



SANTACO SERVICES
Reg no: 2002/019058/08
PBO No.:930043578

28 May 2018

Attention: Principal Legal Counsel: Market Conduct Division
The Competition Commission of SA

Per E Mail: ppt@compcom.co.za

To whom it may concern

PUBLIC PASSENGER TRANSPORT MARKET INQUIRY: Your Reference:
2017MAY0001

Your letter dated 9 May 2018, addressed to Ms Nonnie Joubert refers. As per your request, please find herewith our further representations, which will incorporate some of our responses given in our written presentations submitted on 8 September 2017 as well 13 October 2017.

For ease of reference we have used the same numbering as per your letter dated 9 May 2018. Please note that all of the points below will be dealt with in more detail during the oral presentation.

A Licensing, Route Allocation and Entry Regulations

A.1 Please note that SANTACO intends to deal with this matter fully when it is giving its oral presentation

A.2 Overlapping of routes between Associations is a frequent encounter to the extent that it is seen as “provocative infiltration” which consequently brews conflict.

Such overlapping happens as a result of how the PRE issues permits/Operating Licences, which mainly is a disregard to operational practice & policies of taxi Associations & structures.

The only way to prevent this is for the PRE to appreciate taxi operators’ governance instruments and integrate same as part of decision making process to issue Operating licences.

A.3 Each Association has routes that are linked to it and that it is allowed to use. Should an Association feel that a new route is in close proximity if its existing routes or one of their routes or a new route is in the proximity of a new development then it can get involved by

approaching the PRE and get authorisation to use the new route / service the new development.

- A.4 Yes there was, however the industry was not satisfied with the Government's lack of following through on the engagements.
- A.5 In order to become a member of an Association a person needs to apply to the local taxi Association to become a member. The Association will assess the application and determine if it needs any additional members. Should they decide that they are happy and they need additional members the application will be approved and the person will become a member. In order to stay a member of an Association the person need to have a valid Operating Licence, a taxi vehicle and must pay his / her annual membership fees.

B Price setting mechanisms

- B.1 It is important to note that as advised in our letters to the Commission dated 13 October 2017 as well as our Submission that was send to your offices on the 8th of September 2017, SANTACO recognises the importance of price setting mechanisms in the South African public transport system, but currently feels that the playing field is not level due to the fact that the taxi's are not subsidised while buses and trains are; therefore an unfair and anti-competitive playing field has been created;

The Taxi price index components however were discussed and SANTACO did hold a media briefing re this on 27/06/2013 – this was however premature as the Taxi Fares Index project simply petered out.

The following are however components of the Taxi Fares Index:

- Vehicle finance payment;
- Vehicle & third-party insurance;
- Vehicle registration & license fees;
- Servicing & repairs;
- Fuel;
- Driver's salary;
- Relief driver costs;
- Payment to conductor;
- Payments to Rank Marshal;
- Association membership fees;
- Professional fees.

- B.2 In order to determine a fee the Association looks at the components listed above and then determine what is needed for the Association to run profitably.

Fares are affected by all of the components stated in B.1 above, as well as where there is for example an increase in VAT as there was recently, interest rate increases, fuel increases.

Fares are generally revised annually, unless there is a material change that takes place, like a drastic increase in the price of fuel, an increase in VAT or interest rates.

- B.3 Yes it does and subsidy is the target disparity factor, VAT also plays a role. Municipality provided bus services are subsidised on the strength of the Municipality's balance sheet, which is partly Government funded, yet taxis that carries the bulk of the daily commuters in South Africa receives no subsidy.

VAT has an implication not only in terms of the cost that taxi operators must pay when buying new/used taxis but also on spares and parts, fuel, maintenance and toll fees yet the tax which is paid in each instance does not serve to benefit the industry or its passengers in any tangible way other than through the Taxi Recapitalisation Program scrapping allowance which provides an operator with a capital-subsidy grant on a strictly once-off-basis for the disposal of their old non-compliant vehicle, which is intended to enable the operator to pay the deposit and/or VAT portion (only) of a new compliant vehicle. The matter of tax is a subject which has been outstanding in terms of resolution with government since the democratisation of South Africa in 1995 and the Final Recommendations of the NTTT the inequalities of the apartheid era.

“The inequity of the present subsidy system was a major issue in the NTTT’s deliberations from its inception. The historical inequitable distribution of funding, subsidy and support has contributed to the underdevelopment of minibus-taxi businesses. The minibus taxi industry lays a moral claim to subsidy, based mainly on the fact that bus and rail operators receive subsidy.”

