – it would be difficult. But in business you look at everything – look at the car, look at the petrol price and how much it was at that time. We are crying today in South Africa because of the price of petrol.
- 15 I will give you a simple example – in Maseru (I was there last week) it is R11.65 (I will be going there again), but in South Africa it is R16.00. Everybody from Brandfort I mean Ladybrand, which is 14 kilometres to Maseru in the inside – they drive across the border to fill their tanks and come back in South Africa. How do you expect us to charge R7.00, when are also having about the car and
- 20 all these things?

Any normal person could understand – initially we are supposed to charge R20.00 per kilometre today as we speak. Now, we are bound by these illegal operators - because Uber and Taxify are illegal. Last week Tuesday, we were in the meeting with the Portfolio Committee together with Skosana – when we

were putting there, they say they don't recognise Uber and Taxify – we are not even registered them.

Now in terms of application you know you need a permit – you apply for a permit, but then they will never issue that permit, unless you are under an  
5 association or under a company – they must give a supporting letter in your regard. Now, the question that should be lingering to everybody's mind is if the department of transport does not recognise Uber and Taxify in terms of then and before then – last year two ministers Jonas Twanga had a meeting with them in 27 July in Midrand and also the [inaudible 00:42:12] – they put it on  
10 paper that Uber and Taxify are not taxi companies – they are just some App. They are not around in terms of metered taxis, but why are they allowed to operate if that is the case? That is the question that should be asked by any normal person. Why should they be allowed to operate if even they themselves are saying that they are not metered taxis – we are just servicing an App.

15 But, today we are crying because even in that regard they are allowed to operate – we are here suffering, because of them. They are right when they was saying they are servicing an App, but they are not even contributing to what we are calling financial direct investment (FDI) in this country.

Now I will give an example – when must my [inaudible 00:43:04] gain build it all  
20 these companies – there was an intervention a huge intervention from the Minister of Public Enterprise and the Unions, but this person solely was bringing his money in the country, but the person who doesn't bring anything, who is just a gadget is allowed to do whatever it is he's done.

Now let's take a reality in that way – is this a fair issue? Initially just to give it –

at a national level – we want to buy a stake because we are frustrated and also helpless, but the Department of Transport here in Pretoria say to us *no don't buy it, they are meant for university graduates who we want to have an App* – we are not against the App per se as a gadget, because you cannot control  
5 time. But, it should come in a way that it should also assist the resident of this country.

Now, to give that just a maybe – Uber in Germany it didn't change anything – it is operating in Germany, but what they did – the government directed it to the department of transport and the department of transport redirected it to the  
10 operators. Now, they say that we've got this gadget that can enhance your profits – how can you work together? We get our profit and you do it on your own. They accepted under the conditions of metered taxis in Germany is operating and it is getting its own commission, but they are getting it on – but here we've got a parallel structure – they are not accountable to anybody.

15 Uber is in Parktown Taxify is in Randburg – if you go now, you will see two people queuing there. Now the worst scenario is this – Uber, 70% of people owning cars in Uber are politicians and those might not be a problem and 70% of people that are operating Taxifys are Nigerians, Congolese – foreigners and I am not xenophobic I travel a lot and they know me in most cases, but I am  
20 talking the truth as a South African on behalf of other South Africans. The drivers of those people are for Zimbabweans in majority.

In Gauteng it was not easy to find a Nigerian driving a taxi, but today when you phone those companies they will say a Congolese or a Nigerian will come and pick you up – where do we stand as a South Africans? You will go to Tanzania  
25 and you will never find a foreigner not even owning a shop – it is reserved for

their nationality. You go to Lesotho and you go to Congo – I have been to those countries – I'm going to Kinshasha next week – and you will never find those people, but you will find their nationality, but what about South Africans?

Are we opening up the borders for everybody and everything, but not for South  
5 Africans to also to benefit? That is where we are crying as South Africans to say that even this price – initially this price was designed to kill us – then once we are no longer there, they will increase it. It is happening in Thailand – Thailand there are no longer taxis there – Uber is running around amok there.

I wish this country is that, because you are in a government you can so have  
10 resources to take a trip and go and see yourselves and understand what we are saying and the suffering that we are getting here.

Now metered taxis has never been violent – in most cases when we are talking that maybe we are having a meeting with minibus taxis I always say that we will solve our problems with a ball pen, but we have changed because what – even  
15 your child – if you put him inside there in the door, he'll come and knock you out and go. We have blocked the highways – we have resorted to violence, not because we are like that, but nobody will do what should be done by anybody as a South African. We have gone to Parliament to represent metered taxis and promised but thankfully our submissions had been taken into consideration –  
20 we thank them for that.

But now that is the way that I can make it to you – so thank you.

**CHAIRPERSON:** Yes, thank you. Thank you very much Mr Msayiwa. I think at this point then I will invite the evidence leaders as well as my co-panellists to pose questions to you. Mr Lesofe(?).

**MR NGOBENI:** Thank you Chair. Thank you very much for the informative presentations. I just have a question on your clients or customers – can maybe any of you – just for the inquiry – if any of you can just give a description of your customers – and I am asking this question, because Taxify yesterday told us  
5 that they actually don't see themselves competing with metered taxis, because they are targeting a different segment of customers. Maybe you can comment on that, because I seem to get a sense that you see yourselves competing directly with E-Hailing services.

**CHAIRPERSON:** Maybe just to give some context to the question, because  
10 we had representatives of Uber as well as Taxify yesterday, also making their own presentation – they told us that in terms of their business model – their business model is different from yours – the metered taxi business model, because your business model is based on – it is a rank based business model whereas their business model is based on demand by customers who could be  
15 located anywhere unlike your business model which requires you to be based at a particular location, which may be a rank. So, it is within that context that this question has been posed.

They also raised a further additional issue – which is to say that some of the requirements that are there in the metered taxi industry are self-imposed by the  
20 industry itself, like the requirement to operate at a rank. They say it is a self-imposed requirement by the industry itself. That, in fact, the law allows you to roam.

The national department was also here – the National Department of Transport – they also said the same thing. They said that the law allows metered taxis to  
25 roam around and not necessarily to be rank-based. So if you could just have

your thoughts and reactions to this issue. Anyone of you I think can answer this.

**MR ROBIN MSAYIWA:** Thanks for this. But now I am puzzled, because when you say that Taxify was here and Uber – Taxify and Uber doesn't even own cars – that is the first thing we must take into consideration, they don't own  
5 cars and they are not even represented in the departments – both departments, national and provincial.

Now thirdly about that – you know we never self-imposed anything, if you go to the local, because the issue of the ranks are at the local municipalities – all the ranks – that's why I am saying that you can get a good example if maybe you –  
10 as a visit by the way maybe, to go to Cape Town – at Cape Town every – about 500 meters there is a taxi rank. Now we never self-imposed anything, but you are complying with the regulations.

All the municipalities – that is also what is called holding bays, because taxis should be at the rank as regulated – it is not something that we put, we  
15 inherited.

In Durban, if a taxi can be found outside in a parking – not in the holding bay, unless it has a person, it get fined – you can go and check it.

Now, the issue of them operating – they are quite right to say metered taxis, even when we started it – it was not a questions about that you pick up a  
20 person here and go there – you go to the nearest rank, wherever it is, because you are also looking at a loss.

Now, in Johannesburg there was the commission – I was the Chairperson in the Counsel at that particular time – where the Johannesburg municipalities converged metered taxis that from at the edges of Krugersdorp to Bedfordview,

which is a district [inaudible 00:53:08] I know it – now we must identify areas where metered taxis can be, because there are two scenarios – there is somebody who is supposed to go to the rank – he doesn't phone, he just go to the rank and pick up a taxi – there is somebody who would be hailing, not E-  
5 Hailing, but stopping it [inaudible 00:53:26] to get a taxi. Now to say [inaudible 00:53:31], they are talking nonsense.

Secondly, we had a problem with the Police complaining with us to say that sometimes they are using petrol unnecessarily, because they will just find a car just sitting stopping just under the tree – they don't know if it is a criminal or if it  
10 is an Uber – Uber itself is looking for the rank, but they are just blind washing you so that we are complying with the rules that a taxi should be despatched from a certain area.

Now, when you despatch a taxi – if you know it will take so much time to go there, you also notify the client that the cab now in the event that of the App –  
15 the App will tell the person before it comes – even the type of a car which type of a car and all those things – there is no such a thing and secondly if Uber and Taxify are not recognised by the authorities – why did you give them a slot to come and represent, because they are just – they don't have a taxi.

If you don't have it in constitution you cannot be part of the taxi industry when  
20 you don't have a taxi. Then the question is – why are you also entertaining them yourselves? When you know that these people you can – we can present you with a letter from the Minister that says these are not taxi companies, they are App companies. Why are they represented here? They don't go to the IT ever – there is now the Minister that is – this is our situation, where do we stand? This  
25 is a question that is simple – you should ask yourself that who are you

representing here? Why do you give them a time to represent somebody when they are not there? That is a question as simple as that.

**CHAIRPERSON:** Maybe let's take Ms Zulu and then Mr Skosana.

**MS BUSISIWE GCINA-ZULU:** This thing is going to look like it is a betting  
5 issue, because I am furious if I hear about this. If they say they are on demand  
– their customers – we that are in this industry, it wasn't us that allocated the  
way this thing of operating, like having ranks. Firstly, our customers are  
supposed to go to the rank to know where we are and secondly to have a sign –  
on this sign we are to put our landline number and the name of the company of  
10 where you are from. If the driver himself must have the business card to give to  
the customer who has picked up from the rank and that also goes with the  
safety of the customer.

Nowadays, there is this human trafficking all over – the Nigerians are driving  
Uber taxi or Taxify, meanwhile the Nigerians and I am sorry to say this – I am  
15 not a xenophobian – while they are selling the drugs to our kids – while they are  
kidnapping the young girls – what about the child coming back to school with  
the bus and not have the ticket for the bus, calling this Uber – find these people  
who is looking for the young girls to sell. Where is the civilian customer there?

Why do they say they are on demand? Demands from where? In whose  
20 business? Who have created this business? Where were they and why were  
they not just to say maybe they are asking to be under us – working with us?  
Not much from roaming all over, even behind our houses.

Uber and Taxify – to me, it doesn't it is not in a business in a public sector  
transport business – it is like somebody who is selling the beggars at the back

of the yard.

Something must be done about these people. We are paying the taxi – they are not paying the taxis. We have the operation card – if you are a metered taxi, you come with an operation card. They don't have those operation cards, but  
5 they are on the road – they don't have permits, but they are on the road like us. If the Metro Police stop me driving a taxi with or without 'skollie' they will see the operation card in the window – they will demand all the requirements. Those people – they don't have the requirements.

I am very sad about what they are saying when they say on demand – on  
10 demand from who? We are stupid? Thank you.

**CHAIRPERSON:** Yah, thank you Ms Zulu, Mr Skosana, you can put your mic on.

**MR OUPA SKOSANA:** Thank you Chairperson. You know, I'm worried about the fact that Uber and Taxify are being given the platform to come and  
15 talk on behalf of South Africans, because Mr Msayiwa has already mentioned to say the Act dictates that whoever comes and talk here must be an operator and they were there to come and represent and represent their own pockets. This 25% that they take from these people – the poor drivers that are sitting there, who are dying like flies, because remember this issue of people that are dying  
20 are black people – this is a black on black violence, which are being perpetuated by these Europeans and purposely and being supported by our own officials our own government.

You know, it makes my heart bleed when we look at those kind of situations and then you still give them a platform to come and grand stand here – misleading

the public. To start with – if they say they have a special some special customers – no, those people that pay R10.00 R20.00 they belong to the minibus people – they are taking the business from the minibus people. Why? Because they want to compete to say - we want this market we want to take this

5 market from minibuses – they don't care – as long as out of R20.00 they get their R5.50. If you multiply – let me show you something – if you multiply – like Uber has about 10000 vehicles here – not South Africa, Tshwane, Johannesburg and Ekurhuleni – if you say that any fare that they do for R20.00, because they take R5.50 you multiply by 10000 vehicles at once, if

10 they pick up at once those 10000 – Uber has a tax-free R44000.00 in their bank account, which of course they don't pay a cent. If those 10000 vehicles do 20 trips – I'm talking about R20.00 I am not talking about a 1000 230 upwards – by the end of the day, if those vehicles they do 20 trips Uber has something like what is that 700 or R800000.00 in their bank account – you multiply that by 30

15 days Uber has something like 24 million rand out of R20.00. What about those vehicles that do around R100.00 and R1000.00 upwards? It tells you that Uber here in – not South Africa – here in Gauteng they take out something like 70 million rand a month and it is tax-free. We are not thumb sucking when we are sitting here – we know we have done our physical studies – you see.

20 Then I am worried about that grand standing and I am saying that they are taking our business from our counterparts, which of course, I am happy, because I see our counterparts here and we have been talking to them, trying to show them also that Uber is killing our businesses – not only minibus metered taxi businesses. So, that is what worries me and then again there is this issue

25 that – you see the problem is to say that the government speaks with forked

tongue.

In 2006 here in Gauteng – the Department of Transport – the provincial – came out with the project that was called metered taxi revitalisation – the word that they used *revitalisation* is the same word that means recap on the minibuses  
5 and they knew exactly that by this time, because of our background, we will be having a problem – we cannot replace our cars

They did a physical study on how much are these poor metered taxi operators are making out of their old cars and they came out to say that because we are driving scraps in those years, but we are not driving scraps now – never be  
10 misled by people who are to say that Uber and Taxify are using better cars – no, we are driving new cars – 70% of us are driving new cars.

So, the government came up with that metered taxi revitalisation project – they found that we are struggling – they even came up and say before even it was before the World Cup, they decided to go and buy 130 vehicles – it was  
15 [inaudible 01:03:24] to certain operators here – that was the project that was supposed to go on continuously, because it was given to friends.

The project died a natural death after issuing those 130 vehicles – so, no-one can sit here from the government and start saying *no, we didn't know*. And, again, we are not saying yes the technology is there, of course, now we need to  
20 embrace the technology. The word has come from my counterparts – they say *look, yes we need to come up with an App* – of course, as I am sitting here the association that I am representing – we are definitely embarking on creating our own App, because that is the only way of being efficient. That is the only way of reaching any stranded person who has a breakdown on the motorway saying

that they are going to the airport – you need to look at your phone and say *hey, here is a taxi that is just near to me* – we are not saying that we don't want the technology, yes, but the competition like Uber and Taxify – they are supposed to come to us, because we are already operating and say – *here, look we have*  
5 *got the technology* – they must not speak on our behalf. They were supposed to bring the technology and put it on the table and that is when we were going to come up and say *yes, if you are coming with this technology, let's see then how best we can work together*, because you will then in that sense you will like be empowering us – how best can we work, come let's look at the prices so that  
10 what we are going to stop the mushrooming of these taxis as to say – it is not to say it is only the mushrooming on the minitaxi's side – no, it has a very negative and a very bad impact on the minibuses.

But, someone who is sitting here and some minibus people will say *no, Uber is not affecting us*, but then when the driver comes with the checking [inaudible  
15 01:05:30] – they are no longer – those R20.00, especially school children, university children – they'll say *we are four, let's take Uber then we pay R20.00 less than the minibus taxis* – you see, what we are saying are unfair competition that need to be stopped – dead on the track, and then we start afresh.

Again, that is why we are saying that even the permits that they are having – if  
20 they say they are not operating as metered taxis – those who happen to have permits those are wrong permits – those permits should be withdrawn. Then they should start afresh and say what kind of permit that they want, because they have been issued to the wrong people who are doing a wrong business. A metered taxi permit is a metered taxi permit and at the same time we must  
25 ensure that there should be a moratorium on the permits. No new permits on

metered taxis should be issued, because we should revisit this issue of withdrawing these permits that has been given to people like Uber and Taxify.

I don't want to talk about Zebra, because all that I am waiting for is their grave number, because it is long dead. So, we are talking about these two which are  
5 becoming a nuisance and let me tell you Taxify won't last. You go to the garage and see and you go to the banks today and you will find out how many cars are being repossessed – it doesn't affect them, it affects those poor people who will be buying those Quests and only to find there is no business – cars are being repossessed and drivers are dying.

10 So, the main object of Uber is because they have money – they are very strong – they've got muscles is to phase out the metered taxi people. Once they phase us out – you know what, they will be naming their price. No-one will be saying no – they will be controlling the industry. There will be no poor black person that will be owning a taxi so, hence, we are here we say those prices again it is a  
15 very serious matter – we should look at that – that is a recipe for disaster – that is the reason why our children are dying, because they just want to drive up and down.

The issue of the Annexure – they have eluded to the issue of the Annexure to say *we are not confined to that, just because we don't want to be there*. No, the  
20 Act says there should be a rank marking so that where our drivers and our taxis should operate from, but it doesn't stop – that's why they are having signs. To have a sign on the roof of the vehicle it is not just to say no – as Mabula said – that we are primitive – he doesn't even know the Act that is there in front of him – no, that is the Act that says that – to say we have to have a sign. To that, it  
25 helps people for hailing – not E-Hailing – there is a difference between

electronic hailing and hailing.

If you look at our Annexures – these permits – which are passed through to you to say so that you must see when it has expired, you don't need it. But all the Annexures tells the same story to say those are the conditions of operation. We  
5 are not confined there, because it is a self-inflicted house-arrest. Nobody wants to put himself under house-arrest – that is the Act – we are visible – that's why even law enforcement agencies we are an easy target, but at the same time – those who are operating like Uber and Taxify, they should have those operating card – even if they don't have the taxi sign, they should be identified.

10 Two weeks ago – when was it – last week – we were at the legislator where the Transport Portfolio Committee – we were shocked when one of the high ranking officials of the GMPD says inside the meeting *me with the big stomach me, I cannot differentiate between a taxi and a private vehicle* – we were so shocked when a high ranking official says *I cannot arrest Uber and Taxify, because I*  
15 *cannot differentiate between these two modes* – what does it tell us? Who was that? Sebiya? Yes. What does it tell us as operators?

We are being targeted, because we are identifiable and the issue of safety of those people who pride themselves that they are safe. No, you read the papers every day – how many rapes has been reported this year here in Gauteng  
20 about Uber drivers and Taxify drivers? Every time once they have committed that – especially Uber will say *no, that driver was not on our application on this certain day* – the issue of that woman who was picked up from Monte Casino – who was picked up by an Uber taxi – she was robbed, she was raped – when they go back and say – the Police *no the driver was not on our platform*, but we  
25 are not stupid – that woman was represented by this [inaudible 01:10:43] Group

– he asked Uber one question to say *if you say your driver was not on the platform that particular day – how dare you then issue the receipt - because you issued the receipt, because he was on your platform?* That case is of course still going on – the issue of those women who were raped from Movidia in Sunninghill nightclub were picked up in the morning. Who is involved? It's an Uber it's a Taxify – you have never had a rape against our drivers, because they are there at the rank every day.

So, we don't see any point whereby they will be here – we want those people who are drivers at maybe Uber who will come here and testify – we want drivers at Uber and Taxify who will come and sit here around the table – not those people who come here and they just want to hog money from those drivers. Then you will know exactly, because those people will tell you and you will now start understanding why there is this problem between metered taxis and Uber. And, again, it is not us who are violent towards Uber and Taxify, because they venture into a market that we have discarded – those clever "tjotsies" those who are going to pay R20.00 – those are the actual people who are robbing them.

Because, if it was metered taxi people – the case here in Pretoria – those taxi people should have been arrested. I told one guy and said *look, if you are saying it is us, arrest the perpetrator, charge the perpetrator successfully prosecuting the perpetrator and sentence the perpetrator and then you will come back around the table and say yes we apologise on behalf of the metered taxi people*, but as it is standing it is not for the metered taxi people. Thank you.

**CHAIRPERSON:** Yah, thank you very much Mr Skosana. I think we will only allow one question, because we have to take the National Taxi Alliance submission after this. Mr Ngobeni.

**MR NGOBENI:** Thank you Chair and thank you so much for the submission from the metered taxi industry. One of the things that we are having an inquiry like this is to look into the market and try and identify if there are problems and then we would recommend solutions to those problems and that is the reason  
5 you know why we are doing this whole process.

Now, one of the issues that – one of the problems that has been brought to our attention and I want to find out if you also experience the same problem and I also want to find out from you if you had a solution to the problem. It is the issue of the problems at the [inaudible 01:13:42] when people apply for the operating  
10 licences and their backlogs and as a result you know your members are affected by the same thing and what is the solution.

So, my question there is this issue that we had as part of these processes that we have engaged in of operating licences and delays and your members and maybe the minibus taxi operators not getting permits and operating licences –  
15 the question there is – are you also or are your members also affected by that and if they are what have been your engagement with the [inaudible 01:14:27] and what are the solutions – what kind of advice would you like to give to the panel and propose to the panel, so that we can try and assist in that regard as well. Thank you.

20 **MR ROBIN MSAYIWA:** Thank you very much for that. Actually this question is an old question – it is not a new question, but it has also its own deliberations from the Department of Transport – it is not us alone, but I will be talking for us. You know, we've been made the football by the authorities. I will go back and say Mosunkutu, when we raised this question with him – he said we must bring  
25 – even receipt numbers on the and I am not talking from now – I am talking from

2004 up to now, metered taxis have been sent from pillar to post – at some stage the late George Negota, who was the chairperson – he put a moratorium, but that moratorium did not state that those who have already applied should be given.

