

SUBMISSION ON THE PUBLIC PASSENGER TRANSPORT MARKET INQUIRY, 2018

SUBMITTED TO THE COMPETITION COMMISSION, SOUTH AFRICA

Submitted by:

Siyabulela Fobosi

PhD Candidate

University of Johannesburg

sfobosi@gmail.com

+27 78 789 9080

Submission deadline: 25 May 2018

Submitted on 23 May 2018 via email to: PPT@compcom.co.za

INTRODUCTION

This submission was prepared by me, Siyabulela Fobosi; a PhD Candidate in the Department of Sociology, University of Johannesburg. For my PhD, I am focusing on the impact of Taxi Recapitalisation Programme within the minibus taxi industry in Johannesburg. In a structural sense, this industry continues to be located in the 'informal economy', but it is currently subject to contradictory processes of formalisation and informalisation. I value the opportunity afforded me to submit written comments to the market inquiry into the state, nature and form of competition within the minibus taxi industry.

Public transport plays an important role in the everyday life of people around the world and facilitates access to social mobility. Its role is mostly visible through the influence it has on the access of people to employment, education, healthcare and overall economic growth. For example, the minibus taxi industry accounts for 68% of work trips within the public transport value-chain, followed by buses and trains. The Provincial Land Transport Framework (2009-2014) notes that a majority of users of the public transport in Gauteng (73%) make use of minibus taxis. Those who use buses are 19%, and rail (8%) usage making up the remainder.¹ The 25-year Integrated Transport

¹ Department of Roads and Transport: Gauteng Province, 2013

Master Plan reported that “there are over 50 000 minibus taxis operating in Gauteng, organised in 185 associations. Similarly, approximately 3 000 buses owned by a combination of private, parastatal and municipal entities, provide the bus services. Approximately 1.846 rail cars are used in Gauteng (Department of Roads and Transport: Gauteng Province, 2013).”²

The minibus taxi industry in Gauteng exists alongside different public transport operators. The minibus taxi industry in Johannesburg is not only important for everyday mobility in the city, but also for a comprehensive transport planning affecting the city.

MINIBUS TAXI INDUSTRY IN SOUTH AFRICA

The minibus taxi industry forms an integral and complex part of the South African public transport. The business operations and activities within this industry can be described as largely informal and unregulated, being a fabric of economic relations between taxi owners, taxi drivers, taxi users, government, vehicle manufacturers, and other transport-related businesses. Given this, it therefore makes sense to argue that the taxi industry as structurally situated in the informal economy is closely linked to/with the formal sector/economy. Such business operation involves the conveyance of people from different points of departure to destinations all over the country. The industry is recognized as the genuine example of Black Economic Empowerment (BEE), the recent Broad-Based Black Economic Empowerment (BBBEE). It is the only sector where black people control an entire sector through their ownership of the Taxi mode of transportation. However, the taxi operators operate entirely in the informal sector. Their operation in the informal sector is informed by the following, as outlined by Browning, “the operations are demand-responsive: they go where the need manifests itself” (Browning, 2006:3).³ This means that, in contrast to the formal sector, taxi operations are unplanned. It is the case that the owner and driver act very much as free agents. The driver makes decisions on almost a minute-by-minute basis as to how he is going to operate so as to make the most money. As such, if the owner wants to withdraw his vehicle to use it for private purposes, he does so – he does not have to ask permission.

The minibus taxi industry in South Africa has been marked historically by exploitative labour relations between owners and drivers, which seemingly maximized profit at all costs. One of the key factors contributing to this has been the absence of formalised employment contracts. The informal way of doing business has been sustained by the minimization of the costs of labour, and by general disregard of safety standards and taxes.

² *Ibid*

³ Browning, P. 2006. *The paradox of the Minibus-Taxi*. Expanded and Updated Version of paper presented to the Chartered Institute of Logistics and Transport in South Africa, Pretoria Tuesday 25 July 2006, at page 21.

