



Minibus taxi industry in South Africa

*Presentation at the Competition Commission Public Passenger Transport
Market Inquiry*

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Introduction

- This presentation is based on a research that I conducted for my Master's Degree at Rhodes University.
- For my Master's Degree, I focused on the labour process within the minibus taxi industry in East London, South Africa.
- I am still conducting research within minibus taxi industry, for my PhD at the University of Johannesburg.
- My PhD studies the impact of the Taxi Recapitalisation Programme (TRP) on precarious working conditions within the minibus taxi industry in Johannesburg.
- In both universities, the research was – and is currently supported by the National Research Foundation (NRF) of South Africa.

- This presentation considers the minibus taxi industry in South Africa
- Here, I do not close or complete a thought around the formalisation of the taxi industry.
- Rather, I intend to deliver a presentation that is open, for it is suggestive of a variety of options and possibilities with regard to the taxi industry.
- I claim that we need to rethink the current formalisation process – a process that has, to a large extent, been seen as a top-down process, not considering the industry in its totality.

Structure of the presentation

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Brief context of the industry in South Africa

- Public transport in general plays an important role in the everyday life of people around the world and facilitates access to **social mobility**.
- Meaning that its role is most visible through the influence it has on the **access of people to employment, education, healthcare and overall economic growth**.
- The minibus taxi industry creates **linkages** between the **formal and informal sector** – for example, though the industry is structurally situated within the informal economy, it carries on a large number of people who work in the formal sector in the city centre.
- Therefore, while the industry has many failings that need to be addressed, it continues to transport large numbers of people.

- This industry is structurally situated within the informal sector or economy but is marked by contradictory processes of **formalisation** and **informalisation**
- The industry has **business operations** and activities that can be described as largely **informal** and **unregulated**.
- The operations of the industry are **demand-responsive**: they go where the need manifests itself.

Brief history of the minibus taxi industry in South Africa

- The development of the minibus taxi industry in South Africa can be divided into the following periods: 1977 to 1987; 1987 to 1994; 1994 to 1999; and 1999 to the current year

1977-1987:

- The period from 1977-1987 was characterised by the struggle of the taxi industry to be **recognized as a public transport operator**.
- At the outset, the taxi industry proved to be a **relatively inexpensive way to start a business but the competition became increasingly stiff**.
- In 1977, the government had established the **Breda Commission of Inquiry into transport deregulation**.
- The commission established that South Africa was at a stage of economic and industrial development which enabled it to move towards a freer competition in transportation.
- The **Road Transportation Act** came into operation in the same year and opened up the public transport system to those previously excluded.

- The Road Transportation Act of 1977 allowed for the **entry of black operators into the industry more easily**.
- In this regard, it defined a minibus as a motor vehicle designed for the transportation of no more than nine people (including the driver).
- This facilitated the introduction of legal minibus taxis to be used for carrying up to eight passengers.
- The demand for minibus taxis was however growing exponentially and, with **delays in issuing taxi permits**, taxi drivers largely **operated without permits (illegally)**.

1987-1994:

- From 1987, there was a period of **deregulation** of the industry.
- This was done on the basis of the **Transport Deregulation Act** of 1988 in conjunction with the White Paper on Transport Policy, which was tabled in January 1987.
- Operators granted permits to operate taxis
- **Taxi violence** was also starting to rise during this period, with the taxi operators **competing over routes**.

1994-1999:

- Besides conflict and violence, the operations of the taxi industry in the 1990s were characterised by
 - **poorly maintained and aged vehicle fleets; overtraded routes,**
 - **lack of skills and appropriate training;**
 - **bad working conditions for taxi drivers; and**
 - **high cost of finance and insurance premiums**
- In an attempt to improve the **performance of the taxi industry** and investigate ways of **improving road safety**, government established the **National Taxi Task Team (NTTT) in 1995.**
- The most important **recommendation** made by the NTTT was that the taxi industry be **regulated** and **formalized.**
- The attempts by the government to **re-regulate** the industry were **resisted** by those who controlled the taxi industry at the time.
- This led an increase in violence between 1998 and 1999, with **legal** and **illegal operators competing over routes.**

- In 1996, offices of **Taxi Registrars** and offices of **Operating Licensing Transportation Boards** were established in all the provinces of South Africa.
- All taxi operators were required to be **registered with the relevant Taxi Registrar** and to acquire **operating licenses** that are to a large extent **route-based**, so as to avoid conflicts and violence within the minibus taxi industry.
- Noting that the Operating Licensing Transportation Boards were replaced by the **Provincial Regulatory Entities (PREs)**, which are responsible for issuing operating licenses; monitor and oversee public transport in provinces.
- With regards to issuing operating licenses, provinces are operating differently – for example, on the **life-span of the operating license**: the life-span of the operating license is **5 years in Gauteng and Western Cape**, while it is **7 years in other provinces**.