5 Now, if we are talking here – if we can go to the Department of Transport and say how many – last week, they said that Johannesburg has got about 2600and-something permits that have been issued, but if you look at the operational level down – like Mr Skosana was saying – if you make a comparison, I mean you compare you put it together Uber and Taxify, they have  
10 got a combination of 16000 operators, which are not registered.

Even at the legislation last week Tuesday, this issue was raised, because it is a burning point and we don't know will be having a heart within himself and say these people have applied – can we take a backlog and one of the problem with that is that metered taxis are being treated like a surrogate child by the  
15 government. We are not treated as – maybe it is because of our legacy because we are not – the issue of licence, even now that we have recommended the moratorium, we are putting eggs on our head, because we know there are people who are supposed to have a permit, but they don't have it, but now we have said let's take a stark backward and say these have applied  
20 – we even said those have got, because we've got other issues like formalities about counsels, but how do you operate and we was supposed to be also engaging in that if he doesn't have a permit, because you are supposed to whoever wants to be part of that process should have a permit, but there are people who have applied and did not get their permits – what do we do about it?  
25 Maybe somebody maybe might take them to court that if they can understand

us and say these people have applied, but we are denying them. The issue of getting a living, because a permit is a living as I was saying – now what do we do? And even if you are applying for a credit for say you want to buy a car – when you present a permit, the bank can allow a loan, because the permit is a  
5 business entity on its own.

These are the issues that we look at, but to add to what Mr Skosana was saying and also to you – we regard yourself as other countries, because you will find that in certain countries you will say this body has taken a decision and recommended that 1, 2, 3 must not be done. Now, what I was saying is this –  
10 these big companies like Uber a poor man like ourselves they look them upon down.

Now I will give you a scenario – last week Sunday, Warren Buffett injected 3 billion rand in supportive of Uber and that translate to say and it is not to say in America – it says the world over – now what do we do? Because we don't have  
15 an authority, our authority is only our sticks and our petrol bombs to protect it, but it gives a bad image to the country, because metered taxis – some people does not understand – our business we are operating it throughout the world.

When there was a follow-up about hijackings at the airport – our customers, they work on referral – if I have clients and I am actually – our interaction with  
20 the outside world we know many countries, like myself of metered taxis.

We've got people who are here today and if I can make an example - [inaudible 01:19:15] is my client, staying at Nicole Hotel – we keep those – Khabila, I know even his house in Kinshasha because of metered taxis – it is not a question of..., but now if you don't understand that interconnection with all this outside

world – we are using the website to market our business and any incident that happens here – in a second, it will be all over the world. But now we cannot allow also to say that because of that we must not take up arms against Uber and Taxify, just because we want to protect South Africa – which he is not to  
5 protect us as his citizens.

Now, I am saying to you and the issue of Uber presenting on the 21<sup>st</sup> of September 2016 with Mr Maganu in Parliament on behalf of metered taxis to make a presentation – the previous day on the 20<sup>th</sup> it was on Wednesday 2016 Uber was in Parliament and also taxi drivers for Uber were in Parliament giving  
10 different stories. Now the issue where Uber is always allowed is, because to you – you take it, but to us in terms of the law Uber does not exist, because it is just an office and how do you allow it and also all those type of things?

Now we rest our case on you to say because South Africans have said 1, 2, 3 – how do we assist them, so that you can be seen that you also have a role to  
15 play in this regard – unlike you to get stories like the grandmother and you put it down and you will give it to your children at another day. That is not the issue here – our businesses are at stake – so these are the issues that you should be grabbing and even if they need the President's attention – you say *guys, because we know one Judge said to us you know what Uber has got the mask*  
20 *– even the Judges are using the Uber – when one wanted to take it to court, but fortunately our company were taking Uber to court at our own [inaudible 01:21:11] – the court will give us the necessary assistance – we don't care about anybody else, but what the Judge said we must do, we have done.* Now – you also play a role as South Africans for your own South Africans to say this is  
25 the issue that should be taken. Unlike taking the stories and go and they

disappear – that is not how it is supposed to be – we want action – you say what is the timeline that we would be taking and what would be your recommendations at what point – it must not be 2 years, 3 years saying that we had a meeting with metered taxis – it must you know from now - in 6 months’  
5 time we want to see action on your side. Even if we are taking you up, because we will say we presented our case to them and they did nothing – it was just a statistic like other cases. These are not the points that we want to get at. Thank you.

**CHAIRPERSON:** Thank you. Thank you very much Mr Rabodiba, Mr  
10 Msayiwa, Ms Zulu and Mr Skosana – thank you very much for your written submissions as well as the time that you took to come here and make oral submissions. We fully understand that you are in business and you took the trouble to come here and make these submissions. We really appreciate that.

I think there will be a need for us to have a further session with yourselves,  
15 because there are other developments that we could not be able to cover today in the limited time available and one of those issues that we would like to cover with you in the next session is the Proposed Amendments to the National Land Transport Act, which we have been told by the National Department of Transport that those amendments are currently in the parliamentary process in  
20 the National Counsel of Provinces and those amendments seek to give legal recognition to E-Hailing as services.

We have been provided with copies of the proposed [inaudible 01:23:37], which seeks to give legal recognition to E-Hailing services. So, those are the issues that we would like to get your reaction on as well as some other issues in the  
25 next session that we will have, but due to time constraints we are unable to take

those, but we will certainly arrange a next session, because these are quite important issues and we would like to get your views on all these issues.

But, we have run out of time, because we have to take submission from the National Taxi Alliance. So, at this point I thank you, thank you very much for  
5 coming. So, at this point we will take a very short break, just for tea – so, I am told that tea is not ready – so, we will just proceed – we will take tea at a later stage.

I think we will proceed to take the submission from the National Taxi Alliance. I think if we could just have representatives of the National Taxi Alliance – if they  
10 could just come forward, so that we can please proceed with their submissions.

Welcome gentlemen, thank you very much for coming. I think we will just start with the formalities. If you could just place your full names on record, starting from that side.

**MR MPANZA:** My name is Dupisane Mpanza

15 **CHAIRPERSON:** You may go ahead and take the oath Mr Mpanza.

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

**CHAIRPERSON:** Thank you very much Mr Mpanza.

**MR MLALAZI:** Good morning, my name Alpheas Mlalazi. I, Alpheas  
20 Mlalazi, swear that the evidence that I shall give shall be the truth, the whole truth and nothing but the truth, so help me God.

**CHAIRPERSON:** Thank you very much Mr Mlalazi.

**MR MOGAKWE:** Good morning, my name is Marcus Mosile Mogakwe – the

oath – I swear that the evidence that I shall give shall be the truth, the whole truth and nothing but the truth, so help me God.

**CHAIRPERSON:** Thank you very much Mr Mogakwe. I think we will start from Mr Mpanza. If you could Mr Mpanza, just start with an indication as to what  
5 your current role is within the National Taxi Alliance and how long you have held that role. You can switch on the mic and you can go ahead.

**MR MPANZA:** Thank you. My portfolio in the National Taxi Alliance – I am the National Treasurer. I've been with the National Taxi Alliance since 1999. Then I was an ordinary member and I was elected as the Treasurer 10 years  
10 back.

**CHAIRPERSON:** That's okay. Mr Mlalazi, if you could also indicate what your current role is and how long you have held your current role in the National Taxi Alliance.

**MR MLALAZI:** Yah, I am the General Secretary of the National Taxi  
15 Alliance and I've been the General Secretary since 1999 and that is the current position that I am occupying.

**CHAIRPERSON:** Yah, Mr Mogakwe.

**MR MOGAKWE:** Yes, I am an executive member of the National Taxi Alliance – I am now 10 years an executive member since today I am still an  
20 executive member.

**CHAIRPERSON:** Thank you. Thank you very much gentlemen. If you could please just indicate – just introduce the National Taxi Alliance for purposes of the record – who is the National Taxi Alliance, what it does, how many associations are affiliated to the National Taxi Alliance?

**MR MLALAZI:** The National Taxi Alliance is a group body of affiliated taxi bodies – mother bodies and provincial bodies, who have primary taxi associations affiliated to them. The primary objective of the National Taxi Alliance is the articulated hopes and aspirations of its members and to defend  
5 and promote their interests in the service that they are providing to the commuting public. Thank you.

**CHAIRPERSON:** Thank you. Thank you very much Mr Mlalazi. You have made a very detailed submission to us, for which we thank you. For purposes of today's proceedings, I think we will just request you to highlight some of the key  
10 issues or challenges that you would like to ventilate for purposes for us then considering those issues and taking them forward.

**MR MLALAZI:** Thank you Chair, the National Taxi Alliance appreciates the opportunity. We have indeed submitted a detailed response to the issues as they affected the taxi industry. We started with the route allocations and the  
15 entry regulations to the taxi industry, wherein we indicated that every taxi association in the country is supposed to be registered in the province of its locality.

We also indicated that the government has failed to finalise the registration process and that becomes the source of conflicts and disputes over routes that  
20 have not been finally allocated to a particular association. We have also indicated that this fare is also fatal ground for corrupt officials, who fraudulently allocate some routes to more than one taxi association.

And, we also indicated that for the purposes of licencing, operators are required to obtain recommendation letters as mandatory prerequisite support documents

from their associations and concurrencies from their metropolitan counsels or municipalities before submitting their application to provincial regulatory entities, which are called PRE for adjudication.

We have also indicated that freedom of association is a right [inaudible 01:33:11] in the constitution of the Republic of South Africa to be enjoyed by all citizens and this right has been [inaudible 01:33:18] and brazenly been violated by some provincial regulatory entities and we have noted provinces like the North West and Free State, wherein the comparison we can make is that when you can go to the department of home affairs to do a transaction – they don't ask you which church do you belong to. They have to service you, because that is their mandate and that is their responsibility to do that. The reason why we are highlighting that is that there are officials that are pretending that there is a body in the country that has statutory powers that is created by legislation in the taxi industry and we know for the fact that there is no such body.

We also indicated that taxi operating licence applicants experience undue delays from municipalities and metros when seeking concurrencies due to a whole host of flimsy excuses, such as that they have not concluded their integrated transport plans, market saturation or lack of service space.

Most metros and municipalities by virtue of operating metro bus or municipality busses are direct competition with the taxi industry and it is therefore unfair and anti-competitive to expect them to issue concurrency letters in support of our applications. In this instance they are both the referee and player.

We have also indicated as oppose to other licenced businesses, taxi operating licences don't have an economic business value that is tradeable as per the

market value of the business determined through assets and goodwill.

Chairperson, in the past taxi permits were called permits – they were changed to taxi operating licences. In fact, before that they changed it to permissions – we've protested, toy-toyed – then they were changed to operating licences, 5 which means it is a document that only allows you to operate. Hence, we are pointing out that it does not hold a tradeable economic value.

We also looked at the issue of route allocations – taxi routes are allocated in accordance with the registration of the Taxi Association's Act in the initial registration fares. However, it must be noted that there are some routes 10 allocation disputes that remain unresolved since the inception of the registration process due to inaptitude of government officials. There is no framework to guide the allocation of new routes arising from the development of new residential areas or shopping malls and this lack of clarity results in protracted conflicts and allocations that are unfair, conflict laden and unjust. The reality is 15 that the said new developments are developed along or adjacent to routes allocated to an association or in an area operated by an association and that proximity must favour the affiliated association.

What we are trying to clearly articulate here is that some of these conflicts that we see in the taxi industry – one, there is no guideline to how those routes are 20 allocated as we speak in the Republic there is no area that is not operated by taxis. So, if there is a new development or there is a new residential development that is taking place, there is an association operating in that area or against that area, which common sense says make it a law that that route should be allocated to those people, because they are already there, but that 25 becomes a very fatal ground for corruption and other things.

We have also indicated that the prevalence of duplicated routes, which are the main source of violent conflicts are caused by corruption and negligence of government officials. Government seems to be unable to conclude the registration process in order to stand the tide of these conflicts of the routes. We  
5 are also aware of government officials assisting splitting within taxi associations in order to accommodate their favourite groups on the said routes mainly called duplicated routes.

**CHAIRPERSON:** Mr Mlalazi

**MR MLALAZI:** Yes

10 **CHAIRPERSON:** Sorry to interrupt you – if you could explain these duplicated routes – what exactly are they and what do they stand for?

**MR MLALAZI:** You will find that there is an association operating on that particular route and for some strange reasons that route gets allocated to another association, because the registration process is clear in that you  
15 register taxi operators who have an operating licence to operate only on that particular route and that route is attached to an association – so, therefore that unit has that clear allocation. Now, if you bring in another unit on that route then that routes becomes duplicated and hence the conflict and all that disturbances that take place.

20 Taxi Associations regulate entry and exit and operations in their localities, guided by their constitutions and their applicable legislation. We are saying this, because we have heard the people saying *we are overtrading the route and the saturation and and everything* if there is any industry that jealously guards its operations – it is the taxi industry.

We will totally disagree with some submissions that we had deliberately over traded our roads.

And then on the operating licences moratorium – some provincial regulatory entities do not accept a new taxi operating licence applications stating that there  
5 is a moratorium in place on new taxi permits. However, they, when challenged to produce the said moratorium, they are unable to. They continue the pronouncement of this illegal moratorium represents a winnable case for the Chapter 9 institution, because there are provinces that are telling our members in those provinces that you cannot apply for a new permit, because there is a  
10 moratorium

How ever when challenged to do the same moratorium they are levelled to – they continue the pronouncement of these illegal moratorium that represents a [inaudible 1:41:49] case for the chapter 9 institute. Because there are provinces that are telling our members in that province that you cannot apply for a new  
15 permit because there is a moratorium.

And we know that the legislation prescribes how a moratorium are supposed to be declared and to say okay fine produce and don't produce it. But they will stick to it irrespective, government fails to appreciate the fact that applications for new taxi permits are driven by increased demand for transport mainly in  
20 Urban areas [inaudible 1:42:35] in Urbanization of commuters from rural areas. The taxi industry suffers double jeopardy in this assured moratorium [inaudible 01:42:43] firstly for reasons that saved the moratorium is discriminatory applied to the taxi industry the mini bus taxi [inaudible 01:42:51] and does not apply to other modes of public transport, secondly the taxi operators are subsequently  
25 forced to operate illegal taxis exposing them to abuse by law enforcers, the

minibus taxi industry rejects the contempt the notion that the taxi operators unnecessary apply for additional payments that over trade the market. The debts association generously guard the operations and only add more taxis in response to an increase an increase demand by – what they cannot ignore.

5 Clearly what we are saying here and everybody will agree with us that there is a rapid urbanization taking place throughout the country and as a service provider we have to meet the demands of our commuters. And then we also responded to the issue of private regulation and price setting mechanisms for loads of transport. All public passengers transport service providers are required by  
10 economies of scale to charge market related phase in order to provide a good passenger transport service that is [inaudible 1:42:00] and affordable to this users. More often the taxi associations are known to use economic metrics as a fair certain mechanism – instead they say to the affairs below their [inaudible] competition which is the busses, while you are getting the fact that busses are  
15 subsidised and that the bus fair is a little portion of a subsidised fair.

The mini bus taxi industry by virtue of being the biggest people mover in the country is a deserving recipient of public passenger transport subsidies however the industry has been discriminately excluded from the subsidies. And [inaudible 1:44:45] in favour of less deserving laws, this is unfair competition to  
20 the committing laws and clearly discrimination to the taxi industry. It is the responsibility of the government to assist its citizens to afford public transport in carrying out their social and economically activities – in this regard the government has indicated its responsibility.

Chairperson taxi commuters are a South African like bus and train commuters.  
25 And we don't understand why taxi commuters are being discriminated on this

regard. And we know the constitution of our country does not allow that. The fact that 70% of the committing public shows taxis are their preferred mode of public transport. It leaves the government without a choice but to assist taxi users to afford market related fees. We also looked deeper at the allocation of operationally subsidies and then the impact on the competition the inert [inaudible 01:46:00] the fact that the mini bus industry as the transport of choice for more than 65%/70% of the commuter public has been left out of the public passenger transport subsidies. It is not only unfair but it is unconstitutional.

In the apartheid era the mini bus taxi industry was treated as the step child of the public transport – of the public passenger transport system which treatment is the consequence of it lacking behind on transformation and in formalization. It is served to that really that in the democratically government era the same taxi industry is been treated worse then the step child scenario and yet expected to compete with other – while not given a [inaudible] resources and enabling legislation for it to be part of other mode of public transport. It is a simple economic to it really the unsubsidised bought of transport mainly used to buy commuters who can not afford to spend more than 10% of their disposable income of transport who will not compete at the same level as the modes of transport that are heavily subsidised.

We are saying there can be free fair competition in that scenario. Responding to doubts by the government ion the modalities of subsidised taxis – we are on record pleading with the government to instead of subsidising a mode of transport the government must subsidise a commuter, thereby giving the commuter the freedom to chose their public transport mode of choice. This will not only end the current discriminate forms of subsidies but we will force the

service providers to improve their service for better safety and customer care forwards. We have always been accused as people who don't welcome competition, I think we are very clear here that if the plain fields are levelled let the commuter decide what model of transport they want to use and we want to  
5 compute in that space.

We also looked at transport play and challenges in the elimination of integrated public transport networks, the minibus taxi industry is a victim of government failure at the local level to produce and finalise transport plains and integrated public transport network planes. This failure effectively [inaudible 1:48:32] the  
10 taxi industry are unable to plan it future, make long term investment and [inaudible] investors that are necessary for the development for the taxi industry.

We are left astounded as to the reasons behind the delays in finalising the transport plans given in the obedience of at the governments disposal.  
15 Integration of public transport network cannot realised before the planned fields has been levelled. The bus rapid transport system enjoys huge infrastructure funding from the government indicated exclusive mobility and technologies wholly funded by the government and also it also enjoys huge operational subsidies – whereas the minibus taxis industry is totally excluded.

20 If this is not discrimination and unfair competition please tell us what it is chairperson, why BRT system offers a relatively better transport system to the commuters because of government financial assistance. It must be noted that at the rate this BRT system are funded by the government they may not be sustainable in the future and ultimately the government would be forced to  
25 privatise and consequently the taxi industry would have been [inaudible 1:49:51]

into handing over its invention into a platter into bigger public transport incorporate empowerment through the apartheid era. What we are saying here is that we have agreed that as the taxi industry to participate in BRT's that affect us. But we know the model if you look at it, it cannot be sustained in the South  
5 African scenario.

But we don't know what is happening at the end of this BRT system fail. The government decided to privatise them by the time they get to privatise we will not be able to buy them because we would not have access to funding. That is what we are saying, so we are throwing caution into the wind. We are therefore  
10 concluded that integrated part of the transport rapid mobility and public transport model integrating ever to reduce travel time and it will no happen until there is clarity on the motor public transport.

We also looked at the transformation in the public transport assessment of information level across the village chain, a alack of transformation and public  
15 transport the lack of transformation in the South African society racially economic class. [inaudible 01:51:10] you cannot walk into a taxi and be sitting next to a CEO of Toyota South Africa the South African breweries. You cant walk into a train and encounter such people, so the lack of transboardination in society means that the transport modes that we use are also second gated  
20 economically and otherwise. Transport [inaudible 1:51:36] cater for different social classes with worried rest of demographics this apply demonstrates the affordability to rains to make it easier for the government to gage intervention requirements.

We get very astounded when we realise that he likes of the Gautrain are  
25 heavenly subsidised. And you look at the profile of the users of the Gautrain, it

is people that parks heir Lexes, their Crestar at the Gautrain station and hoping to enter the Gautrain. They can afford it but the kind of subsidy those modes are attracting unbelievable. In the value shared ownership the suppliers remains white and rich and the consumer remains black and poor, reflective of lack of  
5 transformation programs necessary for economic transformation.

The above is clearly demonstrated by the mini bus taxi owners calling themselves an industry, while owning only the fence with the constitute and [inaudible 1:52:51] percent of the value chain. Of these institutions to largely to blame in lack of transformation in the taxi industry value chain ownership in that  
10 they refused to access to accusation funding to the taxi industry while they continue to make billions of rand's through the taxi finance and transactional revenue.

Ownership patterns either the taxi value chain it must chain to reflect the rational demographics of both the consumer and the user. And we really want to be taken seriously in this regard because people will ask us and say that you  
15 continue buy taxis from Toyota South Africa. Toyota South Africa is a foreign company Toyota South Africa is owned by [inaudible 1:53:42] if we go to the bank and say we want to buy a stag in the dealership, we want to buy a stag at the manufacturers plan they say give us your balance sheet and your balance  
20 sheet must reflect Billions.

Where are we suppose to get those Billions from, so clearly we are being strategically excluded. And we also looked at the impact of the BRT implementation in the renewal of operating licenses, BRT enjoys unfair referential treatment over minibus taxis. The taxi operators go through a long a  
25 prorated process to obtain operating licenses which is not the case with the

BRT. If you walk out of this building and you just go by a near taxi rank then you will encounter many taxi operators that will tell you that they have been waiting for their operating license for 7, 9 or 10 years. And yet once a BRT comes into operation over night and they have a operating license yet we are suppose to e  
5 obtaining those operating licenses from the same [inaudible 1:55:04] and you ask yourself what are the reasons behind that if it is not unfair competition and [inaudible] discrimination of the minibus taxi industry. The national transport act number 5 of 2009 “ Given the virility of operating licenses to a maximum of seven years, yet the BRT operating licenses are valid for twelve years in line  
10 with the BRT contracts, the seven year operating license and validities are impediment to long term investment in the taxi industry.