With the minibus taxi industry, the owner of a taxi provides his/her taxi to a driver who, in turn, has an obligation to take the commuters to their destinations. Normally, the taxi owner decides on the driver's remuneration. A majority of the taxi drivers are paid 25% of the total amount they accumulate per week. This percentage system puts driver's wage as a portion of their daily takings. This quota system has become useless today, and drivers are paid for days worked on '*earn as you work basis*' (Lister and Dhunpath, 2016).⁴ Also, the taxi drivers are not issued with pay slips. In addition to this, they do not have protection against unemployment (Neumann, 2015).⁵ The taxi owners maintain maximum control of the labour process within the industry. For example, the quota system used in the industry forces taxi drivers to work abnormal hours.

The industry is commuter driven, and therefore, as long as there are commuters to be picked up, taxis operate.

TRANSFORMATION OF THE MINIBUS TAXI INDUSTRY: Price setting and regulations within the minibus taxi industry

Generally, within the minibus taxi industry, the taxi fares are regulated by the regional structures representing both local and long distance operators. The fares are set based on market penetration, and this does not differ based on the needs and income level of the customers. The changes in the fuel market world usually result in fare increases from the industry. In some taxi associations, taxi fares are decided collusively to be charged per route, without consultation with, or interference by, the authorities. The commuters of minibus taxis are charged fixed prices/fares for travelling on particular routes.

There is no clear source of information on the taxi fares, routes and frequency of trips. The industry remains largely unregulated, with no set fares/prices and routes among taxis. Therefore, the taxi fares within the industry are unregulated and taxis operate on a cash basis. While this is the case, "transaction Capital estimated in its 2017 results presentation that the industry's annual revenue amounts to approximately R50 billion."⁶ In contrast to the formal businesses and trains within the public transport value-chain, there is no ticket system in the minibus taxi industry; fares are paid in cash without necessarily any clear records of commuter payments.

⁴ Lister, H.E., Dhunpath, R., 2016. The taxi industry and transportation for people with disabilities: implications for universal access in a metropolitan municipality

⁵ Neumann, A., Roder, D., Joubert, J.W., 2015. Toward a simulation of minibuses in South Africa. J. Transp. Land Use 8, 137–154

⁶ <https://hsf.org.za/publications/hsf-briefs/minibus-taxis> accessed on 21 May 2018

Within the industry, all the registered taxi associations are active, but they might have inactive members. (i) An active member is a registered member under a registered association and possessing valid operating licence (permit). An inactive member is just a registered member with no valid operating licence or permit. (iii) An inactive member could also be a registered member under the registered association with or without operating licences but deceased or absconded from the association. It is also known that associations have non-registered members with no operating licences/permits but some of them have vehicles and are operating in their taxi ranks.⁷

Since 1999, government shifted its focus to restructuring the taxi industry in terms of an ambitious Taxi Recapitalization Programme (TRP), in an attempt to respond to the problems and failures of the regulation process. This in itself was meant to formalize the taxi industry, as it envisioned the creation of a new taxi industry, comprising larger 18 and 35-seater diesel powered vehicles, and which was to be regulated from the outset. Fourie (2003:40) thus argues that “under the recapitalization plan, jointly developed by the Department of Transport, Trade and Industry, Minerals and Energy, and Finance, the government will subsidise owners to help them buy the new 18 to 35 seat taxis”.⁸ Central to the recapitalization programme has been the regulatory management of the taxi industry with a view of improving road safety and decreasing taxi violence within the informal taxi industry. The post-apartheid era was informed by efforts to bring the industry under some form of control and regulation. As such, the Taxi Recapitalisation Programme (TRP) was pronounced in 1999, in order to formalize the taxi industry (Mahlangu, 2002).⁹

The government introduced the Taxi Recapitalisation Programme (TRP) in 1999, with the aim of transforming the minibus taxi industry. The TRP was implemented through the National Land Transport Transition Act of 2000, with the aim of restructuring and developing the national taxi industry. However, as of December 2017, the TRP was reported to be still under review (Wiggill, 2017).¹⁰ The Department of Roads and

⁷ Fobosi, SC. 2013. Formalisation, In-formalisation and the Labour Process within the Minibus Taxi Industry in East London, South Africa. Master of Arts thesis, Rhodes University.