1999-current year:

- In 1999 the **Taxi Recapitalisation Programme (TRP)** was announced to **formalise the taxi industry**, and bring it under some form of control and regulation.
- I understand that the Department of Transport conducted a **review** of the this programme, evaluating and improving its effectiveness, sustainability and affordability.
- Central to the TRP was:
 - **Phasing out** the current **aged taxi fleet** which is considered **unsafe** and **unreliable**;
 - **improving** the **poor road safety record** that seems to be associated with the industry;
 - provide **capital subsidy to operators** in the form of **scrapping allowance** to purchase **new purpose-built taxi vehicles**;
 - **formalise the taxi industry** and bring it into main stream of the public transport; and **regulate the industry**.
 - Addressing the problem of **unroadworthy** and **unlicensed taxis**: still the case today.

- Today, the minibus taxi industry continues to play an important role in the **creation of employment opportunities**.
- For example, the industry **directly** and **indirectly** create jobs for:
 - the **taxi drivers** who are hired by those who own a fleet of taxis;
 - **car washers** who wash taxis at taxi ranks;
 - **rank marshals** who manage taxi ranks;
 - **car manufacturers** who specialise in minibuses, such as **Toyota** and **Nissan** and **mechanics**.
- The **implementation of the TRP** has been hugely problematic with **serious disagreement** existing even between taxi owners as to the nature that recapitalisation should take.
- In light of this, it remains the case that the formalisation process will continue to face challenges as long as it is a **top-down process** which does not consider **the nature of work in the industry** (how the labour process is structured and how to change it).

Value-chain within the industry

- The industry has 68.8% public transport market share, with 16 million of people in South Africa estimated to use minibus taxis
- Approximately R90 billion revenue is generated from fares collected per annum across the country
 - There are, however, divergent estimates concerning revenue generation in the industry.
 - Any revenue estimates seem to be the result of educated guesswork given that taxi fares are unregulated and that taxis operate on a cash basis.
- There are about 123 000 individual taxi operators in South Africa
- The industry spends about R39 billion per annum on fuel.
- Also, spends about R2 billion on insurance.

Working conditions within the industry

- The industry has been historically marked by **exploitative labour relations** between owners and drivers, which seemingly **maximised profit at all costs**.
- One of the key factors contributing to this has been the **absence of formalised employment contracts**.
- It remains a challenge for the Department of Labour to **enforce sectoral determination** establishing basic conditions of employment for the employees in the industry.
- Taxi drivers are mainly **paid on commission** – for example, some taxi owners pay drivers 25% of the money they make per day or week.
- The way work is organised in the industry, notably the commission dimension to it, requires that drivers **work more than eight hours per day**.

- One research participant that I spoke to when I collected data for my Masters had this to say regarding the **lack of employment contract** in the industry:
 - *I do not have a contract of employment with my employer/the taxi owner. I also have no employment-linked benefits with my employer. On average, I work a 14-hour shift starting from 5am. I face exhaustion; I take a nap while I wait in the queue for my turn (date of interview: 15 February 2013).*
- Therefore, the varying conditions under which each taxi owner employs his drivers make it difficult for the DoL to enforce regulations, particularly when there is no employment contract.

- Another driver claimed that *“I do not have a contract of employment, nor do I have employment-linked benefits such as UIF and leave pay with my employer”* (date of interview: 31 January 2013).
- The **earnings** of taxi drivers are dependent on how many trips they make. On a good day a driver can make up to eight trips.
- One taxi driver from the Mdantsane East London Taxi Association noted:
 - *As drivers we work long hours for low wages with no benefits, harassment by traffic officials, and pressure from passengers make taxi driving a stressful job. Driving fast in overloaded vehicles to increase take-home pay adds to the stress* (date of interview: 15 February 2013).

