



KWA ZULU NATAL NATIONAL TAXI ALLIANCE

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ORAL SUBMISSIONS

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MARKET INQUIRY INTO PUBLIC PASSENGER TRANSPORT

**Presented by the KwaZulu Natal National Taxi Alliance
Chairman J.K. Mazibuko**



1. LICENSING , ROUTE ALLOCATION AND ENTRY REGULATIONS

1.1.Licensing

- a. All Taxi Associations are registered in their provinces of origin and the Regulation and Control registration process caters for the registration of Taxi Associations, Routes operated by the associations and members of the association and that process regulates membership and operations.
- b.
- c. Failure by government to finalize the registration process is a source of conflicts and disputes over routes that have not been finally allocated to a particular taxi association. This failure is also a fertile ground for corrupt officials who fraudulently allocate same routes to more than one taxi association.
- d. For the purposes of licensing, operators are required to obtain recommendation letters as mandatory prerequisite support documents from their associations and concurrencies from their Metropolitan Councils or Municipalities before submitting their applications to the Provincial Regulatory Entity (PRE) for adjudication.
- e. Freedom of association is a right enshrined in the constitution of the Republic of South Africa to be enjoyed by all citizens this right has been fragrantly and brazenly violated by Provincial Regulatory Entities, notably, but not limited to the North West and the Free State Provinces, who insist that taxi operators must prove affiliation to Santaco before they can be saved, negating the fact that they may be members of the National Taxi Alliance. These officials are oblivious of the fact that we do not have a legislated statutory body in the taxi industry.
- f. Taxi Operating Licenses applicants experience undue delays from municipalities and Metros when seeking concurrencies due to a whole host of flimsy excuses such as that they have not concluded their Integrated Transport Plans, market saturation and or lack of services space.



- g. Most Metros and Municipalities by virtue of operating Metro or Municipality buses are directly competing with taxis and it is therefore unfair and anti competitive to expect them to issue concurrence letters in support of their competition. In this instance they are both referee and player.
- h. As opposed to other licensed businesses, Taxi Operating Licenses don't have an economic business value that is tradable as per the market value of the business determined through assets and goodwill.

1.2. Route Allocation

- a. Taxi routes are allocated in accordance with the registration of the taxi association at the initial registration phase. However it must noted that there are some taxi routes allocation disputes that remain unresolved since the inception of the registration process due to the inaptitude of government officials.
- b. There is no frame work to guide the allocation of new routes arising from the development of new residential areas or shopping malls and this lack of clarity results in protracted conflicts and allocations that are unfair, conflict laden and unjust. Reality is that the said new developments are developed along or adjacent to routes allocated to an association or in an area operated by an association and that proximity must favor the affected association.
- c. The prevalence of duplicated routes which are the main source of violent conflicts is caused by corruption and negligence by government officials. Government seem to be unable conclude the registration process in order to stem the tide of the conflicts over routes.
- d. We are also aware of government officials assisting splitting within taxi associations in order to accommodate their favorite groups on the said routes, mainly the so called lucrative routes.
- e. Taxi associations regulate entry, exit and operations in their localities guided by their constitutions and the applicable legislation.

1.3. Operating Licenses Moratorium

- a. Some Provincial regulatory Entities do not accept new taxi operating license applications, claiming that there is a moratorium in place on new taxi permits, however, when challenged to produce the said moratorium, they are unable to. The continued pronouncement of this illegal moratorium presents a winnable case for the chapter nine institutions.



- b. Government fails to appreciate the fact that applications for new taxi permits are driven by increased demand for transport mainly in urban areas due to a sharp rise in urbanization of commuters from rural areas.
- c. The taxi industry suffers double jeopardy in this assumed moratorium, firstly for reasons that the said moratorium is discriminatorily applied to the taxi industry only and does not apply to other modes of public transport; secondly taxi operators are consequently forced to operate illegal taxis exposing them to abuse by law enforcers.
- d. The minibus taxi industry rejects with contempt the notion that taxi operators unnecessarily apply for additional permits to overtrade the market. Taxi associations jealously guard their operations and only add more taxis in response to an increased demand they can not ignore.