For the taxi operators to afford new taxis and to pay their instalments they need to ask them to stretch their finance purity to over seventy two months, 60 months etc. By the time they are paying of those vehicles that vehicle is finished  
15 that seven year is also finished. Now we are saying a serious investor can not invest in a business hat is not going to be in place for seven years because you won't be able to recoup the money that you have planted into that entity. In routes that are to be contracted the government enjoy legislation that are appointed to renew in existing operating license in that area and this weekend  
20 the taxi industry [inaudible 1:56:47] to negotiate compensation values that the BRT has implemented. Renewal of taxi operating licenses and BRT implementing areas is subject to the future transport plans of that area which means taxis exist at the best of BRT systems.

Maybe we need to explain ourselves so that we understood, if the government  
25 decided that this routes is going to be contracted the legislation picks up or

allows the government to obtain and renew operating licenses in that area. Therefore when we negotiate compensation when BRT are to be implemented we have to be mindful that if we go overboard the government will wait for operating license to operate and to renew them. And we think the national land  
5 transport act in that regard maybe unconstitutional because we are being denied to trade.

We maybe to further illustrate that point if you look at the compensations t MCT in Cape Town the compensation act re-ad wired in Johannesburg and compensations at [Inaudible 1:58:11] here in Tshwane. Just look at the  
10 disparities you'll begin to understand the point that we are illustrating here. And we further looked at the issue of access to finance for taxi operators, sorry chairperson, cheers....

The cost of finance is to high for taxi operators enhanced the high rates of repossessions. Lending rates are excreted renting between 14% and 28%  
15 depending on the financial institution ratings. The financial institution approval score card are heavenly noted against the taxi operators being approved hens the taxi industry value to replaced taxi that are then unsafe economically to operate. Given their almost identical approval rates and declines conclusion suspicion cannot be ruled out. National credit act legislation and its attended  
20 objections of protecting consumers against the exploitation as an effectively and bolded financial institution to hide behind its reckless lending provisions to any taxi operators to finance when it suites them.

It is a very strange business sector because you go and you apply to acquire a new taxi and your application will lend with the four major banks. And if they  
25 decline, they all decline if they approve you they will approve you almost on the

same rates your interested rate etc. And we suspect collusion in that, the national credit act legislation and it intended objects the of – it is not given the banks when you go to them and say why have you declined my application this is who I am, this is how things are standing. They will tell you that if we lend it to  
5 you we are going to be charged for reckless lending and we don't want to have our operating license withdrawn. Now this piece of legislation needs to also be reviewed because we are getting intended objectives. As an political economic interest group who would want to adapt into politics but equally we cannot avoid suspecting that this may be a consequence rather than being to four banks  
10 servicing fifty four million citizens. And controlling the economy because you [inaudible 02:01:42] of people, really what we are saying here is it makes it easy for them to decide who they want to serve and who they do not want to serve. It makes it easier for them to collude because they know you have a very limited option. I'm sure chairperson that you have heard of some unconventional  
15 funding that have exploited that space – that are charging the taxi industry anything up to 30% interest rate.

The taxi ranks throughout the country that is access to infrastructure and of course terminal facilities – taxi ranks throughout the country largely remains poorly developed coyote concrete jungles, not fit for human habitation in the  
20 [inaudible 02:02:47]. On 8 November 2017 the national taxi alliance presented the memorandum of grievances to the South African local government association highlighting these abnormalities and demanding corrective action and we are still waiting.

Taxi operators have limited or no control at all over taxi ranks that they – that  
25 are owned and to a grater state controlled by metros and municipalities.

Advertising and trading revenue at taxi ranks exclusively benefits metros and municipalities at the exclusion of the nuclear of the taxi ranks within this hubs of the taxi industry. A lack of modern ranking facilities holding areas in other necessary facilities [inaudible] formalization and other development of the taxi industry. Rendering it interactive to investors and n the long term – of course a long term users. What we are pointing out here is that if you look at the modernisation of train station if you look at the modernisation of a bus facility of the BRT and other busses because they are assisted by the government, chairperson I'll tell you an example that happened when former president Jacob Zuma was still president he inspected public transport, he got into a train, got into a bus and we welcomed him at the Joburg station, he came out of the Gou train we went into the Midrand area and then we ended up at the park city taxi rank. As we immersed at the Park City taxi rank we said President welcome to the taxi ranks because we could smell urine it is reeking of urine.

And thereby the chaos that you can see and he knotted his head and said I'll talk to ministers, I'm sure the former president is still talking to ministers. That is where the minibus taxi industry is, now if you talk of the model integration that gives you and answer of ho difficult it will be to integrate modes of transport when they operate inside different levels of development. And then also look at contracting relating to bus operators long term contracts which has not been subjected to competitive competing. Ever Green contracts entered during the apartheid era and are still existing at the exclusion of other role players in the public passenger transport these contracts are both illegal and unconstitutional, but they continue to exist. We have requested copies and other information regarding the illegal contracts and agreements from both the national

department of transport and the Gauteng department of transport do not  
[inaudible 02:06:05].

We have now activated the part in legislation to assist us with acts to the  
information which is in the view of challenging the legality of those contracts and  
5 agreements. We are desperate to access the contracts and agreements  
information before the issue of the new bus contract that tenders and the  
awarding of that tenders we believe the competition commission using the  
legislative powers invested with it may assist to expiated the access to  
information to the Ever Green contracts or agreements or any other information  
10 pertinent to this matter. A classic example of what we are saying here  
chairperson at a particular point Cargo has been the dominant player in this  
regard, they went to government and said the routes you have given to me in  
Tshwane in Ikorolrni in Esidimeni in the province of Gauteng that would be  
profitable enough. So I'm handing them back to you and the government gladly  
15 accepted those routes yet neglecting the fact that they have contracts which say  
if they would to subject to those routes to a tender and the bidders are 10%  
below what PUTCO is charging or 10% above what PUTCO is bidding they  
cannot issue that tender it must be low to PUTCO.

And we have requested that information so that we can challenge [inaudible  
20 02:07:49] because we believe it is constitutional and illegal and the government  
is onto that documents as we said we have activated he [inaudible] to see if it  
will help us. But since we are submitting to this competition we hope you will  
also use your legislated powers to access that information. Which was strongly  
represented or contained that there are [inaudible 02:08:15], we also looked at

the community experience waiting times and the cost of public transport walking distances to public transport facilities.

Taxi commuters through the systematic discrimination of the taxi mode of public transport do not have good public transport travel experiences. Taxis are  
5 estimated to be transporting 16 million passenger all in one way daily but are not given mobility and [inaudible 02:08:50] and that has indicated a negative impact on the travelling experiences. The taxi industry mainly caters for the poor and consequently the poor cannot afford market related fees determined through universally accepted public transport service providers. Cost  
10 calculations has the cries for the government to subsidise the taxi industry, waiting times are lengthened by lack of dedicate lengths and targeting of taxis by law enforcement to stop and search during peak hours resulting in unnecessarily prolonged trips.

Due to the uncorrected apartheid special residential planning the taxi  
15 passengers in many incidents are forced to walk more than 500 meters to catch a taxi irrespective of the weather conditions and fitness of the commuter. The taxi facilities are not ideally committed for the convenience for passengers. And we ended our submission reminding the commission that the late outcall of the word MR Mandela said action without vision is only passing time, vision without  
20 action is nearly daydream, but vision with action can change the world. Thank you.

**CHAIRPERSON:** Thank you, thank you very much MR Mlalazi I think at this point what we proposed we should do is to take a 10 min tea break. And then we will them come back – we will the invite our evidence leaders as well as  
25 members of the parliament to pose questions to you. If we could take a 10

minutes break and be back after 10 minutes, I suggest that we come back at 25 passed 11, we would be back. Thank you very much.

## Session 2

**CHAIRPERSON:** We now resume with the inquiry. At this point I would like to  
5 hand over to our evidence leaders. Starting with Mr. Lesofe to pose questions to either Mr. Mpanza or Mr. Mlalazi. Mr. Lesofe.

**MR LESOFE:** Thank you very much. I have a question in relation to compensation for BRT actually. You mentioned that compensation differs from one province to another or from one city to another. And I think you mentioned  
10 Cape Town, Gauteng, I can't remember the 3<sup>rd</sup> province. I wonder if you could give examples just to illustrate so that we appreciate the difference.

**MR. MLALAZI:** Thank you very much. The other City you forgot is Tshwane were we are. I might not have the exact figures, but in Cape Town where my City is implemented, operators that handed over their licences were compensated in  
15 the region of 2 million per operating licence. In Johannesburg in Rea Vaya, about 800 000. Tshwane, it is not yet concluded but the figures that are coming in and out is in the region of about a million rand.

**MR LESOFE:** Thank you Chair

**CHAIRPERSON:** Mr. Ngobeni.

20 **MR NGOBENI:** Thank you Chair, thank you Mr. Mlalazi for your presentation this morning. the only question that I have for NTA is on the question you have mentioned the issue of a silent moratorium being imposed on the issue of operating licences. What I am more interested in there – maybe before I ask the

question is maybe to indicate that the PRE and the municipality in Johannesburg, when we had the public hearings in Johannesburg, they indicated to us that there is currently no moratorium. So, the 1<sup>st</sup> question that I have for NTA is what – how are you being informed by the PRE of these silent moratorium? How is it being communicated to you, are they putting something in writing? And linked to that, when you answer that question, linked to that is maybe to indicate because I think these 2 issues are linked. You have indicated in your submissions that associations, they jealously guard their operations and they just don't add more taxis you know in response to an increase in demand. So, what I am asking there is how do you test the demand in order to counter you know, the saturation issue. But again, the very same issue is also linked to the issue where you know one of the reasons that has been advanced by the PRE not issuing operating licences in other provinces is the issue of over saturation of the market. So, if you can just address that point and please clarify those 2 issues to the panel.

**MR. MLALAZI:** Thank you for the question. The silent moratorium takes various forms. One form is when a taxi operator goes to PRE to apply for a new operating licence they are told that there is a moratorium in place, we can't accept your application. The other is when taxi operators in compliance with the provisions of the National Land Transport Act go to a municipality to seek concurrences to support their applications. And the municipality says we haven't concluded our transport plans and therefore we can't issue concurrences because it does not speak to our future plans. The other one is when applications are made and the operator waits forever and nothing happens. They keep on going to the operating licence board. As we indicated in our

submission that there is a rapid urbanization. If you go to taxi ranks in the morning or in the afternoon, you will realize that there are some where the queues are longer than the others and where passengers wait for a longer period than the others. That is the barometer that we use to say look, we cannot have our best deserving commuters waiting for long hours, getting late at home, getting late to work. We need to increase our fleet so that we can meet the demand. Thank you.

**MR NGOBENI:** Thank you Mr. Mlalazi. No further questions Chair.

**CHAIRPERSON:** Ms. Nontombana.

10 **MS NONTOMBANA:** Thank you Mr. Mlalazi for your presentation earlier. The one question I had was that you referred to the different periods that are given for operating licences that are given for BRT and taxis which make it difficult for long-term investment. And I wanted to ask whether there is a reasonable period in your mind that you have for operating licences that would make it feasible for any investment into the industry?

**MR. MLALAZI:** Thank you. Before the transport act was changed, our operating licences were indefinite. Which means we could pass them over from generation to generation. Now the National Land Transport Act number 5 of 2009 decreed that we must convert our permits to operating licences. If you submit an indefinite permit, you get a definite operating licence. We would want our operating licences to be indefinite because we are making serious investments in them and we have always passed them from generation to generation. Which we want our children to inherit in the future. And that will also

help us when we negotiate where we are being compensated for our routes being converted looking into contracted or concessioned routes. Thank you.

**CHAIRPERSON:** Mr. Mandiriza

**MR MANDIRIZA:** Thank you Chair. I just have one question, the issues that  
5 you have spoken about in terms of problems with operating licences, can you maybe since you are a national body, can you indicate whether the same experiences are found in all the other provinces or which provinces seem to be very problematic?

**MR. MLALAZI:** Thank you. The most difficult province, some problems may be  
10 similar in almost all of the provinces. But the most difficult provinces is North West and Gauteng. Gauteng does not have a moratorium in place, but you will wait forever. But the problems experienced in the North West were they are claiming that there is a moratorium in place, you also experience them in Free State, but not in all the cities.

15 **CHAIRPERSON:** Ja, Mr. Mlalazi, I just want to get your views on the function of the issuing of operating licences. What are your views as the NTA if this function were to be done at a local government level by municipalities instead of the function as it is currently being done by the PREs which are provincial structures? So, you will have a situation where the municipalities which are  
20 planning authority which are responsible for issuing concurrencies also being responsible for issuing operating licences.

**MR. MLALAZI:** Thank you Chair. We, as the Taxi National Alliance, we wouldn't support that because we have already indicated that municipalities and metros are our competition because they operate metro buses and BRTs etc.

And they also have to issue the concurrencies and they also have to allocate facilities. If you put all of those into one basket it says they become referee and player. So, we wouldn't encourage that. If PRE could stick to the provision of the National Land Transport Act, and if at all the National Department of Transport can take a relook at its system which Chairperson will not believe, at any given day it crashes more than 7 times leaving them with only an hour or less than an hour to operate a day. If they could be competent at that level, we will be okay with PRE and also officials that get deployed at PRE are people that are training, understand what they are supposed to be doing and they stick to the law. We would support in remaining at the PRE level, thank you.

**CHAIRPERSON:** Any further questions colleagues? Thank you very much Mr. Mpanza, Mr. Mlalazi as well as Mr. Mo(sp) firstly for a very well detailed written submission that you prepared for us, and also for your time and the presentation that you gave to us. It is a very helpful and informative presentation. We understand that you are running businesses, and we really appreciate the time that you took coming here. Thank you very much. There will be a need, it is fine, I will give you an opportunity. There will be a need for further engagements with yourself because we are engaging various stakeholders, the PREs, National Department of Transport and the like. And so there will be a need to come back to you on – because this industry is quite a very huge industry and more time is needed to really go through all the issues. So, we will definitely be contacting you to engage you further on the issues that have arisen in your presentation. But thank you very much. I will give an opportunity to -

**MR. MLALAZI:** Thank you very much Chairperson. On behalf of the National Taxi Alliance, I would like to take this opportunity to thank the Competition Commission for taking this initiative because for a very long time we were thinking that we are not being listened to, no one is taking us seriously,  
5 yet we are providing a very essential service whatever really is a backbone of the economy of our country. But having said that Chairperson, we have appeared in many platforms, many Commissions and so on. And it is sad to say nothing has come out in favour of our industry. We have been to portfolio committees, we have made submissions, we hope given the mandate that you  
10 have and the way that you are conducting this Commission, at least at the end of it something is going to come out of it that will level the playing fields in favour of all the public transport modes. Thank you.

**CHAIRPERSON:** Thank you very much, you are excused. We will now receive a submission from the next presenter, is the Mpumalanga Commuter  
15 Organization. I understand they are represented by Mr. Simon Skhosana. Ja, it seems that Mr. Skhosana is not here, we will then take the next presentation from UNITRANS. I understand that they are represented by Mr. Jansen. We will now like to welcome UNITRANS. Welcome Mr. Irvine, if you could switch on the mic. Welcome sir. Can you please state your full names for the record?

20 **MR. BOSHOFF:** Thank you. My name is Nico Boshoff I am the managing director for UNITRANS PASSENGER.

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

**MR. BOSHOFF:** Boshoff.

**MR. KIRSTEN:** Thank you, Vincent Kirsten, financial director UNITRANS passenger.

**CHAIRPERSON:** Thank you very much Mr. Kirsten.

**MR. SMALLBONE:** Jansen Smallbone, operations executive.

5 **CHAIRPERSON:** Thank you very much Mr. Smallbone. There is a small piece of paper starting with Mr. Boshoff if you could take the oath or the affirmation.

**MR. BOSHOFF:** I Nico Boshoff swear that the evidence that I shall give shall be the truth, the whole truth and nothing but the truth. So help me God.

**CHAIRPERSON:** Thank you very much Mr. Kirsten.

10 **MR. KIRSTEN:** I Vincent Kirsten swear that the evidence that I shall give shall be the truth, the whole truth and nothing but the truth. So help me God.

**CHAIRPERSON:** Thank you very much Mr. Kirsten. Mr. Smallbone.

**MR. SMALLBONE:** I Jansen Smallbone swear that the evidence that I shall give shall be the truth, the whole truth and nothing but the truth. So help me  
15 God.

**CHAIRPERSON:** Thank you very much gentlemen. Ms. Irvine, before we start, I don't know whether you want to place anything on record?

**MS. IRVINE:** Mr. Chair, I am here in my capacity as legal representative of UNITRANS, but I will not be giving evidence. But I am happy to take the oath if  
20 you feel it is necessary.

**CHAIRPERSON:** No, it's not necessary. Thank you very much. If we could start with introductions starting with Mr. Boshoff. If you could indicate your current role within UNITRANS.

**MR. BOSHOFF:** My position at the moment is managing director. I have been  
5 managing director for UNITRANS Passenger for 18 years. Prior to that I had a business privately, I have been in the bus business for more than 40 years.

**CHAIRPERSON:** Mr. Kirsten.

**MR. KIRSTEN:** Vincent Kirsten, I am the financial director of UNITRANS  
10 Pssenger. I have been in this position since 1998. I have been with UNITRANS since 1990. Thank you.

**CHAIRPERSON:** Mr. Smallbone.

**MR. SMALLBONE:** My position is operations executive. I joined the company  
12 months ago and my role is within the passenger group.

**CHAIRPERSON:** Ja, Mr. Boshoff is you could just very briefly tell us what  
15 UNITRANS is, what it does or it is part of your presentation?

**MR. BOSHOFF:** Jansen will run us through.

**MR. SMALLBONE:** UNITRANS Passenger is a group that is made up of 5  
departments. The departments that we have focus on tourism, commuter,  
personal transport, intercity, and then we have the Gautrain bus operation.  
20 Under the tourism group, we run 2 very distinct brands which is Mega Coach  
and Magic Transfers. We have a commuter operation which is our Mega Bus  
and [unclear sound 0:24:55] Bus operation. Within the personal transport, we  
have got Mega Bus --- Mozambique which is run under our UNITRANS name.

From an intercity which is your long distance transport, we run 2 brands. Greyhound and Citiliner. And as mentioned we run the Gautrain Buses under the Mega Express.

I put briefly on a slide here, if you look at the footprint for the company in terms  
5 of depots and operations on the map. If we have a look at the passenger  
overview. UNITRANS offers a unique intercity and tourism markets. UNITRANS  
Passenger offers a unique offering, innovation, safety, service and cost  
optimization. And this has resulted in UNITRANS Passenger being positioned  
10 as a market leader in providing world class passenger service for customers in  
Southern Africa. Some stats in UNITRANS Passenger. 1350 vehicles in the  
group, 4095 employees. On the long distance we service 143 intercity  
destinations. Our fuel use is estimated at 39 million litres per annum. In terms of  
passengers across the group +/-10.4 million passengers, 25 depots, we have  
19 servicing terminals. In terms of salaries and benefits for employees per year,  
15 our costs are in excess of 638 million rand. We invest per annum in training of  
our employees. And lastly, our fleet travels +/-112km per annum.

When we talk about services, as mentioned previously we have Greyhound  
which is a luxury coach operator transporting over 800 000 passengers per  
annum over 17 million kilometres. Citiliner is also a long distance operation is a  
20 semi-luxury coach transporting over half a million passengers annually over 10  
million kilometres. We then have our Mega Bus operation which is our  
commuter and personal markets where we have contracts of mid to long-term  
with government as well as large corporate entities. Mega Coach which has a  
fleet of excess 80 expertly driven well-maintained vehicles is rated one of the  
25 leading coach companies in Southern Africa, servicing the corporate tourism

markets. [unclear sound 0:27:46], the business that is based in the North West Province catering commuters staying in the surrounding rural areas, with Platinum mining as the main economic activity. We have got our Magic transfers which is a chauffeur driven transfers from Johannesburg, Durban and  
5 Cape Town International airports. This includes service of 24 hours a day, 7 days a week, 365 days of the year. And that is UNITRANS Passenger

**CHAIRPERSON:** Thank you very much Mr. Smallbone. I would like to give you an opportunity to expand on some of the issues that you have raised in your written submission to the inquiry concerning the pay on user system which is  
10 currently in place at Park Station. You have raised some concerns about that system. If you could shed more light and elaborate what those concerns are.

**MR LESOFE:** Sorry Chair. May I propose that before we get to the pay per use system on Park Station and then that will then naturally follow. That discussion pay per use system will naturally follow after that discussion.

15 **CHAIRPERSON:** Okay, I will give you an opportunity to ask your questions. If you can then just expand on this aspect.

