

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

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28 AUGUST 2018

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VENUE:

**(EASTERN CAPE)**

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## Session 1

**CHAIRPERSON:** Morning everyone, today is the 28<sup>th</sup> of August 2018, welcome to the Competition Commission's Public Passenger Transport Market Enquiry hearings. My name is Bukhosibakhe Majenge, I am the chief legal  
5 counsel at the Competition Commission and I am also chairing the panel of the Inquiry. I am joined by two panel members. On my right, I am joined by Ms Nompucuko Nontombana who is the Divisional Manager of the Market Conduct Division at the Competition Commission and on my left I am joined by Mr Thulani Mandiriza who is also from the Competition Commission who is part of  
10 the panel in his capacity as the Head of the Inquiry's technical team.

On my extreme left, I am joined by two evidence leaders, Mr Itumeleng Lesofe and Mr Jabulani Ngobeni, who are both lawyers based at the Competition Commission. They together, with a team of the Commission's lawyers and economists, will be assisting the panel in soliciting evidence for the Inquiry.

15 Before we begin today's session, I would just like to recap the rules of procedure that will be applicable to this session. The first is that the formal sitting of the enquiry, will be open to the public at all times, except when the chairperson rules that part of the proceedings will be closed on grounds related to grounds of confidentiality or for any other reason deemed justifiable in terms  
20 of the Competition Act.

Secondly, all sessions will be recorded and will be streamed on You Tube, save for those sessions or parts of the sessions that are closed. In order to allow for the proper ventilation of issues, the Chairperson and panel members as well as

evidence leaders may pose questions to any person making oral submissions or to any witness.

The Chairperson will not permit any person, neither personally, nor, through legal representatives, to question any witnesses or any person making oral  
5 submissions during these proceedings.

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

We also have interpreters, who are available to provide interpretation services in the event that any stakeholder or any person making submissions wishes to make use of interpretation services.

We will now receive a submission from the Buffalo City Metropolitan  
15 Municipality. Welcome Sir and thank you very much for coming. Please switch on the mic next to you. There is a piece of paper in front of you. You may take the oath or the affirmation.

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

20 **CHAIRPERSON:** Thank you very much. For purposes of the transcript, because the proceedings are also being transcribed, if you could just please spell your surname for the record?

**MR SKWEBU:** S-K-W-E-B-U.

**CHAIRPERSON:** Thank you. Before you start, if you could just indicate what your current position is within the Buffalo City Metropolitan Municipality and how long have you held your current position?

**MR SKWEBU:** I am the Programme Manager Integrated Public Transport  
5 Operations Network and I have held the position for 4 years.

**CHAIRPERSON:** You may take us through your presentation and that will then be followed by questions from evidence leaders, as well as panel members?

**MR SKWEBU:** Thank you Chair. My presentation will just highlight BCM's transport planning operations role in terms of the sector and also what do we,  
10 as public transport – it is mostly focused on the public transport sector section. I think my presentation will just highlight the issue of the background, the objectives, the modes and coverage of the public transport, the BCM's role in operating licences, the associations within the Buffalo City Metropolitan Municipality and also the BCM public transport facilities.

15 I think transport planning operation is situated under the directorate of special planning and development. The transport planning operation has 4 sections. It has got a strategic transport planning, it has got the integrated public transport network operations, it has got traffic management and safety and also has a project management unit.

20 Our structure is that we have an HOD for special planning and then we've got the general manager transport planning and operations, you've got the strategic transport planning, you've got the integrated public transport network operations that is where I sit in and then you've got the traffic management and safety and then you've got a section that deals with project management. It's a new section

that was created under the new metro under the new structure for the metro, that is still vacant and it is not funded yet.

- I think the objectives of the sector are as follows – the strategic transport planning is responsible for the construction of the new bridges, new areas that
- 5 require bridges in terms of crossing access to areas that falls under the strategic transport planning. Transport plans – all types of transport plans are undertaken under that sector, the arterial transport plan, the transport register, the ITP, they all fall under the strategic plan. Any type of plan that is undertaken within the transport section is undertaken under that section.
- 10 Then you've got the integrated public transport network operations, that one is responsible for the operations of the municipal bus services. The municipality has its own bus services as well and then it's also responsible for the provision of public transport facilities, provision of taxi ranks throughout the city and also the maintenance of those ones.
- 15 Then the provision of taxi, bus and [inaudible] those are drop-off areas that are next to the roads where the taxis are dropping off the passengers from and also, we are also responsible for the formation of transport forum engagement that is engaging with all stakeholders within the public transport sector, the taxi guys, the bus, the DOE and all stakeholders that are within the transport sector.
- 20 Those are what we form in terms of our engagement in terms of the public sector.

Then also our other function is the issue of commenting on the operating licences that some of the responsibility we undertake as a section in terms of anyone who wants to come and operate within the city, the application has to

come through the section as well. Then we've got what we call the traffic management and safety, they are responsible for traffic signals, guard rails, traffic circles, traffic [inaudible] measure and sidewalk. They deal with intersection control, each and every type of safety that is related, non-motorised  
5 transport in terms of pedestrian walkways that is their responsibility. It deals with safety within the roads and also within the road reserves.

The type of modes of public transport modes, we've got the minibus taxis, those are the 15 seater Quantum's and the Avanza. That section, covers the 15 seater Quantum's and the Avanza's. Then you've got the buses. It's only the  
10 city that has got the buses and then you've also got a private operator that is within the city, I think that is Mayibuya Transport Operations. Then you've also got some private operators that are operating within the King Williamstown areas, so those are private people who are operating their buses in terms of long distances, those are the types of buses.

15 Then you've got the rail. The rail is currently run by Metro Rail, it's a standalone, it runs on the periphery of the city. Then we've got what we call, the 4 seater cars. In BCM, they are called the "amapelas" it's a sedan, those 4 seater doors. They are in the city, although when you look at them in terms of the transport regulations, they are not regulated at all, but they are within the city operating,  
20 providing a service in terms of that city, but in terms of regulating, they are not regulated at all, because the transport guidelines do not recognise those type of 4 seater vehicles.

In terms of coverage, I think taxis provide 100% coverage within the city, I think that is usually the 15 seater taxis and the Avanza. Each and every area, they do

cover, I think they are the biggest numbers in terms of our area. Then you've got what we call the sedan, the small car, they, do, a, 15% coverage. They provide a service of what we call a feeder service. They will feed from the areas where the people in Mdantsane and drop them to the main taxi ranks.

5 They operate usually those routes that do not have those high capacities, like from town to Quigney. There are no taxis that run those services, so those small sedan taxis provide those areas where there is not that much volume of passengers and taxis are not really interested in running those, because they are currently running empty, so those sedans run that kind of service.

10 We've got buses that usually run, a, coverage, of 8% of the route that is between the main corridors between Mdantsane and East London that is currently run by the private operator that is Mayibuye. BCM buses, there are only 6 they run only a small portion of the area. Rural areas within the King Williamstown area, also use buses for the transportation from the CBD, those  
15 are those private operators that are operating within the King Williamstown area.

Then the issue of the city is divided into two. You've got the East London side and you've got the King Williamstown side, so you will find that within the East London area, you only have Mayibuye in terms of the buses and the BCM  
20 buses which are few and then within the King Williamstown area, you will find Mayibuye still runs those rural areas, but you also have private operators that are also operating with Mayibuye. Mayibuye is a government subsidised some form of a service, then those operators are also operating with that service, but in East London, it is only Mayibuye that runs the corridor between Mdantsane  
25 and East London in terms of the buses.

I think BCM only has 6 buses, I think they only service a few areas. The reason for that, is that I think the city still on the plans of the integrated rapid public transport plan, I think the city was one of those areas identified for the BRT previously, but due to legal issues at that stage for planning for the 2010, the city was stuck with a litigation issue that was in court, but the city has currently been asked by Treasury if we have resolved the legal issue and currently we are reviewing the issue of that integrated rapid transport plan. I think our plan is almost 95%, it is just a submission to Treasury in terms of identifying what is the best mode of transport. That started in 2016, the issue of the review of the old 2010 operational plan.

Rail is only accessible to 4%. It runs between East London to Berlin around the 42 kilometre stretch. Rail is running on the periphery of Mdantsane, that's why it is usually not that it doesn't really run in the centre of Mdantsane like the taxis. The taxis run a corridor that is in the middle of Mdantsane and the linkage to town. Rail runs on the periphery and therefore, it's a bit expensive for someone to take a taxi to the train station. Most of the people that use the train are those that are sitting within that periphery of there. That is why I'm saying the taxis and the small sedan provide that feeder service to those people that are using the train, the small 4 seater cars.

If you look at our map, if you look at the outskirts, that's the dotted line on the outskirts there it shows the rail and that station. If you look on the inside, that's Mdantsane, so the rail is running only after the periphery, it doesn't come through the area that it is, so hence its supply line is a bit lower than what the taxis are providing, because it's really not that accessible to everyone that is within the area. If you look at, the highway CBD and look at where, the rail,

although it is about 2.5 kilometres to one of the stations, if you look at most of the areas, the rail is currently sitting on the periphery outside the area.

Just the role BCM plays, I think the issue of operating licences, the city receive the operating licences from the Department of Transport. How it works, is that

5 the associations apply, they submit an application to the Department of Transport and the Department of Transport will prepare a letter to the local authority to comment in terms of the applications that are currently being requested by the operator. Currently what they do in terms of the other areas that are outside BCM, they usually put them up through a gazette, so we have

10 to go to a website almost each and every week and look what has been put on the gazette by the other operators, by the Department of Transport, the other areas that are outside the BCM area, so when we get those, then we start putting the comments.

The issues that we comment on are the new renewal schedule service. New, it

15 is someone within the BCM area whether outside, that wants to operate within the city and then you've got renewals. Operating licences laps, so at a certain stage, you have to re-apply for a renewal of it that is currently being managed by the Department of Transport.

Then we've got what we call scheduled services, I think your Translux, your

20 DMJ's and all those huge buses and also some of those are scheduled services. We've got what we all route amendments, it is when a certain operator is currently operating certain routes and suddenly now wants to re-amend and run a certain route. We call it route amendments he applies for what we call a route amendment. Those applications are managed through the

Department of Transport and the Department of Transport will put them on the gazette. I think the East London office will bring them to our office because they are a walk away and therefore, what the city looks for, it looks if we have the space in terms of capacity for these, especially on the new, because we had a  
5 time when we had a moratorium, the volume of operators and the area within our taxi rank was full and we had to issue what we call a moratorium, because the number of the supply exceeded the demand, so we had to say look, we really do not have enough running spaces and therefore we have to hold a moratorium.

10 Then after we sat down with the association and did an analysis, we said we will re-allow the new ones to come in again and reanalyse the situation, because what you find with the issue of the associations, you will find that some vehicles get written off and the guy will buy a new vehicle and he will use that permit and call it a replacement, he will say he is transferring this permit into this new  
15 vehicle, so you deal with those kinds of issues and currently, we are engaging with them to say currently we are trying to reanalyse how many permits do we have that are operational within the city, how many are those people that went out of the transport sector.

It was noted that, we have a number of people that, although at the Department  
20 of Transport it will show that we have got about 5000 permits to the association, but in actual fact on the ground, that is not there, some of the guys have moved out of the taxis and now their permits are still flicking at the Department of Transport and making the number a bit high and therefore, currently what we are doing is, we ask each and every association look, can you do your analysis  
25 of how many operating licences you've got. We have already done our own

- study as a city as well in terms of what we call a transport register where we identify how many taxis and data within each and every route with the number plates and also the details on the permit. So what we are trying to finalise, is to get a screen across analysis of saying to the Department of Transport, this is a
- 5 study that we have undertaken, these are number plates that we find on our system, can you assist us and look in terms of which ones are out and also we asked the taxi guys because they were part of the study as well, so that we are able to say look, we are cleaning the system, we need to see vehicles that are in the system.
- 10 What happens is that some of those people that went out, do not go and cancel those operating licences at the Department of Transport, so when you look at the analysis, it looks as if the volume of operating licences that are there, is high, but some of the people went out of the sector, so that is currently the analysis we are sitting with, with the operators.
- 15 Currently BCM have 12 associations. BCM is broken down, we've got the East London and Mdantsane sight in town and then we've got the King Williamstown area, so in each and every one, we've got 6 6, you've got [Elta] you've got [Eldista] you've got [Mdusta] you've got [Melter] you've got [Meter] and you've got Mayibuye Transport and then in King Williamstown, you've got [Bigita]
- 20 you've got [Detita] you've got [Gita], you've got Berlin [inaudible] Umcedo King Williamstown and the King Williamstown Bus Association. So there are only 2 bus associations, it is Mayibuye and the King Williamstown Bus Association those are the 2 that are there.

In terms of the taxi ranks that the city has, in East London, we've got the [Gilwa] [inaudible] Oriental Plaza, Beacon Bay, Gonubie [inaudible], Boxer, Boxer is a private rank. The reason that we highlight those, as part of their development, when they were developing the Boxer area and the Hemmingsway Mall, the  
5 condition that as part of your development of your mall, you've got to have a taxi rank in there, so those ones are not BCM managed, but operators operate within those facilities, but the management of the facilities, is within the mall management, the issue of the facility, it was part of the development condition.

The same one, if you go to Mdantsane, it has got the highway taxi rank, you've  
10 got the Berlin, you've got the Cecelia Makewane, you've got Mdantsane City and Mdantsane City was also part of their development conditions that when you open your mall, you have to have a rank within your mall so that the issue of traffic conflicting within the entrances and exits within the areas, that is why that was provided. In King Williamstown, you've got Taxi City, Market Square,  
15 Bisho, [Nirvana] Zwelitsha, Gillsburg, Medlife Mall. That is also a private mall as part of those developments.

The highway taxi rank is the biggest one that you will find within the city. I think most of the infrastructure within the taxi facilities, is old. Currently, we are doing what is called an upgrading of three public transport facilities in the King  
20 Williamstown area, they are under construction.

Those are the three pictures of the public transport – we've got Taxi City in King Williamstown, we've got the Market Square taxi rank and we've also got the bus rank within King Williamstown. Those are the ones that are currently under construction currently. I think in terms of this year's plan currently, we are also

redoing the refurbishment of an additional four for them to be redesigned to meet certain standards.

I think currently this one is also –we developed what we called hawker stalls, we've got people inside the rank that are selling food, so what we're trying to do, we develop an area for them to sell from that is covered in terms of the shelter. After they finish whatever they are doing, they are able to lock up their areas and leave their items in there and then you've got a central area where there is a food court, whoever comes and buys, there is an area for them to sit in. This helps with the issue of the cleanliness within the facilities. You will understand that anything that is related to food, anyone who sells food within the facility, is at the food court, whatever they sell, they are there, they have got space in there, they are able to lock up their items inside there.

This is just a picture of how it looks currently. I think Taxi City is almost 95% complete, expected to open in late September based on the finalisation of items that are still outstanding. That is just pictures of how it looks. That is a workshop area it has got a built-in workshop within the area. The challenge that we face with the taxis at the taxi rank, is that they fix the cars also within the holding areas, so what we did with this one in King Williamstown, we also built what is called a workshop area and that one, we are still discussing on what kind of an option for the running of that private workshop, because we are deciding with an issue of saying that any vehicles that need to be fixed within the taxi rank, they need to move from the loading lanes and move into the holding area within the workshop, so that it doesn't cause the issues of oil and dirtiness within the facility.

That's just a look of the rank during while we were testing the lighting during the night how it is going to look, thank you.

**CHAIRPERSON:** Thank you very much Mr Skwebu. Mr Ngobeni?

**MR NGOBENI:** Thank you Chair, good morning Mr Skwebu. I think maybe if  
5 we can just start by the response that you gave to the Commission, I am just  
checking the date, in response to our questions, I think you then responded, the  
City responded on the 31<sup>st</sup> of October 2010, if you can just go to their response.  
Okay I will give you mine, I will share with you.

**MR SKWEBU:** Just give me the reference number on your letter on the top?

10 **MR NGOBENI:** The reference is FP314.

**MR SKWEBU:** Okay I've got it.

**MR NGOBENI:** Thank you and if we can just go to your answers on the BRT  
system, I think it is answer 20.1. I think there was question 20 and you were  
answering to the Commission's questions from then onwards. I think if you look  
15 at that answer in 20.1, what I wanted to get an update from the City, there are a  
couple of issues that are mentioned there and let's start with we had asked the  
question as to at what stage is the BRT system and then you provided us with  
responses there.

I think I just want to check the progress on some of the things that you have  
20 mentioned there as provided there in your answers and let's start with the  
transport register. You had indicated in that answer, that one of the things that  
you were still going to do, was to update what is referred to as a transport

register. If you can just share with the panel, firstly, maybe what the transport register is and also if you can just tell us where we are with that process?

**MR SKWEBU:** The transport register was for us to gather data in terms of what current operations are within the area. Currently, I think the transport register is  
5 complete. We have managed to gather how many taxis are within our area, which routes they are operating for, so that one was completed at that time in November 2010, June 2017 and then in terms of the city's BRT, it is currently no longer a BRT, it's called an integrated rapid public transport network, the name of the BRT has been removed, it's no longer that one. Remember as I  
10 highlighted, we had tendered that in 2009 and one of the losing bidders had challenged the issue of the design and implementation. Although the City had undertaken an operational plan of saying look, for your BRT to be sustainable, you need to do this thing.

I think one of the corridors that was identified as the highest number of public  
15 transport, was the route between Mdantsane and East London, so when we tendered out for service provider to take out the design, the architects, the engineers and all those to do the issue of the design, one of the losing bidders, queried and the issue went through to court and we couldn't proceed, it took a delay of about 3 to 4 years on that issue. Finally when they resolved, they  
20 resolved on the issue of saying, if this project gets out again, we will accept an issue of it being retendered out again, that was the resolution that was resolved with the legal department and the bidders, but that was late because the other city had already ran, so what DOT and National Treasury advised the City, they said look, your plan is a 2009, we are currently in 2016, there is no way that we  
25 can use your own plan to run, that was a BRT. The brand condition had

changed. Currently, it's an integrated rapid plan, so you need to review your integrated rapid public transport plan, so we went out to tender on that one and currently, I think we are almost at 98% of that one. I think we are expected to submit the plan to Treasury and the Department of Transport and then after  
5 that, they will review the plan and call the City and advise.

Remember the previous plan was only looking at one area, the Mdantsane area. This revised one is covering the whole city in terms of what type of public transport that we as a city, needs to do. Currently we are almost at that stage at 95%, we are almost at a stage of being ready to submit. We are just  
10 finalising some of the items that are within the report to submit to Treasury and the Department of Transport and then after that stage, they will call us into presentations and also raise questions that they have in terms of the presentation, but in terms of the route, the Mdantsane to East London one, it's still the route that is still the first priority route in terms of that, because it's in  
15 terms of the volume of taxis that are there in terms of public transport.

But what we did was, we also looked at other areas now on how you deal with the other areas that are sitting within King Williamstown, your Dimbaza, your Zwelitsha on that, but in terms of the study that came out, it's still highlights that Mdantsane to town, is still number one, but then you also need to do some  
20 other items within the other areas. I think we will only be able once Treasury has approved what we are going to submit to them and then we will know how we are implementing.

Another thing is that you had the Mdantsane access to town, you also have a road that is called Qumza Highway that is between town and the highway CBD,

so that one was already designed. Currently, it's a single carriageway, but it was already designed ready to be two lanes to allow for quicker movement of those vehicles, so that one was already designed when that thing was out of court because it was not part of that court settlement, so Treasury gave us a  
5 leeway of saying although your Qumza section is ready, you can proceed and re-widen that one as part of the grant, although the grant sometimes does not allow you funding prior to your business and operational plan being taken since you the City had lost a lot of time while you were in court, they had given us the go ahead to proceed with that one. I think currently, the contractor was  
10 appointed on the 26<sup>th</sup> of June for the widening of a section of that Qumza highway. It is currently expected to start in early February because they are just sorting out contractual issues, the issues of permits, of construction permits from the Department of Labour, thank you Sir.