2. Price Regulation and Price setting mechanisms for all modes of public transport

- 2.1. All public passenger transport service providers are required by economies of scale to charge market related fares in order to provide a good passenger transport service that is safer, comfortable and affordable to the users.
- 2.2. More often than not taxi associations do not use economic metrics as a fare setting mechanism; instead they set their fares below their closest completion the buses, while negating the fact that buses are subsidized and that the bus fare is a negligible portion of a subsidized fare.
- 2.3. The minibus taxi industry by virtue of being the biggest people mover in the country is a deserving recipient of public passenger transport subsidies. However the industry has been discriminatorily excluded from the subsidies, perplexingly in favor of less deserving modes. This is unfair competition to the competing modes and glaring discrimination to taxi users.
- 2.4. It is the responsibility of government to assist its citizens to afford public transport in carrying out their social and economic activities. In this regard government has abdicated its responsibilities.
- 2.5. The fact that 70% of the commuting public chose taxis as their preferred mode of public transport leaves government without a choice but to assist taxi users to afford market related fares.



3. Allocation of operational subsidies and its impact on competition (intra and inter modal competition)

3.1. The fact that the minibus taxi industry as the transport of choice for more than 65% to 70% of the commuting public has been left out of the public passenger transport subsidy is not only unfair but unconstitutional.

3.2. In the apartheid era, the minibus taxi industry was treated as the step child of the public passenger transport system which treatment is the consequence of it lagging behind in transformation and formalization. It is a sad reality that in the democratic government era the same taxi industry is still treated worse than the step child scenario and yet expected to compete with other modes while not given adequate resources and enabling legislation for it to be at par with other modes of public transport.

3.3. It is a simple economics reality that an unsubsidized mode of transport mainly used by commuters who cannot afford to spend more than ten percent of their disposable income on transport will not compete at the same level as the modes of transport that are heavily subsidized.

3.4. Responding to doubts by government on the modalities of subsidizing taxis, we are on record pleading with government to, instead of subsidizing modes of transport; government must subsidize the commuter, thereby giving the commuter freedom to choose their public transport mode of choice. This will not only end the current discriminatory forms of subsidy but will force service providers to improve their services for better safety and customer care records.

4. Transport Planning – challenges in the implementation of Integrated Rapid public Transport Networks.

4.1. The minibus taxi industry is a victim of government failure at the local level to produce and finalize Transport Plans and Integrated Public Transport Networks plans. This failure effectively renders the taxi industry unable to plan its future, make longer term investments and attract investors necessary for development of the taxi industry.

4.2. We are left astounded as to the reasons behind the delays in finalizing the Transport Plans given the abundance of resources at the government's disposal.



- 4.3. Integration of public transport networks cannot be realized before the modal playing fields have been levelled. The Bus Rapid Transit systems enjoys huge infrastructure funding from government, dedicated exclusive mobility lanes, modern facilities and technology wholly funded by government and also it also enjoys huge operational subsidies, whereas the minibus taxis are totally excluded.
- 4.4. While BRT systems offer a relatively better transport system to the commuters because of government financial assistance, it must be noted that at the rate these BRT systems are funded by government they may not be sustainable in the future and ultimately government would be forced to privatize them and consequently the taxi industry would have been short changed into handing over its invention in a platter to bigger public transport corporate empowered through the apartheid era.
- 4.5. We therefore conclude that integrated public transport rapid mobility and public transport modal integration able to reduce travel times will not happen until there is parity on the modes of public transport.
- 5. Transformation in the public transport –assessment of the transformation level across the value chain**
- 5.1. Lack of transformation in public transport is reflective of the lack of transformation of the South African society racially and in economic classes.
- 5.2. Transport modes inadvertently or advertently cater for different social classes with varied race demographics. This aptly demonstrates affordability trends, making it easier for government to gauge its intervention requirements.
- 5.3. In the value chain ownership, the supplier remains white and rich and the consumer remains black and poor, reflective of lack of transformation programmes necessary for economic transformation.
- 5.4. The above is clearly demonstrated by the minibus taxi owners calling themselves an industry while owning only the fares which constitute a negligible percent of the value chain.
- 5.5. Financial institutions are largely to blame in lack of transformation in the taxi industry value chain ownership in that they have stubbornly refused access to acquisition funding to the taxi industry, while they continue to make billions of rands through taxi finance and transactional revenue.
- 5.6. Ownership patterns in the taxi industry value chain must change to reflect the racial demographics of both the consumer and user.