**MR. KIRSTEN:** Thank you Chair. Park Station is an important hub in Johannesburg for passengers wanting to travel to various destinations. Our permits allows us to pick up at Park Station as a starting destination to various  
20 points in the country. Regarding the pay to use issue, up until about 3 years ago, operators were able to rent space at Park Station. And we paid a fairly reasonable rental. That system was done away with and they introduced a pay on use system. So, what happens is we rent space for offices we use and in addition to that, we have to pay a fee every time a coach comes in and out of

the station. That fee is currently at R480 for each entry and R100 for each minute after 15 minutes. It is an expensive cost to us. It currently costs us an excess of 13 million rand per annum. And this cost unfortunately cannot be passed back to the passengers because of the competition in the industry. So, we also believe that the Park Station facility should be in the interest of the community or the commuters and PRASA needs to relook on the whole pay on use system.

**CHAIRPERSON:** Thank you very much Mr. Kirsten. At this point we invite our evidence leaders to pose some questions to you and after that I will also invite my co-panellists to pose some questions to you. Mr. Lesofe.

**MR. LESOFE:** Thank you Chair. If you could explain to the panel how important is Park Station to your business. In other words, in your business operation.

**MR. KIRSTEN:** I think I will get my colleague Jansen to respond.

**MR. SMALLBONE:** If I may ask the question, how important is Park Station to our operation? Okay, that was covered in our submission on the 7<sup>th</sup> of July. Our operation in the sense that it is the largest transport hub, intermodal in Johannesburg where taxis and trains bring the passengers to Park station and then from there they are able to catch buses to go to their – if they are going on a long journey – as well as if we are bringing passengers from around the country, when they arrive at Park Station, they are able to access trains and taxis to go on to their final destination.

**MR. LESOFE:** And what would happen to your business if you were to be denied access to Park Station?

**MR. SMALLBONE:** If we were denied access to Park Station we will not be able to operate according to our operating licence which stipulates that Park Station is the end point or start point for some of our routes as well as that we will not be able to load anywhere around Park Station because of the bylaws.

5 **MR. LESOFE:** And are there any alternative bus terminal facilities that are available to operators such as yourselves?

**MR. SMALLBONE:** To answer that question, I think the question needs to be asked is are there any suitable locations around Park Station for our operations, and that would be no.

10 **MR. LESOFE:** PRASA mentioned that there are hubs such as Power House and I think it is Africa Fleet. Can you comment on that? Are those not suitable for your operation?

**MR. SMALLBONE:** To answer that question on Power House and the other one was?

15 **MR. LESOFE:** I think it is Africa Fleet or something like that.

**MR. SMALLBONE:** You would have heard competitors regarding the suitability of those and our opinion is similar to theirs.

**MR. LESOFE:** Could you express your opinion?

20 **MR. SMALLBONE:** Without having going to view them directly, currently, no, they will not be based on where the current size of the facility, the safety of those facilities and that the current incumbents that make use of those facilities mainly service the cross border market. They do not service the inter-long distance South African market.

**MR. LESOFE:** Okay, I also want to get your view. So, if you look at Park Station taking into account its strategic location and its different features and characteristics, would you say an infrastructure such as that can be duplicated?

5 **MR. SMALLBONE:** Will that duplication be in Johannesburg or elsewhere in South Africa?

**MR. LESOFE:** In Johannesburg, I beg your pardon. Specifically, in Johannesburg.

**MR. SMALLBONE:** I am not an expert at town planning, however, if I look at  
10 what Park Station offers commuters from a rail, taxi and bus operation, the size that is required, I don't think it will be able to be duplicated easily.

**Mr. LESOFE:** Okay, if we could go back to the pay per use system, and if you could just assist the inquiry to understand to what extent what the new system, that is the pay per use system increased or affected your operational costs.

15 **MR. KIRSTEN:** Thank you Chair. As I pointed out earlier is, it is costing us in the region of about 13 million rand more than what we were paying previously. And this cost as I alluded to earlier on, is difficult for us to recover through our fares. It is a big problem for us.

**Mr. LESOFE:** What makes it difficult for you to recover through?

20 **MR. KIRSTEN:** The nature of the competition and the market especially from fares being charged by competitors. If you look at fares change every day based on demand and supply of passengers. So, we as a company have to bear that in mind, we have to monitor them and also remain competitive in the

market. Because passengers are very sensitive to prices. The coaches of the various operators are of equal standard if I may say. So, in terms of service offering the passengers' choices are now limited to fares. Because whether you travel on Greyhound or you travel on Intercap, the coach is basically the same.

5 **MR. LESOFE:** And the inquiry has heard that on some of the routes operated by intercity bus operators, there may actually be price wars. In other words, it would seem that there are operators that will charge prices that are significantly low. Could you comment on that?

**MR. SMALLBONE:** The question is please?

10 **MR. LESOFE:** So, the question is there are allegations that on some of the routes, for instance, a route like Durban, Pretoria, it is alleged that some of the operators charge prices that are substantially low. In other words, they are engaging in some form of predatory pricing. I just wanted to get UNITRANS' views on that, based on the observations that you have made as on of the  
15 operators.

**MR. SMALLBONE:** I don't think I am in a position to comment on what is the low price. I don't have available the operating costs. So, you know in order to answer that question is very difficult because we don't have an idea of what a low price is. Pricing is based on your ability to operate.

20 **MR. LESOFE:** You can comment – I take it when you determine your own prices, you will take into account competitor's prices isn't it?

**MR. SMALLBONE:** Where it is required competitor pricing, the transport market is based on demand and supply and if we have an empty coach at a set

price and somebody else is full at a lower price, I think that answers the question.

**MR. LESOFE:** Okay, let me not take it further Chair, I have no further questions.

5 **CHAIRPERSON:** Thank you Mr. Lesofe. But are you aware of the price war that Mr. Lesofe referred to? The existence of such a price war.

**MR. SMALLBONE:** As I said before, I can't comment on the competitor's pricing being done. So, I am not calling it a price war.

**CHAIRPERSON:** What would you call it?

10 **MR. SMALLBONE:** Competitive pricing.

**CHAIRPERSON:** All right, Mr. Ngobeni. Ms. Nontombana.

**MR LESOFE:** I have one question regarding the relationship with that PRASA has with auto bus. We have heard during the inquiry that AUTOPAX seem to enjoy competitive advantage over its competitors. For example, in terms of the terms that it enjoys for accessing park station. Are you able to comment on that?

**MR. KIRSTEN:** Thank you, we are not aware of the terms and conditions between PRASA and AUTOPAX. What we do believe is they are part of the same group. So, whatever fees the PRASA AUTOPAX pays to PRASA stays in the same group. So, from a group point of view, it is irrelevant. But as I said, we are not aware of the terms and conditions.

**MR LESOFE:** If I can just follow-up on that. If you were to look at for example, Park Station again in terms of what AUTOPAX has access to versus

UNITRANS is there anything that you have perhaps noticed that would give the impression that they are treated favourably.

I will ask Nico to answer.

**MR. BOSHOFF:** Thank you. The difference between ourselves and  
5 AUTOPAX is they have a reserved section for their vehicles which is currently  
being upgraded. They have easier secluded and an independent loading space  
at a much better position than we have, where we have to compete with one  
another for loading bays and off-loading bays. And we have very little control  
over our passengers and their luggage. So, we run for space, where they have  
10 their own loading bays and their own facilities.

**CHAIRPERSON:** Are you suggesting Mr. Boshoff that AUTOPAX has got  
some exclusively reserved loading and off-loading bays at the Park Station  
terminals?

**MR. BOSHOFF:** If you come into Park Station they load separately and we all  
15 the other operators have to share were AUTOPAX and City to City Translux  
load separately.

**CHAIRPERSON:** Is that the AUTOPAX' loading bays, are those specifically  
dedicated to -

**MR. BOSHOFF:** Only to them, yes.

20 **CHAIRPERSON:** And they are not used by -

**MR. BOSHOFF:** No, we are not allowed there.

**CHAIRPERSON:** And do you know roughly the size of that loading bay in  
terms of how many loading bays?

**MR. BOSHOFF:** Off the top of my head I would say that the section reserved for them is of the equal size of the section the we all share.

**CHAIRPERSON:** Mr. Mandiriza.

**MR MANDIRIZA:** Okay, just a follow-up I think on the parking bays. So, what  
5 impact does it have in terms of your business?

**MR. SMALLBONE:** The effect that it has on our business is if we had to have our own exclusive parking bays, we can control passengers, we can control their safety, their luggage. What happens now? Everybody scrambles for a bay to load or off load and we will be in one another's space. And it creates a lot of  
10 problems for our passengers.

**MR MANDIRIZA:** So, since the change in the system, can you say the service that you are offering to your customers, can you say that the service has changed since PRASA has introduced its pay per system, you no longer have dedicated loading bays. So, do you think that the service that you are offering to  
15 the customers has been compromised or it has remained the same?

**MR. SMALLBONE:** Yes, the service has been compromised and I will give an example. You have got 3 coaches that have arrived going to 3 different destinations, you could potentially have a passenger getting on the wrong coach because before you know it is bay 6, 7 or 8. So, the service has been  
20 compromised for the passenger by not allowing dedicated bays.

**MR MANDIRIZA:** Then in terms of, I think your submission mentioned that and I think Mr. Kirsten also confirmed now that it has increased be why 30 million more per annum in terms of the fees. So, in your own view, have you done any kind of benchmark economic fee that you should be paying when entering – at

least you will be able to say is it supposed to be 250 or 450 fare fee that you are supposed to pay when entering Park Station.

**MR. SMALLBONE:** I think as we heard yesterday from intercape, the airport is R60 per hour and Park Station is 450 per hour. There is an example that  
5 could be used.

**MR MANDIRIZA:** Okay, thank you. We have also received quite a number of submissions especially amongst the small operators in terms of objections raised by big or established bus companies when they want to apply for an operating licence. Are you aware of that practice and what has been your own  
10 observations with regards to this?

**MS. IRVINE:** Mr. Chair, if I may. We have made a confidential submission to the Commission in that regard and we prefer to deal with that on that basis. If you want to clear the room, we are happy to do so.

**CHAIRPERSON:** We will deal with that issue. We will not clear the room, but to  
15 the extent that answer requires a confidential response, we will deal with that separately outside of this process. But to the extent that you are able to give an answer without traversing confidential issues. Broadly.

**MS. IRVINE:** So, Mr. Chair if I may. I think my client gave quite a comprehensive answer in the written submission. In any event, if you have  
20 questions about that, we will be happy to engage with the Commission. But we would prefer not to traverse that in a public hearing.

**CHAIRPERSON:** I think we will respect that and we will deal with those issues then on a confidential basis. Any further questions Mr Mandiriza?

**MR LESOFE:** If I may just take you back on the pay on user system because in fairness we have to put to you what has been submitted to us by PRASA. They say that part of the rationale and motivation for the introduction of this new system was to level the playing fields between the bigger bus operators as well as the smaller new entrants. And they raised a number of factors that they have considered. Firstly, they say that the new system enables both smaller as well as larger bus companies to face similar trading conditions. Secondly, they say that the new system removes barriers to entry for bus operators at Park Station., They also say that the new system also diffuses what they term monopolistic tendencies were larger bus companies had dedicated waiting areas for their passengers. And the new system is designed to establish a system where all passengers are accommodated in a general standard waiting area with the same security, cleaning services etcetera. They also say that the new system has enabled them to open up loading bay facilities to smaller bus operators and this ensures optimal occupancy and usage rate of each of the loading bays and thus ensuring efficiencies in terms of utilization of the bays. And they say that the old system only enabled a few large bus operators to operate at the station, but now the new model is based on the 1<sup>st</sup> come 1<sup>st</sup> served basis. I would just like to get your comment on this because it seems from PRASA's submission that the way the new system has been designed, it is designed in such a way that it facilitates an easy entry for new entrants.

**MR. KIRSTEN:** We have no objection to the principle. Suffice to say that we are objecting and have objected in court about the charge because what has happened despite PRASA's noble attempt in opening up Park Station, the small

operators don't load there. The small operations still use alternative facilities and we have tried to get access to those facilities, but they are also full. We don't have a problem if they open park Station, and we should be given an opportunity where AUTOPAX are loading. As a matter of fact in Durban, we  
5 have relinquished some of our bays for small operators. And the small operators aren't coming in and that is the reason why PRASA just increased the rate to penalize us for sticking to the station as a loading point. The smaller operators don't load there.

**MR. SMALLBONE:** You have heard testimony on Tuesday from Moollas  
10 Transport, and if you recall he finally managed to get a loading bay at [unclear sound 0:54:41] office, that was because UNITRANS relinquished bays for these smaller operator.

**MR LESOFE:** So, your main complaint is about the excessive nature of the rates or the charges?

15 **MR. KIRSTEN:** That's right. We did an investigation a while ago about the comparative rates for office space etcetera. If we could just give you a number, our office space at present is rented at R407 per square meter. Now, if you go into the area, you will work out that office space in Braamfontein doesn't rent out for R407.

20 **CHAIRPERSON:** Any further questions colleagues? Ja, thank you very much Ms. Irvine as well as Mr. Boshoff, we will certainly take up the issues that you have raised with PRASA who have also made a submission to us and we will come back to you. Not thank you very much for coming, for your submission and for your time. You are excused.

Thank you.

**CHAIRPERSON:** I think a lunch adjournment and we will be back at 13:30 and we will receive a hearing from PRASA. Lunch will be served at a restaurant which is 1<sup>st</sup> floor.

5

### Session 3.

**CHAIRPERSON:** We are resuming after Lunch. Welcome lady and gentlemen to the Commission's Enquiry on the land based public transport, if you could please state your full names and surname for the record?

5 **MS JONI:** Chairperson I am not going to do the presentations. My name is Jennifer Joni, I come from Corporate Office PRASA's Corporate Legal Office. I have been the contact person for this enquiry and I have been providing support to all the entities of PRASA that were called upon to provide information. I just want to clarify a few things and how the presentation will be structured from the  
10 group.

The first thing that I want to highlight, is the fact that only 2 entities from the PRASA group were invited or approached to assist the Commission in this market enquiry, that is PRASA Rail an AUTOPAX. PRASA Rail is our division, AUTOPAX is the subsidiary that is actually running City to City Bus and  
15 Translux.

During the course of the enquiry, we were actually invited also to make our regional offices participate in the enquiry, because initially it was only Corporate Office and the rail head office that were participants. Now, what we have done is to say to the Commission, there are those issues that only regional offices  
20 can address the Commission on. We have invited the people from the regional offices and where they have presence in the provinces, our regional offices will participate.

At this particular hearing, I've got the regional manager for Gauteng, who was supposed to present on Tuesday. She will present today and then I have people from corporate office who will deal with issues around transport planning and provide a context around rail and a brief overview on subsidies and then we  
5 will have the representative from AUTOPAX who will present last, so I am sure they are the ones who will have to take the oath and I am handing over to the general manager for Gauteng.

**CHAIRPERSON:** So the first presentation will be from?

**MS JONI:** From Gauteng Metro Rail.

10 **CHAIRPERSON:** Thank you very much Ms Joni for that clarification. Welcome Sir, if you could please state your full names and surname for the record?

**MR MATAMPI:** My name is Goodman Kalenane Matampi.

**CHAIRPERSON:** Can you please just for purposes of the transcript, just spell your surname?

15 **MR MATAMPI:** M-A-T-A-M-P-I.

**CHAIRPERSON:** Thank you very much Mr Matampi. There is a piece of paper in front of you. You may take the oath or the affirmation.

**MR MATAMPI:** I will take an oath.

**CHAIRPERSON:** You may go ahead?

20 **MR MATAMPI:** I, Goodman Kalenane Matampi, swear that the evidence that I shall give, shall be the truth, the whole truth and nothing but the truth, so help me God.

**CHAIRPERSON:** Thank you very much Mr Matampi. If you could very briefly, just indicate what your current position is?

**MR MATAMPI:** I am the Acting Provincial Manager for Metro Rail Gauteng.

**CHAIRPERSON:** And how long have you held that position?

5 **MR MATAMPI:** I have been in it for about 18 months now.

**CHAIRPERSON:** If you could very briefly, just give an outline of your division, unless it is part of your presentation and what it does?

**MR MATAMPI:** I can give an outline. What we do, we are running a product for PRASA Rail, PRASA Rail being the division of PRASA and the product that we  
10 are running is Metro Rail. It is focused mainly on the urban areas rail network and we are operating a rail network of about 3500 kilometres, including the [inaudible] and the depots and then we are running 2 main depots that is one in Gauteng North which is in Wilmerton. The other one being in Gauteng South which is in Braamfontein. The total fleet that we are operating, is around 97 train  
15 sets and we transport on average, about 1.5 million people per day.

**CHAIRPERSON:** You may go ahead with your presentation.

**MR MATAMPI:** Thank you Chair, I am not going to do a presentation, but mainly just to substantiate on the submission that we actually made. On the issues of licencing route allocation and entry regulation, our licensing is actually  
20 through the rail regulator, we call it RSR and then basically in Gauteng, we operate in Gauteng North, Gauteng East and Gauteng West. The hubs being the following, Gauteng North, our hub is mainly Pretoria station and there, we are operating a number of corridors being 6 corridors stretching towards

Mamelodi, [inaudible] ville and Magopane and others are within the ring rail and then on the South, we have got 2 hubs, one being Germiston, being an interchange station, the same way as Pretoria and then on the Johannesburg West, we have got Park Station as well as [inaudible].

5 On the South of Johannesburg, we operate 10 corridors, so in total in Gauteng, we are operating 16 corridors. Now the densification of these corridors is in the form of stations and then we have got a total number of 236 train stations. Some of them are in [modal] facilities, meaning that we have got taxi ranks, we've got buses. Typically you take a facility like Park Station and you take a  
10 facility like Pretoria Station or Germiston, they are inter-modal stations and these stations, they are categorised as the following. We have got what we call super-core stations. These are high on patronage and revenue and typically, these are inter-modal facilities. We have got 14 of them. In Gauteng North, there are 4 and in Gauteng South, there are 10 and we have got what we call  
15 core stations, these are income generating, but not your typical inter-modal facilities. We have got 44 of these and then we've got what we call intermediate, they are 42 and small stations, nothing much is happening really around those areas, they are 49 and we have got what we call halt stations. These stations, we do not have ticket offices. We rely on them as feeders to some of these  
20 stations.

Then we have got other stations that are closed, so in total, we have got 236 and in our submission or representation, we have actually given a diagram of these particular facilities. In terms of the explanation that we need to give on challenges that we experienced as Metro Rail in Gauteng, in fulfilling our  
25 primary mandate, that is to transport the public in the routes that are allocated

to us, the first challenge that we have, is the unreliable rolling stock. Our rolling stock is one of the oldest in the country. The last train, we probably bought it in 1986, so in terms of the asset life management cycle, we actually are having some of these sets that are operating currently, but they are beyond their life span.

5 So what we have is a challenge, is the frequency of failures. We have got a high failure rate of these trains. In some circumstances, we find that they actually fail probably in the middle of a section and just to give you an idea, one train capacity, we run 12 train configuration sets. These trains, actually they have got a capacity of carrying 1800 people if it is not over-crowded, but we've got overcrowding in our trains and as a result, we find ourselves having to carry an excess of about 2000 people per train. Now if such a set fails in the section, obviously we find that it blocks other trains, then at any given time, during either morning peak or afternoon peak, if there is a power failure, we end up having a situation where we affect plus minus 5000 people at a time.

15 On average, as I said, province-wide, we transport about 1.5 million per day, not counting the fare evaders in our system. We have got a high level of fare evasion. Now the availability of our trains and the way they fail, they create a situation where we have a high level of train trip cancellations which is currently hovering around 11% of the total train trips that we run per day and then against the target of 5%. So we have doubled our level of failures, partly as a reason of unreliable rolling stock and then, as a result of that, obviously we run fewer trains.

Failures of the rolling stock, is not only attributable to the fact that it is old trains. With overcrowding, we do have some rogue elements that you find that they are sitting between the coaches and as a result, they interfere with the connections between the coaches, because our trains, we run them in series, in terms of the  
5 power availability that we have.

The solution towards the rolling stock as you may all be aware of some may be aware, is that we have embarked on quite an ambitious programme to actually renew our rolling stock. As we sit currently, we have got about 18 + 2 train sets that we have brought in from Brazil and they have started operating on  
10 Mamelodi line and we have suspended them temporarily because of acts of vandalism on that line and obviously as these come in, we will have more capacity to run a more reliable service and maybe it is worth stating that since we ran these trains on the Mamelodi line, we saw the head ways actually drop. Head ways, it's a frequency at which the trains are moving. We used to run  
15 during peak at 30 minutes and we brought that down to 20 minutes and sorry, at peak, it is 20 minutes and then off-peak, obviously we run at 30 minutes. That includes our patronage, so the solution is there and it looks like it will work for us and then, how we are going to address this situation, is through the new rolling stock that has been built in Nigel and Gauteng will be the first  
20 beneficiaries of receiving these trains, targeting about 132 sets to be received towards the end of 2019.

The first train rolling out manufactured locally will come out in December this year. The challenge number two that we have, is unreliable infrastructure. Our infrastructure is old, but we will divide infrastructure into three components, that  
25 is electrical infrastructure, that is both the electrical supply to the signalling

system as well as to the traction energy to move the trains and then the second part of infrastructure is signalling that regulates the train movement and then the last one being what we call permanent way, that is the rails themselves.