**MR NGOBENI:** Just to understand, I am not necessarily familiar with the  
15 Eastern Cape, so the priority route here, is what you refer to as the Mdantsane to East London route and what you were just talking about which is the Qumza highway, is that still a route that is earmarked for the system or is it something else?

**MR SKWEBU:** If we can just show that map, if you look at the highway CBD,  
20 from the highway CBD from looking at the map, from the highway CBD going onto my right, you are going onto the Mdantsane access, that means that you are leaving the highway CBD and you are going to town and then from the highway going inside the Fort Jackson area, that is where Qumza is. Qumza is a feeder route that is within the area. Qumza is one of the major corridors that  
25 brings the feeders to the centre of the highway taxi rank and then from the

highway taxi rank, they spread and come to town, different area locations that they will use to town. If you are coming to town, most of the vehicles will be sitting through the Mdantsane access road, that's why that one comes out as a bigger corridor because of Mdantsane being the biggest area BCM, that is  
5 where the volume of commuters are at.

**MR NGOBENI:** Okay and there is, also mention of the business and operational plans, it is indicated that they were approved. I know you have spoken about it, they were approved, in, 2010 and you then indicate that the city is currently reviewing those. Was it a decision that was taken by the city or was it an  
10 instruction from Treasury that those plans have to be reviewed and where are we currently with those two plans?

**MR SKWEBU:** I think the decision was taken by the Department of Transport in conjunction with Treasury. Remember in 2009, when that plan was approved, it was a BRT. Currently, the grant condition changed, it is no longer  
15 BRT. BRT's focus was only on the issue of the buses, but now with the integrated rapid public transport, they are saying it needs to be a system that is flexible and user friendly. It can be buses if you feel its buses, but it can also be taxis, but accessibility, if you look at what George is using, they are not running a full BRT, so what they said is, they said your 2009 plans that were approved,  
20 was on the BRT. We are 6 years back, we cannot really be sitting and running – you need to review your plans and provide us and also our previous plan, was only Mdantsane to East London. The other areas were excluded, so they said review your whole plan to cover all the areas and highlight to us. That is what I was saying, that our plan is at 95% complete, we are just finalising that one to  
25 submit to the Department of Transport and Treasury for approval.

I think by mid-month September, we would have submitted a plan because we were just finalising some of the dotted items. It is a business and operational plan, it's a plan where they say your plan needs to highlight your long term plans, it needs to say, we as BCM, these are our priority routes in terms of  
5 public transport and this is the funding we need for infrastructure in terms of them and then, at what stage will you as a City, be ready to run a type of scheduled services.

Remember you have also got stages in there that we call industry transition. Remember you have to sit with the taxi guys and say look, this is how the plan  
10 turns out, it says we need to run this type of scheduled services. You currently have operating routes for these routes, how do we get you to be part of the system, so that they get to be part like the other cities, because the taxis already have those routes, so there is a stage where you have to engage. After the DOT has approved the plan, we deal with what is called an industry  
15 transition. You call all the operators in the city and say look, this is route number 1 and therefore we need to engage on how we are going to operating this route. Those are some of the stages that you sit with.

We usually look at examples of Nelson Mandela Bay – they had their bus routes ready, but their industry transition discussions took more than 8 years, because  
20 the operators were saying no, we don't agree, so there is a stage that is called the industry transition, that is where you have to discuss with the operator, the type of system and how it works. It works on both ways, but currently as I was saying, currently we are expected to submit by mid- September and then Treasury will call us if there are any issues that need to be amended and then

we will also have to go and schedule for presentation of what we submitted and then we will get the approvals.

**MR NGOBENI:** And on the Qumza highway, I read somewhere that you were still going to – I think the commitment was to do it by February 2018, something  
5 called universal access plan. Can you just please share with the panel what that is and whether that commitment was achieved?

**MR SKWEBU:** I think Qumza we had appointed a contractor previously last year to start and the contractor didn't perform and it was terminated, so the one that I was talking about now that was appointed on the 26<sup>th</sup> of June, is a second  
10 contractor, because after that one was terminated, we had to re-advertise again. I think this one is expected to start up in September, so we already had a contractor that started the work, but couldn't perform and was terminated in Qumza, so now we do have a second contractor on site after the process was terminated. On the issue of universal access, I think universal access is  
15 something that is still new, we didn't achieve that target of getting the universal access out, I think it's something that is new from the Treasury that what they have noticed is, that throughout our areas, people who have got disabilities, are struggling to cross. If you are driving someone with a wheelchair, there is no ramp for them to cross over. People who cannot see, there is nothing to show  
20 them where they need to cross the road, so it's a new study that needs to be done, so we didn't achieve that one in terms of getting that universal access plan.

I think we are currently still working on it, because it's something new. We did get a consultant to engage us in terms of how best do we do it and also which

areas are static in terms of the taxi ranks which are currently being upgraded in King Williamstown, we had looked at issues that provide issue of accessibility to people with wheelchairs, where you have ramps, it doesn't currently get to be [inaudible] but what we need, is a full study that is going to cover the city. It  
5 doesn't only cover the issue of public transport, it also covers the Department of Road's section, so that in terms of whatever that they do, when they do their sidewalks and also their intersection crossings, they need to be fully aware that that they need to be universal access compliant. I think we are still on that one, we haven't achieved that target.

10 **MR NGOBENI:** Okay and lastly on the structural design issues, I also read somewhere that you were also undertaking what is referred to as intersection designs and that there were delays there as well. How far is the city with the process?

**MR SKWEBU:** In terms of intersection designs, look, those are currently being  
15 reviewed annually different intersections. Currently, as development happens, you start understanding that different intersections, traffic is a problem to access a new intersection with new development coming in. That is currently being done as we move along, different areas different times. Our challenge is that we've got the new human settlements that is planning a lot of areas, but those  
20 areas currently have to join what is called a feeder main route, but those areas currently, the challenge within the morning peak, once those areas are done, there is no intersection done control to get those areas to join the intersection, so we do review those from time to time. That is undertaken by our traffic management section, so we do review those ones from time to time.

**MR NGOBENI:** And given the fact that the project itself, it's not yet as fully implemented as in other cities, are you working with other cities in order to learn and share ideas, in order to repeat some of the challenges that they faced in the implementation of their own IRPTN's?

5 **MR SKWEBU:** Yes Chair, we did visit two cities, I think Bombela and George, we did go and review their operations, but I think what we found, that is what we are copying from, most of their studies, because remember in terms of the cities that are operating the integrated rapid public transport, sessions are scheduled by Treasury and Department of Transport where we all sit under one roof and  
10 share ideas, what are the challenges. Most of the time, we usually say maybe we were lucky that we were into a litigation stage if you look at the status of how the other, Cape Town and JHB are currently running in terms of the financials in terms of the financials of running that system, because currently it is not reaping the rewards they looked at and they usually say look, you were lucky that you  
15 were stuck in the litigation issue, so we do engage, we did visit some other cities and look. Remember whatever plans we do, we liaise with them, because they are already a bit far ahead, that is why even in terms of documentation, when we sit, the type of document we issue, the type of ticketing, I think one of the critical issues that seems to be a challenge within the system, is what kind  
20 of a ticketing service needs to be applicable within the system, because it is very expensive the ticketing system and currently, that is what all the other cities are reviewing. We are sitting with all the cities and also learning from those that are within there, thank you.

**MR NGOBENI:** And lastly Chair, in the past, there have been instances where  
25 the city has had to return the grant back to Treasury and in terms of what is

actually happening currently, are you spending your allocation or your grant, or are you still returning it back to Treasury without spending the money?

**MR SKWEBU:** I think Chair, the time we returned the grant, remember the allocation was made, but once we had that legal issue, the budget was already  
5 committed to be transferred. At that time, with all those design consultants, the city couldn't do anything, because the issue was currently under investigation, so that was a time we had returned the funding and I think even last year, I think we did spend what was allocated, but not fully, because we had to terminate a service provider that was doing a service a certain portion of work at Qumza  
10 and we ended up having to return about I think R40 Million back to the Treasury because a service provider didn't perform. Remember when we budget, you budget based on the service provider's performance and so if the service provider is terminated, you as a city have to restart the whole procurement process, there is no shortcut of getting through that one. You have to restart it.  
15 I think last year, we were cut short, but in terms of this year with the contractor that is currently there, we are a bit confident that we will be able to spend the full grant Chair thank you.

**MR NGOBENI:** Thank you Chair.

**CHAIRPERSON:** Mr Lesofe?

20 **MR LESOFE:** Thank you Chair, if I could start on one or two follow-up questions based on my brother's line of questioning here. I understand you are still at the planning phase, but in terms of your proposal, are you proposing to follow a VOC model?

**MR SKWEBU:** I think Chair we are still at the planning stage. We haven't really gotten to the finalisation of what type of system we are going to be following. Remember the type of system you will follow, will only come out once you have engaged with the industry transition sector. After that one, then you

5 will be able to identify exactly what type of system will be suitable, because there is that stage of an industry transition that has to be completed with the operators and then at that stage, we will be able to identify exactly what type of a system, but I think if you look at mostly the cities that are running, the VOC is currently the type of system that most of them are currently operating on. You

10 don't find really any other city that is currently running it by itself. Even Treasury says it is the best option, but it has to be communicated with the other operators and engagement, so that it gets clear from them as well and also they understand what is in for them before they accept what is in there.

**MR LESOFE:** And in your 314 FP submission, you also flagged that the system

15 would be hybrid in nature. I assume that is part of the revised plan?

**MR SKWEBU:** The issue of the hybrid, it needs to be accessible to all. A person in a wheelchair must be able to get into the system. If you are in a wheelchair, you really struggle to get into any type of public transport, so the issue of that hybrid system also deals with the issue that disabled persons also

20 needs to be able to access the type of service that you provide. They mustn't feel like you have to have a special vehicle for them. If the public transport stops, they must also be able to get into that public transport, not someone saying look a special vehicle will be coming for you guys. So that is the type of system we are looking at.

**MR LESOFE:** Perhaps if we could use that concept in a different context, so for instance, in Western Cape, hybrid means using both minibus taxis and buses as part of the system. If you look at for instance, how BRT was implemented in Gauteng, Pretoria and Johannesburg, they didn't follow a hybrid system in that  
5 their system is largely based on the use of buses, so I am trying to understand the kind of system that you envisage in this area.

**MR SKWEBU:** I think Chair that is why the finalisation of the type of system, only comes out after you have completed the issue of the industry transition. Remember if you look at the city, at most cities that are running as our draft  
10 plan, you are looking at the issue of saying look, in terms of peak hours, what kind of vehicles need to run, in terms of off peak, what do you need to run. You cannot run, a typical example, a 65 seater bus in off peak, the passengers are low, so you will be losing revenue. So those are some of the issues that also determine what type of a system you are going to be running.

15 We need to look at a system of saying during peak hours, which ones are on the road and during off peak, which ones are running, so that you are able to reduce your operational costs in terms of that stage. Yes, with what the other cities are planning, that is why they have changed it from a BRT to call it a rapid integrated public transport plan, because now it doesn't only say, it has to be  
20 the bus only. No, it has to be the bus and the taxi, but the issues of safety and also the disabled, needs to be taken in terms of both, that is what the study has come up with.

**MR LESOFE:** Thank you and you mentioned during your presentation, that the city has 6 buses currently. Are any services provided through those buses and if so, could you describe the nature of the services that are provided?

**MR SKWEBU:** I think the city currently has 6 buses, I think they run about 8  
 5 scheduled routes. They are still currently running in terms of the old East London areas with mostly volume of them scholars. Remember in terms of our study, it also highlighted that the city's own buses, need to be converted into what the operational plan and the business plan has to be, so that you do not have a city that is running buses and suddenly you also have a VOC this side,  
 10 so that service in terms of the study says look, those buses will have to be part also of the whole plan in terms of the integrated rapid public transport. They are only running a limited number of routes I think currently it is only 6. There were currently more before we arrived, but due to the aging of the buses, they were phased out, I think they had about 31 buses they were over 20 years old.  
 15 They re-phased them out because of the year and the mechanical breakdowns, but in terms of getting more budget to buy for them, it was a challenge. I think currently there are only 6 that are running limited areas. I think 95% of the users, are currently scholars.

**MR LESOFE:** Okay thank you and you mentioned that one of the associations  
 20 that exist is the King Williamstown bus association. Who are members of this association? Is it independent private bus operators?

**MR SKWEBU:** Yes remember King Williamstown, they also have buses within the area, I think independent bus operators. They form what we call a structure

of the King Williamstown bus association and therefore, they are a structure that is recognised within the city.

**MR LESOFE:** And do you know if these are subsidised or unsubsidised bus operators?

5 **MR SKWEBU:** The only subsidised bus operation within the city is Mayibuye Transport, the King Williamstown are not subsidised.

**MR LESOFE:** Okay and they run scheduled bus commuter services?

**MR SKWEBU:** The King Williamstown, run commuter buses and also long distances.

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

**CHAIRPERSON:** Ms Nontombana?

**MS NONTOMBANA:** Thank you Mr Skwebu, just a few questions for clarity and the first one is on the municipal buses and I just wanted to get a sense of how the running of those buses is funded and I am asking this question  
15 because of the submissions we have received for Mayibuye and I just wanted to get clarity on whether it is similar or it's the same?

**MR SKWEBU:** Can you just repeat again the first part?

**MS NONTOMBANA:** The funding of the municipal buses for the running of their operations?

20 **MR SKWEBU:** I think that is funded through the municipal coffers. We do not have any subsidy from any outside stakeholders like the Department of Transport. That is currently funded through our own BCM coffers.

**MS NONTOMBANA:** And is it an operational budget as well as a capital budget? What is the funding model?

**MR SKWEBU:** Look, it's currently an operational budget that we are running off, because remember capital only covers if you are buying new items and  
5 therefore that is what I highlighted with the issue when they took out the other one. There was not enough capital budget to purchase new ones, hence also the study of the operational and business plan also highlighted that these buses also need to be considered and to be part of the new study that was undertaken.

10 **MS NONTOMBANA:** And given that 90% of the people you are transporting are scholars, is the fare covering any of your operational costs and if so, what proportion if you are able to tell us?

**MR SKWEBU:** Currently I don't have the figures, but in terms of the fare, they are usually not balancing what currently you are operating at in terms of the  
15 buses. Although they are running, but they are currently not – they are not even close to getting what we are currently getting in terms of the service.

**MS NONTOMBANA:** Then uhm just to go back to your presentation, you mentioned that the rail line, the railway line is on the peripheral, uhm of the residential areas, and I just wanted to find out whether there are any plans or  
20 discussions with Metro Rail to invest in infrastructure that brings the railway line closer to where the people are and or whether there are any plans at least from your side to integrate the rail services in the provision of public transport within the municipality?

**MR SKWEBU:** I think in terms of from Metro Rail and our engagement currently they are doing their own infrastructure maintenance in terms of their stations, so we do engage with them in terms of the meeting but currently it's related to their upgrades of their stations but in terms of bringing it into the  
5 centre, I think that that was discussed, there long time ago, but I think in terms of the financial and the viability of it, they currently not, but remember in terms of what the public transport, do they provide a feeder services into those stations? I think if you look at the Mount Ruth and the Fort Jackson Station there is what you call the holding areas for the taxi areas to be loading or  
10 waiting for those people that will be coming out of the trains. So in terms of the role that we play in providing the feeder services there is what you call feeder services to the trains but in terms of Metro Rails bringing the service into the centre, now that is, that is not there, I think they currently have a plan of upgrading their East London Station. It's currently but it is managed currently in  
15 their head office in Joburg because we do engage with the where we are also looking for space within their area but we still, it is still a draft plan. There is nothing that they have brought in solely to say how it is going to look in terms of the upgrading, but we are communicating with them as well.

**MS NONTOMBANA:** But in terms of, own plans, do you see rail playing any  
20 role in terms of what, of the provision of public transport in the city? Or because of it being in the periphery there isn't much that, or there isn't much value that they would bring in terms of transporting some of the commuters.

**MR SKWEBU:** Look, look it does play a role, because I know it does provide transport to, to some volumes of people within the Mdantsane area that are  
25 coming from Mdantsane to town. So it's, it's also linked because some of them

use public transport from where they are to the station, so it, it is playing its role but in terms of it being a main, it's, it can't, I think the, the public, the taxis are currently the main feeders within the city in terms of public transport.

**MS NONTOMBANA:** And then in terms of, operating licences. One of the  
5 things that came up yesterday, from one of the submissions from the taxi industry was that they are not able to engage with that process meaningfully because for example they don't see the Gazette Notices when they go out, so they are not able to make comments, and I just wondered whether there is a better way of making sure that they are informed and they can meaningfully  
10 engage in the process. I know that there are transport forums that are in place and there is also associations themselves that are supposed to be part of the process but I just wanted to get a sense from your own experience of whether the Taxi Industry is meaningfully engaged in that process given what they said.

**MR SKWEBU:** I think Chair in terms of our transport forums, I think we started  
15 them I think about two months, and three months back to have a fully engaged forum. I think we in terms of the forum, we did break down the issues of sectors and Associations. Also needs to allocate people that will be sitting in terms of operating licences. That will also be part of the common, people that are commenting in terms of those, because that is what we did engage with them,  
20 and also we resolve in terms of, in terms of I think, I terms of what we as the operators at the forum, what we allow in terms of the city. Exactly in terms of whoever is operating from outside of the city, so in terms of engagement, there are engagements in, in there, of which the representative that are sitting at the forums have to report to the associations because we do not report to, because  
25 everyone is represented in terms of our issues, so there are discussions that

are taken at the transport forums, and therefore those that are sitting at the forums have to report back within the Associations because, there were even there are letters of saying these are the people that are sitting in the Association, came from the Associations, so we are currently engaging with that one, but I think, it's, it's still new, hence the issue of being raised that we still haven't been corrupt because it's something that we just established now, so that they also gets to be part of that. We even gave them the website where you see the Gaza's being put in because the website of the Gazette you don't even need a password to get into. Anyone can go into it and you see here are the operating licences that are being put in there. So we are engaging on that one Chair with them as well.

**MS NONTOMBANA:** In your submission there is an annexure that gives us a sense of your comments on operating licences to the PRE and I picked up for example that on renewals, some of them where you supported them for a seven year limit and there was one I saw which said that the renewal is only for about a year and I wanted to get a sense of what the distinctions would be because both of them are in relation to the minibus taxis and it would be annexure "1" and "2" of the submission, if you are able to pick it up.

**MR SKWEBU:** Annexure?

**MS NONTOMBANA:** It's, it says Annexure "1" and "2" it is this document I don't know if you can see it from there, it's page 3 of Annexure "E".

**MR SKWEBU:** Yes I can see that.

**MS NONTOMBANA:** Annexure "E".

**MR SKWEBU:** Ja I think we currently have ...[laughing] reviewed, we reviewed those currently, I think we currently have reviewed those ones. I think what you need to look at I think, you have got what you call the, the Mdantsane, Mdantsane to East London Corridor. That one, remember when the operational  
5 plan was done in 2009, anyone who applies for that route, the application was not accepted. Because remember it was one of the routes that was identified for the bigger BRT then, so you had those issue of saying look I cannot allow any additional operators on to this because I have got a plan for it. Exactly, so those were some of the issues that had triggered those types of items onto  
10 certain areas yes. But currently I think we, I think we, we have currently reviewed what we give to you now, I think we do have reviewed, I think maybe I will copy you some of how we currently reply in terms of the operating licences. Because we review them almost most of the time.

**MS NONTOMBANA:** Okay so, how, how are you, okay what is the expiry  
15 period that you give now for that specific route, given where you are, are you still giving them a limited time?