6. The impact of the BRT implementation in the of renewal operating licenses

6.1. BRT enjoys unfair preferential treatment over minibus taxis. Taxi operators go through a longer and protracted process to obtain operating licenses which is not the case with BRTs.

6.2. The National Land Transport Act NO 5 of 2009 limits the validity of operating licenses to a maximum of seven years, yet the BRT operating licenses are valid for twelve years in line with the BRT contracts. The seven year operating license validity is an impediment to long term investments in the taxi industry.

6.3. In routes that are to be contracted government enjoys legislation support to opt not to renew existing operating licenses in that area and this weakens the taxi industry's capacity to negotiate compensation values when BRT is implemented. Renewal of taxi operating licenses in BRT implementing areas is subject to the future transport plans of that area, which means taxis; exist at the behest of the BRT systems.

7. Access to finance for taxi operators

7.1. Cost of finance is too high for taxi operators hence the high rates of repossessions. Lending rates are exorbitant ranging between 14% and 28% depending on the financial institutions ratings.

7.2. The financial institutions approvals score cards are heavily loaded against taxi operators being approved, hence the taxi industry's failure to replace aged taxis that are neither safer nor economical to operate. Given their almost identical approval rates and declines, collusion suspicion cannot be ruled out.

7.3. National Credit Act legislation in its intended objectives of protecting consumers against exploitation has inadvertently emboldened financial institutions to hide behind its reckless lending provisions to deny taxi operators finance when it suits them.

7.4. As an apolitical economic interest group, we wouldn't want to dabble into politics, but equally we cannot avoid suspecting that this may be a consequence of four

7.5. Million citizens controlling an economy of fifty four million citizens financed by only four major banks.

8. Access to infrastructure and terminal facilities



- 8.1. Taxi ranks throughout the country largely remain poorly developed chaotic concrete jungles not fit for human habitation in the twentieth century.
 - 8.2. On 8 November 2017 the National Taxi Alliance presented a Memorandum of grievances to the South African Local Government Association highlighting this anomalies and demanding corrective action. We are still waiting..
 - 8.3. Taxi operators have limited or no control at all over taxi ranks that are owned and to a greater extent controlled by Metros and Municipalities.
 - 8.4. Advertising and trading revenue at taxi ranks exclusively benefits Metros and Municipalities at the exclusion of the nucleus of the taxi ranks business hubs, the taxi industry.
 - 8.5. Lack of modern ranking facilities, holding areas and other necessary facilities retards formalization and development of the industry, rendering it unattractive to investors and in the long term users..
- 9. Contracting relating to bus operators – long term contracts which have not been subjected to competitive bidding**
- 9.1. Ever green contracts entered into during the apartheid era still exist at the exclusion of other role players' in the public passenger transport sector. These contracts are both illegal and unconstitutional, but they continue to exist.
 - 9.2. We have requested copies and other information regarding these illegal contracts and agreements from both the National Department of Transport and the Gauteng Department of Transport to no avail. We have now activated the PAJA legislation to assist us with access to the information with the view of challenging the legality of those contracts and agreements.
 - 9.3. We are desperate to access the contracts and agreements information before the issuing of the new bus contracts tenders and the awarding of such tenders.
 - 9.4. We believe the Competition Commission, using the legislative powers vested with it may assist to expedite access to the information on the ever green contracts or agreements and any other information pertinent to this matter.
- 10. Commuter experiences – waiting times, const of public transport, walking distances to public transport facilities.**
- 10.1. Taxi commuters through the systematic discrimination of the taxi mode of public transport do not have good public transport travelling experiences.



- 10.2. Taxis are estimated to be transporting sixteen million passengers on a one way journey daily, but are not given mobility enhancing dedicated lanes and that has a negative impact on their travelling experiences.
- 10.3. The taxi industry mainly caters for the poor and consequently the poor cannot afford market related fares determined through universally accepted public transport service providers' costs calculations. Hence the cries for government to subsidize taxi passengers.
- 10.4. Waiting times are lengthened by lack of dedicated lanes and targeting of taxis by law enforcers for stop and searches during peak hours resulting in unnecessarily prolonged trips.
- 10.5. Due to the uncorrected apartheid spatial residential planning taxi passenger in many instances are forced to walk more than five hundred meters to catch a taxi, irrespective of the weather conditions, age and fitness of the commuter. Taxi facilities are not ideally located for the convenience of passengers.