What we are doing currently, is that the biggest risk that we sit with, is on the signalling and as a solution towards signalling because we've got extra  
5 vandalism of these, people mining for cables, but since we are moving to a new system, the system is running on fibre optic, it doesn't have copper, so that sort of deters the vandalism that we have, but out of frustration, people are now going for what we call the excel counters and some of the points so that they  
10 can take this to scrap metals.

So we are capitalising on the new act, that is the Secondary Goods Act and we are now starting to get better convictions. The recent one being last year late where we got some people locked in for 7 years for stealing cables. So signalling, it affects the on time performance of our trains, because there are  
15 delays. We don't have a new set to take every new trip. The trips are based on the set. The set can leave Park Station to Pretoria say at 6:00 in the morning and the same set you expect to depart Pretoria around say 9:00 to be in Johannesburg at 10:00 and depart, so once it is delayed, then you have got long lead times, so the vandalism that we have on our infrastructure, it really is  
20 crippling us, to the point that now that they are not finding signal cables, they are going for overhead cables and also the traction motors – these are the locomotives that actually drive the train.

Underlying issues that I was talking about in our representation, is the consequence of running an open rail system, we are really tight in terms of

exercising our right of admission to our stations as well as on our mail reserves and as a result of the open system, our fencing is not as adequate as it should be, so Metro Rail at the moment, with this open system, we've got a number of disruptors that we actually experience and these manifest themselves in many  
5 different ways, but I will mention just 5.

The first one is the encroachment into the railway reserves, where people are actually building shacks within the railway reserves and that actually leads to other problems like dumping on the tracks and that interferes with the operating of the points. We had one train derailling last year because a plastic bottle of  
10 Coke was thrown on the tracks and it interfered with the points and the train actually derailed.

Then also because of these encroachments and open system, we have high levels of train run-overs, meaning people were knocked by trains or who were run over by trains because if people are traversing within our system, that  
15 obviously poses a danger and once we have an over-run, it can delay a train up to 3 hours if there are people on board and obviously train run-overs is not only about people, we do have vehicles that are maybe dislodged on the freeway and then it falls on the tracks like the incident we had about 3 weeks ago. That interferes with our rail services.

20 We have got high levels of robbery of commuters and staff on stations and on board the trains and some of these criminal elements, what they do is, they interfere with the signal system forcing the train to stop and they do get on board and rob commuters, staff and also vandalism some of our facilities within

the train itself or on the stations. That is the vandalism of trains I spoke about. I spoke about the infrastructure and the stations.

Fare evasion is very high and it's quite hostile that even when we try to close the stations, we get a lot assaults on the personnel that is manning the stations.

5 Because of an open system, people decide to bypass the gates, they come through the platform ends and they do come in numbers, no matter how many guards you put, as I gave an example, at peak, one train can carry up to 2000 people. You can put 40 guards there and they will do nothing.

10 There we are making inroads to actually evade the situation, but PRASA what it has done, it has embarked on a fencing project to try and close the system and this actually has been hampered by communities where if you bring a fencing project in that community, now they want 30% and all that, so there is a lot of interference with the projects.

15 Number 4 challenge that we have, is the increased fare evasion and significant loss of market share. What we are dealing with now, it is a fictitious demand, we see trains that are overcrowded, but we have no money to show for it and people try to make justifications that they won't buy tickets, because if they buy a monthly ticket and the train is not running, they are not going to wait for a contingency plan where we bring in buses. So this actually leads to people  
20 taking advantage and not buying tickets at all. They do not see value in our service for the train service, but actually they have evaded to pay fares, so in a way, while they are using our trains, by virtue that they are not paying, it is similar to the loss in a market share. Actually, it pushes up your costs, because

now, you have got an overloaded system but you cannot recoup the revenue for that and as a result, other expenses, they do get compromised.

In the factors mentioned above, with the loss of confidence in the rail service, other people have obviously opted for other modes of transport and the market  
5 share has significantly dropped for us, as we see it in our revenue for the past 4 years, actually year on year, we have a drop in revenue on the average of about 8.7%.

In the question what are other underlying factors that resulted in a decline, I have mentioned the service, so we are busy with the process of restoring the  
10 products, because we believe that if we restore the product and secure our rail environment so that we can exercise our right of admission, these problems should go away and then the confidence in the rail service, should pick up.

So the solutions as per caution 14 are the problems that I have mentioned, that we have put in place. In summary, renewing our railing stock through  
15 acquisition of new trains, installing new and modern signalling systems, closing the rail system through fencing, working closely with rapid rail police and communities to combat crime. In Mamelodi, we have just signed what we call a social compact with all political formations, the City of Tshwane and the police and in that regard, we are about to operationalise that by putting corridor based  
20 structures.

Also, we are looking at ways to actually fast-track these interventions which I have actually mentioned because we do put programmes in place, but unfortunately, we do have interferences from the communities, demanding to be employed by the project. The signalling project, it is a high skilled programme,

but you have people in the locality, saying 30% from the locality, must be employed, but that is work for actual engineers and technicians which is not readily available in the market that we can employ within those communities, thank you Chair.

5 **CHAIRPERSON**: Thank you very much Mr Matampi and Ms Joni, if we could take all the PRASA offices or divisions first and then have AUTOPAX after we are done with PRASA. So Mr Matampi we may have some questions for you, but you can make space for your colleagues.

**MS JONI**: I think while we wait for his presentation, Anne-Marie can start with  
10 hers which is broadly about context of rail and then an overview of subsidies. Hishaam will speak to transport planning.

**CHAIRPERSON**: Before you proceed, if you could please just state your full names and surname for the record?

**MS LUBBE**: Anne-Marie Lubbe.

15 **CHAIRPERSON**: If you could just please spell your surname?

**MS LUBBE**: L-U-B-B-E.

**CHAIRPERSON**: Thank you, there is a piece of paper in front of you, you may take the oath or the affirmation?

**MS LUBBE**: I Anne-Marie Lubbe, swear that the evidence that I shall give,  
20 shall be the truth, the whole truth and nothing but the truth, so help me God.

**CHAIRPERSON**: Thank you very much Ms Lubbe, very briefly, if you could just introduce, by way of an introduction, just indicate what your current position is within, PRASA and how, long have you held that position?

**MS LUBBE**: I am the Senior Manager for Business Performance in the Group CEO's office and I have had this position I think for the last 10 years.

**CHAIRPERSON**: You may go ahead with your presentation.

**MS LUBBE**: Thank you, what I wanted to do with this presentation is maybe  
5 just give a bit of context to rail systems, because I do not perceive that everybody perceives that rail is a bit different from road based transport modes and just so that you have a bit of background on rail systems.

This slide is just to tell you where you would place certain modes of transport and especially in your urban areas, if you look at the third column, peak  
10 capacity per hour is 20 000 to 60 000 people per hour. The system life of any heavy rail system is between 25 and 50 years, so we are not here for the short term and we are really here for the long term. If you look at buses, the system life in years is about 8 to 14 years.

What is also important and Mr Matampi has also indicated that already, that we  
15 transport per unit, so that is per train around 2000 passengers or 1800 passengers, so we really look at mass transport if we talk about train transport and even if you were to talk about our mainline passenger transport, we are not there for 10 people or 20 people, we really need masses to make sense for us as a business.

20 This slide is just the differences between the public modes of transport, because I do think it is sometimes that we forget that where rail plays a role. If you look at ownership of infrastructure, rail own or leased that infrastructure, it is not that we use the road like we all use with our cars and somebody else has created the road for us, so we have to maintain and build that infrastructure.

I have already talked about the maintenance of that. Also in terms of flexibility, we are stuck or we are bound by our infrastructure, we cannot go somewhere else, we have to stick to the tracks. We cannot run on anything else but the tracks and if you should expand as my colleague Mr Emaran will allude to, is  
5 that you need to have long term planning where these rails are going to go and you need to have that supported by spatial planning where you would have enough volumes of people to carry for rail.

In terms of safety and reliability requirements, rail plays in the space of high reliability organisations and high reliability organisations in a lot of the articles, if  
10 you do some research on it, is where you would look at your things like nuclear power stations or power stations, where you have very high requirements for safety. If something goes wrong in rail, you would know that there has been an accident in rail, because they carry 1800 people, there is a potential that all of them could be injured in any accident. Also the other thing is that our fare  
15 approvals, we can't change our fares as we would want to. We have to get an approval from the economic regulator and you would find that on the BRT and buses as well, whereas our colleagues in the taxi industry have a lot more flexibility. They don't have to own their infrastructure they don't have to maintain the roads and the traffic lights.

20 Our infrastructure includes stations as Mr Matampi has been saying people cannot get on anywhere they have to get on at a station. Permanent rail or track, we can only run on that track. We have to provide for electrical systems because we run with electricity. Then we have signal systems and that signal systems is really like a traffic light for us, can you go or can't you go and then  
25 you have a control room that organises all of these things.

Also trains require strict operating rules and systems such as the signalling systems to ensure safety. Because the train is so heavy, it requires a long distance to come to a stop, so you can't just bypass a signal and think that the train is quickly going to stop. It doesn't work that way, it has to adhere to the  
5 rules. We cannot also deviate from the tracks, so one train can't pass another train, unless there is a turn out and your turn out has got the points that Mr Matampi has been talking about and that turn out will put the train on a different track. It is not that it can get ahead or anything.

So if you would maybe have more operations on the same track, unless you  
10 have sufficient tracks on that route, you would have the problem that if one operator is running in front of the other one, the other one will have to wait for the first one to pass.

I think if one understands that, then it becomes a bit better. Also, maybe the reason why you need rail, is that you have got a value contribution more than  
15 just transporting passengers. We have got the lowest level of CO2 emissions and where environmental issues are starting to play a much bigger role here and in the world, also is when you run rail systems, your spatial requirements especially in cities, I don't think this really applies in rural areas, where rail requires the least amount of space to run for lots of people.

20 In that diagram on the left hand bottom corner, if you transport 50 000 people per hour, you need a road of about 175 metres wide to be used only by cars and in our case the minibus taxis, you could maybe reduce that by half and then you would still need a 80 metre road to carry the same amount of people and

you would need 35 metre wide road for buses to carry the same amount of people. So our role is mainly to be in the cities and for mass transport.

The only other thing as well, is we provide more safe transport in terms of people that might die in our service. If you can look at the risk ratios on the  
5 bottom right hand corner, for every airline that might die on a flight, you would have more people in rail and maybe 1.5 versus buses or coaches up to 4. Cars is very high at 44 and a power 2 wheeler, that would be our motor cycles, we know it is very unsafe, it is 520, so rail is still a very safe mode provided you stick to the rules and that you adhere to those rules.

10 Also if we look at reasons for people not using rail and this comes from the national household travel survey from the Department of Transport, is the main reason for people not using trains because it is not available. We cannot be everywhere, we cannot move quickly to where new areas are being developed and then secondly as Mr Matampi has also indicated, our service levels as we  
15 know at the moment, is not where it is supposed to be.

What one should remember with this study as well, the trains here include mainline passenger services, Metro Rail as well as Gautrain for Gauteng. If you look at national, nearly 67% of people say I do not have a train service available, so they cannot use that train, so the market share will be lower.

20 In the Western Cape, where we have got a very good coverage of the City of Cape Town, still 40% of people do not have access to rail. Gauteng is a bit less at 38%, but KZN is nearly 80% and Eastern Cape 78%. Metro Rail services are really only in the metropolitan areas and not in your rural areas.

If we talk about the operational subsidy, we belong to a benchmarking group, the International Suburban Rail Benchmarking Group and that has quite a number of members from Europe, America, Asia and Australia and what this graph just demonstrates, is that our level of subsidy that we get, is far less than  
5 our counterparts in the world, that is part of the benchmarking group. This study reflects the subsidy here as a dollar amount so that you can compare the various entities at the same level and that dollar amount is determined by a specific dollar purchasing power figure from the World Bank. So basically what we are saying, is that yes, we might look like we get a huge subsidy, but that  
10 subsidy on the operational side, is still not sufficient to cover all the work that we need to do.

How does the subsidy work in PRASA? National Treasury allocates it to the Department of Transport that will send us the subsidy and in the PRASA group, the PRASA entities within the group that provides rail and rail related services,  
15 will get the subsidy. The subsidy incorporate is really about strategy and policy about the insurance portfolio because we need to ensure all of our assets that, includes the stations, the signalling, the rolling stock and then also the reporting to shareholders and planning.

Metro Rail and MLPS mainline passenger services, get the bulk of the subsidy,  
20 but there is support allocations to PRASA corporate real estate solutions, that provide station and property facilities management and that is mainly station facility management and what the subsidy here is used for, is in the main for the 70% of the business on stations and property that we need to pay municipal rates and taxes for.

We do try to improve our revenue for commercialisation of stations, but that is still very low. Then we also have PRASA technical and maintenance and upgrades of rolling stock and infrastructure and they also get a portion of the support and then Metro Rail or MLPS will pay AUTOPAX for rental of buses.

- 5 I think what we do need to understand, is that if we cancel a train, or we need to bring in buses for trains, it is not just one bus that we can bring in, we need to bring in a whole host of buses to cover for a full train set. The total subsidy is used to provide Metro Rail and MLPS services it is not used for anything else.

This comparison is in your packs, I have just made some adjustments based on  
10 the comments that we had there and yes, our subsidy is much lower than the others. What I have just done on PRASA Metro Rail, I have excluded mainline passenger services costs and passengers, but the 90% of the rail business is around Metro Rail. Yes, we get a much lower subsidy maybe than the others. I believe it is very much historical based. Our subsidy has just been increasing  
15 by inflation rate mostly. The more passengers we transport, the more efficient the subsidy is getting used. The problem that we do have is that we need to spend a lot more on the maintenance and the security at the moment.

This is just the trend that we have in our subsidy. You can see that our subsidy has been growing. Maybe there are two portions to it. We get an operational  
20 subsidy that you can only use for operations. You get a capital grant that you can only use for capital. If we have a shortfall on the operating subsidy side, we are not allowed to use the capital grant for the operational side.

The rate of growth on our operating subsidy from 2013/2014 to 2016/2017 was only 4% per annum, so it was lower than the CPI rate. Our costs are largely

fixed with personnel costs more than 50% of our overall operating expenditure and if you look at our major cost drivers, energy is the second largest cost driver. I have already spoken about employee costs and energy in our case, is your Eskom increases and we do not have control over those Eskom increases.

5 Security is a major cost driver. Mr Matampi has also reflected that currently our system is a very open system and we have to protect those assets. That costs us a lot of money. Then the other major cost driver is insurance, also based on our current environment, it has gone up quite significantly, also when you buy new rolling stock, those items are much more expensive than your old ones,  
10 therefore the insurance is also going up.

Then we also have maintenance as a cost driver, but this is one of our items that is maybe a bit more variable in cost and that is where we normally have a bit of savings. That is my section.

**CHAIRPERSON:** Thank you very much Ms Lubbe, we can take the next  
15 presentation, if you could just do the formalities.

**MR EMARAN:** Thank you Chair, I Hishaam Emaran, swear that the evidence that I shall give, shall be the truth, the whole truth and nothing else but the truth, so help me God.

**CHAIRPERSON:** Thank you very much, if you could please just, for purposes  
20 of the transcript, just spell your surname?

**MR EMARAN:** E-M-A-R-A-N.

**CHAIRPERSON:** Thank you very much Mr Emaran. Whilst they are setting up your presentation, if you could very briefly, just indicate what your current position is within PRASA and how long have you held that position?

**MR EMARAN:** My position is General Manager Strategic Network Planning. I  
5 have been in that position for 10 years. I have been at PRASA for nearly 12 years. I am responsible for strategic planning which includes liaison with all the planning authorities, the City's provincial government and I am based in the PRASA corporate head office in Hatfield.

**CHAIRPERSON:** I think you can in the interest of time, continue with your  
10 presentation.

**MR EMARAN:** Thank you Chair, good afternoon once again to everyone. I have broken down the presentation into 3 parts. I wanted to give the floor a sense of our engagement with the planning authorities, just very briefly and this is done through structured arrangements with the cities. This is done through  
15 structured arrangements with the cities. As you are aware, in terms of the national land transport act, each city are to establish inter-model planning committees, so we engage with those formal statutory structures.

We have got inter-model planning committees in Cape Town, Johannesburg, Tshwane, Ekurhuleni, eThekweni and Nelson Mandela Bay. Cape Town at the  
20 moment is the only city that also has a land transport advisory board. The other cities are still yet to establish that committee. There are also provincial steering committees that we have got in some of the provinces like in Gauteng, there is a Gauteng rail steering committee that we engage with the province and all the cities as well through that structure.

Then we have got specific rail steering committees with some of the cities that would report back into the inter-model planning committees and I have got a list of all of those cities where we have got those structures. I had a diagram which was showing you a typical sort of layout of these structures, but we will make  
5 that available in the pack so that you can have that Chair and typically, the areas that we engage with the city on, when it comes to the transport planning sphere, is the issue of where there is a national transport master plan that we are dealing with, the transport framing plan that we are looking at, the integrated transport plans, IDP's, spatial development plans that we deal with and very  
10 importantly, the integrated public transport network plans.

We have given quite a bit of detail in our initial response on that, but I wanted to also share with the committee, that it is through that process that PRASA engages and identifies the key rail networks that we need to proceed with or expand with in each of the cities. In addition to those structures, in addition to  
15 the IPTN and the IPT and the land transport planning that happens with the cities, we have also entered into a memorandum of understanding, where we have a memorandum of action in some of the cities where we have identified clear programmes and projects that we want to embark on together with the cities to achieve integrated transport in the area.

20 A few years back, PRASA developed its strategic plan which we developed in conjunction with all the cities, so when you review PRASA's strategic plan, it is not purely a PRASA plan. It is in fact a plan that has been developed in collaboration with the key stakeholders, so if you would sort of deal with any of the cities, they will be fully aware of that and you would find that in fact, it is

captured within their comprehensive integrated transport plan in terms of the synergy between the planning.

If I move onto the IPTN in a bit more detail, when dealing with the cities on the integrated public network, this plan is developed based on the city's transport  
5 model that they have developed, looking at both current as well as future travel demand, which is based on the development of the city, the land use plans, both current plans and future and once that IPTN is developed, it is very important that the role of rail, is captured within that IPTN.

We did indicate in our earlier submission that admittedly, the early IPTN's did  
10 not include rail, but through the subsequent planning cycles, you would find that in most of the IPTN's, rail is now captured within those plans. So very clear in terms of the role of rail, both in terms of the current network as well as where we would require future network expansion, the new lines that we need to be rolling out.

15 Together with that, in the IPTN, it is also very important that we capture the feeder and distribution services, the complimentary services to rail that is required for rail to play its role and if one looks at the IPTN's in the major cities, you would see that rail is confirmed as the backbone of the transport network.

You can go down to the 8<sup>th</sup> slide, so I was just going through the process of  
20 developing the IPTN and that rail is captured within the IPTN now. It is very clear in terms of the role that it has to play. PRASA also and these plans are reviewed on an annual basis by the cities. Cities are required to make annual submissions to the Department of Transport and Treasury for funding allocation through the public transport network grant, that is both capital and operational

grants that are provided and PRASA accompanies some of the cities when making these submissions when rail is part of the presentation in terms of the requirement.

You can move to the next slide. My colleague dealt with this. This was just  
5 really indicating that each mode has its strength and weaknesses. Rail is not a solution for everything, nor is a bus, nor is a taxi. All have their own strengths and weaknesses and that is really what the table was demonstrating, in terms of the various characteristics.

The next slide, these are the plans that you would see in the different regions.  
10 This is Gauteng where you would see the rail network. We can continue, that is Cape Town and the next one is eThekweni and in all of the plans, rail is confirmed as the [inaudible].

So we have done the planning. The plans are on the table in terms of the role of rail, in terms of the function that it needs to play and where it needs to be in  
15 the future. I want to raise this issue regarding service level agreements that we need to look at. I think one of the questions that were coming from the evidence leaders related to how can the cities have a greater role within this process and I think you mentioned timetables as an example. I wanted to highlight the issue of service level agreements between the cities and PRASA. It is something that  
20 we have been raising with the cities. I do believe that it is an area that we need to make more progress on between ourselves getting to a point where we do have SLA's between us and this will deal with the issues, be it the timetable, be it the issue of the frequency of the trains, cleanliness of our stations, information

to be provided at our stations, cities will have a much greater input in terms of what is required through this SLA.

We need to start with this process, because this will be a process of iteration before we get to a point where we have got SLA's which I think has reached a point where there is comfort around the table by all parties. I use the example of France where they have got a similar situation where the city [Il de France] mobility and the operator RATP, have entered into this SLA, this contractual agreement and this is something that has been going on for years now, probably the better part of 2 or 3 decades already and it has gone through a process of iteration.

In that SLA for example, there are over 100 items that are being measured and monitored in terms of performance, so it is certainly something that we need to look at. Yes, there is an issue and we know there has been a discussion about devolution and looking at devolving the operating rail subsidy. We don't have to wait for that to happen to start entering into SLA's. We can start the ball rolling, agree on some of the key parameters that we need to achieve and this can be done per corridor and this is already required or stipulated in legislation.