**MR SKWEBU:** No. No we don't allow any new operating within that route. Ja. Within that route no

**MS NONTOMBANA:** And then my last question is, in relation to a submission  
20 again we received yesterday regarding differential treatment between bus operators and taxis, there was a submission that here that it seems that the bus operators are treated I think better than the taxi operators, for example in terms of enforcement, there was an allegation that there are a number of illegal operators here that are not following the rules in terms of what their operating

licences would require of them in their operations within the city and it is different in terms of how the taxi industry is, is operated. So I wanted to just get a sense of how you enforce between the two modes of transport with, within the city given these allegations.

5 **MR SKWEBU:** I think Chair, I think that's that also comes out from within our transport forum. The challenges I think our operators in terms of public transport, the taxi guys, what they have noted is most of the busses, the bigger ones, the DMJ, the, those bigger busses that are national carriers, what they currently, they are currently running on fraudulent permits. Those have been  
10 detected and have been sent to DOT, remember whatever is found, has to be sent DOT because there is the issue of the permits. I think the challenge they are facing now is an issue of saying in terms of law enforcement we require an issue of law enforcement because remember the taxi operators cannot law enforce, they are not police, but when the request assistance from SAPS and  
15 law enforcement to say look these busses that are coming to the city they are running with illegal operators, their time schedules are way behind the busses, supposed to leave East London at 11, it leaves at 4. It's, it can't be that, even although there are roadworks within the Eastern Cape but the delay cannot be that excessive, so I think the issue they are raising at the forum is the issue that  
20 law enforcement is not assisting us. The other, even, even if, when they bring those permits in, when they start going there and blocking the law enforcement will come and push them away and they say look at this, this is, this permit does not allow this person to be there. You get my point they are not law enforcement, of which they feel they are being vindicated because when it is a  
25 taxi roadblock, if they stop it and it doesn't have a permit, it gets those

passengers out. But when it is a bigger busses that doesn't apply, so they feel like the way the law enforcement is being applied is a problem and also when you raise the issue with the, with the Department of Transport, because we raise we say, look this is not a Buffalo issue, these busses come from the N2, 5 what are those traffic officers from the Department of Transport sitting and doing on the N2 when those busses are going through, no one checking them. Is it done on purpose? So that when it gets to the city, it gets to be the city problem. Because those busses come from far as Cape Town and Joburg, so it's, it's one of the challenges and it's going to create a lot of problems because 10 we do sit with our law enforcement in terms of the forum, they also get to be part of the forum and what they are saying, they are saying, we need you to go also, go with that busses and go assist us because we have noted you have seen but in terms of the way it is done, there seems to be some are given a soft hand, the busses are given a soft hand, whereas the taxi guys are given a hard 15 hand. Remember there is competition there, those are passengers, there are passengers there. Of which, the way it's, it's being operated, its raising an issue, it is not fair, for them because when you tell the law enforcement and the National DOT, look there is a problem with these busses and currently they have got scheduled times, they are supposed to leave East London at 2 but if 20 you leave East London it's 6, obviously we know there are road works under construction but if you look at the volume of the delay, really it, it doesn't align to the issue of the permit being granted by the Regulator, of the permit. So those are the challenges they are facing and it's currently something that is, it is going to get out of hand if, because we engage with law enforcement and, in meeting 25 and say look it is going to get out of hand, it did get out of hand in one of the

areas where the busses were stoned and yes, and that's what they are saying, the Buffalo City operators, they are saying, look we need you law enforcement to do your work because we have, we have seen these permits, we have given them to you, you have seen them that they are fake but there is still nothing  
5 going on. These busses are still coming in and going out. It is an issue that relates to law enforcement.

**MR MANDIRIZA:** Thank you Chair, I just have a few questions in relation to metered taxis, you have not, you have not addressed the issue if metered taxis. I just want to get a sense of how you are dealing with your recommendations  
10 with the PRE regarding metered taxis.

**MR SKWEBU:** I think remember in terms of metered taxis they are what you call, a call service. We don't provide them any space but we do allow them in terms of operation within the city, but remember we don't allocate them any space, in terms of ranking space because it's, you usually call a metered taxi, it  
15 will come and pick you up and it will charge you those, we do allow the metered taxis within the city but they are, but it's few, I think so but we do allow them in terms of the operating within the city.

**MR MANDIRIZA:** Does the city currently have a view in terms of this App based taxis you know the taxis?

20 **MR SKWEBU:** There is one I think it is called Ntuza App, there is guy that developed an App, currently I think that is operating within the city, I think, we, we have seen it but we also still trying to the most of the people had raised issues most of the time that we are not able to access it, but we did consult the guy that runs the App and say look there is something on Facebook saying

people are trying to get on to your App but it's, it's currently not accessible. There is a new App that is currently operating within the cities.

**MR MANDIRIZA:** And I think to, is it something that the city has a position on in terms of maybe Ntuza or Ntuza or your Uber or a Taxify if they had to come to  
5 the city, I just want to get a sense of whether you already have a position in terms of whether you are going to recommending those or not?

**MR SKWEBU:** Look I think, I think there is, in terms of the operation of the issue, it's, whoever runs a, has got to have a permit, I think, if you are running any service that is picking up passenger, you have, whatever type you are  
10 using, it can be a taxi, it can be an App, but your vehicle has to have a permit if you are carrying passengers and they are paying on it. I think that's, that's the clean and logical issue of it, we are not saying people mustn't be creative you know but your vehicles that are carrying the passengers must have permits.

**CHAIRPERSON:** Ja just three last questions from my side and these  
15 questions are related to the three land based modes of transport within the city, namely busses, rail and minibus taxis. Perhaps let's start with the rail service within the city. Metro Rail has made a submission which indicates that the rail service within the city is currently underutilised and that I think converges with what you say, in your presentation, that rail it's only 4% accessible. And  
20 according to Metro Rail and this ties or is consistent with your presentation, the main problem with the rail network is the design of the network. And, and what it was initially designed for. Apparently the network was designed for the transportation of goods, rather than commuting passengers, hence the current design. Metro Rail also said that there were recommendations that were made

in relation to the improvement of, of the rail network and they said that the recommendations was that space, what they call “space” needed to be created to integrate the current rail network with, with residential, residential areas so that commuters can, can have, or to improve the accessibility of the network and they are saying that, that is Metro Rail, that the responsibility for taking forwards these recommendations, that responsibility was the responsibility of the, the municipality. I would just like to get your comment on, on, this is the submission that we have received in relation to improving accessibility of, of the rail network within the city.

10 **MR SKWEBU:** Okay I think I had highlighted Chair in terms of what the city has done for Metro Rail at the Mount Ruth and also at the Fort Jackson, we had provided what we call holding areas for the taxis and also what we currently doing as part of that study of the safe to access, within the area, I think if you, access to most of the areas, there is access to the areas but what we did I think  
15 in the last two financial years, we also did what you call sidewalks for one of their stations, access to their areas. So what we are doing in terms of the city, we do provide issues of accessibility to some of the areas, but maybe what is missing is when we have engagement with them. Because remember when there are issues that they want they do touch engagement with us as a city,  
20 maybe in terms of really clarifying which areas because in terms of the Mont Ruth and the Fort Jackson, we had engagement with them to say look we have got a volume of people that are coming here and there is no holding areas, so we provided what is called an area outside their station so that taxis can come and park there and drop off passengers at those two stations. So I think what  
25 maybe we will do is maybe to get an engagement with them and clarity exactly

about what, what is it that it is saying it is still short of in terms of what we currently providing as a city. Remember I think in terms of some of the stations that are at, I think in, in Etching and Watsonia some of them it's, it crosses through private land, the access that people are using and we as a municipality  
5 cannot be putting any access sidewalks because we can only put access sidewalks to an area, land that is owned by the municipality, we can't where people are coming through someone else plot or farm and get through. So that's what I am saying I think maybe we will get an engagement with Metro Rail and it will also be appreciated if we have got a copy of the submission as well  
10 so that we can see what do they mean and also get engagement with them. Because we do provide sidewalks within close range to the area that they are in, but if there is something that they saying it's lacking we as a city will also need to understand that because the public transport operators provide the service of public transport into their areas. Exactly where the people are and  
15 move them from where they are to their stations, so if there is something that there is addition that they need, I think we as a city, we are open to engagement and see how we can factor it in terms of our budgeting structures Chair.

**CHAIRPERSON:** But it, it seems from the Metro Rail submission that there is certainly a need to, to improve the accessibility of, of the road, I mean the rail  
20 and network, because I think the problem is the design of the network. So this appears to be an area that according to Metro Rail and, and I think as I said this seems to be consistent with your submission, in order to, to improve utilisation of the network this appears to be an area that may require a, a further attention from both planning, transport planning as well as an investment perspective. Is,

is I mean will that be a correct characterisation of, of the issues as far as they relate to, to the rail network?

**MR SKWEBU:** I think, I think Chair I think, I think, as you have looked at the summary, currently one of the major challenges they are running outside on the periphery, remember if they have got a, they wanted, they did raise a plan that they would like to run central of which it has to be the plan of Metro Rail of saying look, the challenge we are facing we are getting are a few passengers because we are running outside the periphery and we want to run within the periphery, remember in terms of that, that, funding for that will have to come from them. You get my point. I think if, if it gets to be them they are wanting to run a station within the centre of the city, those are engagements that they, they need to come up and they need to understand that we as a city we will look at it in terms of planning and advise on the best position and the location but the funding of that infrastructure will be from them. Exactly, I think that, that is, if you look at that map that was showing there, they are almost on the outside of Mdantsane. And they are never going to be catching up with the taxis that are running with the centre. The issue of, of that, it's very difficult for them to be able to be a complete with where they are currently sitting at. Exactly, unless there is a plan from them saying look we would like to run into the periphery, into the centre, then that's when we as a city, we can engage and discuss with them and see exactly where we can fit in and also where can we do. But in terms of provision of other access areas, I think we will engage future and provide where they say look there is a need of additional accesses in terms of walking, sidewalks, lightening and safety within the passenger that are currently walking within their areas. Those are issues that we as a city can provide in

terms of those but it will need engagement so that we can reprioritise in terms of them, in term of the budget so that we can be able to see. Remember they also inform us in terms of their station upgrades .Currently we will be doing these two stations as part of the upgrade, so there is communication between us and  
 5 them in terms of that but maybe there is something we need maybe it's an issue of saying we need to have constant commitment and therefore they highlight exactly what are their major needs that they need and then we can engage and find ways of meeting each other half way.

**CHAIRPERSON:** Ja. Ja no, no I note what you say. And the problems that  
 10 you have ...[laughing] that you have underused capacity within your city. But I understand you as the municipality are not, are not managing that, that service, it's the responsibility of Metro.

**MR SKWEBU:** You also need to look at the time factor Chair. If a taxi from Mdantsane takes 20 minutes and rail takes an hour, so if you have got to be  
 15 exactly, so those are the other issues they also need to look at the types of trains that they are running as well, because that also affects the issue. If a taxi takes 20 minutes, a trail takes and hour, so I have got to be at the train station, at half past 6 if I am going to the office at 8. But I have to be at the taxi rank at twenty past 7 to be able to get to town and be early for an 8 o'clock at work. So  
 20 those are some of the issue they also needs to look at. It is a time factor, that is causing the issue because someone was asking why are people not so reliant on getting onto the Mayibuye Bus, I said look you can look at the Mayibuye Bus but look at the time factor. People are no longer the issue of saying its affordability, we currently working with a system of a time factor. If, if I have to  
 25 get Mayibuye Bus that doesn't, that is not quicker than a Quantum that gets out

of the taxi rank full and its first stop is in town, that taxi is more quicker, Mayibuye side is going to have stops at each and every area and therefore that bus is a low, if you look at the fare, the fare of that bus is low but in terms of the time factor of that taxi, that taxi is quick. So those are some of the issue people  
5 that are going to work look at. If you look at typical biggest company in East London, Daimler Chrysler, it is not contracted to Mayibuye. It's got contract with the taxis because they are, they are there they are able to pick up their stuff later, they are able to drop them at work. So those are some of the issues people look at in terms of the time factor, the traveling time, for me to get to the  
10 area. We, we all drive our cars because we look at the time factor, how quickly it's going to take me, although there is public transport next to the gate, so those are some of the issues that are derailing the issues of their trains. Their time factors of getting to town. So that they need to re, re-highlight that one in terms of our competition, in terms of time, is a time factor.

15 **CHAIRPERSON:** Ja, ja that then takes us to, to, to the minibus taxis. And what, and what the issues are. You have indicated in your submission that the minibus taxi industry has a, a much more wider coverage within the city, I think you say it is, they have about 100% coverage within the city. And the industry in servicing all the major routes within the city. And you have also pointed to  
20 some examples where the industry has been integrated in some of the developments such as the I think you said it's the Boxer Mall, where there is a, a rank, linked to the Mall, Hemmingway's Mall and is it Medlife Mall, where, where there is a similar arrangement. And then you also indicated that the highway taxi rank it's one of the biggest ranks within the city but in terms of you,  
25 you have highlighted some challenges in terms of infrastructure, upgrading, and

maintaining the infrastructure at that rank. Now two questions arise from, from this. The first one is in respect of the integration of the minibus taxi industry, two new developments because you said that it was a condition for this new development, development conditions that there should be a taxi rank facilities  
5 at, at these Malls to provide public transportation. Is this something that because it's quite a very important issues this, so is this something that you are doing on a consistent basis as the city? Across all new developments. So that's, that's my first question. Because that I think indicates a, quite a positive integration of the industry into broader development planning, around the city.  
10 Which is a challenge generally across all, all cities. And the second issue is, if the highway taxi rank is the biggest rank that you have and if the minibus taxi industry is the biggest in terms of its market share, within the city, what are the difficulties in terms of investing in the upgrade of the infrastructure that is dedicated to this service, which is used by the majority of commuters, within  
15 your city. I know that this is not a problem that is unique to your city ...[laughing]. It's, it's a wider problem, but what are the challenges because cities are able to invest in projects such as the BRT, which are new projects. But there seems to be challenges in investing in existing infrastructure which is already servicing the majority of commuters. What, what are the issues here if  
20 you can just assist us.

**MR SKWEBU:** That's fine. I think Chair on your first question remember in terms of developments what we currently do, engage with what we call our town planners in terms of when there is application for new developments. Those also needs to be circulated to us as a section that deals with public transport,  
25 but what you find out now is suddenly it gets circulated to the traffic safety

section. So now since we and the traffic safety section sit within the same floor, so we have an engagement of saying look every time there is a new development that comes in for a Mall you need to bring me in. Because I have noted that the town planners do not send to us because the challenge that

5 causes that issue is whatever type of Mall you want to bring, not everyone that, people that work in the Mall, and people that go there, not everyone has a vehicle and suddenly public transport will go there whether you want it or not, you get my, because it's based on the issue of the needs. You get my point? It supplies the needs, it's not there because no one wants it. So the issue what

10 we are saying you have got to allocate the portion of space inside your, your premise because now the challenge is, if that is not allocated those vehicles are currently are going to have, are going to create what you call problem within your road, within your access points because they are going to be there picking up passengers that are going there and also waiting for those passengers that

15 now have gone there. So you are going to come and raise queries saying there is, there is vehicle disturbance, there is no disturbance but in terms of the real fact those are not disturbance, those are providing a service that is needed by your Mall. And therefore as you as a developer, it's something that you need to cater for. It's something new, it's very difficult for developers they, they are a bit

20 hesitant when they, but it has to be there because those vehicles are going to go there, not everyone can afford a vehicle and therefore that service is there and it is also serving those commuters that are within the Mall. That's what we currently engaging. In terms of infrastructure, I think remember Chair, with issue of infrastructure you are competing with water, sewerage, housing

25 electricity and suddenly the public transport comes in as almost as, as

economic development. So public transport is suddenly seen as a, a last option in terms in terms of budgeting, it is a challenging getting them, we started getting money for the, the three taxi rank upgraded in King Williams Town, I think the designs were done almost in 2012 but no we were not ever getting  
5 funding for the construction. We only started getting the funding in 2017. Where we got the funding for construction. So it's a challenge, remember transport doesn't have any other type of, it has to compete with the infrastructure areas and therefore you know how it looks. The issues of prioritisation it, it gets to be the last item that is prioritised, that's why I think with  
10 the integrated rapid public transport network grant, it also allows you to upgrade the public transport facilities in there. So hence the city is so reliant on getting that funding from there, because it allows you to get money that is going to be allocated for saying, for major public transport routes and infrastructure, that's what that grant is specifically looked for. But in terms of competing with the  
15 USDG's they currently infrastructure related, when you are suddenly trying to look for a portion of funding the, if you are looking for, typical example, if you are looking for 20 million you will get 2 million and with the 2 million if you are looking for 20, 2 million is not going to get you anywhere when you are looking of 20, the issue is the funding allocating sector is prioritised on the infrastructure  
20 component. Public transport is not seen as part of that component. The reason is it's going to be said, that's used by the taxi guys they are stand alone, that's, that's their you get my point, that's you know that's their that's their money, so exactly we don't put that much into it. So that's currently one of the challenging problems you face when you are looking for funding to upgrade the public  
25 transport infrastructures.

**CHAIRPERSON:** Mmmm then my question then is on your IPTN slash BRT, I know you don't like the word ...[laughing], if I follow your submission correctly, the, let's take the East London, Mdantsane Corridor which is one of your main corridors within the city, if I follow your presentation correctly or your submission  
5 correctly, that corridor is efficiently serviced by the minibus taxi industry, I mean the examples that you gave, comparing the service provided by the minibus taxi industry to the rail service, the one hour versus 20 minutes. So the taxi industry appears to be providing quite an efficient or to be efficiently servicing that corridor, East London, Mdantsane, then why do you need a BRT slash IPTN  
10 type of an intervention when that corridor is currently, I mean in your own words, being efficiently serviced by the minibus taxi industry? Shouldn't the investment be going towards the existing service in that corridor?

**MR SKWEBU:** I think Chair I will answer that question in two phases, currently if you look at that corridor it, it does need what you call, infrastructure  
15 investment, currently, currently you have got a section of almost close to 10 kilometers that is a single dual way and then the other one is two lanes in both directions. So you need that infrastructure to get that service to be dual lanes in both directions. You also need to deal with the issue of safety, currently it's a bit safe, it's not safe because the section that is one single one, it does have  
20 accidents and there is no, no safety crossing for the new area that are sitting on that corridor. So that's, that's one of the issue in terms of infrastructure and two, in terms of the integrated rapid public transport network study, it, it's main aim is to typical example, if you in town about 7 o'clock at night, there is few, mostly no taxis, the volume is low because they have already Tshialed there is  
25 currently not that much of service, so the issue of that service is to say,

remember currently those taxis are not subsidised, so they are running out of their own money. There is no, there is no subsidy. In terms of the integrated rapid public, you engage with the system of saying look this is, I will make an example, this is how we are going to structure this thing, you are going to be

5 working for like, you will work from 4 in the morning, and your vehicle will, will be off typical example, 9 o'clock. You get my point. You look at the type of services that are in town and the people at what time they get out before the outlets, the Steers outlets that close a bit late. But those people that are getting there, the service is limited for them, because remember a taxi moves when it's

10 full. But in terms of the integrated public transport, it doesn't work like that. It's a subsidised service, it's a scheduled service. That taxi if it has to move with two passengers, it's going to move, you get my point, and therefore when it moves what you as part of the subsidy, you pay for what is called a kilometre rate fare. And also you have got what you call those vehicles will be fitted with

15 trackers and also in terms of how much the commuters pay, they will pay a fare that is determined in addition to the subsidy because if you look at the study, it usually say, 10% of people's salary are supposed to go to public transport. But if you look at it currently people spend more than that because that service is not subsidised, so you are able to say look I am subsidising this service,

20 therefore if I subsidise this service therefore we also have to sit down and determine the issue of the fare. That is going to be done onto that service, so that's what the integrated public transport plan is intending to do. That is one of its core function, is to say let's look at the operating time, not at the time the operators feel look it, after 6 o'clock there is no one in town, and therefore lets

25 go and park our vehicles. It doesn't work like that, therefore if you arrived after

6, it's a hassle for you to get a vehicle. You get my point? So that service is going to assist with the issue of saying I have got a subsidised service, it's running at these different times, these are the times it leaves, these are the times it goes, so that everyone within the area knows that there is transport, even if I am arriving from Joburg from the airport at 8 o'clock, there is a taxi that is going to be picking me up, that is leaving at a certain time. Therefore it is not based on the issue of saying why must we wait at the taxi rank when currently we are not getting passengers. Because that's how currently it's operating. Why must they wait when they don't know anyone is going to be coming there. They might as well once they understand their off-peaks, once they are off-peaks are gone they must leave. So that service is trying to provide what is called a time factor in terms of the operation and also assisting in terms of subsidising the commuters and also, although it is subsidised the commuters, it also subsidises the operators as well. So it works on both of them. That's why that study is there for Chair.