Government's support for the minibus taxi industry

- The role that the taxi industry plays in the public transport sector should be reason enough for the government to **support this industry to improve its performance.**
- The National Land Transport Transition Act speaks of the need for **state subsidies** to be directed at **assisting marginalised users** with respect to **lowering the costs of public transport services.**
- It is, however, **impossible to subsidise the unregulated and largely informal industry.**
- It is also equally **impossible to formalise and regulate the industry without some form of subsidy.**
- Perhaps, what is required in order to **implement subsidies in the industry** is an **accounting system.** However, this is still a **challenge in the informal nature in which minibus taxis operate.**

Minibus taxi industry: a site of conflict?

- The minibus industry continues to be a **site of conflict**: between the **state and taxi owners**, and between **taxi owners themselves**.
- **Processes of formalisation are the direct cause of the first set of conflict** [taxi owners not feeling consulted by the state on the formalisation process]
- **Concerns over formalisation, and different levels of formalisation within the taxi industry, also result in conflict within the industry between owners** [taxi owners disagreeing on how the industry should be formalised - some arguing that they should be left alone].
- In particular, there is often **intra-industry conflict** between those who have Operating Licenses to operate as public transporters and those who do not.
- Clearly there is a long way to go still for the state, including the local government, to be in a position to firmly convince taxi owners of the benefits of all dimensions of formalisation.

Competition within the minibus taxi industry

- The industry continues to be characterized by competition over routes
- Working in the industry places taxi drivers, in particular, in a **dilemma** with the need to **travel as many trips as possible** and **getting traffic fines for speeding while chasing passengers.**
- Despite the seeming progressive contribution of the minibus taxi industry to the economy and to the lives of owners, employees, passengers and informal traders, the industry is fraught with problems with respect to **competition between legal and illegal operators.**
- In large part, this arises from the intense competition within the industry.

- Competition within the industry is **two-fold**:
 - relating to the **value-chain** and **how the industry operates**.
 - **the competition that taxis face among each other, and the competition with buses**.
- There is the so-called ***Regulated-competition*** within the minibus taxi industry, as introduced in the 1996 White Paper on National Transport Policy.
 - This meant that the industry will have to be **formalised and measures introduced to enhance its economic viability**.
 - Minibus taxis could form **legally registered businesses**, for example, **co-operatives or companies**, or be **registered associations**.
 - Also, taxis have to **operate in terms of permissions to operate on a route or network**.

Example of a co-operative from Denver, Colorado state in the U.S.

- In 2015, Denver, the capital city of Colorado in the U.S has one co-op, Union Taxi, founded in 2009 had about 250 driver-owners.
- There were nearly 650 more cab drivers in the city who wanted to start a second taxi co-op.
- In a co-operative, drivers get to collaboratively establish their pay, the hours they work, and their working conditions.
- Meaning, drivers are equal owners of the business, with a share of the profits and a voice in how the business is run.
- Perhaps, more research should be conducted on how the minibus taxis in the cities of South African provinces can form taxi co-operatives.

Rethinking the formalisation process

- When speaking of **transforming the nature and structure of the minibus taxi industry**, we need to ask:
 - *How do we transform the minibus taxi industry into a public transport sector where a multitude of stakeholders are able to take part?*
 - *How can the working conditions be improved through the formalisation process?*
- A process of formalisation should not only put an emphasis on technical/mechanical issues – such as scrapping of old taxis – but also on the **labour issues and subsidising the industry**.
- Central to the labour issues would be mainly the concern with the manner in which **work is organised within the industry**.
- **More studies should be conducted on how to formalise the industry.**

Recommendations

- The taxi operators should **reduce cases of violence where civilians are killed**; the same civilians that they are directly linked to in order to generate income.
- In order to avoid unnecessary competition and conflict between taxi owners, perhaps, **there should be clear guidelines on how the routes are allocated.**
- The taxi associations can play an important role in this regard, since routes are allocated in accordance with the registration of taxis to the PREs and taxi associations.
- As such, there should be **consultations between PREs and associations on how to go about allocating routes.**
- There should be greater attention to the **registration of all minibus taxis as a way of regulating all public transport operators and associations.**

- As part of an agenda to transform the industry, **government must improve customer service, influence taxi driver behaviour and assist the taxi industry through skills development.**
- There should be **improved support and monitoring at taxi ranks to ensure that taxis are operating legally and in good conditions.**
- **Illegal operators should be taken off the road.**
- There should be more **public hearings on how the Department of Labour can better enforce labour regulations in the industry.**
- Lastly and most importantly, I think **government must commission a full analysis of the taxi violence within the industry.**
- There needs to be a **decisive national action plan to address the larger issues of working conditions that affect the ability of this industry to contribute meaningfully in the economy of the country.**

Thank you!!!!!!