If one looks at the NLTA of 2009, Section 11.1 (c )19, it is stated there that service level planning for passenger rail on a corridor network basis in consultation with the SARCC, that is PRASA. That is something that the cities can do already and that was in 2009. It is further in the amendment bill in 2013, where it is stated where there are significant passenger rail services in the area, the inter-modal planning committee, must facilitate the conclusion of appropriate service level agreements between the municipality and PRASA and I do believe

that if we can get to this point, there will be much more involvement, much more say in terms of how rail is delivered within the boundaries of municipalities.

We can move to the next slide. The next couple of slides, is just to indicate, I know there was also a query about future plans at PRASA, where we show that  
5 in each of the cities, because rail by nature, is long term planning. Yes some of them may be required in the short term, but some of this planning may be required only 20 years from now, but it is critical that one does the planning today to ensure that we can protect those corridors for the future.

So if one looks at Johannesburg West Rand, so the black line there with the  
10 black circles that is the existing network. You can see there in terms of the red lines, I think the purple shaded lines, were all potential future expansions of the rail network in that area. The difference between the red and the purple lines, is that the red lines were done already some planning around that, so those lines are already coordinated and we have got the alignments for those corridors.

15 You can skip to the next one that is Tshwane, where we are sitting today. You can see there the future corridors be it through on the top there in the red, it is an extension from Mogapane through Winterfell Babalege through to the Hammanskraal line. The green line that you see coming down from North to South, is an existing corridor, but it could be a new service on the  
20 Hammanskraal rail corridor. That is an existing line. We used to run services there back in the 1980's and there is quite a bit of pressure for us to reinstitute that service again. Then we have got the Moloto corridor and some others that impact in terms of Tshwane.

We can move on, this is in Ekurhuleni, again a number of future rail networks. I will just mention the one which is prominent there in the centre, which is one of our priorities which is the extension in Daveyton, so the extension from Daveyton through to Etatwa, is one of our priorities that we are looking at, 5 approximately 10 kilometres, 3 to 4 new stations, so again, here we are indicating some of the new corridors in that area that we have identified in conjunction with the cities. This is not PRASA in isolation. We need to do that in conjunction with the transport planning as well as the spatial planning branches within the cities.

10 We can move on. This is in Cape Town. Again, the black is the existing and the green shows future networks. Quite a number of future networks, the priority in Cape Town and I believe the Commission will be going to Cape Town, is the Blue Dance Rail Link, you can see it there, connecting between the Kyalitsha line as well as the line through to Bellville, that is the priority that we 15 have identified in Cape Town as well as potentially through to Atlantis and [Vasanta Kraal] in the North with potential for a link to the airport as well. So again, we have got the plans in terms of Cape Town showing us some of the future network expansions that we have.

This is in eThekweni, again we have looked at potential linkages to King Shaka 20 International Airport, potential new lines in terms of new capacity in Durban as well.

This is Nelson Mandela Bay Port Elizabeth, one of our priorities, the black line running from the bottom of the slide, sort of through to the left side, is the line from Port Elizabeth through to Uitenhage. The line through to the North, the

black line is through to Couga IDZ and what we are looking at, is this extension through to Motherwell. Motherwell is one of the significant settlements in South Africa, typical apartheid dormitory suburb that we have seen through apartheid planning, but you can see very clearly on that aerial map, where the red line is going through which says proposed Motherwell Phase 1, you can see the dense settlement of Motherwell.

When we looked at the last census, you are looking at between 350 000 to 500 000 people living in Motherwell, so we are looking at that extension, with potentially 3 new stations that would serve in that area and it could really change the face and the viability of rail in Nelson Mandela Bay and then there are some future extensions, the yellow and the green line shows the closing of the loop of Motherwell, as well as a link into Couga in the future.

We can proceed, that just shows the station planning as well. I think just to make this point, is when we and Motherwell is a good example, because we are busy with the design of this project, is we see these rail projects as just not a transport solution. We see it as a catalyst for economic development in the area, so Motherwell being a typically dormitory suburb, when you look at our stations, we have identified these as nodal hubs with potential commercial, retail opportunities, increasing densities of residential development, but also to create that both micro and economic development in the region, it serves as the catalyst and that is what we are working with the city to make sure that we can roll this out as a comprehensive programme.

It has also been located as one of the SIP projects, it falls within the SIP 7 sort of programme and it is listed there in terms of looking at transforming cities.

This is East London, some of the future plans that we have got there. We have got the corridor from East London through to Berlin, but we do have some future linkages that can support this in terms of future growth in that area.

Just some general comments that I think responds to some of the questions raised by the evidence leaders, we can proceed. There was an issue regarding the extent of competition. I think the point we want to make is, in the absence of an integrated transport network system, competition is going to exist and that is what we see today. We cannot in any of our cities, say that we have got a truly integrated transport system. Yes we have developed IPTM's, which is a start. We are busy rolling that out, but we are not at a point where we have got these networks fully functioning.

Again many of us I think have had the experience of being in cities where it works. I have just come back from a visit to Paris in terms of their network and I am sure colleagues may have been there, but that is a truly integrated network where with one ticket, you can hop on a bus, you can hop on the metro, you can hop on a regional train and it is easily accessible. You do not need a car. Public transport can get you from door to door so to speak.

That is the challenge that we have got in South Africa, we have got transport modes, not yet fully integrated, so competition therefore does exist. Yes, there are elements where you would find taxis bringing commuters to a railway station, you have got situations where the demand on a certain corridor requires both a bus and a taxi solution that compliments each other, but I am referring to the integration thereof.

So it does exist. I think PRASA's underperformance and we heard that earlier in the earlier presentations, it is really at unprecedented levels in terms of where rail is currently performing. It is unprecedented in terms of our performance and that current performance is also contributing to provision of additional parallel  
5 services. If there is not enough service capacity on rail, commuters need to find an alternative, be it on road and that is where some of the demand is being taken up.

But I think the next point is a critical one, because if one starts looking at where the plans and the strategy of government with rail and the investment  
10 happening in rail, there has to be this future growth in rail and that growth is going to come from the lost market share that we have seen due to the poor performance. It is going to come from latent demand because we see that in any of our corridors, when we have an additional train and that train is put on that corridor, that train is full, so there is latent demand for rail.

15 It is also going to come from the normal population growth and urbanisation. I am sure the committee has had some discussion on urbanisation. If you look at what is happening over the next decade, two decades, we need to respond in terms of sustainable transport solution and then also as part of the strategy, is that we are going to have to look at new market segments. Currently yes we  
20 know that we have got a captive market to rail. We say that it is the poorest of the poor they do not have a choice. If they had a choice, they would very well choose a different mode of transport, but in terms of the strategy going forward, we want to make rail the mode of choice, both for our existing commuters and for future commuters as well.

If one looks at that bar graph there, in the 80's, we were transporting approximately 800 million passengers per annum. Today, we are transporting below 300 million passengers per annum. Any business which would have lost more than half of its fare, would not be here today, but rail plays a critical  
5 strategic role in the country, we need to make sure that we get it right. We do know that there has been 4 decades of under-investment in rail and we see that investment happening now. Huge capital injection back into rail, but I want to bring this also to the committee and just very quickly I think which is critical, that it does not have to be a fight between public transport operators. I think there is  
10 enough trips and passenger journeys with each mode, be it taxi, be it rail, be it bus, but I think we need to work as an integrated system. I think that is a key thing for each mode to be successful.

I wanted to share this with the committee, when one looks at in 2003, just look at the pie chart on the right, I think it is very telling, because if one looks at  
15 2003, what we saw there in terms of modal share, public transport in 2003, was sitting at 40%. The car, private transport was sitting at 32%. Walking which is very good, we must not neglect the walking mode, it is very good, is 23% and other modes, cycling and so forth, are sitting at 5%. That was in 2003 Commission.

20 We move to 2013, but bear in mind that we have had pro-public transport policies in place, we have the white paper on transport, we know we spoke about the 80/20 rule, 80% public transport, very poor public transport policies. In 10 years what has happened? With pro-public transport policies, we have seen a decline in public transport that is the reality. It has gone down to 38%. We

have seen an increase in car travel and that is the alarming one. We have seen walking more or less stabilised and we have seen a decrease as well in other.

But I think the point that I wanted to make here, is the fight against reducing private car travel, bearing in mind the challenge that we are going to be facing  
5 in two decades from now with urbanisation, the need to move. Now that is something which also says to us, we may have the right policies, I think the decade going forward, is about implementation of those policies. That is where the real challenge will lay in the future. There we can see a breakdown in terms of just the bus, the taxi and the rail and I think we are all very clear. I think the  
10 taxi industry has also presented in terms of the mode share and so forth.

So we can move to the next slide. Again there was a query about misalignment of functions and it is very true what the Commission is raising, I think on the transport planning point of view, there is good coordination through these structures. With many of the cities, you will find integrated transport plans that  
15 can be presented to you. I think the challenge comes when we need to implement these plans, because that is when we find that there could be competing priorities at a local level versus a national level and because of that, you could find that there is alignment or challenges with alignments of budgets and programmes and roll-outs and we see that happening.

20 I will give you an example of eThekweni, 3 years back, we built the extension, the bridge city rail extension in Kwamashu 3 years ago in 2013, in fact it is more than 3 years ago, but until today, we have not had the complimentary inter-model facilities implemented that was the role of the city at the time, so you find

a solution that is not optimal as was planned in terms of the integrated plan because of this misalignment of maybe budgets and priorities that we had.

The issue of identifying road public transport needs, another point that was raised and do we think that DOT and PRASA is doing enough. I feel a lot more  
5 can be done. While we have got these plans on the table, I think PRASA would also say that I think more investment needs to go into details planning, because what we found, is that you have got a very back-end loaded process at the moment, you put some investment into planning, limit investment and you find that what you are implementing and there is alarm when you find prices have  
10 increased, budgets have soared, it is because of the limited planning, you were able to do upfront.

So I think we need to highlight planning process which is front-end loaded, make sure that we can do the detailed plans, the detailed feasibilities which makes implementation a lot easier, so it is about the data-driven, doing the  
15 proper modelling upfront. It is something that we are discussing within PRASA that we see as a shortcoming that we need to look at, getting a lot more operational funding to enable us to do that detailed planning.

I do believe that from a rail technology point of view, it is something that we can do a lot more on. Typically, if you talk rail, the discussion is about what you see  
20 today as Metro Rail, which is a heavy rail system. I think going forward a lot more investigation needs to be looked at the issue of light rail, your trams your high speed rail. Some of them may be required later down the line, but the planning and investigation needs to be done now.

Another area, if you could just go back please, another area where I believe we need to do a lot more, is around the issue of feeder and distribution services to our trunk networks and this is something which is critical for PRASA. PRASA plays that role as a trunk service provider, a mass transport solution. PRASA  
5 does not have the responsibility to design nor operate feeder and distribution services. It is the role of the planning authorities. It does not operate like Gautrain which have its own buses running feeding the rail system. We rely on the cities to plan and implement those systems to support rail as the backbone and I think that is an area that needs serious attention in terms of the  
10 implementation thereof.

Then it was touched on earlier, we have seen significant capital injection into PRASA because of the under-investment, but going forward, the issue of OPEX is still an issue that needs to be addressed and Ms Lubbe mentioned the fact that we have seen over the last decade, inflationary sort of related increases  
15 towards OPEX, while we find our capex has increased two or three-fold in terms of the budget that we've got and that is something that needs to be looked at quite critically.

Again and I am going to end off, I think it is the last 2 slides coming up, there was a question regarding our short and long term plans. Just in terms of the  
20 short term about our accelerated turnaround, you have got a good feel from the early presentations about the poor performance of Metro Rail at the moment. There is a turnaround strategy plan that is being developed, looking particularly at the operational performance and engineering which is impacting the business, but throughout, also the issue of our human capital, our finance and  
25 funding of the business as well as support services.

Again, very quickly, just to give you some sense, in 2008/2009, still with the old infrastructure and old trains, we ran a service and OTP there, stands for on time performance, our on time performance was approximately 88% in 2008. Now just for the benefit of those in the room, 88 you might think it is an A, but in  
5 railways, that is actually not very good. You need to be closer to 98% in terms of on time performance, so while we are showing 88, we are not showing it proudly. In rail operations you need to be over 95%, but that was in 2008/2009. We transported 650 million passengers in that year. We had 3500 coaches available at the time. Fast forward to 2017/2108, on time performance has  
10 dropped below 70% and that is a fail, passenger numbers below 300 million, but you can see that drop is not only about poor performance, it was about our availability of trains, you can see our number of coaches have dropped by more than 40% in some cases.

Where we want to move to with the turnaround strategy is, addressing some of  
15 these key challenges in the short term, getting those out of service stock back into service, making sure the maintenance of our rolling stock, our infrastructure so that we can have more reliability, is what we are targeting in the next 12 to 18 months and then beyond that, going through to making sure we are in line with best practice.

20 If we just move to the last slide and I will end off on this one, in terms of the medium to longer term, it is about replacing and renewing in rail. There is no time for maintenance. It has reached the end of its lifespan, the trains have reached the end of their lifespan, signalling systems have reached the end of their lifespan, so we are busy rolling out a very bold plan to modernise the  
25 railways over the next 10 to 15 years. We are looking at a forecast investment

of R170 Billion over that period and this has already commenced, we are not talking about a plan that we –already we are procuring the new trains, we have got the 20 first new trains operating already in Tshwane on the Mamelodi corridor. We are upgrading our depots, modernising, we are replacing our  
5 signalling systems around the country to modern systems, upgrading our stations, but very importantly also the issue of ticketing that we need to address and this goes back to the issue of having a truly integrated transport network.

We must make it seamless for the passengers out there moving from one mode to the other, so we are looking at rolling out automatic fare collection control  
10 mechanisms and so forth and there is a host of other items. I just want to end off by that little diagram on the right bottom, that colour diagram indicates that is an example of KZN. Each colour there shows for example, a service that we operate in eThekweni. I just want to focus on the red line, because that is our main corridor that is the corridor from Kwamashu to Umlazi. It indicates, we  
15 have done the planning with the cities. In the future, we have identified the number of trains we need to run on each of these corridors. On that specific corridor, we are saying we need to have a train every 5 minutes to cater for the demand that we have got on that corridor.

We have got the same planning for each and every corridor around the country.  
20 I will end off there, colleagues, thank you.

**CHAIRPERSON:** Thanks a lot Mr Emaran. Welcome Mam, if you could just switch on your mic and state your full names for the record and then take the oath or the affirmation?

**MS BUTHELEZI:** My name is Tandeka Buthelezi, the Executive Manager Customer Services. I Tandeka Buthelezi, swear that the evidence that I shall give, shall be the truth, the whole truth and nothing but the truth, so help me God.

5 **CHAIRPERSON:** Thank you Ms Buthelezi. Before I invite the evidence leaders to pose questions to you, if you could just explain the principles that inform your pricing for your services, the rail product that you provide. We have been told by the Gautrain management, that broadly, there are two principles that inform the Gautrain pricing. The first one is the shifting of commuters from private  
10 vehicles to the Gautrain primarily to decongest the freeway.

A second element of that pricing is some kind of premium pricing to passengers travelling to the airport, so there is some kind of a premium pricing structure for passengers travelling to the airport using the Gautrain. The meter taxi industry, or maybe let me start with the minibus taxi industry, what we have heard, is that  
15 they use a low cost pricing model which of course is regulated by the local associations.

The meter taxi industry is using a pricing model that is between, it varies, it seems to vary across different associations, but essentially, it is something between low cost and premium. Uber and Taxify are using a very complex  
20 pricing model that is based, but it is a pricing model that seems to vary with the demand and it also involves an element of peak pricing or dynamic pricing, which also seeks to respond to peak demand.

Uber also made a presentation to us that the Gautrain pricing model also has an element of dynamic pricing that also responds to demand at peak and off-

peak times. If you could, just explain your model and the principles that inform that pricing model? Of course, the bus companies who are subsidised, they are priced in terms of- it is really a low cost subsidised model. If you could just give us a broad outline of the principles that inform your pricing model, to whom is that pricing model targeted at and what are the principles underpinning that pricing model?

**MS BUTHELEZI:** Ours I think it is very simple, because it is regulated before we increase our fares, we need to get approval from the Minister and now there is an economic regulator and also the other thing, is that in terms of our mandate to provide public transport, we also get a subsidy from government, so our fares are subsidised, so that is why we need to get approval from government and also, the factors that affect our pricing, we do the market analysis and look at the people who have got different types of zones, so those zones, we look at the LSM that we are serving, which is mainly LSM that is below 3.5 thousand and we try not to increase the travelling cost for that LSM.

Also, we look at the economic conditions. If you look at their salaries, they are still very low and most of those people they walk to stations and if they use taxis from their homes to stations, they are not paying a lot of money, so that is what influences our pricing. When we do a fare increase, we try not to increase more than the inflation rates. Usually it will be around 6% to 7% depending on the CPI, so that is also plays an important role.

The cost drivers, like it was mentioned by Anne-Marie, we look at our cost, labour cost, our maintenance we also take that into account. Some of the zones, we also look at what are the buses, what are the taxis charging, so that

the increase is not more than the buses and the taxis in those areas. Also, the policy considerations as also mentioned by Hishaam, which is mainly about reducing the cost of travelling and not increasing the cost so that it is more than half of what our customers are paying in terms of looking at their salaries that they get.

Most of our customers, you will find that it is mainly now, it is just that we have not done the latest profiling of our customers, but we are seeing a trend now, where we are actually transporting mainly people who are looking for jobs, thank you.

10 **CHAIRPERSON:** Thank you Ms Buthelezi. At this point, I will invite the evidence leaders to pose questions to you.

**MR NGOBENI:** Thank you Chair and maybe just to start – just a follow-up on the question you raised on how fares are calculated. Maybe to ask it differently, you mentioned that you do take into account, the subsidy, but then, I think Ms Lubbe indicated, I think it was on slide 10 of your presentation, that you receive I think it is 4 times less than in terms of subsidies, you receive 4 times less than other modes of transport. The skewed allocation of those operational subsidies as compared to other modes of transport, doesn't it influence the manner in which you, charge your fares?

20 **MS BUTHELEZI:** We wish we can do that, but I think if you look at the subsidy to fare ratio, it was very low Anne-Marie the last time we calculated it, because for instance, if you look at, if you compare us to the taxis or the buses, you will find that where a taxi is charging R20, we are still R7 and the monthly tickets where we are still R150 already the taxis or the buses, they are far more than

that, it is double or triple the amount that we are charging, so most of the costs, we are actually absorbing as PRASA, because there is a huge shortfall from the subsidy and what we are collecting.

**MS LUBBE:** Can I just maybe add to that, what we normally consider and Ms  
5 Buthelezi has indicated that as well, we look also at what, is, our current service levels. We haven't had a fare increase in I believe 2 years and already we are behind. We do not determine the level of subsidy, that is determined by the DOT, so the first part is, we cannot tell you why that ratio is so skewed and already we are behind, but also we sit with a very public service and if we raise  
10 fares, we need to take into consideration the level of service with our current level of service, you run the very high risk that you will have commuter backlash and with our commuter backlash, we normally find that it spills over in train burnings and that reduces your service even more.

So I don't think our subsidy really determines a lot of our fares at the moment,  
15 because if that was the case, we should have asked a far higher fare, so we are really in a difficult position around that and as we indicated, it has to be approved. We can't just go and raise it ourselves.

**MR EMARAN:** Can I also just make a comment? I think you referred to that  
slide Sir regarding the distortion in terms of the subsidy. I think the other thing  
20 that we want to take away from that is, the issue of subsidy efficiency, because when we start having the debate around subsidies and the efficiency of the subsidy, I think it will apply differently to different circumstances, so where rail for example becomes efficient, is if we are transporting high passenger volumes. So then you become a lot more efficient in terms of utilising the

subsidy, whereas if you are transporting very low numbers, you would find that rail is not an efficient way to use that subsidy, so that R6 that you indicated there, was in relation to the number of passengers, the passenger subsidy that we were reflecting there. So it goes back to efficiencies in terms of the numbers  
5 that we can transport.

**MR NGOBENI:** Thank you and maybe the next question is directed at you and I think in your presentation, you did mention the subsequent inclusion of rail in IPTN's and IPT's, I think there the question is at the moment, are all the routes operated by Metro Rail for example in Gauteng? Are they fully integrated in the  
10 municipal IPT's, that is the question and across the province? If not, what is the limiting factor there?

**MR EMARAN:** Yes the answer to your first question is that all the routes are operated by Metro Rail when we are referring to commuter rail, it is operated by Metro Rail. It is incorporated in the integrated transport plans in Gauteng, in the  
15 cities, through the IPT's. You are quite right in asking whether more can be done on that because I don't think we are at situation where – while it is in the plan, it is not part of an integrated transport network. It does not operate that way and I think that is where I was trying to indicate the issue of while we have the plans that speak to this integrated network, we have not realised that on the  
20 ground in terms of ensuring that we have the integrated ticketing, we've got the feeder distribution services, we find our timetables are integrated. That level of work has not reached the ground in a substantial way as yet, so a lot more work needs to be done in that space and it is not only in Gauteng, it is around the country.