**CHAIRPERSON:** Ja, thank you, thank you, unless there are any further questions. Thank you very much Mr Skwebu for your, submission as well as for your time, thank you very much. Please also pass our greetings to Mr Sethlathal if he is still there ...[laughing]. Thank you very much you are excused.

**MR SKWEBU:** Thank you Chair.

**CHAIRPERSON:** Ja we will take the next presentation from SANTAGO. Morning Gentlemen, welcome. Thank you very much for coming. There is a piece of paper in front of you, you may take the oath or the affirmation.

**MR MBANJWA:** Morning Chair, I Siyanda Mbanjwa swear that the evidence that I shall give, shall be the truth, the whole truth and nothing but the truth, so help me God.

**CHAIRPERSON:** Thank you very much Mr Mbanjwa. Your colleagues may  
5 also do likewise.

**MR MTSHALA:** I Gaps Mtshala 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 NDIKI:** I Sivuwe Ndiki, I swear that the evidence that that shall I shall give  
10 shall be the truth, the whole truth and nothing but the truth, so help me God.

**CHAIRPERSON:** Thank you very much I think we didn't get your surname correctly?

**MR NDIKI:** Ndiki. Sivuwe Ndiki.

**CHAIRPERSON:** Oh thank you. Ja its familiar faces ...[laughing]. I am sure  
15 you know the drill. You can take us through your presentation and that that will be followed by questions from evidence leaders and the panel.

**MR MBANJWA:** Thank you sir, thank you Chair. Indeed just a second bite, my presentation I understand that my colleagues also made a presentation yesterday so I am just going to touch on, I think this will be shorter than the last  
20 one. We all know I did the presentation on the 14<sup>th</sup> of August in Port Elizabeth on the formation of SANTACO, SANTACO is the umbrella body of all the taxi associations. It was organised through interaction between Government and

the stakeholders because Government wanted a voice in which all taxi operators can talk through. Now we understand the issues that I am going to be talking about would be touching on the issue of empowerment. When we are talking of empowerment there is currently negotiations between SANTACO

5 provincially as well as the Department of Transport at province wide, with regards to empowerment, particularly what we call the provincial public transport master plan. Those negotiations have not been moving at a very fast pace. There has been a challenge because we also wanted as SANTACO the incorporation of other small bus operators that have been left behind. We left

10 that with the Government to ensure that moving of that Committee also takes them aboard. Now that process is ongoing it is not moving fast enough as it, as one would want it to. But we are still engaging it on the part of empowerment. I will quickly now go on to the issue of competition. There is not much of a competition between the taxi industry and other modes of transport.

15 We believe as the industry that we have survived thus far because of the mercies of God, through the grace of God because if, if it hadn't been for that we would be dead and buried. We are competing with the other modes of transport that is being subsidised. I quickly, I touched on the issue that whenever we watch the news, one of the things that I have made a norm is to

20 look at when, when there is a presentation on market, I always look at the strength of the Dollar, Rand exchange and then the next thing that would be of interest to me would be the price of the crude oil, because I know that when the price of crude oil goes up and the Rand weakens, I know that at the end of the month the Department of Minerals and Energy would announce that the price of

25 fuel would go do, would go up by a certain cents and it always comes to us as

the industry, we have to absorb that, because what we charge is exactly what is coming to us, versus our competitors. Granted they would be scheduled service but the majority of the people would want, if you were to check, go in the morning, particularly in the morning at peak hour, you would notice that all the  
5 busses are full. The presentation that was made just before us by the city did allude that it would be a wish that just a minimum of 10% is spent on transport, that is not what is currently happening. Because as the taxi industry we are burning, we bear all the costs, we are not getting anywhere, we know we have got to deal with the issue of fuel, maintenance of the vehicle, payment of the  
10 drivers, all the running costs. We still have to service the ...[inaudible] on the vehicle and everything else. Now we have had a number of times in, in discussions with the Department of Transport, when we have had discussions on the issue of a subsidy, we were always told that we actually not subsidising any mode of, any particular sector but we are subsidising a commuter. But  
15 when it comes to us, that is conveniently forgotten, but I would touch on that later on. I was just pointing out, so the reason the taxi industry is surviving thus far, it is because of a convenience. It's convenient to other modes of transport that is what is making taxi industry to be relevant today, in as far as competition is concerned it is heavily skewed against our favour. The issue of permits, I had  
20 said we have relations with the Department of Transport. It's true that we engage with them and PRE as far as we know does not have any backlogs. But when it comes to the issue of the permits, the challenges that we are faced with as the taxi industry, you would find that there is lack of capacity in the municipalities. The process of the operating licence, yes starts with an operator  
25 applying. Now once that operator applies, it then gets advertised and Gazetted.

Now it would be referred to a particular municipality for say for an example I want to move from East London to Durban, now all the municipalities from East London, Kei moving into OR and all those various municipalities by law, those referrals have to be made in order for them to make a comment. Now when it comes to the municipal officials, I would say this again, they are found wanting, they do not know, they are under capacitated. An official would get into his office, his or her office and find there is a thousand, thousand number of applications of all these taxi people, operators wanting either to come into his city or via his city and because the applications are in thousands, one I inclined to think where is the space, how am I going to accommodate this and thus they are then forced to, to decline them in some cases and we felt that they do not understand how the taxi industry operates. We are working with cooperation, sometimes we use the word of saying concurrence, where I would go to Durban and I would also have a working relation with an Association in Durban that you come from Durban bringing in passengers into my city that is East London and I would give you space, I would also likewise, transport passengers from East London into Durban where you would give me space. It doesn't happen often, it doesn't say that every time there would be an influx of thousands and thousands of taxis going into Durban and parking in Durban at the very same time. So we feel at times that because they do not understand on how the taxi industry operates, it has become a, a challenge to them and thus we are refused. The other issue that we had said, in 2013 we made submissions to the amendment of the National Land Transport Act. I would make an example, that was in 2013 because the committees, I would think of transport or the National Assembly, let me rather say that, they are taking their time in ensuring

that such impediments as the taxi industry would highlight in their submissions are taken care of. One of the things that is a challenge to us is in the, in the Act the power is vested within the local authorities, that is the municipalities, just by a stroke of a pen if a referral is made of an application of an, an application for  
5 an operating licence is made, just an official, just by the stroke of a pen can just sign and say we refuse entry to this, to this. Now that is a challenge to us, we had made a recommendations and submissions as, as an example, I would make an example. Say my operating licence, operating licence and the permit is the same thing. It is either use this, say my operating licence lapses and I had  
10 forgotten to renew it timeously. When I make an application it becomes a new. Now it is not taken into account that this person had this operating licence prior. One of the things that we made as a submission ...[inaudible] is that the operating licence once it lapses it must be treated the same way a motor vehicle licence is renewed. Your motor vehicle say the licence expires at the  
15 end of August and you forget to renew it and you only get to see that sometime in September, you go to the either Traffic Department or the Post Office to renew your license. The only thing that would happen is, you would get a penalty for a late renewal, that is all it is, but you are still given that operating license. It is one of the things, the submissions that we made, which we feel it  
20 is a challenge to us. So, the amendment of the Act is small, because we've made submissions but there has been no movement. As I am saying, we did the submissions in 2013, it is now 2018, we have not had any movement. In fact, the person to whom I sent the email did not even do as much as acknowledgement of the mail. So, we don't know how far that process is. And  
25 the issue of bylaws, there is a lack of publicity on public participation when the

municipalities will hold a public participation on the bylaws. We would find that in most cases the industry is not taken into account whenever these bylaws are being and in the process of being made. There is a lack of public participation. You would find later on there was public participation but most people did not

5 know about it and it affects them directly. So, we feel that those things must be taken into account. I am going to move into the issue of subsidy. A subsidy is one of the challenges that the industry has battled with. In my previous submission I had said since the dawn of the democracy there has been more than seven ministers and none have implemented that. There is a lack of a

10 political will when it comes to that. I am going to make a point here of a comparison. Here there is a model that was designed and that worked. When you ask the Department of Transport, why is it that the taxi industry is not subsidised whereas other busses are subsidised, be it, in this case in the Eastern Cape, I know of Mayibuye, I know of AB350, I also know of Algoa. And

15 you would also not ask the question, why is the industry not subsidised even though it transports over 60% of the commuters. And the answer that you would get is the answer that we've been getting is, the taxi industry is scattered, we don't know how. I made a model, and again I am going to make one, a model which has been a success. There was an understanding of between

20 Mayibuye... no, no, sorry not Mayibuye, the taxi industry and the small bus operators. They formed a company called One Future Development. It is just the model that I am interested in. That model, take nothing away from it, all the regions of this province, all the operators were under that model of One Future. They were doing scholar transport and they all get paid under One Future,

25 which proves it is a model that can work. You say to a taxi industry, we want to

subsidise you, organise yourselves in doing a, b, c, and tell me... give them a space of two weeks and say go and do that and come back and listen to them if they have not done that, you will find that they are ready, because all the taxi operators want subsidy. That is a model that I want to prove. The second issue

5 is, there is a tertiary cooperative which was registered, it is under SANTACO. All of these regions, we have eight regions here under the taxi associations, under SANTACO we have all, all of them they have registered cooperatives. And when you engage the DOT, you will find that the co-op is the way to go now. Now, we have a tertiary co-op that is another way in which the subsidy

10 can be channelled. I had mentioned the issue of the lack of political will, just as a narrative of showing that when we deal with the politicians, sometimes there is a, for lack of a better word, the truth is found wanting. I'll make this comparison, we know of AB350. When you go to Google and look at how AB350 was formed, it is going to tell you that these are different small bus

15 operators. The then professor, I just forgot the name of the man but you'll find if you Google it, it was a certain professor which was working for the Office of the Premier in the Eastern Cape, said you guys are scattered, form yourselves into one entity and they did that. The Government facilitated the negotiations, it also provided a platform wherein the finance institutions can meet the very same

20 people. And it even coughed up 43.3 million for the formation of the company. That is what I am trying to show here. It was the willingness of the operators that were scattered. But on this side, you would be told that the taxi industry is scattered, we don't know how to. Now, I am here to prove that there is a model, that that can work. And again, moving into the issue of empowerment. In this

25 area, the Buffalo City, we have the Mayibuye, I don't see why not Mayibuye

cannot be a company that is sold to the taxi industry for it to operate, because we are in this sphere of business. In most cases the Government would say, we don't want to be in business, because our role as government is not to be in business. But on the other hand, you will find that they have these small SOEs, the likes of Mayibuye. Now our suggestion is simple, sell Mayibuye to us as the industry, we can run that. That is what we are saying that is true empowerment, that is the true empowerment. This industry is 100% black owned and we feel that we have been let down by the Government of the day. I think, Chair...

**MR MTSHALA:** Thank you, Chair, I would like to add something on this item of subsidy, especially on the issue that he is raising now, the willingness of the political will. There is no better way to say it, but I will say it, we have to tell the untold truth. When you talk finances that are supposed to come from government to entities, then there is a concept of corruption that kicks in. Government or let me say politicians, do not support anything that they are not going to benefit out of it. If you look at AB350 and Mayibuye and all these other companies that are being subsidised, there is somebody who is a silent partner. They are using Mayibuye, they are using AB350, they are using whoever they are using as a straw to draw money out of that entity into their own pockets. But, with the subsidy that is going to come to the taxi industry, the taxi industry is not aligned and we are operating as individuals. So, it would be difficult for anyone to penetrate our system for his individual or financial gains. So that is the truth, that is the reality. When we talk the selling of Mayibuye or the absorbing of Mayibuye by the industry, that is not only ending with Mayibuye. The BCM Municipality, when making their presentation, they said they've got only six busses. There is no need for them to operate with six busses, that can

also be integrated with Mayibuye and be given to the taxi industry to run alongside with the ordinary taxies that are already in operation. Because it simply means that the bus services, whether they are owned by Mayibuye or owned by the municipality, have collapsed. And it does not mean that no one is seeing that political or otherwise, it is such that they are waiting for one of their own to come up with a presentation or with an offer, which they are going to be part and parcel of silently and award whatever that we are saying now, to be considered. When dealing with them, there is always one sentence or one question they are asking. Any proposal that you submit, the question will always be, where do I fit in, in this proposal, what is in for me, before I sign it or before I okay it, what is in it for me. If you don't mention anything about him in your proposal, then there is nothing that is going to come your way. That is how we are surviving. Thank you, Chair.

**CHAIRPERSON**: Thank you. Mr Ndiki.

15 **MR NDIKI**: Thank you, Chair. [Vernac].

**CHAIRPERSON**: Ja, we are just waiting for the interpreter. Do we have a roving mic?

**MR NDIKI**: Okay. Thank you. [Vernac].

**INTERPRETER**: I think, Mr Chairperson, my colleagues here have already spoken about everything. But I would like now to touch on the subsidy party.

**MR NDIKI**: Law enforcement.

**INTERPRETER**: On the law enforcement, sorry.

**MR NDIKI**: Yes, thank you. [Vernac].

**INTERPRETER:** I was listening when Buffalo City was talking about the national carrier.

**MR NDIKI:** [Vernac].

**INTERPRETER:** And I noticed that the problem that we are all having, are the  
5 people that are illegally operating in our routes in South Africa.

**MR NDIKI:** [Vernac].

**INTERPRETER:** There are also fake licenses.

**MR NDIKI:** [Vernac].

**INTERPRETER:** They do not even follow their time table of operating in these  
10 areas.

**MR NDIKI:** [Vernac].

**INTERPRETER:** And we are operating under these problems and we are also having other problems as the operators in these routes.

**MR NDIKI:** [Vernac].

15 **INTERPRETER:** We do not have any law enforcement people that are helping us.

**MR NDIKI:** [Vernac].

**INTERPRETER:** As to check if these busses are operating in a proper way.

**MR NDIKI:** [Vernac].

20 **INTERPRETER:** Just a small example.

**MR NDIKI:** [Vernac].

**INTERPRETER**: If the law enforcement is just standing at N2.

**MR NDIKI**: [Vernac].

**INTERPRETER**: You'll find out they rush behind the Quantum.

**MR NDIKI**: [Vernac].

5 **INTERPRETER**: And these national carriers do not even stop, they are not being stopped at any way.

**MR NDIKI**: [Vernac].

**INTERPRETER**: And we have a challenge in Free State.

**MR NDIKI**: [Vernac].

10 **INTERPRETER**: You take people from Eastern Cape.

**MR NDIKI**: [Vernac].

**INTERPRETER**: You are transporting people from East London to Johannesburg, but once you reach the Bloemfontein area...

**MR NDIKI**: [Vernac].

15 **INTERPRETER**: We have the loading list that we have in our cars.

**MR NDIKI**: [Vernac].

**INTERPRETER**: In our places we normally load people that are going to Johannesburg, Welkom, Rustenburg.

**MR NDIKI**: [Vernac].

20 **INTERPRETER**: Because now the transport has just finished in the area that you are in.

**MR THIKI**: [Vernac].

**INTERPRETER**: Then you are planning to change this passenger at Bloemfontein.

**MR NDIKI**: [Vernac].

5 **INTERPRETER**: And you do not have the permit of R50.

**MR NDIKI**: [Vernac].

**INTERPRETER**: At the junction that you are entering Bloemfontein, the traffic officer stops you.

**MR NDIKI**: [Vernac].

10 **INTERPRETER**: They need this loading list.

**MR NDIKI**: [Vernac].

**INTERPRETER**: And they discover that in your permit, you do not have the right to load the people that is going at this place.

**MR NDIKI**: [Vernac].

15 **INTERPRETER**: Now, they start pounding your vehicle because you are having a passenger that is going in another direction, which you are not allowed to go.

**MR NDIKI**: [Vernac].

**INTERPRETER**: As a taxi industry, we feel that this is not fair.

20 **MR NDIKI**: [Vernac].

**INTERPRETER**: And you'll find out that amongst the passengers that are in your vehicle, most of them are rushing to work in Johannesburg.

**MR NDIKI**: [Vernac].

**INTERPRETER**: And you delay for four to five hours.

5 **MR NDIKI**: [Vernac].

**INTERPRETER**: This is how we are being handled.

**MR NDIKI**: [Vernac].

**INTERPRETER**: In the rural areas where we live...

**MR NDIKI**: [Vernac].

10 **INTERPRETER**: There are no roads.

**MR NDIKI**: [Vernac].

**INTERPRETER**: Where the routes are being used by busses as you are having the motor vehicle, you are unable to enter those areas.

**MR NDIKI**: [Vernac].

15 **INTERPRETER**: Others are unable, especially even with the busses.

**MR NDIKI**: [Vernac].

**INTERPRETER**: Then we start using the cars that are unable to fetch those people there.

**MR NDIKI**: [Vernac].

20 **INTERPRETER**: We are being harassed also.

**MR NDIKI**: [Vernac].

**INTERPRETER**: We are now asking our Government for everything that we are feeling bad about as our grievances.

**MR NDIKI**: [Vernac].

5 **INTERPRETER**: And we would like to emphasise the part of the subsidy, especially for the rural people.

**MR NDIKI**: [Vernac].

**INTERPRETER**: And even the pensioners, we are having special mode of transport that we are using as to fetch them from rural areas to towns as to take  
10 care of their businesses.

**MR NDIKI**: [Vernac].

**INTERPRETER**: And we would ask subsidy for them too.

**MR NDIKI**: Thank you, Chair.

**INTERPRETER**: [Vernac].

15 **CHAIRPERSON**: Nkosi, Mr Ndiki. Who will start, Mr Ngobeni?