“The NTTT has concluded that there is no realistic prospect of the minibus-taxi industry receiving funds from the existing DoT subsidy system. The future system, in terms of the Green Paper on National Transport Policy, will be based on the tender/contract system. User-side subsidies may also be considered. The minibus-taxi industry is at present in no position to participate in either. What is needed is to begin now with a development programme which will in as short a time as possible enable minibus-taxi operators to participate in the new forms of subsidy schemes.” (Extracted from the NTTT Final Recommendations of 6 August 1996).

The minibus taxi industry contributes towards the South African economy in the following ways:

- The minibus taxi industry generates an annual turnover of approximately R120 billion towards the South African economy;
- Minibus taxis contribute billions of rand towards the overall fiscus of the economy by way of direct taxes as well as indirect taxes, represented by VAT and charges such as fuel levies; toll gate fees etc;
- Minibus taxis contribute roughly 5% towards the net output of VAT collected within the transport sector from the acquisition of new vehicle sales alone;
- Minibus taxis contribute approximately 21% to the net VAT in the transport sector from their transactions in tyre purchases, vehicle services as well as repairs and maintenance.

Despite all of the above and more, the VAT charged on the capital and operating costs incurred remains a cost of the industry alone, and this is not necessarily the case in other industries.

- B.4 Current price setting mechanisms are what can be called a “compassionate fare” structure – because it is not market related - as they are largely influenced by the socio-economic relating to the poor. The pricing structure, as it is not market-related, would usually end with the operator somehow subsidising the user. This is mainly because communities in their varied circumstances do not always accept fare increases or newly determined fares.

Without subsidies this strains the business, meaning in a lot of cases operators fail to keep up with the ever increasing prices of products and services affecting their businesses, and they end up losing their vehicles and their income to support their families.

C Transformation

- C.1 This will be dealt with in full during the oral presentation but current the main areas of concern are:

- Financing – Taxi’s are in many instances still seen as high risk business, and are therefore charged exorbitant high deposits as well as interest rates. When buses are financed they are financed at rates around 3.2% while taxi’s, when they are financed, can be financed at rates of up to 26.5% or more.
- Fuel – unlike buses taxi ranks are not allowed to have a fuelling depot on the ranks.
- Insurance
- Tyres
- Parts

Despite being one of the single most contributors to the South African economy, the taxi industry very seldom, if at all, share in the value chain to which it contributes enormously.

C.2 Growth and competition is hindered by:

- the lack of subsidies to the taxi industry while buses and trains receive subsidies from Government;
- the fact that the Taxi Industry is not exempted from VAT;
- problems with the issuing of Operating Licences, i.e delays in issuing of or converting licenses;
- the fact that taxi's does not qualify for reserve permits, unlike buses;
- the fact that the operator and his taxi vehicle is not seen as a business and his Operating Licence is not seen as having a financial value – eg when BRT's implemented, the operator is asked to give up his Operating License for some compensation that is usually not market related and BRT's in many instances are seen as a way to get rid of taxi's on a route.

This list is by no means to be seen as the only factors the hinders growth and competition in the public transport field.

C.3 By the introduction of subsidies for taxi's, by the Exemption from VAT and by the formation of close partnerships with corporates.

B Competition Dynamics

B.1 The state of competition in public passenger transport is presently discriminating and unequitable. Legislation (NLTA sectoral Determination, public transport strategy labour relations Act, etc) also has an influence or unfairly create a competitive edge.

The following things, to name but a few, also impact on the state of competition:

- Lack of subsidies,
- no fuel depots allowed on taxi ranks,
- no reserve permits for taxi's,
- chaos in authorities that issue Operating Licenses,
- no consultation with the industry on allocation / planning of routes, BRT'S

B.2(i) The competition dynamic is largely based on the fare structure on various routes owned by an Association and whether according to the Association policies operators would normally be restricted to particular routes. The other factor would be preferences of commuters on types of vehicles.

B.2(ii) Competition in these instances can lead to the creation of Illegal operators, conflict and different fares being charged,

B.2(iii) Competition is linked to the price, type of vehicle, commuter abode, customer service and comfort I and sound system.

Please note that the above but some of the aspects that will be touched upon in more detail during the oral presentation.

We await your urgent feedback re the date on which we are to do our oral presentation in order to ensure that we are available and full prepared.

We again want to use this opportunity to thank you for the wonderful relationship between yourselves and the taxi industry and your willingness to always assist.

Regards

A rectangular box containing a handwritten signature in black ink. The signature is stylized and appears to be 'P Taaibosch'.

P Taaibosch

President: SANTACO

(Electronic signature attach with permission of Mr Taaibosch)