**MR NGOBENI:** I think the last question that I had was a question that I had in mind for Mr Matampi and there, it was just a clarification. He indicated at the beginning of his submission, he indicated the challenges that Metro Rail is facing and all of those things, so the question there, was I was more interested, because he had mentioned as a result of all these challenges, you were losing market shares and your ability to compete there, but then I think the clarity that I was seeking there, maybe just for the benefit of the panel, to indicate where you are saying that you are losing market share, where that market share is going, who is gaining out of the troubles that you are facing?

10 **MS BUTHELEZI:** Okay I think it is an easy one, it is the taxis that are gaining the buses and in some areas, you will find people walking to their places of work or like I said, most of them are looking for work, so it is buses and taxis that are gaining.

**MR NGOBENI:** You clarified this one, it is just the last one from me, the national rail plan which was adopted by cabinet and I heard Mr Matampi when he was explaining what needs to be done in order to make sure that you then regain your market share and all of those things, if one looks at that which was adopted by cabinet, I think that plan was agreed as a basis for assisting in reinvesting in the industry, so the question is, what has been the effect of that from the time it was adopted up until now in trying to solve some of the issues that we identified as issues that are leading to the loss of market share?

**MR EMARAN:** Thank you for that question. I think if one looks at what has happened on the ground, because the plan you are referring to, was a 2006 national rail plan which is 12 years ago and you are quite correct, that through

that plan, we received significant investment that was made available, but the reality on the ground that we see today, is that the service has declined. That we cannot deny, we are sitting here as I have mentioned earlier, it is at unprecedented levels, but I also think we need to understand the state that the railway was in in terms of the underinvestment, so yes, there is improvement that is happening. Unfortunately that will not happen overnight. When I showed the plan for the modernisation as an example, because that is where a lot of the investment was targeted in terms of fleet re-capitalisation, replacing the signalling systems, depot upgrades and so forth, are programmes that are going to take a number of years and for the new trains to be rolled out into the system, to really feel that impact of the new modern suburban rail system.

Having said that though, PRASA is not sitting on its laurels in terms of the current situation because that speaks to the accelerated turnaround plan that I was referring to earlier to address the short-term challenges that we have got, but I think the reality is that we have seen that before things is getting better, it has got worse if I can put it that way. But hopefully we have reached a point where now we will see the upward trajectory in terms of the improvements coming through from the modernisation programme as well as the turnaround strategy that we have had.

So again going back from 2006, we have seen a lot of investment in terms of the upgrading of the existing trains, the general overhaul, we have started with the fleet recapitalisation that we have done and yes, there were some initial benefits. If you will recall, when I showed the earlier slide from 2008 through to 2013/2014, there were some very good performance, or acceptable performances. It is only in the last 2 years that we saw this steep decline that

we are now trying to address, so there has been good out of the 2006 plan. I think modernisation will take that further in terms of the new modern systems that we will be running for suburban rail.

**MR NGOBENI:** Thank you so much, I have no further questions Chair.

5 **MS LUBBE:** May I just add something there? I think what we need to remember with this modernisation programme as Mr Emaran said it takes a number of years. We have actually started with them 2 or 3 years ago. Most of them are 5 to 7 years, so the signalling programme in Gauteng, is only due to be completed in 2021, around there.

10 Also what you need to remember is that we are not doing investment like with Gautrain on a totally new system. We call it brownfields investment. It is quite complicated and difficult to do investment in brownfields, because you still have to run your current services while you are doing the upgrading and with those upgrades, come a lot of disruptions and I think the other thing that needs to be  
15 considered, is yes, we have received investment, yes we are not spending that investment fast enough, but you are sitting with a shortfall on the operational side to just keep the current system running. Our current rolling stock has to last another 10 to 15 years before all the new rolling stock is coming in. So it is a difficult time that we are in to do these things.

20 **MR NGOBENI:** I have 2 questions. The first one is the reference in the presentation to an integrated ticketing system and I was wondering which transport modes are being considered in terms of that and how would that be implemented if there is any progress already towards that?

**MR EMARAN:** Thank you, yes, in terms of the integrated ticketing for the ticketing technology, we will be rolling out, we are certainly following the guidelines as per prescribed by the National Department of Transport for ticketing systems, so what we are doing, it will be a system that we will roll out,  
5 that will have the capabilities to be inter-operable with other modes as well, where we don't necessarily say you need one specific card, you can have for example a Gautrain card or a taxi card or a PRASA card, but you can tap it on either of the systems.

So our sort of technology that we will be placing in our stations, will be able to  
10 accept the various cards from different modes, so it will be truly inter-operable in terms of having model integration. I think we have had discussions with the Gautrain in terms of making sure that we've got that. We are looking with the Department of Transport, through the BRT systems that we have in Cape Town and here with RIYAVIYA that we can tap those cards in our systems.

15 It is however a phased process, we are doing it in 2 phases, where we want to move away from our ticketing systems that we have currently, moving towards what we call smart tokens that we can use at our stations where we have what we call speed gates and then the final phase is moving towards the smart ticketing technology.

20 I know the DOT has prescribed that we must move with the EMV in terms of those cards that we can operate on our systems, so that is what we are currently debating with the DOT.

**MR NGOBENI:** Then the next one is with regards to your turnaround strategy. You had mentioned that at the moment, the financial situation is not looking

good and I am wondering where this R170 Billion is going to come from in terms of funding this plan because it is over the next 10 years, which is actually not far?

**MR EMARAN:** Okay when we refer to funding in PRASA, there are two  
5 streams of funding. One is the capital funding and one is the operational funding. On the capital funding and that was what the gentleman was raising earlier through the national rail plan and through the approval of that, we have seen a significant increase in our capital allocation and that is where the modernisation programme is being funded through, is the capital programme,  
10 so if you look for example on an annual basis, our annual capital budget is approximately R12 to R15 Billion per annum, that is on the capital side. Where we are experiencing the challenges, is on our operational funding, the OPEX, which obviously deals with the subsidy, salaries, maintenance and those issues. That is where the real challenge is at the moment, but on the capital side, we  
15 have seen that injection coming through because there is a realisation that if that is not done, the rail system will collapse, because many of the components have reached the end of its lifespan.

**MR MANDIRIZA:** Just one question from my side. Is it possible for the PRASA or Metro Rail, to operate on the Gautrain line that is the first question? Is there  
20 any interactions with Gautrain because they also presented their plan and because they are now also moving to the high volume corridors in terms of their plans and I see there isn't really much of alignment from their plans and your future plans. I just want to get clarity on whether you are working together?

**MR EMARAN**: Just on the first part, just from a technical point of view, our trains as it is today, cannot run on the Gautrain network. We are running on different what we call gauges, so the tracks, they have got a standard gauge track which is slightly wider than the one we are running. We can have another  
5 debate about whether PRASA can run on there with different trains. I think that is a different debate, but the existing trains cannot run on the Gautrain network.

Yes, we are involved in that process. We sit on that planning study in terms of looking at, but I just want to clarify, I am not quite sure how it was presented, but we certainly made it clear in those steering committees, that that study is a  
10 study to look at the expansion of the rapid rail network for Gauteng.

I know sometimes it gets translated to be Gautrain expansion. We made it very clear because PRASA is a national railway company, both an asset owner as well as operator and it does not mean that PRASA cannot operate rapid rail. When I was referring earlier about the rail technology, whether it is rapid rail,  
15 whether it is high speed rail, whether it is light rail, as a railway operator, PRASA can operate in that space, so I just wanted to make the distinction that we are part of that study. We have made it very clear that that is looking at rapid rail network expansion for Gauteng and whoever operates that in the future, must still be decided, whether it an expansion of Gautrain today or  
20 whether it is PRASA operating rapid rail on some of those networks.

I just want to make the distinction that that is rapid rail extension, it could be Gautrain, it could be a PRASA in terms of the operations going forward in the future. Those decisions have not been taken as yet.

**CHAIRPERSON:** Thank you very much Ms Lubbe, Mr Emaran and Ms Buthelezi as well as Ms Joni. Thank you very much for a very detailed I must say and quite comprehensive presentations, thank you very much for coming all the way, thank you. You are excused we will now take a presentation from  
5 AUTOPAX. Welcome, if you could please just state your full names and surname for the record?

**MR MAHLABANA:** Chairperson my name is Ranti Andries Mahlabana.

**CHAIRPERSON:** Thank you Mr Mahlabana, if you can just go through the formalities- there is a piece of paper in front of you, you may take the oath or  
10 the affirmation.

**MR MAHLABANA:** Thanks Chair. I Ranti Andries Mahlabana swear that the evidence that I shall give, shall be the truth and nothing but the truth, so help me God.

**CHAIRPERSON:** Thank you. If you could briefly indicate what your current role  
15 is within AUTOPAX and how long have you held that role?

**MR MAHLABANA:** Chairperson, allow me to give just a very brief background. At the time when the request from the Competition Commission came through, I was the Acting Chief Executive Officer for AUTOPAX. Up until the end of May this year, I was the Executive responsible for Human Capital Management. As  
20 of the 1<sup>st</sup> of June, I am the Executive responsible for operations.

**CHAIRPERSON:** Thank you, you may go ahead with your presentation.

**MR MAHLABANA:** Thank you Chair, I am going to work from the assumption Chair that the panel members have had the opportunity to interact with the

bundle that we had presented Chairperson to the Commission and I will just give a very high level background on a number of issues and those issues that I will cover, will just be an introduction including who AUTOPAX is, the background information, our route network as well as the services that we are offering Chairperson, but I will also just give you a high level view in terms of the issues that we have already submitted to the Commission Chairperson.

To start, I think it is important that we mention that AUTOPAX is a wholly owned subsidiary of PRASA and we derive our mandate as AUTOPAX from PRASA and PRASA has been established in terms of what is called the legal succession act and in that legal succession act, there are what is called the primary mandate of what PRASA is about and what I have put here, I have left the first one which talks to in particular, rail, but spoken to the second one which talks to the issue of the establishment of the bus company and it says that provide in accordance with the Department of Transport for long haul passenger rail and bus services within to and from the Republic in terms of the principles as set out in Section 4 of the national land transport act. That is the reasons or the main reason why AUTOPAX exists today as a company.

As I mentioned earlier, the company services the second main object and the main business of PRASA in terms of the legal succession act. The main strategy of the business, AUTOPAX exists today, to provide a preferred sustainable high quality seamless and affordable road passenger transport.

Chairperson in terms of the main strategy of the business as a whole, we operate a total fleet of 518 buses and it would have been good if today we still have the buses running today. In the submission, you would have noted that

we have indicated that we have a total fleet of 519 buses, so between the day we submitted that submission to you and today, we have already lost a bus due to a write off, so today, our fleet is 518.

We have 2 products that we run. It is Translux as well as the City to City. The  
5 Translux is in the main, our luxury service and I will take you through the route network later, but it is our luxury service in which it provides you with all the luxuries that you would find in any luxury bus and you pay a premium obviously to be on a luxury bus service.

The City to City bus, is similar luxury and we call it north rail services and the  
10 price in that area, is also lower to be in line with the low cost that goes with a product of that nature or a similar product of that nature.

As mentioned earlier on, our mandate is to consolidate the market share and ensure that we operate on a fully commercial basis. As per the legal succession act, I have mentioned that we are required to ensure that we  
15 support rail operations through effective feeder and distribution services. We are not able to do all that as we would have wished to do because most of our buses are parked in the main due to various defects or breakdowns.

Because of the fact that we are a state owned company, we are also required to provide what you could call, social services, so we would be required to go into  
20 areas that no other long distance operator is required to operate. The department, through our shareholder, they will say to us, that you need to ensure that you operate in the rural of the most rural areas, like I say and most of those areas are not as profitable as we would have wished them to be.

This is the route network of our City to City network and you will see that we cover the entire South Africa with our City to City network. We've got what we call your North corridor which operates from here towards the Limpopo side, including your Nelspruit and the other side of Nelspruit. We also have what we  
5 call, the inland corridor which operates from Johannesburg or Pretoria and it goes into the Durban area or the KZN area and then lastly we've got what we call a coastal corridor which runs from Cape Town and it goes all the way up to the East London area.

Our Translux network and purely because it is a premium service, it does not  
10 operate as many services as we operate with the City to City, but it also has your North corridor, your coastal as well as your inland corridor and in the main, you would see that this service is normally operated within your urban areas, it does not go into your rural areas and the reason is because it is a larger area, we only operate within the urban areas.

15 The services that we offer include as I have detailed in the route network, your inter-city services . We also provide what is called a cross-border service and currently, we have a permit to operate into Mozambique area. We have just also received a licence to operate the Zambia area. There are also other licences that we have applied for to operate other areas within the SADEC  
20 region that we are engaging the Permit Board on.

We would also provide what is called charter services and charter services would be one, either someone comes to the office and says that I need a bus would take a church from here to Durban for example, so we provide those kinds of services. We also have a requirement where people say that we've got

a funeral for example in Thembisa, can you give us a bus that can run from your depot in Johannesburg and move mourners between the house and the graveyard in Thembisa for example.

5 Lastly, as mentioned, we exist to provide the rail support, so in the main  
Chairperson, that is the things that we do and lastly just to sum up on the  
submission that we have already made to you Chairperson which you would  
have a copy of that, we are a subsidiary of PRASA and you would have seen  
that it has been presented earlier on, we use the PRASA station ranks, like all  
the bus companies that operate and there is this view that we do not pay for  
10 services, but let me assure you Chairperson that we pay and we are not happy  
to pay that, but yes, we are paying for those services.

We also experience the challenges of the stations sometimes, they are over-  
crowded and because of this, it also makes it difficult to operate. We get  
charged in terms of how long you stay in the bus rank, so as an operator, you  
15 would want to move into the rank and get out as soon as possible so that you  
don't pay. Because of the overcrowding within the station, it makes it a bit  
difficult to exit as quick as you would want to exit.

In terms of the fleet, we are confronted like any other operator, where  
customers choose, they look at your bus, does it look new, what does it have  
20 inside and based on that, they will then decide whether they will take your bus  
or not, so it's a very highly competitive business and the passengers that we are  
dealing with, are very much price sensitive. If your price is R20 more, they  
move. The way the bus rank is structured, all your sales offices are in the same  
area, so it is in a split of a second, you can move from one operator to the next

operator and you can compare prices that easy and you can then decide that I will not pay R20 more, I will use a service that will cost me R20 less.

We are also confronted by given the age of our fleet, confronted by the breakdowns on the road and those are the kind of things that you find yourself  
5 in a situation where passengers then move away from you, because if the passengers stay in the bus which experiences a breakdown for over 3 hours, the next time they will say sorry, we can't use your service.

The bus industry, especially when your fleet is not new, it is a high cost maintenance business and therefore that affects a lot in terms of how you  
10 structure or how you then want to manage the entire finances of your business.

There is also an issue of Chairperson and I spoke about the overcrowding earlier on within the bus station, we have also observed us as AUTOPAX, that the barriers through entry within the bus industry, they are very low. It is fairly easy to be able to access your licence and to be able to operate within that  
15 environment and that is why you then find that it just becomes very difficult, you are no longer able to cover your cost. At most times, you find yourself running with half a bus.

The provincial department of roads and transport in Johannesburg, as well as your local authority in Pretoria, they engage with them in terms of the permits  
20 and all those kinds of things. We have a fairly skilled team that is able to engage with them. In some cases, we would apply for a licence to go and operate a particular route and you will find a lot of objections, but we have a team that is fairly skilled to be able to deal with those kind of objections as and when they arise and lastly Chairperson, I think it is important that I mention that

like any other business, we have what we call, the cost drivers of the business that would really affect how we really price our services and those cost drivers, in our case, our employee costs are very high, very close to 50%.

Our energy is also very high which includes your fuel and all those kinds of things, over 20% in that regard and you then have your materials and other costs which are about 10% and your other operating costs including your leases that we pay to PRASA crest and other landlords all over and all those put together, they come to just over 26%.

I think Chairperson that covers it based on the fact that you have got all the details in the file that we have sent to you. If there is anything that the committee feels that we need to unpack further, we will certainly do that Chairperson, thank you.

**CHAIRPERSON:** Thank you very much Mr Mahlabana. At this point, I will invite evidence leaders to pose questions to you, bearing in mind colleagues that we have to finish at 4:00.

**MR NGOBENI:** Thank you Chair, you said currently you have 518 buses. Are they all in operation?

**MR MAHLABANA:** Chair no, as of this morning, we were operating 160 buses as of this morning, so the majority of our buses are parked for reasons that they are either defective or they have had accidents that we are still trying to fix, but today only 160 buses are fully operational.

**MR LESOFE:** And on average, how many buses do you operate?

**MR MAHLABANA:** It really depends in terms of the degree at which we are able to return the bus back to service. I mean for example, in November last year, we had only 90 buses that we were running in November last year and between November and now, we are going to have to engage in a process of  
5 time to say that how do we ensure that we make other things suffer in the business and allocate the money towards the fleet recovery which then brought us to 160 buses that we are running today.

**MR LESOFE:** When I read your submission, I got a sense that to some extent, the process for obtaining operating licences it's a bit frustrating for AUTOPAX.  
10 Would that be a fair statement?

**MR MAHLABANA:** Chairperson that is correct for a company like ours that operates today 160 buses and we then have a situation where say another 10 buses have been fixed and are back on the road, your CO app's get renewed every now and again, so if you don't have a CO app, you can't get a permit to  
15 operate the bus and sometimes we just get a sense that when we engage with the authority in terms of that process, they don't always appreciate the impact of the fact that if the bus is parked for a day without making money, it is a huge loss and that really frustrates us, but look, it is a process that we are engaging with DOT, we are engaging with the province in terms of how can we ensure  
20 that we fast-track that process.

There is a sense that the guys are beginning to realise the urgency that goes with that and we really hope that as time goes on, the authorities will be able to improve that, but yes today, there are challenges.

**MR LESOFE:** Another source of frustration appears to be objections that are as we understand, are always raised whenever an operator seeks to obtain a licence. Would you comment on that as well?

**MR MAHLABANA:** Chair and it is two-fold in a sense that there is an  
5 acknowledgement that the industry is saturated in terms of the number of buses on the road, so the other operators would be of the view that why would you want to operate on this particular route whereas there are already so many buses and some of those buses are not full, so the guys would then come to us and say that we object to an additional service being added on this particular  
10 route, but also we find a situation where some of those objections in our view, we think that they are just frivolous, it is just an intention to frustrate the operator, especially an operator like us whom we think that given our mandate and our role as the company, that there are areas which not many people are [inaudible] that we need to go in, but for you to go into for example Lusikisiki,  
15 you need to go through an urban area until you end up in the rural area so that guys, whilst they are not operating the Lusikisiki area, they would want to object and say that I want to run this service from Cape Town up to Lusikisiki and it would be difficult to run a service within the Lusikisiki area because we are not a commuter company, we are a long distance company.

20 **MR LESOFE:** Are you able to give maybe one or two examples just to illustrate what you have just explained, practical examples? I know that this may be a bit difficult.

**MR MAHLABANA:** Indeed Chairperson it would be a bit difficult, especially in a sense that some of those would be our plans in terms of the routes that we want

to operate and you don't always want to reveal that kind of information in terms of the routes that you are planning to operate, so if you allow Chairperson, may the answer that I gave, will suffice, please Chairperson.

**MR LESOFE:** Sure thank you, in your submission, you described bus terminal  
5 facilities as a necessity in the provision of inter-city bus services. I take it that you include Park Station in that discussion?

**MR MAHLABANA:** I confirm that Chairperson.

**MR LESOFE:** Okay, maybe in the context, if we would take Park Station as an  
10 example, would you explain what you mean when you say it's a necessity in the provision of inter-city bus services?

**MR MAHLABANA:** Chair how the long distance bus industry works and I think  
one of my colleagues earlier on spoke about what is called an inter-model point.  
Park Station is one such inter-model point, so if you cannot access the Park  
Station, you will not be able to access the passengers. If you were to say you  
15 would move away and go to Fox Street for instance, you would probably not get  
any passengers coming to you, but you also find yourself breaking the  
municipality's bylaws in a sense that you will not be allowed to pick up  
passengers or a float passenger in that particular area and therefore your inter-  
model point becomes a good point where you are able to get passengers  
20 because the trains coming there, they would drop them there. The taxis come in  
there and they drop passengers or they pick them up and that inter-model point  
is intended to show that you don't create inconveniences through the  
passengers. There needs to be an ease of access in terms of catching the bus

or offloading a load that when I get off here, it will be easy for me to get a taxi or a train that will drop me in Soweto.

If that is not available, it just complicates the whole thing Chairperson.

**MR LESOFE:** And would you agree that Park Station is the only functional inter-  
5 model facility in Johannesburg?

**MR MAHLABANA:** In Johannesburg yes I think so yes, that is the only one in Johannesburg.

**MR LESOFE:** Given the description how you have described Park Station, would you say it would be possible to duplicate a facility such as Park Station?  
10 Would it be possible to do that?

**MR MAHLABANA:** Chairperson I think it is possible and I think my colleague Hishaam who was here earlier on, their job is to understand throughout the world how your integrated transport works. The example that he was giving about France, that is what you want to see in South Africa, where at any point  
15 wherever you are, it is easy for you to access all kinds of transport facilities and our view is that it should be possible for South Africa to really be able to duplicate what has been done in Johannesburg Park Station, have another kind or a similar inter-model point elsewhere within Johannesburg like you would find in other – you know we always make us of [inaudible] in terms of understanding  
20 how public transport efficiently works. It is something that in South Africa, we are still very much far away from.