**MR MTSHALA**: In addition, last item. We have a challenge with, they call it ARTO system. The meaning is meant to demerit the points in terms of the license system. As much as that thing is not directed to the taxi industry per se, but we feel as an industry we are going to be the hard-hit victims of that system,  
20 just like when they were introducing these toll things in the Gauteng province. Because they are expecting our drivers to behave, they are expecting all the good from our drivers and yet there is no driver training that is provided to the

taxi industry. Before they could introduce the demerit system, how do you punish somebody, how do you demerit the license of somebody that you did not even consider that this person is existing. You don't know that this person is existing and yet you are harassing him with a demerit system. There is no provision of life that you are doing for this person. There is no formal training that you have provided for this person. The only thing that you are able to do is to punish him when he is doing the wrong thing. How does he know that he is doing something wrong? How does he know that what he is doing is going to cost him his license in future? And then when we talk licenses or driver license as a taxi industry, a driver license and an operating license or a permit, to us they are married, you can't divorce one to another. It is our certificates it is our diploma, it is our degree, it is our masters degree, it is our doctorate. When you address me you must call me Dr Mtshala, because I am in the taxi industry, that is my degree. But when you take away my drivers license and taking away my operating license, it means you are killing me. Then, when you are killing me, I have no other option but to take someone else's thing, because I need to continue living. Then you are prone to crime. Then tomorrow you are complaining the crime levels in South Africa are very high, and yet you are the one who is creating that level of crime in South Africa. So, this is what we call a vicious chain reaction from our government. They do things and in future those things come back to bite them and they don't know where this thing is coming from. You have about 30 000 jobs, they were announcing now from Government that there are people that are going to lose those jobs. And out of the 30 000 jobs that are going to be lost, I guarantee you, if not all 30 000 or 80% of that or even 60% of that, they are all going to come to the taxi industry

and there is no provision in the taxi industry to accommodate those people. And then that is going to be a crisis, because some of them are going to operate pirate taxis and we are going to fight with them. And there is no provision that is made for those people that are going to lose jobs as to what is

5 it that is going to be done after they lose their jobs. And for everyone in South Africa, especially the black community, when they lose their jobs, the first thing they think of is running a taxi. Number one in their mindset, when they are thinking of business, is the taxi business and the rest will follow. So, those are the challenges that we are having. As a result, we end up being a sort of a

10 dumping place as a taxi industry. And people expect us to clean that on their behalf, even the Government expect us to clean that on their behalf. The drivers that are going to be demerited, those are not our sons, those are not our daughters. They are children, they are kids that belong to other people, they were not brought up by us as a taxi industry, so we are not responsible for their

15 behaviour and their ill-discipline. It is something wrong somewhere in the society. So, but the responsibility of their misbehaviour is being awarded to us as a taxi industry. Hence, we are saying that we are not supporting this ARTO system as an industry, it is going to hit hard on us. The same applies with the driver's licenses that are expiring. We were never consulted about driver's

20 licenses that are going to expire. And the card system that is used on those driver's licenses, is owned by a politician. If you look at the number of people in South Africa in terms of stats, there is around 55 million and we are soon going to reach 60 million. Imagine a big percentage of 55 million people having driver's licenses that are supposed to be renewed every four years or every five

25 years and one man is benefiting out of that card system who is supplying the

Department of Transport and the Traffic Departments in the entire country with those license cards. And everybody knows the politician who owns the company that is supplying that system. At the end of the day the poor are being affected by the financial interest of one politician or one person. The same  
5 applies with the thing of registration papers or registration numbers. Every now and again they will change registration numbers from yellow, to white, to blue, to this colour and somebody is benefiting at our expense. So, those are the things and the challenges that we feel as an industry that we are not consulted. And lastly, Chair, I know that you are going to ask questions, but I am not sure  
10 whether we are also allowed to ask you questions.

**CHAIRPERSON:** Yes, you may ask us questions.

**MR MTSHALA:** The reason why I am saying that is that I have an interest, the existence of this Commission was not explained properly or we don't know the existence... the question that I am having is that, after all this time and effort  
15 that we are spending here doing a submission, where is this information going to, how is it going to be used, how is it going to help us? Because in the past we have done such presentations and such submissions and then the end result of the product doesn't cover or doesn't cover a single percentage of what we have presented. So, from our experience, we have done submissions, but  
20 nothing has changed or nothing has happened for a number of years. So, my fear and my concern is, for us to spend time here spend resources, waste your time and at the end of the day what we are saying here is going nowhere. So, that is my last comment. Thank you, Chair.

**MR MBANJWA:** Chair, I couldn't agree with my colleague more. Just one thing I need to add. When you are granted an operating license, there are conditions in that operating license. For instance, at the back of the operating license it says that the vehicle must have the COF (certificate of fitness), you must, when you have passengers you must have trailers and such things. The passenger list that he is talking about on which we are the victims in the Free State is not a requirement in terms of the law, it is our own initiative, we designed that for our own administrative purposes. But when we go to Free State, our vehicles are impounded precisely for that. If you do not have that passenger list, your vehicle can be impounded, when it is not a requirement by law. We have had a number of meetings with them and they have led to nowhere. On the issue that my colleague is also talking about, it is the issue of this adjudicating transport, ARTO. In South Africa we have a tendency, we have all these policies in South Africa, they are good, but the challenge is implementation. Because you will find when you go deeper into ARTO, it is going to tell you that it is an agency where it will collect funds. Right now, if I am fined by the local authorities, I know that that money is going to go towards service delivery in terms of the roads and other service delivery that the municipality is having. But when it comes to ARTO, some of the money will go into that agency for administrative costs, whereas in South Africa there is a lack or a shortage of law enforcement agency officials. The challenge here is the shortage of law enforcement agency. When we go to them and we say we need assistance because there are illegal operators, they will tell you there is a lack of resources, we don't have the manpower. Now, they are building a house within the house on ARTO. Be are being penalised, because if you were

to look at the model of ARTO, it is taken from Europe, that demerit system is taken from Europe. Look at the state of roads in South Africa, compare with that in Europe. You will find there in Europe they have top notch roads and infrastructure. You buy a vehicle here, three months down the line that vehicle  
5 has challenges because the road in which it travels has challenges. And at the end of the day we get penalised. So, those were the issues that I felt I also needed to emphasise on.

**CHAIRPERSON:** Ja, perhaps before we put questions to you, we need to answer your question first. This market inquiry has been established by the  
10 Competition Commission, which is an independent body. And it has been established in terms of Chapter 4 (a) of the Competition Act. We will make, I hope we have sufficient copies of the Act, so that we can make those available to you. During the process of establishing this inquiry, we had a series of engagements with various stakeholders in the industry, including SANTACO as  
15 well. So, SANTACO was part of the consultative processes. We also published terms of reference for the inquiry and we engaged extensively with all the stakeholders, including SANTACO, on the terms of reference for the inquiry. In terms of the outcome of the inquiry, the process is set out in section 43 (c) of the Competition Act as to what the consequences are of the inquiry. So, at the  
20 end of the process we are required in terms of the Act, the Competition Act, to prepare and publish a report, which must be submitted to the Minister of Economic Development. The Minister of Economic Development, upon receiving the report, is required in terms of the Act to submit the report to the National Assembly. The Competition Commission has got various powers in  
25 terms of the Competition Act, which are set out in this chapter, following a

market inquiry. So, the Commission may – this is in terms of Section 43 (c) (3) of the Competition Act. It says: On the basis of information obtained during a market inquiry, the Competition Commission may (a) initiate a complaint, enter into a consent order with any respondent in accordance with Section 49 (d) with  
5 or without conducting any further investigation. So, what that means is that for instance we can take the example of the subsidy contracts between provincial government as well as some bus operators who provide subsidised commuter bus services. If at the end of this process we ...intervened.

**MR MBANJWA**: Excuse me, Chair, can you be audible, please?

10 **CHAIRPERSON**: Oh, I must speak a bit louder.

**MR MBANJWA**: Yes.

**CHAIRPERSON**: Yes, if we find for instance those contracts, because at this stage we are still in an evidence gathering phase, are anti-competitive, we may then intervene in terms of this section – that is if we make a finding at the end of  
15 the investigation, I mean of this process. (B) it says that we can also initiate a complaint against any firm for further investigation in accordance with part (c) of Chapter 5 of the Competition Act. (C) we may also initiate and refer a complaint directly to the Competition Tribunal without any further investigation. (D) we may take any action within our powers in terms of the Competition Act on the  
20 basis of the recommendations set out in the report. (E) or we may take no further action. So, this is the menu of options that the Competition Commission has, depending of course on the outcome of the process. So, the process it is a process that is regulated in terms of the Competition Act, Chapter 4. And there have been, we can assure you that there have been quite an extensive process

of consultation. And we will continue to be, as we shape and frame our recommendations, there will continue to be a further process of engagements with all the relevant players within the industry. But we will, I hope we have copies of this, but if we don't, we can still send the relevant provisions to you at  
5 a later stage. Now, it is our turn to ask questions. Mr Ngobeni.

**MR NGOBENI:** I only have one question, Chair. I am just trying to understand on the question of subsidies, you indicated that the, you know, what you consider as a stumbling block, you know, that is making it difficult or for the industry to be subsidised is what you referred to as lack of political will. And  
10 you say that because, you then make an argument that in terms of what is required from the industry, which is the formalisation of the industry or the registration of cooperatives and companies, that has been done, or in other instances there are already cooperatives in play, you know, there. But you then indicate what is actually lacking is the political will. So, I am just trying to  
15 understand, you know, firstly who you've been engaging with in terms of demonstrating that you've complied what Government is asking for the industry, which is the formalisation process. And whether, you know, also interested on the answers that were given to you by Government and if they are in writing, if you can just share them with us. Or if, I am just trying to understand, you know,  
20 maybe the issue is there is a misunderstanding on what constitute formalisation between what the industry terms as formalisation and what government is looking for as formalisation. So, I am trying to understand, you know, as to where is this lack of political will coming from. Is it coming from what Government understands as formalisation as opposed to what the industry sees  
25 as formalisation. Is there a disjuncture between the two? So, I am just trying to

understand what is the cause of this lack of political will. If the industry is saying it is formalised and Government is saying, well you are not yet formalised hence you are not going to be subsidised. So, I am trying to understand what is the disjuncture between what the industry sees as formalisation and what  
5 Government sees as formalisation and to an extent that there are documents and communication that you have, you know, exchanged with Government on that particular issue, we would greatly appreciate it if that can be shared with the Commission.

**CHAIRPERSON:** I may also perhaps add to the question in this way on the  
10 issue of formalisation – must formalisation of the industry, because we know that the industry operates in the informal sector of the economy... So, must it be a requirement before the industry can be subsidised, for the industry to be formalised? Must it be a pre-condition to assisting the industry in terms of subsidisation? Must formalisation be a pre-condition, because I think almost –  
15 and we have not heard any person saying anything differently on this score – I think most of the submissions that we received there is consensus that you cannot have a public transport system that is not subsidised. So, there seem to be consensus internationally that is the model for funding public transportation. So, in other words, even the minibus taxi industry, I think there is a recognition  
20 of the fact that there needs to be some form of assistance to the industry. But then the question is, as Mr Ngobeni is putting it, what then is the role of formalisation in providing assistance to the industry? And I would say then, must it be a pre-condition that the industry must first be formalised before it can receive subsidy assistance, within context of the fact that the industry is of  
25 course operating within the informal economy.

**MR MBANJWA:** Thank you, Chair. I would remind you that on the 14<sup>th</sup> of August in Port Elizabeth, the Department made a presentation when you had asked those questions, why is it that the taxi industry is not subsidised and other modes of transport and the answer that was given by the DOT is that the taxi industry is scattered, we don't know how to – that was their answer. I may not quote them verbatim, but that is the general understanding. On how, if it is a pre-condition, it is something that we have discovered, whenever we would have meetings with them, it is something that has been ongoing for many years. I had said since the dawn of democracy, South Africa has had over seven ministers. Even at national level at SANTACO, we would be told that the Government is looking into this thing. Now, that is why I am saying there is a lack of will, because if Government... let's make a scenario of saying the taxi industry does not have any structure in place, that is a scenario, does not have a structure in place, but the Government is willing to subsidise the industry, it can then meet the industry and say, here is a checklist of things that you must do in order for us to subsidise you and give us a timeframe and check if the industry would not adhere to the checklist. Hence, I am saying there is a political will, it is something, it is as if we are being managed, whenever you raise this thing, someone would say this and the other. Well, in the days at our provincial level, SANTACO provincially, we deal with the Department of Transport, we sit with them in meetings and these are discussions that we would have. And that information will then be cascaded down to our regions and the regions will then reach the associations and the associations that is where the general membership is. So, once that decision is made by Government that these are the things that we need, it will not take too much

time for the taxi industry to get itself in order. We were told many-many years ago, I wasn't even in leadership position at that time, that we must form these cooperatives. They were formed and some died a natural death because they were inactive. And again, that conversation is being revived. Whenever we are  
5 told, we do that, only for them to die a natural death because they are inactive. Hence, I am saying there is a lack of political will to ensure that the industry is subsidised.

**MR MTSHALA:** Sorry, Chair, just an addition to what my colleague here has just said. The fact of the matter is that when we say willingness, we are being  
10 soft. The right word is that they don't want to do it, they do not want to subsidise the taxi industry. All the reasons that they have been coming up with are just lame excuses, to be blunt, they are just lame excuses, they do not want to deal with the taxi industry. The main reason is that they don't treat the taxi industry as human beings, that is the bottom line of it. Why I am saying this is  
15 that, you are quite correct to ask of whether this thing of being formalised should be a pre-condition. The answer is no. Why I am saying that, there was never a stage when the taxi industry was never formalised. The taxi industry has always been formalised. How? What do I mean? The first part of it is that you are registered as a taxi operator in their system, in their database. They  
20 call it an alpha list. The fact that you are registered in their database, which is called an alpha list, it means that they recognise you as an operator. They then allocate a number of permits or operating licenses to you. They know when they allocate those permits or those operating licenses as to which routes are your taxis going to be operating. I am still talking about an individual now. That  
25 particular individual belongs to an association. And in that association that

particular individual is not alone, hence we call it an association. There are also other operators who have been identified in this very same manner this operator is identified. Allocated permits, registered in the database and then the more serious part of it is that they belong to an association. What is a taxi association? A taxi association is a formal structure of individuals that are calling themselves taxi operators, with one goal of servicing the communities in transporting them to various destinations, that is a formal structure. Even the definition of an association will give you that this is a formal structure. What do you mean that the taxis are not formalised? Which kind of formalisation do you need for you to regard them as formalised? Then, moving to the existence of the taxi associations. All the taxi associations in the Eastern Cape are registered with the provincial Department of Transport. In their very own database they know there are about 94 taxi associations in the Eastern Cape that are registered with them. Those 94 taxi associations are allocated routes. Then it cascades down to members. Then, if you want, I am replacing now willing, if you want to subsidise them, it is easy to give each taxi association the required amount of money that is supposed to be given to them as per their number of operators that are there, as per the number of vehicles that are there, as per the number of operating licenses that you have issued to those people in those various routes... what is it that you don't know? Which information that you need from the taxi operators that you do not have? What is new? Because you are part and parcel of the system, you are the one who grants these operating licenses to these people. On what basis are you granting these operating licenses to these people? Where are they operating? Where are they fetching the communities from? What is it that you don't know? So, when

we talk willingness, that is why I want to write off the part of willingness and come with whether they want to do it or not want to do it. The serious matter is that they don't want to do it. The information is with them. There is nothing for us as a taxi industry to give to them or to submit to them, because everything  
5 that we have is being issued by them. They give us the permits, they give us the routes and then we operate. It is a very straightforward system. So, it is not supposed to be a condition. The reason why we formed co-ops is because they asked us, they advised us to form co-ops and co-ops were formed but subsidy [vernac], I am not sure the interpretation of [vernac], ma'am, whether you will  
10 know what [vernac] means, it is new lingo in the system.

**INTERPRETER:** [Vernac] means nothing.

**MR MTSHALA:** Yes, thank you. One of the requirement that they wanted from us was the registration of tax, we are registered with SARS and we cooperate. SARS does what they are doing when you don't pay tax, they chase you, they  
15 attack your goods, they do everything, which means you are compelled to submit your tax returns every now and again with SARS and we pay taxes. But out of the taxes that we are paying, we get nothing as a taxi industry. So, we are a stepchild in this Republic of South Africa as an industry, we are a street kid... you can name all the bad things. Or if we are not kids, we are street  
20 fathers and street mothers. That is what we are as an industry. So, when we talk formalisation, I just wanted to dispute this part of formalisation, it is just something that they are hiding behind. Thank you, Chair.

**CHAIRPERSON:** Ja, maybe before we move on, I will just then whilst we are on this issue of operational subsidies, I just want to get your reflection on the

capital subsidy in the form of the recap, the taxi recapitalisation program. Because that was an intervention to also assist the industry. I accept that it had its own limitation and challenges, but it was some form of an intervention to try and assist, although I accept that there were some challenges which we have  
5 been told about in relation to that program.

**MR MTSHALA:** Chair, the taxi recapitalisation program, according to government, it was their form of intervention. But according to us, that is when we were aborted, it was an abortion for us as an industry. What do I mean by an abortion? There was no consultation with the taxi recapitalisation program. It  
10 was the most cruel program that has ever been introduced in the transport system in the Republic of South Africa for the taxi industry. Why I am saying that? First of all, we were used to operate with minibuses, 15 seater minibuses, we were calling them high aces, Siyayas, and I am not marketing a particular brand in terms of transport but that was a famous brand that was being used by  
15 the transport industry. And without proper consultation we were forced into the recapitalisation program. How? When they were introducing the recapitalisation program, they paired it with the introduction of operating licenses, killing the permits. When killing the permits, they were killing the indefinite permits that we were having. Then if you have a permit and you have  
20 an old vehicle, there were deadlines that were set that you were supposed to get rid of this vehicle or if you don't get rid of this vehicle, when you were about to renew or change over to this operating license from a permit, then you were supposed to collect your operating license with this kind of a vehicle. Then we were pushed into a corner to get rid of our old vehicles, which were easy to  
25 maintain, which were cheap when we were buying, moving over to these new

Quantums. And before even Quantums landed, they firstly introduced us to what were called compliant vehicles, they used the term compliant. The compliant vehicles, in terms of the specifications of that vehicle, we were never consulted when the compliance was done in terms of the specifications of the

5 vehicles. They reduced even the very same existing 15 seaters that were there to 11 seaters. imagine losing four passengers on a long distance as a taxi not subsidised or even if it is a local distance, how do you survive with 11 seats in a vehicle that we used to operate with 15 seats? The reduction of the capacity of the vehicle was never our idea. We were never consulted. It was imposed and

10 there were certain laws that we had to follow when that thing was imposed. You see, they used what the old apartheid system was using, divide and rule. They divided us... because they were dealing with you as an individual. The problems that we were encountering, we were countering individual when you are going over the counter to swap your permit into an operating license and the

15 government officials of the day will tell you that you are not going to get your operating license today because you have this limitation of this vehicle with 15 seats, you are supposed to get a compliant vehicle which is 11 seats. Then for us to move from 11 to 13 they introduced the Quantums. When they introduced the Quantums then we started suffering. At that time the 15 seaters were

20 around 120 000 in terms of price, the Quantum was around 250 000. So, imagine jumping from a price of 120 000 to a price of 250 000. For a High Ace or a 15 seater we were paying a R3 000 instalment or R2 000 instalment. A Quantum, then, you were paying around R6 000 instalment, depending on the deposit that you have raised. Today the Quantum is 500 000 or 400 000, if you

25 include the higher purchase costs or the percentages, which are also exorbitant

that are being charged by the finance institutions, you end up after six years or after five years your capital amount that you are paying is close to a million, that is the price of a Range Rover or M63, but you are using it on a Quantum that you are not even driving for that matter. The instalments that our people are

5 paying currently on these compliant vehicles, which was called recapitalisation, ranged between 10 000, 11 000, 12 000 up to 15 000 and they are being repossessed every now and again. So, that is why I am calling it an abortion. The moment you mention the name recapitalisation to the taxi industry, our eyes are turning red because that is what killed us. And that process of

10 recapitalisation, there was never a consultation about it, from national level, provincial level, up to the local level, it was imposed on us by the very same Government that promised a better future for all. Maybe it is a better future for others, but it is not a better future for the taxi industry, it is the worst. When I was doing my presentation yesterday I said, and I will still continue saying it, I

15 prefer... when we talk transport, I prefer the old apartheid system, I really prefer the old apartheid system than this current government of ours. Thank you, Chair.

**CHAIRPERSON:** Mr Lesofe.

**MR LESOFE:** I have no questions, Chair, thank you.

20 **CHAIRPERSON:** Ms. Nontombana.

**MS NONTOMBANA:** Just one question, Chair. In the presentation you raised, I think you both raised the possibility of buying municipal busses as well as Mayibuye as the taxi industry. And my question was whether then your thinking is on integrating that bus service into the existing taxi operations or you have a

different business model in mind to incorporate these bus services into the taxi industry.