⁸ Fourie, L.J., 2003. Rethinking the formalisation of the minibustaxi industry in south africa (Master’s Thesis in Engineering (Technology Management)). University of Pretoria, Pretoria.

⁹ Mahlangu, M.S., 2002. Labour Relation in the Minibus Taxi Industry (Master’s Thesis). University of Pretoria, Pretoria.

¹⁰ Wiggill, T., 2017. Taxi strike on hold – SANTACO, Maswanganyi. Road transport news.

Transport (DRT) conducted the review with the purpose of evaluating and improving the effectiveness, sustainability and affordability of the TRP. The transformation of the minibus taxi industry continues to be at the centre of South African development.

TRANSPORT PLANNING

The minibus taxi industry in Johannesburg is not only important for everyday mobility in the city but, also for a comprehensive transport planning affecting the city. Municipalities play the role of “developing Integrated Transport Plans, inclusive of Integrated Rapid Public Transport Networks (IRPTNs), implementation of BRT systems, provision of adequate public transport facilities, construction and maintenance of the Strategic Public Transport Network and law enforcement” (Department of Roads and Transport: Gauteng Province, 2013:43).¹¹ During Transport October in 2013, the City of Joburg (CoJ) launched the Strategic Integrated Transport Plan Framework (SITPF). In the CoJ, the minibus taxi is considered to be providing what one could call the ‘sho-left’ service. The minibus taxis in the City also provide a highly convenient service, however, the service is not always safe and reliable.

Public transport plays an important role in the everyday life of people around the world and facilitates access to social mobility. Its role is mostly visible through the influence it has on the access of people to employment, education, healthcare and overall economic growth. The minibus taxi industry accounts for 68% of work trips within the public transport value-chain, followed by buses and trains (Mmadi, 2012).¹² The Provincial Land Transport Framework (2009-2014) notes that a majority of users of the public transport in Gauteng (73%) make use of minibus taxis. Those who use buses are 19% and rail (8%) usage making up the remainder (Department of Roads and Transport: Gauteng Province, 2013).¹³ The 25-year Integrated Transport Master Plan reported that “there are over 50 000 minibus taxis operating in Gauteng, organised in 185 associations. Similarly, approximately 3 000 buses owned by a combination of

¹¹ Department of Roads and Transport: Gauteng Province, 2013. Gauteng 25-Year Integrated Transport Master Plan 25-Year Integrated Transport Master Plan.

¹² Mmadi, M.M., 2012. Mobile workplace: work conditions and family life of taxi drivers. (Magister Scientiae in Industrial Sociology and Labour Studies in the Department of Sociology). University of Pretoria, Pretoria.

¹³ Department of Roads and Transport: Gauteng Province, 2013. Gauteng 25-Year Integrated Transport Master Plan 25-Year Integrated Transport Master Plan.

private, parastatal and municipal entities, provide the bus services. Approximately 1.846 rail cars are used in Gauteng” (Department of Roads and Transport: Gauteng Province, 2013:42).¹⁴

ALLOCATION OF SUBSIDIES

During apartheid, the most promising position of the taxi industry over the transport modes was strengthened by the perception in minds of commuters, of it being a community-based industry, which survived against apartheid laws and without any subsidies. The minibus taxi industry has a history that is closely related to the history of apartheid in South Africa. It emerged in the context of apartheid’s government policy of deregulation in 1987.