**MR LESOFE:** Thank you. Sorry I just want to take you back to the issue of operating licences. There is just one point that I missed. I wanted to get your view in terms of, because we have had different views, in terms of the problem

in relation to, or the frustrations that arise in the process of applying for operating licences, would you say the cause of that, is the legislation itself or gaps in legislation, or would you attribute that to a lack of proper implementation of legislation, for instance we were referred to Section 21 of the relevant  
5 legislation which for instance makes provision for the establishment of the national transport regulator which should play a major role in the process of allocating operating licences and we understand that this body was only established this year.

There are also concerns about if you look at the current body, the skills, we  
10 understand that there is a skill shortage, in other words, people who process these applications including the adjudication body, don't really have all the skills that are, required and as a result, these are some of the things that may be causing delays and frustrations. So the question now that we are grappling with, is whether is there is a gap in legislation which makes legislation to be  
15 open to abuse, or is the issue of proper implementation of legislation?

**MR MAHLABANA:** Chairperson I might not be able to give you the exact specifics in terms of the charges from a legislation point of view, but you are dealing with a government department. Government departments normally there is this bureaucracy that you find in government where it is not easy to get  
20 into the door and say this is what I have, give me an operating licence. There is this process that they say that before this can be done, it must go there, it must go there, it must go there, so if you were to find they were in breach, our provincial regulatory boards would then be able to ensure that the process is refined, it would really help a great deal. But at this stage, it would take you I  
25 mean I was speaking to the team this morning. We have got applications that

we have made for about 12 buses and they said that Ranti if we like you, we will get those applications or those operating licences by the 22<sup>nd</sup> of June. That is very far, so you have got buses that are parked and they said no but Ranti the thing is that this application needs to go through the following processes.

5 So I think what we are appealing for is, there has to be a way in which your regulatory bodies can be able to say that this is how we can streamline the whole process and ensure that this thing can be done quickly and the operating licence has been made available sooner, so I think what you have mentioned in terms of the skills shortage, but also probably in terms of capacity within the  
10 various government departments, those are some of the issues that I think are the problem.

**MR LESOFE:** Thank you very much, if we could quickly move to pricing. So we have received concerns from some of the operators, in particular smaller operators that they actually accuse AUTOPAX of engaging in what is commonly  
15 referred to as [inaudible] pricing, in other words, it is alleged that AUTOPAX charges below cost. Maybe if I may read from one of the submissions received. This is a submission that we received from APM last year, towards the end of last year and it reads “currently Inter Cape and AUTOPAX ensure that the price of their tickets are always below marginal costs which has worsened the  
20 situation for APM, in that it cannot compete at such prices and does not have the cash flow or accounting benefit of not having to pay for the pay as you use fees at different PRASA terminals which is enjoyed by AUTOPAX.

The same concern has been raised by another smaller operator Muller’s Transport and it says if for instance operators charge as lows as R120 or R140

for instance a trip from Pretoria to Durban, that essentially makes it difficult for small operators to operate and function effectively, so what we did, was just to test if these allegations, if there are any merits in the allegations, so what we did today, was to look at your prices, using Computicket online and this is the  
5 picture that we got.

If you could then just comment on this, taking into account the allegations by the two operators and if you look at pricing as well.

**MR MAHLABANA:** Chairperson you would find that in our submission where we would talk about dynamic pricing which is affected by the demand. The first  
10 thing is that we run a business, we always want to ensure that we know the minimum operating cost of running a trip from here to Durban, so you don't want to have a situation where you run a trip from here to Durban at a loss, it is not business sense. So once we have established as a business, that a service that would want to run from here to Durban, this is how much we really need,  
15 given the difficult condition or competitive condition that you find yourself in. You then adjust your price accordingly and that is a normal industry norm in terms of your supply and demand, but you always try to maintain or ensure that you do not run below costs, because then very soon, you will close down the business.

20 You will see I am sure today is the 8<sup>th</sup>, if you then do the same exercise after the 15<sup>th</sup> or around the 15<sup>th</sup> of the month, you will find the prices are very different because of the fact that it has been a payday of the government employees, they get paid around the 15<sup>th</sup>, the prices also move up to align with the demand, because there are many people that would be travelling around

that time. If you do another exercise around the 30<sup>th</sup> the end of the month, there are many people who want to travel and because of that, the demand is high and the price also goes high, so all these things are managed or dealt with in terms of what we call, your dynamic pricing.

5 Now today, there are very few people wanting to travel. There is no one who is wanting to travel and because of that, you have got a bus that is parked and you are saying but at least if I can be able to meet my breakeven point, let me run the bus and therefore you adjust your pricing in line with that.

**MR LESOFE:** I see you also in terms of pricing, City to City and Translux  
10 except for one day, on all the days, you offer the same price?

**MR MAHLABANA:** And I am saying that it is purely because of the demand, because you are challenged by this thing of you don't want a bus to be parked, because when the bus is parked it costs you money. There are not too many people that are interested in this and all that you want to say is let me at least  
15 operate and make a breakeven point in terms of what is it that I really want to achieve.

**MR LESOFE:** But your costs could be different isn't it? Your costs for running City to City viz-a-viz your costs for running Translux, those would be different.

**MR MAHLABANA:** Correct.

20 **MR LESOFE:** And therefore, in a way, the price, if you just have the same price for both buses, it is likely that you may actually not cover costs, at least for Translux.

**MR MAHLABANA:** Chairperson, keep in mind that because we have 3 main depots around the country. We've got a depot in Johannesburg, Pretoria and Cape Town, you might find that we have got a requirement for a bus for a Translux bus and you find that most of the Translux buses have been moved to  
5 this side, but now you want this Translux bus to go back to Cape Town and when you want to take it back to Cape Town, you don't want to run it empty and therefore, you say that how do I ensure that I will at least be able to make some money, but still be able to reach my objective of ultimately landing the bus in Cape Town, so those are the kind of changes we deal with daily.

10 **MR LESOFE:** Sure I think this is a complex question that would require more time. I also wanted to ask you and I am going to ask for the Chair's indulgence here, because I have a few questions. PRASA CRES shared with us, a list of its defaulters in terms of the payment for the pay per use system and AUTOPAX, it is one of the, defaulters and AUTOPAX actually tops the list of  
15 these defaulters. If you look at the total amount owed to PRASA CRES, half of it is owed by AUTOPAX and the amount is quite substantial, I won't mention the figures, but I think you would agree that the amount is quite substantial.

**MR MAHLABANA:** Chairperson I concede to that. It is a challenge that as a business man, I sit with this company, I make decisions to say that do I want to,  
20 can I allocate some money to go and get the buses back on the road, I will pay PRASA CRES later, it is those kind of decisions that you have to make in this difficult operating conditions that we find ourselves in.

But when you look at the amount, keep in mind that AUTOPAX is the biggest or is the largest long distance operator and therefore, the number of buses that

goes into a particular station and gets charged by PRASA CRES in terms of AUTOPAX, there will be many and therefore that amount of money that we owe, in our eyes, it might appear insignificant as an operator to say that in comparison to the number of buses that we operate, the amount is insignificant, 5 but for anyone who does not understand the number of buses that we operate, [inaudible], but this amount is quite high. So it is affected by those issues Chairperson.

**MR LESOFE:** Is the amount significant or insignificant?

**MR MAHLABANA:** Look Chair any amount that you owe anyone, that person, I 10 have effectively become a bank, I have banked PRASA's CRES money which could be generating interest for them, so I have kept that, so whether it is a R100 000 or R50 Million that I owe, it is significant to the person who is owed, it is significant, but I am saying that I then make decisions in terms of who do I pay looking at the financial pressures that I am sitting with based on that, so I 15 look at maybe if I fix 10 additional buses and make money, I would then be able to go and pay enough to what I owe PRASA CRES, so it is those kinds of decisions that one as an executive in the company, will have to make.

**MR LESOFE:** There is an allegation or the perception that actually PRASA CRES gives AUTOPAX preferential treatment and this is based precisely on the 20 fact that PRASA CRES allows AUTOPAX not to comply with its contractual obligations as far as making payment for the pay to use system. As a result, other operators are actually expected to make payment and if PRASA CRES allows AUTOPAX not to make payment, it therefore gives AUTOPAX a competitive advantage in the market. Would you comment on that?

**MR MAHLABANA:** My colleague would also want to deal with that, but let me start by mentioning that we have had areas in our sales office where we were locked out by PRASA CRES, so we could not operate, we were locked out, so I cannot understand if you say that there was any form of preferential treatment  
5 where we are being locked out. Like any company, we go and negotiate with them and say that we have not been able to pay you immediately in terms of the following things, can we delay the following things to this particular date when we are able to pay, but there have been areas where they have been very harsh with us.

10 A number of those areas would have been very harsh with us and barred us from operating certain services because of the lack of payment and therefore, I cannot see how that could be seen as preferential treatment. We comply, we sign contracts with PRASA CRES, through out and we comply with those contracts in whatever they require of us to be able to do, so we comply  
15 thoroughly with those contracts.

**MR LESOFE:** Chairperson if you could indulge me a bit to respond to the issues around PRASA CRES. I think it is an injustice that they have not been called to be party to this market enquiry because I have listened to other stakeholders who said a lot of things about the conduct of PRASA CRES which  
20 unfortunately have not been given an opportunity to address those issues.

**CHAIRPERSON:** Just to clarify, these allegations have been put to PRASA CRES. They appeared before this enquiry, I think it was on Tuesday in Johannesburg.

**MR LESOFE:** Okay because I was going to say that there is a public document in another investigation that they had submitted to the Commission on issues around Park Station, so there is a formal document before the Commission in another investigation where they actually ventilate the issues around Park  
5 Station.

**CHAIRPERSON:** No even in this enquiry, they have been given an opportunity to respond to this allegation, that is why for instance, Unitrans was here today and they made various allegations against PRASA CRES and we put the position of PRASA CRES before Unitrans so they have been given an  
10 opportunity, but as we indicated at the beginning of the enquiry, we always reiterate the rules every day.

Part of our rules, as part of our rules, we have indicated that if any stakeholder has a comment or an objection to any evidence or allegations that are made, there is an opportunity for that stakeholder to raise an objection with us in  
15 writing to that comment or allegation or whatever it is, so that is in addition to the fact that PRASA CRES has had an opportunity to respond to some of the allegations.

There is also a further avenue that is still available even to Mr Mahlabana to the extent that you still need to investigate for instance some of the issues which  
20 have been raised and you want to address them at a later stage in much more detail. That opportunity is still available.

**MR LESOFE:** My last 2 questions Chair. If PRASA CRES were to stop you from operating from Park Station completely, say for 2 or 3 months, what impact would that have on your business?

**MR MAHLABANA:** Chairperson that will have a huge impact and I can give you the details of what we generate a day in private, I can share that with you and it covers a whole lot of things. Now if that was to happen, we will probably be on the verge of closing down the company, because if you were to lose a  
5 month, our salary bill alone is close to R30 Million a month, so you will never be able to recover from that perspective and therefore, we will try our level best to ensure that that does not happen because of the serious repercussions of that.

**MR LESOFE:** Would alternative facilities not be of help if there are any that could be used?

10 **MR MAHLABANA:** I suppose it could be Chairperson, but we have not explored that, but I suppose it could be. The challenge with that, is that the kind of passengers that you are dealing with, you have got a passenger that uses your service this weekend and the next weekend they are not available or for the next month, they are not available and therefore if they do not know that you  
15 have moved from the Park Station, you are now at Fox Street in Johannesburg, you will lose those passengers. We will try to communicate with them by various means, but the repercussions of that will be very, very drastic.

**MR LESOFE:** But you also explained the difficulties or challenges that come with moving say to Fox Street?

20 **MR MAHLABANA:** Yes.

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

**CHAIRPERSON:** Mr Ngobeni, Ms Nontombana , Mr Mandiriza?

**MR MANDIRIZA**: Thanks Chair, I just have a few questions, I think it is yes or no answers largely. Is AUTOPAX profitable as a business that is the first one. The second one, does AUTOPAX have dedicated loading bays at Park Station? Did PRASA CRES at any stage, institute legal action to recover outstanding  
5 amounts at Park Station?

**CHAIRPERSON**: I think perhaps the first one, there may be potential confidentiality issues, so I will request that you respond to perhaps the first one to us on a confidential basis in writing and then perhaps you can take the 2 other questions.

10 **MR MAHLABANA**: Chairperson thank you so much I appreciate that and we will certainly Chair provide that for you later. The issue of the dedicated loading zone and it is important that I mention that AUTOPAX and the name AUTOPAX is a fairly new name, the company comes from many years coming from Transnet, where it was then called Autonet and in those days, Transnet used to  
15 own your stations and in those days, there were no other operators, it was only Autonet in those days, there were no other operators that were operating and it is based on that that in certain areas, you would find that there are loading zones that are dedicated to AUTOPAX, purely because of the historical arrangements from the days of Transnet.

20 If you go into your other areas, I mean for example if you look at Park Station, Park Station has got 2 areas. There is an area where AUTOPAX loads with everyone, that is where the majority of our passengers are, where we load with everyone. There is also one area at the back which is only dedicated to

AUTOPAX and that is an old issue, it is a very small area, very few of our passengers are in that particular area.

**MR MANDIRIZA**: So I take it that the answer is yes?

**MR MAHLABANA**: Chairperson I am saying that there is a small area in Park  
5 Station where we have a dedicated loading zone for a few passengers, small amount of passengers. There is a bigger area where we have 90% of our passengers in the other area where we sit with the rest of the operators.

**MR MANDIRIZA**: Thanks for that clarity, thank you.

**CHAIRPERSON**: The sense that we got, just a follow-up, the sense that we got  
10 from Unitrans, because we asked them about the size of this dedicated loading bay, they said it is almost half of the loading bays that are shared by the other bus operators, your dedicated exclusive loading bay.

**MR MAHLABANA**: Chairperson no and we assess this Chairperson in terms of the passengers that we are dealing with. In our view, it is very small. The  
15 bigger part of our passengers, are in the area where we load with everyone else. We only use that area for the North corridor which is made up of your Limpopo and the Mpumalanga area it is only used for that. We run the coastal, which is your Cape Town, Durban and all those kind of areas and those areas, those we operate them from where in the mainstream loading zone.

**MR MANDIRIZA**: Maybe just a follow-up because I think that might be an  
20 AUTOPAX decision to load specific passengers that are going to specific areas in that loading bay, but a loading bay can be available to anyone that is loading. I think it was important for us to actually get clarity on that because PRASA CRES I think in their submission, they didn't indicate to us, that they have

dedicated bays. They said everyone else is subjected to the same rules that, is why I think we wanted clarity.

**CHAIRPERSON**: This matter is a matter that definitely we will need further clarity on as my colleague Mr Manderiza is indicating. I think it may also entail  
5 an inspection in loco, so that we can then ascertain the size of the shared loading bay facilities viz-a-viz the exclusive loading bay facilities.

**MR MAHLABANA**: Chair we are not opposed to that, you will advise us how you want to do that, but if you are looking at a size in terms of the width and the length of the area and we are not looking at it in that way, we are not looking at  
10 in terms of the width and the length of the space, we are looking at it purely in terms of the passengers who are moving from that point. If you look at the width and length, it is a fairly huge area, it is secluded, it is a fairly huge area in terms of the width and the length yes.

**MR LESOFE**: Are you then conceding that it is almost half the size?

15 **MR MAHLABANA**: Chairperson I have said that our definition of size is in terms of the passengers that we move. It doesn't help you to have a huge space where you are moving 10 passengers in comparison to a small space where you are moving 100 passengers. It is the challenges that we are sitting with in terms of this area at Johannesburg Park Station.

20 **CHAIRPERSON**: In respect of this exclusive loading, are you paying any fees, any rental, what is the arrangement in place?

**MR MAHLABANA**: We pay your rental fees, we pay for all the spaces that we have either in Johannesburg or any other Park Station, so we are paying for that.

**CHAIRPERSON:** I think the gist of the complaint here, is that there is no other bus operator after the introduction of the pay on use system, there is no other bus operator who has exclusive loading bay facilities. That is the gist of the complaint and it is only AUTOPAX and AUTOPAX obviously has a relationship  
5 with PRASA an ownership relationship with PRASA, so that is where the complaint is coming from and the allegations of preferential treatment for AUTOPAX, so that is the context.

**MR MAHLABANA:** Chairperson I am saying that you need to look at it as a historical issue. It is something that has been there from the days of when  
10 Transnet used to own those stations. It is not even something that was done by PRASA, it is something that was given through Autonet then which is now called AUTOPAX by Transnet in those days, so it is a space that AUTOPAX has always had since it was established in those days.

**CHAIRPERSON:** Have you been informed yourself as AUTOPAX, as to what  
15 the intentions of PRASA CRES are? Has this been discussed with you in respect of that loading bay? Is it going to be opened up, have you been informed of anything?

**MR MAHLABANA:** Chair no, we have not yet discussed that.

**CHAIRPERSON:** Alright because we are hopelessly out of time, just one last  
20 one question. I understand that AUTOPAX and PRASA, your parent company, have separate boards of directors. I just want to understand what is the relationship between the two boards and perhaps the management? Are there any Chinese walls in place in that there should be no cross-directorship, no sharing of information, those kinds of Chinese walls, is that system currently in

place to ensure that there is at least some separation arrangement between the two entities?

**MR MAHLABANA**: Chairperson as I mentioned earlier on, AUTOPAX is a subsidiary, it is not a division.

5 **CHAIRPERSON**: I accept that.

**MR MAHLABANA**: It is registered as a company on its own and because PRASA is the shareholder, the only shareholder that owns AUTOPAX, it is the shareholder that appoints the non-executive directors or the board of AUTOPAX, so the board members of AUTOPAX are appointed by the  
10 shareholder.

**CHAIRPERSON**: Both executive and non-executive?

**MR MAHLABANA**: No, no non-executive only. The executives of AUTOPAX are appointed only by the board of AUTOPAX.

**CHAIRPERSON**: If you could clarify that? I am talking about directors, the  
15 members of the board?

**MR MAHLABANA**: The members of the board or the non-executive directors are appointed by the shareholders. The executive directors like myself, I am appointed by the board of AUTOPAX, using the policies of AUTOPAX, so executives of AUTOPAX are appointed by the board of AUTOPAX and PRASA  
20 is not involved in that process.

**CHAIRPERSON**: I am not sure that I understand the arrangement, because the shareholder appoints non-executive directors. Now what is not clear, is how executive directors get – are they appointed by the non-executive directors, that

is what is not clear? Is it the non-executive directors who then appoint the executive directors?

**MR MAHLABANA:** Yes Chairperson, remember the board then appoints the CEO who becomes the administrative head of AUTOPAX. Now when the CEO  
5 appoints the executives that process will be done at the executive level that process is done with the board. It is below the executive level, where me as the executive in the company, I will then sit with the CEO and say that I want to appoint a senior manager for this particular environment, but the executives, that is the line that reports directly to the CEO, they are appointed by the CEO  
10 and the board.

**CHAIRPERSON:** We will definitely have to engage on this because it requires more time, but if you could just clarify whether there are any Chinese walls between the PRASA board and the AUTOPAX board? An example of a Chinese wall would be a prohibition against cross-directorship, or maybe let me  
15 ask the question in a more positive way, are there any cross-directors who sit on the board of AUTOPAX and who sit on the board of PRASA?

**MR MAHLABANA:** Chairperson I confirm that there is no cross-directorship sittings no. The directors, the non-executive directors of AUTOPAX do not sit on the PRASA board and the non-executive directors of PRASA board, do not  
20 sit on the AUTOPAX board no.

**CHAIRPERSON:** Are there any restrictions in terms of the type of information flows from AUTOPAX to the board of the shareholder? Are there any restrictions currently in place?

**MR MAHLABANA:** Chair there cannot be and the reason why there cannot be, if you go into the website now of AUTOPAX, you cannot find for example, the annual report of AUTOPAX on its own, so the annual report of AUTOPAX is consolidated in the PRASA annual report. When you present the annual report  
5 to someone, that person has got access to your information, so there is no restriction because our annual reports get consolidated at the PRASA level and it is the PRASA board that will ultimately approve the annual financial statement of PRASA.

**CHAIRPERSON:** Are there any shared services between yourselves and any  
10 division of PRASA?

**MR MAHLABANA:** Between ourselves and the group yes, not the divisions, for example, she works for PRASA Corporate Legal and she does provide legal support to me as well, so in that case, she is a shared resource between myself and PRASA, so an example of her is one such shared service. We also use one  
15 ERP system or enterprise resourcing system called SAP. That SAP system is used throughout PRASA, including the subsidiaries.

**CHAIRPERSON:** Definitely I think there will be, as you can see, this is one area that we will further probe, but it requires more time, but thank you very much Mr Mahlabana and Ms Joni for your submission as well as for your time.  
20 We have now completed the first round of submissions from the Gauteng Province. There will be a need for a further round of enquiries for the Gauteng Province. We will now adjourn the enquiry and we will resume on the 19<sup>th</sup> to the 21<sup>st</sup> of June in Cape Town, thank you very much for attending.