**MR NDIKI**: Chair, when we... if it comes to light that we can have ownership of the bus system, like the municipality was presenting here, there was a stage  
5 when we engaged with the municipality on the then BRT. And the issue on hand in terms of the proposal was that the taxis will never cease to exist. They will exist or they will co-exist with buses and other modes of transport. All we need as an industry to have our stake in all modes of transport in the region, let's say if we talk Buffalo City then in Buffalo City, then you would have one  
10 company that owns all this transport system. Then you identify a feeder service or you identify in terms of a route, a main route that is going to be operated by buses. And then you identify a feeder service because the buses cannot be all over, there are going to be remote areas where buses cannot go, then you use the very same taxis to go to those areas to fetch those people to the bus  
15 stations that are close to the main route that is being used by buses. So, that is why I am saying it is easy for us to co-exist with buses. At the moment we are co-existing with them. There are a few challenges here and there, there are challenges but there are very few challenges. But if we can be one, then it would mean, I think it would be better for us, because we would benefit to the  
20 system. It will be easy even for the municipality, even if it is not the national government, for the municipality to inject funds into that system. Thank you, chair.

**CHAIRPERSON**: Ja, thank you very much Mr Mbanjwa, Mr Mtshala and Mr Ndiki for your presentation and for your time. We will certainly take up the  
25 issues that you have raised with the relevant stakeholders. Thank you very

much. We will take a short break and we will be back at 12:20 to receive the next presentation from Africa Best 350 at 12:20. You are welcome to join us for tea at the table on the left up there.

**END OF SESSION 1**

5 **Session 2**

**SESSION 2 28 AUGUST 2018:**

**MS NOSIPHO NGEHU**: I, Nosipho Ngehu, swear that... do I have to...?

**CHAIRPERSON**: Ja.

**MS NOSIPHO NGEHU**: Swear that the evidence that I shall give, shall be the  
10 truth, the whole truth and nothing but the truth, so help me God.

**CHAIRPERSON**: Thank you, Ms. Ngehu.

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

15 **CHAIRPERSON**: Thank you.

**MS LULAMA MADINI**: I, Lulama Madini, 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.

20 **MR SONGEZILE MADO**: I, Songezile Mado, swear that the evidence that I will  
give, shall be the truth, the whole truth, nothing but the truth, so help me God.

**CHAIRPERSON:** Thank you very much. In terms of the structure of your presentation, I understand we will first get a presentation from Africa Best 350 and then that will be followed by a presentation from SANSBOC. I think we can then start with the presentation from Africa 350 Best. You may take us through  
5 the presentation.

**MS NOSIPHO NGEHU:** Thank you, Chair. Nosipho Ngehu will be presenting the Africa's Best 350.

**CHAIRPERSON:** Ja, perhaps before you start with your presentation, if you could kindly indicate what your position is within the company and how long  
10 have you held your current position.

**MS NOSIPHO NGEHU:** Okay. Let me just introduce myself first. I am Nosipho Ngehu. I am a new comer in AB350. I have just joined them on the 1<sup>st</sup> of August. I am the Executive Planning, Monitoring and Evaluation.

**CHAIRPERSON:** Congratulations on your appointment.

15 **MS NOSIPHO NGEHU:** So, I hope that will help for the Chairperson and your colleagues to understand that you've got a new comer here. But fortunately for me, my chairperson is just next to me. So, where there are certain teething problems, he will check in. The presentation is too detailed, but I think for the sake of time, I will not read the slides, I will talk over the slides. I will just  
20 highlight areas of importance without talking through everything on the slides. In terms of the vision of the organisation, we plan to be a leading and a growing world class preferred transport operator in Africa and beyond. And in that, we deliver our service through quality, safe, reliable and cost-effective transport service to our customers through empowered and dedicated staff. I will not go

through the values, because the values are standard. And if we look at the executive summary, I will not read all of it, but I will just mention that AB350 is a company which is registered with that registration number 2005/021846/07. And as you might be aware, we are a rural and urban bus passenger transport

5 company which was launched in 2008 with a fleet of 180 busses with 136 routes across the province. And I must say that we operate in almost all the districts of the Eastern Cape, which is Alfred Nzo, OR Tambo, Chris Hani, Joe Gqabi, Amathole, [inaudible] and the respective district municipalities. We are 100% broad based black owned organisation and we pride ourselves with 33%

10 black women ownership. And we do quite a number of trips and I will breakdown that as I move through the slides. When we received our license, we had a privilege or enhancement on our side, we work hand in hand in partnership with the Department of Transport. We have got a three-phase subsidy stream and which is listed in our presentation, which I will not reiterate it

15 again. And in terms of the market overview which was done, unfortunately it has not been updated on the who owns whom in the website. It is a website since 2016. And it is telling us that South Africa is having 19 000 South Africans who brave the transport to get to school, studies, work and access the social services. And I will not go through all those what has been said there.

20 But my point of emphasis is going to start from the subsidy allocation and in that slide, which is the next slide, if we can move to the next slide, the next slide is talking to the provincial overview. And in that provincial overview I will not talk to all those figures, but I would like the team to look at the spread of that subsidy. You can see that in Eastern Cape with our six regions and with our

25 population which is 6.5 and covering that area, with the number of operators

which is 351 that in terms of subsidy we get that mega 199. And with Gauteng with five regions, with that 12 million population and with 197 operators, it gets 1.8. I think already we can see the disparity between the subsidy between the rural and the urban operators – that is what I am highlighting in that slide, I will not read everything that is on that slide, as everybody can see it. And the next 5 slide is just an allocation, it is a pictorial representation of the information which you have just seen in that spreadsheet and I will not go through it again. And if we look at that subsidy allocation versus population, the emphasis is again on what I have just mentioned and you can see that Gauteng is getting the greatest 10 share and followed by KZN, followed by Western Cape and you can see where we are on our side in the Eastern Cape. And I am looking at the grant allocation per province, versus the number of small business operators. And you can see that despite the fact that we've got 350 routes on our side, but you can see the meager subsidy that we get, that is still emphasising the point that I 15 have just mentioned earlier on in terms of the disparities around the subsidies. I am moving quick. Chairperson, as I was look at what was expected of us, I thought that I need to look at the barriers to radical economic transformation, rapid economic growth and job creation. If you look at this, which I think it is one of our imperatives as this current government. When you look at what is 20 happening in this industry, commuter bus carry a high capital outlay with 1.6 million for a standard bus and 2.6 million for a semi-luxury bus. For bulk purchases of 50 or more busses, the commercial financing institutions only fund five year or longer subsidy contracts. Typically, commercial financing institutions require 30% buy back guarantee from the bus manufacturer, 25 enabling infrastructure from Local Government such as bus parking and bus

lanes at train stations and dedicated bus lanes and bus parking bays at intermittent points throughout the towns and bus lanes on highways and major road and [inaudible] within the towns are severely lacking. These are the impediments and barriers for this industry. The other challenge is that we

5 experience large operators such as short-term contracts, decreasing subsidies and increasing demand are not conducive to providing this support. The bureaucracy and red tape and the legalities around the triple BEE compliance requirements, such as procuring local content for bus chases and bus bodies, is one of the hinderances. I think what this slide is trying to say is that, even

10 though we appreciate the fact that we do get the support from Government, but when one looks at the capital outlay which these operators have to have, it becomes a hinderance when you are talking about the small bus operators, which don't have that capital, which at the same time would have challenges in raising that capital. And in terms of AB350, we thought that it will be imperative

15 for us to talk on what we do in terms of getting orals, embarking on the socio-economic impact of the organisation around the environment in which we operate in. AB350 prides itself of 520 employees. And if one looks at the 520 employees and at an average size of a family of five, you could say that AB350 manages to bring bread and butter to 2 600 people. And with the fact that we

20 do pay for the route rentals for the 136 route rentals, which as well talks to those, that same family size, you can look at the impact overall as 3.2, which we think that in terms of poverty alleviation, the company does work very well in terms of supporting government in that sphere. And in terms of the inclusive economy development, and if I can put on the hat of supporting the small

25 SMMEs, we pride ourselves in supporting them in terms of the supply chain.

For example, when it comes to bus seaters, we've got women who help us in refurbishing our bus seats so that we can have busses which are looking good for our customers. So, we do have SMME support on that side. And in terms of the pensioners which we transport, per month we transport 8 800 pensioners for free in our busses. And in terms of the total passengers, we transport plus/minus 500 000 people per month, which is a total of 6 million people per annum. And as a company which is almost eight years, we are looking at the fact of embarking on the entire value chain of the transport system. Meaning that if we've got the busses, we need to make sure that the cost of repairing the busses, the tyres, the diesel, we are trying to make sure that we have that in-house so that we can have that, what I can put it, the economies of scale when we buy in bulk, so that we can procure this at a cheaper rate. So, we've started with the BRC which we've pumped in out of the AB350 funds. We have pumped in over 6 million on it. And we do appreciate the support which we have received from NEF in helping us to come up with that BRC in terms of a loan. And that BRC, we think that it will be in operation in a year's time. And I will not talk to the kilometres which we travel. But let me talk to the challenges which we experience in this particular environment especially that you are talking about the small bus operators. The biggest challenge we have is lack of maintenance of existing rural road infrastructure, which increases the operating costs. I am sure everybody will understand that Eastern Cape is very vast and the kilometres which we travel are too long and the roads which we are traveling in are not that good, and it does bring a challenge to us, which we would like the Department to help us in terms of improving the infrastructure, so that at least it can alleviate the price we pay in terms of repairs and the tyres.

But, if we don't get that, because I am talking to the challenge and the solution at the same time, what we think of is that, if you look at the farmers, the farmers you'll notice that they are normally having Caterpillars around themselves, so that they can do their access roads. What we are saying, without taking the

5 responsibility of public works, we would appreciate if we can be afforded the chance to do that as well, so that we can be able at least to mend the areas which we travel in. And the other challenge which we have is the fact that, the ability to maintain the bus and the replacement cost, they are too high. But we know that that cannot be the Government responsibility. But if we can work

10 together in terms of improving the infrastructure that could lower those repair costs. And the other thing around the challenges which we have is the changing customer needs. I think on the changing customer needs, let me talk to the Road Transport Management System in which AB350 is embarking on. In terms of the Road Transport Management System, we would like to educate

15 the communities around the areas which we are supporting our customers. Now, in doing that we need to go to the schools. Because at times you'll find that certain accidents shouldn't be happening if we would have educated the communities. But we are saying that for us to educate those communities, we need to get into the schools, so that they can understand their safety and how

20 to look after the roads and to look after the children as well as they cross the roads, because we travel in rural areas and at times you'll find that children don't understand when to cross and even when the disembark or when they get out of the bus, how to get out of the bus without endangering themselves. We would like to take that education to the communities, which is what we would

25 like the Government to help us with. I will not talk to the repairs and all that,

because I have already spoken to it. In terms of the recommendations, I think I have already spoken to the fact that if you look at the subsidies, they are not equitable. In terms of the operators who are operating in the urban areas, already you can see in the slides that they get a fair share. And which we think

5 that, if you look at the operators who are small, who are operating in rural areas, we believe that Government should be supporting mostly the people who are hard hit. And we are looking for the equitable share when it comes to the allocation of the subsidies. And the effective implementation of the municipal laws, especially at central parks. But when I talk to that, I had the privilege of

10 listening to SANTACO in terms of the law enforcements as well. And I think that is the challenge that we have as well in terms of the busses. Tomorrow we will be in Butterworth having a memorial service of one of our bus drivers who was shot when driving the bus, because people wanted to rob the person of the ticket sales. So, what we are trying to say is, in terms of the law enforcement,

15 we are more exposed because we travel in rural areas. And we would like the... unfortunately the police stations which are in these small towns, you find that at times they don't have the capacity to respond quickly. I mean even when we have notified them that there is an incident, their response rate is not as quick as we would have loved. Because if you talk about bus drivers who

20 carry some cash on the roads, it becomes risky, especially in our crime rate which we look at. So, in terms of law enforcement, we would like the Government to help us around that. And in terms of the fact... I have alluded to the fact that the environment that we operate in, is very capital intensive. Now, we understand that the Government is supporting us in terms of subsidies.

25 However, in terms of getting new busses, the infrastructure which is depleting

our busses, it messes up with the lifespan of our busses. Now, we would appreciate if Government could support us on infrastructure and not look at the initial capitalisation of the institution only and look at how these institutions can be capitalised as well as they bring in new busses, so that the operations could  
5 move smoothly. Especially that we would like the bus industry to be reliable. I think this next slide is already, what I have already spoken to, the other recommendations. And, Chairperson, I have rushed that presentation, because I am cautious of the time and I know that you do have the presentation in front of you, but I must apologise that you didn't receive it in advance so that you can  
10 mal over it, but I will pause for any questions... and before the questions, I will let my chairperson to augment what I have just presented. Thank you.

**CHAIRPERSON:** Thank you, Ms. Ngehu. Chairperson.

**MR SIMLINDILE HINTSA:** No, I think we can just allow the questions to come up, because I will still have to present on SANSBOC, as well as the province,  
15 who I believe some of the things that has been said in the slides, will appear, but we will try to elaborate more and show the meaning of why there is AB350.

**CHAIRPERSON:** I have seen that there is some conversions between the two presentations.

**MS NOSIPHO NGEHU:** Yes.

20 **MR SIMLINDILE HINTSA:** Yes.

**CHAIRPERSON:** What I suggest that we do is, perhaps let's go to the SANSBOC presentation as well.

**MR SIMLINDILE HINTSA:** Yes.

**CHAIRPERSON:** So that when we take questions, we can take questions on both, because the two presentations talk to each other.

**MR SIMLINDILE HINTSA:** Thank you. You will forgive me, Chair, I am a bit sick. I don't know what happened this morning. On SANSBOC we are bus operators in the country called small bus operators. I don't know what is the reason behind small, but I assume it is because we are small compared to big companies that are in the country. The National Department of Transport identify the need for the development of strategy to formalise and empower small bus operators in line with that strategy. The National Department of Transport then facilitated the formulation of SBOs at regional, provincial and national level. Formulation of SBOs is to position the SBOs for a better participation in the formal bus industry within the greater public transport. Small bus operators who are previously disenfranchised and had very limited or no participation in the mainstream of the economy of the country. As you can see in that presentation in front of you, these are the provinces that we are talking about across the country. Then, we will move to the structure as it is there, representation. We have got Eastern Cape which is myself and Mr. Squqa (?), there is Gauteng, Mr. J. Khumalo and Zikhale, Mpumalanga, Mpeti, Nzamini, Free State, Menye and Mr. Golowhale, North West is Gudumo and Motswadira.

20 **CHAIRPERSON:** Sorry, Chair, you will have to speak to the mic.

**MR SIMLINDILE HINTSA:** Sorry. Then there is Limpopo, Ms. O. Maponya and Mr. Ragiman. Western Cape, Mr. Swarts and Mr. Makaluza. KZN is Mr. Mahlawe and Ms. Buthulezi. Northern Cape is Mr. Matiba and Mr. Mathe. What we are actually trying to do there, Chair, is to indicate the representation

of small bus operators in the country, just to show who we are exactly. At some stage during the year 2002, the Honourable Minister Dula Ouma once asked a question, can you give me the name of your company before we talk, so that we can really understand that there are small bus operators. Sometime, three or

5 four years back, I was with the chairperson of the standing committee at National Department of Transport when he said to me that he does not know of any small bus operators in the country, it is for the first time for her to hear that. And it was quite not nice, but of course we had to do something about that. We are small bus operators in the country who are left behind in terms of economic

10 stream of the country. We are not actually talking about subsidies only, but we want to ensure that we are able to be there and to stand on our own and ensure that we make business. Those are the towns, regions per province on that slide, which I think you can see it. The provincial representation overview has been dealt with in the previous slide. Now, let's go straight to the challenges.

15 Dominance of subsidised public passenger industry by few majority bus operators. Disparity between ...intervened.

**CHAIRPERSON:** If you can just slide to the slide on challenges, sorry, Chairperson.

**MR SIMLINDILE HINTSA:** Can I carry on? Disparity between the national and

20 provincial transport commuter subsidy, rates, poor road infrastructure, poor and non-existent rank facilities, access to existing terminal infrastructure facilities, regulating and monitoring of issuing of licenses, implementation of transport broad black based economic empowerment charter is not in SBO's favour, fronting by major industry, limited new business opportunities.

25 Recommendations: The level of subsidies public passenger playing fields

through relocating subsidised from dominant major players to SBOs. Equitable allocation of subsidy, commuter contracts across all subsidised bus operators. Effective implementation of municipal bylaws and central park and ride facilities for all operators. Implementing authority, municipality and transport department

5 to determine demand, utilisation, efficiency and route demand for transport operations. Exclusive access to terminal sites by dominant operators, for example Gauteng Bus Park and ride sites, Park Station, etcetera. NLGTA 51% black ownership policy must be affected, monitored and implemented. This has not been the case. Major players must share resources to SBOs and must

10 have direct participation. Implementing of existing legislation, confronting with the backlisting of defaulters. We therefore believe the legislation in place, must transform the industry and empower small bus operators. However, implementation process has been unsuccessful. It is time to directly cut the subsidy budget allocated for dominant bus operators by the Government and

15 relocate to small bus operators. This can be accomplished by the formation of provincial companies owned by SBOs, so as to participate in the mainstream economy. Consolidation of small bus operators into single provincial legal entities, which Government can transact with. We are saying this, Chair, just to try and elaborate on some of the slides here, as far as I can see, there is no

20 way that small bus operators can be transformed into the economic stream of the country, if they cannot be in a position to formalise themselves into a single legal entity. And in my mind I believe that the Government can put so quite a number of documents in place in trying to change that situation. But if that have not been achieved, it will not be easy. The reason being this, if you want to

25 disband city to city, whom are you going to give? It is only the big companies

that has got the capacity to do so. And the Government would be forced to go to those companies. But if we are able to form those legal entities, to have power, to create your sense of power as operators to become business people, you will be in a position to compete with the other big companies. Right now, as

5 we talk about AB350, when the process of creating a value chain process, we were talking about now a bus workshop that MaNguhu touched on, which is about 80% be finished. We will be looking to tyres, we will be looking to spares, we will be looking to all those things that creates the turning of a bus. We are doing that with intentions to be in line with these big companies that I am talking

10 about. Because if we don't have such structures, I am telling you, even you as the Commission, you will talk to the Government but the implementation will not be in place. I heard my fellow colleagues here talking about one future development company which was formed between small bus operator, the bus operators in this province and the taxi operators. For the first time we were able

15 to talk under one roof and be in a position to understand one another and create a platform that is going to develop a change in the transport industry in the province, but unfortunately, we had some hiccups. But it doesn't mean that that cannot be relouked at. Because to me I believe it is the only way, you unite people, then you give them. But if you give them divided, there will be big

20 problems, because they will start fighting one another. So, I am saying, Chair, as far as I am concerned, the main issue that I wanted to talk about to yourselves is the issue of the transformation. To try the Government to assist the small bus operators to form provincial companies so that when Putco – I am not too sure about figures – is running 2 800 busses, at least he must share that

25 with the small bus operators, even if it is a thousand or 500 busses, it will be

better than nothing. Right now, they are not benefiting in anything. But for them to be in a position to talk about the value chain that I was talking about, they must be able to have that opportunity to access. Because even Putco that we are talking about, for them to be where they are, is because of Government  
5 subsidy. They never came themselves from elsewhere to become bus operators. They were invited by the Government to be subsidised. And therefore, we are saying this cut must be given to small bus operators. And I have got an understanding that there is something that says the budget is only meant for the big companies. Even if that is so, let's cut, because no one has  
10 got the right to have a subsidy forever. Let's cut from that budget if the Government cannot be in a position to come up with other routes. Let's cut from that budget and give the small bus operators. If needs be, because perhaps we can try and persuade these big companies to follow that route. And lastly, around the issue of the permits. We are being exploited by the other  
15 provinces. You will see busses running in the Eastern Cape, which you don't know where they received the permits that allows them to come and operate here. But we strongly believe it is happening, because these are the same big companies that I am talking about to you. We want a way of engaging with all provinces in order to ensure that when the permits are being issued, we must  
20 be able to defend our own province and be able to go and negotiate for permits in other provinces, so that there is a clear line of understanding on how are we operating cross-operation between the provinces. But only, I mean what I wanted to emphasise strongly is that, there are no ways that the government can empower the so-called previously disadvantaged, is they cannot be  
25 formalised first. And be in a position to be in that league of the big companies.