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. With reference to the TRP, the state only provided taxi owners with deposits for new minibuses; at the same time, the minibus industry has not received government subsidies to increase the viability of the industry. The Minibus taxis are registered by the registering provincial authority. Their registration means legalisation of minibus taxi operators and vehicles, and registration of taxi owner associations, operators and routes. When I conducted a research in East London, for my Master’s thesis at Rhodes University, I discovered that taxi associations apply for their routes to the Office of the Taxi Registrar.¹⁵ Once routes are approved, members of a particular association have to operate within the designated route network. In addition, operating licenses when issued to taxi owners of a particular association clearly specify a particular route or routes within the broader network.

ROUTE ALLOCATION

Associations apply for their routes to us and when approved routes are captured but as soon as routes are captured, that automatically reflects to every registered member of that particular association when issued with operating licence and is attached as an annexure to an operating licence and one would need to bring it when transporting passengers.

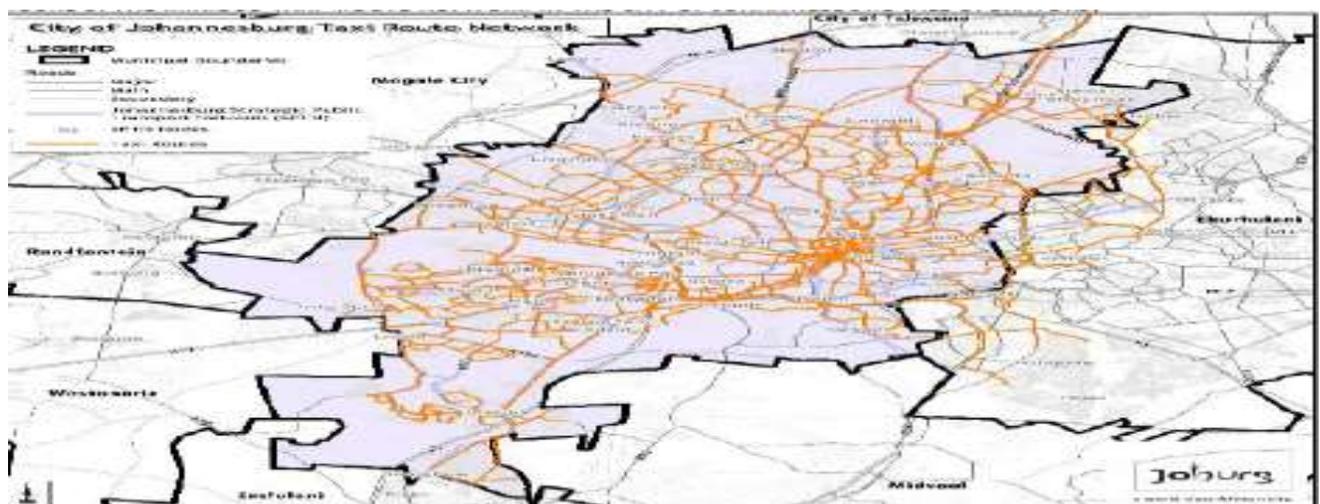
The industry continues to be characterized by competition over routes. The minibus taxi industry started in the late 1970s to meet the demands of a growing urban African

¹⁴ *Ibid*

¹⁵ Fobosi, SC. 2013. Formalisation, In-formalisation and the Labour Process within the Minibus Taxi Industry in East London, South Africa. Master of Arts thesis, Rhodes University.

workforce. At the outset, the taxi industry proved to be a relatively easy and inexpensive way to start a business and the competition was stiff. 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. Taxi drivers continue pushing themselves to work maximum hours, depending on the availability of passengers. In addition to this, the drivers are daily competing over passengers in attempt to make profits. Moreover, the drivers are expected to generate as much revenue as possible a day. Some of the major problems experienced by the minibus taxi industry in South Africa involve the following: poorly maintained and aged vehicle fleet; overtraded routes; conflict and violence in the industry; low profit margins; high cost of vehicle purchase and maintenance; lack of skills and appropriate training; meager road safety; bad working conditions for taxi drivers; and high cost of finance and insurance premiums (Fourie, 2003).¹⁶ These are perhaps the areas where government assistance would be most effective. The network of minibus taxi routes in the CoJ are shown in figure 1 below.