Because if that doesn't happen, any advantage towards the small bus operators, will be met with challenges amongst the bus operators themselves, whereas they were supposed to grab that opportunity again. So, there is a real need to try and influence this change, as I have indicated to you, Chair, that  
5 even in the Eastern Cape, when we did that with the taxi operators, we were able to talk and engage and talk about the business at length with intentions to make more business. But it is so unfortunate that we had some few challenges. But that is what I wanted to try and emphasise strongly. I thank you.

**CHAIRPERSON:** Thank you very much. Unless there is any points of  
10 emphasis from your colleagues, we will now get to the questions.

**MS NOSIPHO NGEHU:** Thank you, Chair, we will take questions.

**CHAIRPERSON:** Thank you. Who is going to start, Mr. Lesofe?

**MR LESOFE:** Yes.

**CHAIRPERSON:** Alright.

15 **MR LESOFE:** Thank you for the two presentations. So, what I will do is to start with questions that are specifically in relation to AB350 and then I'll have another set of questions that are more general, in a sense that they relate largely to small bus operators. And perhaps, as a starting point, just to understand the circumstances that led to the formation of AB350. I appreciate  
20 the general point that you've made and emphasised around the importance of formalisation, but I just want to understand specifically in relation to AB350, what are the circumstances that led to the formation of the entity?

**MR SIMLINDILE HINTSA:** Can I respond, Chair? Thank you.

**CHAIRPERSON:** Yes, as and when the question is asked, please feel free to respond.

**MR SIMLINDILE HINTSA:** Sorry?

**CHAIRPERSON:** As and when the question is asked ...intervened.

5 **MR SIMLINDILE HINTSA:** Okay, thank you.

**CHAIRPERSON:** feel free to respond. Yes.

**MR SIMLINDILE HINTSA:** That is a very good question indeed. In the country, I mean in the province, there was a company that was run here by the name of Transkei Road Transport Corporation and it was closed and that opportunity  
10 was opened to small bus operators or to the bus operators of the province. What happened during that time when bus operators were accessing the subsidy from the Department as individuals, firstly there was a lot of fronting, where you can see a guy and then he can move from his place straight to the Department to claim the money and that was a challenge. Secondly, if one bus  
15 operator, two or three has not operated, the Government will say, let me first investigate before I can make payments. Something that is going to take plus/minus three months, whilst they are paying this one, someone else is not operating on the other side. And it was an ongoing, what you call, problem. Up until we as small bus operators engaged the Government in forming one  
20 company that will assist in these operations, with the intention to centralise the administration, with the intentions to ensure that we follow the legislative framework of the bus in the [inaudible] terms of the law, with the intention to ensure that we change the mindset of operators to a big bus operator, with the intention also to use the muscle that we have, the numbers that we have as

small bus operators to be a formidable force behind the success of the company, of which I strongly believe that we have done that. This is our 10<sup>th</sup> year running the company without any problems. Of course, there might be challenges, challenges that are normal. But for the first six to seven years, we  
5 have managed to run a business and receive a [vernac], annual financial unqualified audit. You know the reason why, Chair, I forgot this name... one time we were in an annual general meeting, we were reporting to our shareholders that we have received unqualified audit. It was a big question and there was a lot of uncertainty, what do you mean when you say unqualified,  
10 when we believe that the company should be doing well. So, I am saying we... those are the achievements that we can be proud of. And also looking at the broader pictures I have indicated earlier on in terms of the value chain process. Thank you.

**MR LESOFE**: Thank you very much. And I take it individual bus operators who  
15 were brought together, are now shareholders, they hold shares in the entity, is that correct?

**MR SIMLINDILE HINTSA**: Yes.

**MR LESOFE**: And how many operators are we talking about?

**MR SIMLINDILE HINTSA**: 242 shareholders that are there. As I have  
20 indicated in the slide that we have got 350 bus operators, but 240 are shareholders right now. The process behind the, what you call, the acceptancy of new shareholders, there is an agreement between us and the Department of Transport, which is a MOU in as far as the entry point of small bus, new entrants in the company, which we are exercising it slowly, as the bus operators

are coming in the space of the bus industry, buying busses, they have got to follow a certain route in order to become shareholders of the company. And the reason why there is that creation of value chain, we want to ensure that subsidy must not be the only ball game. Because if we look into subsidies only, when  
5 the industry is growing, the business will be saturated and we'll have problems. We need to ensure that we move with the time. When we are able to have tyres, to have fuel, to have spares, to have quite a number of these things, we'll be in a position to even have some shares in the sea, in the air, anywhere, so as to ensure that these shareholders that we are talking about, are able to  
10 benefit something at the end of the day out of those achievements. And on top of that, they are also doing their special trips, they are also doing the scholar transport, they are doing some of the routes that are not operated. Thank you.

**MR LESOFE**: Thanks. While formalisation is very important, it appears that it is not an easy thing to achieve.

15 **MR SIMLINDILE HINTSA**: Yes.

**MR LESOFE**: Could you just highlight some of the key challenges that you had to deal with in that process and how did you overcome those challenges?

**MR SIMLINDILE HINTSA**: The first challenge was the financial institutions and the department didn't have enough money for 173 busses. That was the  
20 biggest challenge and it was a nightmare for us to be in a position to achieve our own dreams. I remember, Chair, one of the, what you call, the employees of Standard Bank – I am saying this not with the intentions to offend Standard Bank, but it is just something that happened. My wife was working in Standard Bank during the time, and this guy said, hey your husband is daydreaming, you

will never see black bus operators being able to have to buy 173 busses and own them. That was something that my wife, it was not very nice when she came back from work, but at least I managed to defuse that with a small kiss, so that you can understand what is actually taking place. Then financial

5 institutions were the biggest challenge. The only, it was a challenge even to develop a business plan for 166 routes, plus 173 busses. It was a huge challenge. We approached Price Waterhouse Coopers but we didn't achieve anything. We were helped by Standard Bank who told us that there is a guy in Limpopo who can do that business plan for us within a short space of time, of

10 which he did that within plus/minus five days. So, the challenges were around the financing, the mindset of the bus operators, which is a huge challenge that one. Because the bus operator will ask you, hey, hang on a bit, are you trying to tell me that in the morning you will see a bus written [inaudible] bus service in front of my house, whereas I normally see my own bus. I kept on persuading to

15 say, what do you want, do you want bus or you want money... they chose money. That is when we were able to convince them. But, it was not an easy exercise, even the Government had to jump in when we were unable to see eye to eye in that kind of development. But the Department assisted a lot. And I wish also to, on the side of the Government, they were so passionate about this

20 project, because we started with the ECDC which is the local financier, or what do you call it, ma'am?

**MS NOSIPHO NGEHU**: Eastern Cape Development Corporation.

**MR SIMLINDILE HINTSA**: Eastern Cape Development Corporation. And we managed to get hold of DBSA, we managed to get hold of IDC, we managed to

25 get hold of NEF. We had some challenges again in the financial institutions, but

the IDC did a wonderful job, because it was able to talk to the international companies to come and invest some sort of money, like Scania (?) who managed to give us a bit of money to push the company. So, the Department was on our side. And they were saying that for them as the Department, it will  
5 make their lives easy, because they are not going to manage 500 individual, what do you call, contracts. They will manage one company that will be operating across the province. And it is not the whole province, there is other part that is operated by Mayibuye and other one by Algoa, but this one is more so on the former Transkei. Thank you.

10 **MR LESOFE**: Thanks. Now, just to understand issues around compensation. So, when the entity was formed, you brought together individual operators who were probably used to receiving monthly income and now you have a structure which is more of a company and companies generally exist and operate on the basis of, you know, the paying of dividend. In your instance, how do you  
15 manage the issue of compensation? How do you, for instance, ensure that individual operators who were used to monthly income, you know, they still continue to survive without any difficulties?

**MR SIMLINDILE HINTSA**: No, excuse me, Chair. I was telling my colleague that he must note whatever he wants to respond to, once I am done, he can  
20 add. That has been a bone of contention, not as such compared to other challenges that we have. We agreed that the bus operators will relinquish the permits to the company, so that those routes will be operated by the company on behalf of those shareholders that were operating those routes. We agreed that there will be sort of a route render, so that you are able to carry on with  
25 your live based on the question that you are asking in terms of the revenue

collection that we will be getting per month, so that we are able to live. We are saying to those that are not, that were not in the subsidy during that time, they will receive subsidies, they will also benefit on this value chain process that I am talking about. That is how we were able to come together.

5 **MR LESOFE**: Okay, thank you. And if we could just talk briefly about the areas that are serviced by AB350. I appreciate that you've highlighted broadly the different districts that you service. If you could just give examples of some of the rural areas, especially deep rural areas that are serviced by the entity and these are areas where you think, you know, you are highly challenged in terms  
10 of providing good service.

**MR SONGEZILE MADDO**: I didn't hear properly, but I will try to answer. Let me start, I am Songezile Mado, Executive Director of AB350. Let me start from where he left. The formation of AB350 was the hardest, it was very hard to change the operators to follow one entity. Few operators that were calling  
15 themselves those, yes, pioneers of busses, they were the last to join. Because bus operators on our rural, no one has ever made any money. Because you make money for stannic while the bus is new, but when it's ending on that fifth year, the bus is also finished, because there were no roads. Now, let's go to the routes. The routes of different operators that we managed to put them  
20 together to be run by AB350, 95% of those routes were running smooth, but 2% it is very hard, because our competitors sometimes, because of the fuel and other things, they just stop the busses and say raise the fares now, now, as we speak. But some understand that the fares on the subsidised routes are determined by the Department, but some they don't understand. As we speak  
25 now, I think out of 136 routes and busses, six of those 136 are not working,

because we have been trying to negotiate, but we cannot understand one another. But the 130 are operating. Our competitors are taxis. Taxis they understand, but then somebody will come with a van, where you don't know where he come from, and say if you are not raising fares, you cannot operate.

5 So that is the struggle we always trying to persuade our members. Because now, even the shareholders, because you know our rural here, they won't come and defend this is my route sometimes. We will have to come all the way from head office to negotiate, but we are still carrying on. It is very hard, because what you can hear if you can go outside now, is the people that will claim that

10 were left behind. But now when you come with roadshows, meetings from the Department, it is the only time you will say, because I see they get something, so I want also to be in. It is very hard but we are going forward. Thank you.

**MR SIMLINDILE HINTSA:** I think, Chair, I will ask Ms. Ngehu to add on the question that you were raising. I think my colleague has answered to a certain

15 extent. You were referring to the deep impact ...intervened.

**MR LESOFE:** Yes. Essentially, I would like us to also capture some of the routes or deep rural areas that you service. So, I would like that to be part of the record.

**MS NOSIPHO NGEHU:** Thank you, sir. Even though as a new comer I might

20 not know all the lallies which we go through. But in each district, we go to the end of the road of that particular district. If I can make an example with [inaudible], the busses which are sitting in our Butterworth Depot, when they move from Butterworth, they mover from Butterworth, others will start in [inaudible] and do [inaudible] and Willowvale. The other bus will take the

[inaudible] route and do all those lallies or rural areas of [inaudible], while the other one will take the Nkamakwe line. So, that is your Butterworth Depot. And the Butterworth Depot is having 25 routes, which means all the (vernac), they will be covered by the Butterworth Depot. Now, if you go to Engcobo, the Engcobo line is going to take all the districts of Ngcobo and go to [inaudible] as well, but we don't take all of [inaudible] because partly it is done by Queenstown. But there are areas which we don't cover in Queenstown, which are covered by Mayibuye. There are certain routes there. So, we've got 16 routes in Queenstown. And [inaudible] is having 26 routes as well, and we cover all that area of [inaudible]. And we have got the [inaudible] depot as well goes to all those rural areas and take part of Mqubu as well. And the other area of Mqubu will be covered by the Mthatha Depot which will do Mthatha and partly Lebode and [inaudible]. So, we get into all the rural area of our former, should I say former Transkei. But if I can name the lallies, [inaudible] and whatever, I don't know whether everybody is going to know those lallies.

**MR SIMLINDILE HINTSA:** You know, the biggest problem around, she said there is no other transport in some of these areas that we are talking about other than the bus, in some of these areas that we are talking about. And if the bus, they didn't pitch in the morning, if you were to go to town, you just say let me not, because there is only one transport which they rely on, it is those busses only, those are the kind of routes that we are talking about.

**MR LESOFE:** Yes, you can.

**MR SONGEZILE MADO:** Thank you, Chair. And just to add to what my colleagues have shared and reemphasised on some of the points, AB350 is

playing a very vital role in the revitalisation of the rural economy, which is an imperative of the Government. And it is linking the rural communities to the services that are offered in the city or in the urban areas. And our biggest challenge in operating in those rural routes is the road infrastructure, which is

5 deadly. The roads that we are operating on, nearly non-existent, they are not just bad roads. Because if you say bad roads, bad roads are roads that you can scale on a scale of one to five, how bad is it. They are not even making the five. They are poorer than that and some are just non-existent. Now, how is it a challenge to AB350? It is impacting on the bottom line of the company. It is

10 increasing the operating cost and subsidies that we are receiving from the Government, are not taken into account that, if you are going to compare it with even companies that are operating in the same province. So, the disparity of the subsidy allocation, taking into account the conditions that we are operating under, there isn't a fair distribution on that. Thank you, Chair.

15 **MR LESOFE**: Thank you very much. This is very helpful. I will come back to that in a moment. And in terms of the, what is the average age of your fleet? And another question linked to this is the average lifespan of your busses. I would like us to do a comparison of that... obviously I think because of the conditions you operate under, that will have an impact on the average lifespan

20 of your busses. So, what is the average lifespan of your busses and what is the normal average lifespan of a bus, under normal conditions?

**MR SIMLINDILE HINTSA**: That is another good question. We were talking to the Department recently saying that we want to have what will be called state of the bus industry address in the province, trying to identify some problems and

25 areas where we can make good, what do you call, we were talking about this

issue that you are asking. The lifespan of a bus depends on how it is being used. Because there are busses that are very old, there are busses that are new, but you can compare that old bus to the new one, you will find that the old one is better than the new one, because of the driver, the areas and the conditions of the road. But at AB350, we change our fleet after seven years, because of the road, others were going to go beyond that. But we are saying that if you can keep those busses for too long, you will pay more than what you should be paying, compared to a new bus, in terms of repairs. Right now, we have changed the busses that we started with in Bizana in 2008, we changed them last year. We changed the busses in Butterworth and put the new busses. We are intending to change the busses from Mthatha. The reason, it is not that those busses are too old, but because of the road conditions, we see that if we carry on operating those busses, you will fix them daily to an extent that you will end up working for spares, you would rather get a new one and change the old one.

**MR LESOFE:** Okay thank you. And just to understand, now I want to talk about your contracts, the contracts that you manage on behalf of the operators. What kind of contracts are these, are these interim or negotiated contracts or any other form of contracts? What kind of contracts are these?

**MR SONGEZILE MADO:** Thank you, Chair. AB350 are running on negotiated contracts with the Government. Initially it is seven-year contract that is extended on expiry for another five years. And after the extension of the fifth year, the Department of Transport now is allowed to extend on a month to month contract until they readvertise again.

**MR LESOFE**: And when do the current contracts expire?

**MR SONGEZILE MADO**: Our negotiated contracts are on three phases. Our three phases started on different periods.

**MR LESOFE**: Oh okay.

5 **MS SONGEZILE MADO**: So, as I said, the initial contract period is seven years, to be extended for an additional five years after expiry of the initial five years.

**MR LESOFE**: And then earlier someone mentioned route rentals. Could you just explain how does that work?

10 **MR SIMLINDILE HINTSA**: In view of the fact that bus operators were operating their own routes, they were able to cash up in the afternoon R300, R400, R800... and they were able to go and buy bread and have paraffin, whatever is needed at home. But we said we are not going to give you money weekly, simply because you've been operating that route, assisted by the Government  
15 through subsidy, we will give you a route rental, so that you are able to live your life as you have been living when you were operating that bus. We are saying... and also a lengthy argument around the formation, because we are saying if you say to these people wait for dividends at the end of the year, that one depends on the company, how is their finances. But you can change those  
20 people to be the enemy of the same busses, if they are not being paid as they used to get their money. And that worked very fine, because we are giving them the route rental and it is quite smooth and there are no problems at all.

**MR LESOFE**: Okay. And if perhaps we can talk about the levels of subsidies. To your knowledge, are the rates for rural areas the same as the rates for urban

areas – I am talking now specifically in the Eastern Cape. I am not sure if you...?

**MS NOSIPHO NGEHU**: Can you repeat that?

**MR LESOFE**: So, my question is in relation to, I am trying to test whether there  
5 are any disparities in terms of how subsidies are allocated. I appreciate that  
you have mainly negotiated contracts and therefore even rates are largely  
negotiated. So, the question is, to your knowledge, if we were to do a  
comparison between operators like yourselves who focus largely on servicing  
rural areas, in comparison to operators like for instance it will be Algoa, who  
10 service largely urban areas, to your knowledge, is there any disparity in terms of  
the subsidies that are awarded to such operators. And I am asking this, taking  
into account the fact that at least from your presentation and other small bus  
operators, it appears that operators who service rural areas, their operational  
costs are higher than operators who service urban areas. And therefore, if that  
15 is the case, then even the allocation has to take that into account. The opposite  
of that would be illogical. In other words, if operators who service rural areas  
are given smaller subsidies, while they face higher operational costs, it is not  
logical, at least in my head.

**MR SIMLINDILE HINTSA**: No, it is quite true what you are saying. Although I  
20 cannot be in a position to give you the actual figures without the reference on  
these screens that you showed here, where we are saying Eastern Cape is 199  
and Gauteng is 1.8. But the truth of the matter is, it is not easy for us as blacks  
to unite and do something, because it is always easy for other black to criticise  
and paint the fingers on what you are doing, because you are black. If it is a

white company that operates, it will just do as it pleases, because there is nobody who is going to question it. So, during the year 2002 when there was a development of the scorecard in this country, the triple BEE charger, the then National Minister invited us into a meeting and he showed us the big companies that he is subsidising, plus the amounts of money that he is paying to those subsidies. And he placed the challenge to us, a small bus operator to say that I cannot be in a position to give you what I am giving to these companies, because I don't see you. There is nobody who is claiming to be a bus operator, therefore I kindly request yourselves to go and formalise yourselves. I am sure that when it became the issue of formalisation of small bus operators. Checking on the subsidies, referring to the question that you are talking about, to me, though I cannot prove it beyond doubt, it is something that can be tested, it can tell you that all these companies in this country, are being paid more than AB350 is being paid. We are operating a deep rural operation, we are trying to create peace and harmony amongst ourselves as operators. We want to work together with the taxi operators to ensure that these things are done the right way. I remember at some stage when I was challenged by the financial institutions that borrowed us money to say they see my budget going up and they asked me a question why. I told them that I need to do some way of interacting with the relevant stakeholders in the province in order to ensure that there is a stability in our operations. They believed that and they understood that that is just like that. But to answer your question straight, that is a belief that I have that AB350 is the lowest paid but it is the highest achiever in terms of if we were to put, what you call, these operations in a match, you can realise that these operations that we are doing and the involvement of us in other

activities, is double than those companies that are being subsidised more than what we are given. So, we are given less and they are being paid more.

**MS NOSIPHO NGEHU**: I think to add on what the chairperson has just said. I think if you can look at the slide which we have presented there. If you look at the subsidy allocation, you can see that Gauteng is having the biggest share and it is followed by KZN, followed by Western Cape. While we don't know what is the formula which is being used to do that allocation, that is one of the questions which we are having as well as to how come with them being in the urban area without having the experience which we have in terms of the routes which we operate in, how come their subsidy is more. Now, I think what we are saying to you is that, we would like you to find the facts as well so that we understand, is it because probably they've got more, I mean they operate one route several times per day or what? But we would like to know that, we don't have the answer. But we can see in terms of the figures that there is no equity in terms of that subsidy. And we would like to understand what influences the rate which is being paid to these subsidies, so that we can be at the level where we can argue for this equitable share on the subsidy.

**MS LULAMA MADINI**: Thank you, Chair. Yes, we do not have the actual rates, subsidy rates for the other bus operators within the country and within the province, but even looking within the Eastern Cape, there are disparities between the subsidy for AB350, which is mainly in rural application and Mayibuye and Algoa which are fairly urban and Peri-urban. And even between Mayibuye and AB350, which is quite smaller than AB350, their subsidy is way more than double than what AB350 is receiving, but we do not have the actual subsidy rate.

**MR LESOFE**: Thank you.

**MS LULAMA MADINI**: But there is that disparity.

**MR LESOFE**: Thank you very much. Just now to come to the issue in relation to how do we ensure that small operators are given an equitable opportunity to participate in the economy. And it appears that in this industry, in the bus industry, one of the meaningful ways to achieve that is through allocating them subsidy contracts. Now, the current system as it stands, it largely favours old operators. I think there is overwhelming evidence to that effect. By old operators, I am referring to operators who were awarded subsidy contracts when the system started in 1997. And to this day, they still hold those contracts. And that is not... that is not how that system was designed. And because of this, then these contracts are now seen as a barrier to entry. In other words, because there hasn't been tender processes, there hasn't been negotiated contracts, very few small operators have had, you know, the opportunity to participate and prove themselves, you know. Not all operators have been as fortunate as AB350. So, the question is, how do we then address this, because this is a problem. Even from a competition law point of view, this conduct is likely to be anti-competitive and to the extent that it is anti-competitive, it needs to be addressed. So, the question is then, how do we address this. And I appreciate that in one of the slides you mention that perhaps the solution could be to cut the subsidy budget allocated to dominant big operators. So, my question is, how do we do that? Would a model such as subcontracting work? Would a model such as putting tenders out, inviting potential bidders to tender work? I suspect the latter may not work, because for instance, if you now have a group of small operators who must now compete

with seasoned operators, they may still be disadvantaged. So, the question that I am posing right now is, how do we accommodate small operators?

**MR SIMLINDILE HINTSA:** The only way to accommodate small bus operators is through the formation of those single legal entities per province. Secondly, it is for the Government to go for a negotiated tender. Thirdly, there is a stumbling block which I don't understand, I fail, because when talking to the Government they will say this budget is only meant for these big companies. If you want a subsidy, you must go and look for other routes. The subsidies in this country has been on month to month basis. I strongly believe that during that time when the late Minister Dula Ouma was calling us in 2002, he was facing that challenge on how to distribute subsidies amongst the previously disadvantaged people. So, to me, if we can develop these companies first and foremost and we say, if we see this model that we are talking about is working and we believe that it can work, it is the so-called photo type or concept that can be used to develop other provinces. Even the financial institutions, especially IDC during that time, was very keen to assist in developing the bus company like AB350 in other provinces, with the intentions to give a space to small bus operators to benefit from subsidies, which to me is a life opening into business to small bus operators. As I said, they themselves, they went there because they were given subsidies. If you can say you are taking subsidies, they can say we are closing shop. So, now, the Government will never be in a position to issue any subsidy to small bus operators if it were to be given to individual bus operator. But if it is given to a company and a consortium of some sort, it will be easy to monitor regulate and ensure that it sticks to what is supposed to be done. At AB350, the so-called management company that I am talking about,

when the funders were saying it must have a signature on the account, I said no, it must not have a signature on the account, I am trying to run away from the issue of partnership, you name all this, what you call... they must own and run. I said to them this man who is a mentor (?) must sit in the passengers' seat, I will drive, it is me who is going to control the gears and the steering. He will show me how to control the gears and the steering. Once I am able to drive, I will open the door for him to march out. One of the reasons that made me to say that, I was told by one of the professors that you must never allow a consultant to be fully participating in your business, because he will fix himself forever and you will never be in a position to chase him out. It was not even easy to this one that I am talking about, but we managed to push him out, hence we have got new brains behind the steering, and I am sure we will move. So, I am saying in a sense, let's go for negotiating contracts. If you so believe that this is a concept, let's try to explain it to other provinces, the government officials and everybody who understand, by so doing we will be able to transform the small bus operators. But, if you go to them as individuals, they will form cliques and they will start fighting one another. We are being managed by this lady and the CEO of the company, as well as your staff going down. We only check on the things that are very serious like where there is negotiations that are supposed to take place within the lallies, stakeholder that is where we participate fully. The management is done by the people that are employed to do it, so as to comply with the law that governs the company. So, if it was going to be myself and Mr. Mado, perhaps we were going to say, whom do we love amongst these people that we can talk to and say he must guide us, so that we able to use this money in whatever way. But we said that let's employ the

management, which will be in the central operations of the company and you get dividends plus the route rentals. And I can assure you, bus operators are all happy because they are receiving those route rentals.

**MR LESOFE**: Yes.

5 **MS LULAMA MADINI**: Thank you, Chair. The Government also needs to continuously foster the transformation agenda by removing bottlenecks, especially in the supply chain management system. Once their operators have consolidated and the Government decides to issue the negotiated contracts... You know, for example, sometimes they will put up requirements that the  
10 operators cannot meet. One of those, if I can give an example, they would require that the operators must have a fleet of busses that is not older than five years. Now, if I go back to your question of the average lifespan of a bus. Bus operators operate a bus for more than 12 years or let me say 12 years on average, they refurbish. Once it has been refurbished, it has another five years  
15 or eight years to operate. And now, if the Government comes on the table and offers you a negotiated contract, but requires you to have a bus that is not older than five years, where does it put you? A small bus operator does not have that luxury to keep a bus for five years. A five-year-old bus is a new bus. So, it needs to get rid of those bottlenecks and make it easier for the operator to  
20 tender. Thank you.

**MR LESOFE**: Thank you. My last question, Chair, which is a follow-up question. You don't seem to support the idea of subcontracting. Can you just explain as to why? Because I seem to recall one of the small operators raising this as one of the possible solutions. And I think the operator also mentioned

that this may help in terms of even assisting the small operator or a group of small operators to get used to running a subsidy contract system. So, subcontracting may come with some form of incubation. Just your thoughts on that.

5 **MR SONGEZILE MADO**: Let me answer here. Subcontracting, all the operators do not agree with. Because if I subcontract from an operator, a big one, it means I will every day going back home with stories, no money. Because we have seen subcontracting, even to the old bus association called SABOA, where people used to say I am subcontracting here, I am  
10 subcontracting here. Even us, when we got the routes that were from TRTC and [inaudible], we used to be given busses by Durban guys. Every time it breaks, he takes the money, you end up going to be stealing now the money because no change is given to you. The only light that we started to see, it was when we all clubbed together and make legal entity, that is AB350, with all the  
15 laws of the company where every month, times, tenures, no one can come anywhere and say I was keep a month on the amount that we agreed amongst ourselves, here is what I received. All those tenures plus their [inaudible], we always get our route rental on time. So, we disagree with subcontracting.

**MR SIMLINDILE HINTSA**: In fact, when IDC was still involved in the process,  
20 they took us to one of the big companies and say small bus operators now in this case, what can you do about the small bus operators. The answer was very short and brief – we can give them contracts, we can give them busses, but the agreement must be that the management will be done by us. And I said, well, let us close the meeting because there is no need for us to talk when  
25 you want to manage. You want me to be somebody who owns but owning

nothing at the end of the day. You see, during the time of TRTC we told the former employees of TRTC that you rather sell these busses to these bus operators and the taxi operators of the province rather than to sell them elsewhere. They sold those busses at R12 000 each. We were buying those  
5 busses for R200 000, R300 000 each from the same people. They gave him 10 busses which looked new. He drove those busses for six months and after six months all of them were repossessed. So, in this case, there are no ways that as you are seated there, someone else wants to do the job that you are doing and you don't have any other job, that person can assist you and teach you how  
10 to do the job. Because he will ensure that you don't succeed. Even in this case as we are talking about, we had to push the management out, because we get a sense that this man doesn't want to leave and we are paying him big figures. We'd rather get our own people to come and assist us and the change is going to be there, we will move. So, I am saying, they can be employed with terms of  
15 reference on what he is supposed to do and not to do, especially when there are also development agencies of the Government, because they are able to put those conditions for any people who assist. But for me to be in a better position, they must from the very word go thought how to own. Our fellow colleagues, the bus operators, when we started they went to the depot and say  
20 to the depot manager, how much have we made today. We told them that no, you don't have to go to the depot, wait for the annual general meeting. They happened to understand that. We are living now in a better position. And those people that we are talking about who might be doing the subcontracting or partnership, they can also be the one who can create a bigger violence than it  
25 is. I am not saying people with skill must not be utilised, but it must be utilised

in a way that is going to ensure that it sticks to what you are supposed to do in order to empower those people, not to be an open, what you call... Right now, I have heard in Johannesburg, when one of these companies was saying that there is no money on these routes, you can give it to small bus operators. Why

5 did you say that when you talk about routes that doesn't have revenue and you say you must give it to those who are previously disadvantaged? It is not fair. So, hence I am saying it, to me, the issue of the subcontracting partnership, whatever you call it, they must be owned, be managed, be monitored and they will do what they are supposed to do. Hence, I am saying to you that as AB350

10 we have managed for the first five, I mean seven years, to have a clean audit. We were disturbed by these issues that I am talking about of when we were trying to chase this man out and he wants to resist... So, I strongly believe that if black people can be given an opportunity to manage and run on their own and be monitored by Government, they can do something better. Lastly, the audit

15 firms during those years – I am not a politician – they were unable to get work from Government, because they were operating in silos, but they were being advised to come together and have one big audit firm that is owned by quite a sizeable number of black chartered accountants, they were able to get jobs. But in this case, if you don't do that as blacks, we are not going to achieve anything,

20 we will remain underdogs. Thank you.

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

**MS NOSIPHO NGEHU:** I think probably the final leg in that question is that, is AB350 prepared to expand, meaning that is AB350 prepared to allow other people to get in or is it limited to the people who are in already, to answer that

25 question of incubation. And is there a way which AB350 can capacitate other

new small business operators who want to get in, who want to participate. Obviously, I think the challenge on that one is that as long as the support would be given to incubate any black small business operator, that is a way to make it a point that we've got inclusivity in the economy. Because incubation is a way to capacitate and make it a point that other people as well benefit. So, I think there is absolutely no reason why AB350 will say no, but it would have to have support on that one.

**MR SIMLINDILE HINTSA**: On top of that, sorry, Chair, on top of that... The financial institutions that brought AB350 to where it is, it is not the commercial banks, it is the development agencies of the Government. Those agencies are still there. Those people who assisted us to be where we are, they are still there. And they signed what was known as timesheet, which was having 31 conditions that we were supposed to meet before we can get a fund. So, I am saying they can do that because they are still alive and they are still Government institutions that can ensure that if we develop these companies in these provinces, can work better for the majority of us.

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

**CHAIRPERSON**: Mr. Ngobeni. Ms. Nontombana.

**MS NONTOMBANA**: Thank you for the presentation. Just two questions. The first one is, on the presentation you mentioned that there are routes where it is only the busses that are servicing those routes and there are no alternatives. Are you able to tell us which routes are those?

**MR SIMLINDILE HINTSA**: It is a sizeable number, we can send that information to you, because it is there, but we cannot be in a position to say it

now because... There are a few routes that I know, but there is a sizeable number of routes that we are operating in that fashion.

**MS NONTOMBANA:** And then the other question I had was with regards to what it is that is required to successfully run the operations that you are running  
5 as AB350. And I am saying this because in the presentation you mentioned that you have depots, you have the fleet, you have capacity in terms of the management to run the operation. So, I wondered if there are other things that you think make AB350 to be a success, things that perhaps if you want to involve smaller operators in the running of busses, they would have to consider.  
10 And I am saying this not only with respect to the Eastern Cape, but just generally. Because there are other provinces that seem to have implemented a similar model to AB350 where they come together as small business operators. But just from your experience, are there things that they could learn in other provinces in terms of running a successful operation for the benefit of small  
15 operators, other than the three that at least I picked up on your presentation.

**MR SIMLINDILE HINTSA:** I think when you refer to other provinces, there is always a chance to learn. You cannot guarantee that, as I am the only, what you call, there are chances to learn other things that are done in other provinces. But when we engage with the rest of the bus operators in the  
20 country, I normally say to them let's present what we are doing in those provinces, so that we can be in position to check which one could be the best suitable model for small bus operators in the country, but it is not coming up. But with the lengthy experience that I have, I know the reasons why there are such challenges. Hence, I am saying if this can be approached in a way that is  
25 going to indicate to small bus operators that form one company. The only

problem with this is that, if I am... I must give an example of Limpopo, there are a few bus operators that are subsidised by the Government, there are those few that are not subsidised, but it cannot be a very simple exercise to just bring them on board, because this will be saying that I have been here and therefore I cannot be... So, those are the things that one can negotiate and see how is he taking them. So, I am saying I tried to encourage the small bus operators to come up with some models that can assist, but in having said that, there are certain things that you can still learn in other provinces.

**MS NOSIPHO NGEHU:** I think to add on what the chairperson has alluded to, when you start a bus company of this nature, I think what is important is that you must be clear about your governing structures, because it is a complex environment. Now, if you are not clear about your governing structures, it is easy for the whole thing to fall flat. Because you've got shareholders which could be in the region of 240 or 300 or 500. Now you need to be clear as to how are you going to model the governing structure, how many are going to be sitting in the board and how are you going to do that representation according to the geographical spread of that particular environment. And now, in your memorandum of incorporation, it should be clear as to the people, when they join the organisation, if the entry into the company, probably there was, the price per share was this amount at that particular time. It should be clear in the memorandum of incorporation as to how are you going to invite the new comers, will they be coming in the same share ratio or you will have changed the share ratio, depending on how are you coming up with that equity structure for that particular organisation. That is the first and very paramount thing which you need to have. The second thing which is very important for me is that, your

management structure should be clear. You need to have clear lines of communication between the shareholders and your executive, how to run the organisation, so that the organisation is run from an entity level not as a small holder or as a privately-owned business. So, that is very important. Now, the

5 infrastructure in terms of the business itself, depending on the spread of that particular company, you might think of looking at how many depots do you need. And in each depot, you need to have a structure to manage that depot. Because, if you don't have a structure to manage that depot, you will not be able to get the results you anticipate for that particular depot. So what it means,

10 whether you come with a supervisory level of a depot person or a depot manager which will understand how to run those busses, do you have the technical guys in the depot who will look at the technical aspects within the depot, do you have the inspectors within the depot, do you have your whole administrative support which will make sure that everything is happening

15 according to the T. For me, the structural environment of the organisation, it should look like any other organisation, not like as a sole proprietary environment. So that at the end of the day, you can account for everything, for every investment which you have put in the organisation. Audited financial statements is a must. Having your internal controls is a must. You cannot do

20 without those things. So, what it means is that the proper running of the organisation, it has got to be run in a professional way. The moment you don't have your accounting systems in place, you don't have your supply chain, we even to talk to the fact that even though the company is not a government entity, but we borrow the principles of the PFMA for the sake of making it a point

25 that the organisation is run smoothly. So, that is the learning for every entity

which wants to get into this space, because that is how you put, you can say you get your return on investment. So, those are the things. And for me, the last one is that you need to maximise on the economies of scale. This environment is capital intensive. Now, because it is capital intensive, if you are going to be buying tyres or diesel from the petrol stations, you don't get your economies of scale. You need to look at your value chain and check which things you need to put to in-house and which things do you need to outsource. So, these are the learnings as you try and operate efficiently and effectively. So, for me these are the learnings which I think AB350 has paid school fees already, which I think everybody wants to get into this environment, they need to make sure that they do have them in place. Thanks.

**CHAIRPERSON:** Just two last questions from myself. The first one is, I think in response to a question from Mr. Lesofe, in connection with the remuneration model to shareholders, you mentioned route rental as a mechanism for remunerating the shareholders. So, what does this mean? Does this mean because you current operate 136 routes, does it mean that the company has rented these 136 routes from the shareholders and has to pay a monthly rental to its shareholders? Is that how the model works?

**MR SIMLINDILE HINTSA:** Yes, it is true. The way you put it is how it is. So, the biggest challenge was that if I transfer the permit to AB350 and wait for the dividend, I will not be able to live. And once more on the other hand, the Government has to subsidise the small bus operators as individuals that was the case in this province. But we are saying in order to change this situation, we'd rather have one company so that we are able to maximise the wrongdoings in the process, which cripples the operation. We said rather have

the route rental paid per month so that you are able to live with your family, to manage your family and do your own things up until the end of the year or until the company, I don't know, comes to, what you call... But it is like that at the present moment. And those that are shareholders, those that are not getting

5 route rental, are shareholders of the company. The reason why we decided to have all of them inside is that, when we go for annual general meeting, everybody must be inside and understand what is actually taking place inside. If you say we are paying route rentals to a number of bus operators, we are not paying route rentals to you because of a, b, c, d, we must have an

10 understanding. Because if you don't have that understanding, it causes friction amongst ourselves.

**CHAIRPERSON:** Does that mean the operating licenses for those routes are with the shareholders? Does that mean that the operating licenses for those routes are with the shareholders, in the name of the shareholders and not in the

15 name of the company?

**MR SIMLINDILE HINTSA:** The operating licenses are in the name of the company. You surrender the permit to the company, so that the company can operate. We don't want you to own the permit so that tomorrow you can say I am not going to give you this permit. It must not be in your name, it must be in

20 the name of the company. And secondly, we don't want anybody who will be paid more than others, even if you are having 10 routes. We said minimum one, maximum two. Because if you have 10 routes amongst us, you will tend to claim ownership of the company. We said no, minimum one to two only and we agreed on that and it is working, no one is complaining.

**CHAIRPERSON:** And then my... oh, you wanted to add, Ms. Ngehu?

**MS NOSIPHO NGEHU:** No, I just wanted to clarify that point that they had to relinquish their permits to the company.

**CHAIRPERSON:** Alright. Just my last question then is on the coverage of the  
5 service that you provide. I just want to establish whether there are other areas  
that you could be servicing, but you are unable to service them because of the  
limitations or constrains in terms of the current contract or in terms of the  
subsidy and what areas those will be.

**MR SIMLINDILE HINTSA:** There are areas, Chair. There are quite a number  
10 of letters that are coming from communities requesting for a bus to service their  
routes. But on the other hand, it is not easy on the side of the Government  
because of the budget constraints. And even the so-called [inaudible] we are  
talking about, we are in the process of finalising or finishing out the last phase  
since 2008. So, it is not easy. But there are people who are giving us their  
15 letters, coming to the offices to see if they can be given a bus. We have such  
problem.

**CHAIRPERSON:** We have come to the end of our questions. Thank you very  
much for a very insightful and a very informative presentation and we would  
really like to thank you for that. And I think your model is quite, a very  
20 interesting, I think, model. It is really one of its own in the country. There isn't  
any other model like this and we wish you the best in your business. Thank you  
very much. Just a lunch announcement. I hope that lunch is ready, but it will be  
served on the left. Everybody is welcome to join us for lunch. That is the end  
then of our inquiry hearings in this province. I see you guys are pointing... not

here? Oh up there. Lunch will be served up there, everybody is still welcome to join us.

**END OF SESSION 2**

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