Figure 1: The Minibus-Taxi Route Network in the City of Johannesburg (All Operators)



Source: (CoJ, 2013)

As an industry that is considered to be full of violence and, in particular, conflicts over routes, it would be interesting to see how the recapitalisation process is addressing these problems. My research for the Doctoral studies is doing an investigation of the

¹⁶ Fourie, L.J., 2003. Rethinking the formalisation of the minibus taxi industry in south africa (Master's Thesis in Engineering (Technology Management)). University of Pretoria, Pretoria.

Taxi Recapitalisation Programme in transforming the minibus taxi industry into a safe and reliable industry.

As of 2017, the Department of Roads and Transport in Johannesburg confirmed that there are 70 taxi associations (including for long distance taxis) registered in Johannesburg. The registration of all minibus taxis, and by extension public transport, is a way of regulating all public transport operators and associations. This registration is also meant to ensure that only legally registered transport operators and associations operate on allocated routes and ranks. There are different taxi associations in Johannesburg and the CBD has four (4) major taxi ranks; Noord Street Taxi Rank, Bree Street Taxi Rank, Wanderers Taxi Rank and Faraday Taxi Rank.

LICENSING REQUIREMENTS

Within the Gauteng province, it is the responsibility of the Gauteng Department of Roads and Transport (GDRT) to develop provincial policies, legislation and regulation, as well as being involved in “network planning, registration and licensing of public transport operators and their operations, administering the commuter bus subsidies and the construction and maintenance of the provincial road network” (Department of Roads and Transport: Gauteng Province, 2013:43).¹⁷ In addition to this number of the minibus taxis, between December 2015 and December 2016, the Department of Transport reported the following concerning the un-roadworthy and un-licensed minibuses:

- The number of minibuses that are un-roadworthy (but licensed) were reported to have increased by 35 718 (2.91%) in December 2016 from 34 707 in December 2015 (Department of Transport, Republic of South Africa, 2016:19).
- The number of unlicensed minibuses also increased by 6 494 (12.98%) in December 2016, from 5 748 in December 2015 (Department of Transport, Republic of South Africa, 2016:19).

¹⁷ Department of Roads and Transport: Gauteng Province, 2013. Gauteng 25-Year Integrated Transport Master Plan 25-Year Integrated Transport Master Plan.

- Between 2016 and 2017, the number of un-licensed minibuses increased by 781 (13.04%) in March 2017 from 5 990 minibuses.¹⁸

This means that, between 2015 and 2017, there was an increase in the number of unlicensed minibuses. The un-roadworthy minibus taxis, are those with owners who failed to submit their vehicles for compulsory annual road worthy tests or change of ownership. The unlicensed minibuses are those taxi owners who failed to renew their vehicle licenses within the allowed timeframe. The number of un-roadworthy, un-licensed or both minibuses increased by 1 645 (3.62%) in March 2017 from 45 427 minibus taxis in March 2016 (Department of Transport, Republic of South Africa, 2017:19).¹⁹

CONCLUSION

It is critical to note that the minibus taxi industry remains a major role player in the economy of the country, and it employs a number of people directly, including drivers, rank marshalls, etc. Given that South Africa continues to face high unemployment and poverty rates, the importance of the minibus taxi industry as situated in the informal sector should not be underestimated. Moreover, the taxi industry has an opportunity of benefiting from the economic empowerment as a result of the participation in the full public transport value-chain. In order for the industry to participate fully in this value-chain, there needs to be a focus on training and business development. The integration of the industry into a larger public transport scale with the provision of subsidised public transport services may offer new opportunities.

ENDS

¹⁸ Department of Roads and Transport: Gauteng Province, 2013. Gauteng 25-Year Integrated Transport Master Plan 25-Year Integrated Transport Master Plan.

¹⁹ Department of Transport, Republic of South Africa, 2017. Road Traffic Report: 1 January to 31 March 2017. Department of Transport, Road Traffic Management Corporation.