



COMPETITION COMMISSION OF SOUTH AFRICA

In the matter of

ONLINE INTERMEDIATION PLATFORMS MARKET INQUIRY PUBLIC INQUIRY (OIPMI)

held at

***DTI Building
Sunnyside and virtually via MS TEAMS***

on

18 November 2021

PANEL: *James Hodge – Chairperson
And Doris Tshepe*

TECHNICAL TEAM

Donnavan Linley

CCSA Internal Team

Sivuyise Mtiki

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CCSA Internal Team

COMPANY: INTERCAPE



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PROCEEDINGS ON 18 NOVEMBER 2021

Intercape – Represented by: Shaun Smeda

CHAIRPERSON: Is that Shaun Smeda from Intercape?

5 MR SMEDA: Sorry, good afternoon, everyone.

CHAIRPERSON: Good afternoon, Shaun. I am James Hodge. I am the Chair, and I have got with me Ms Doris Tshepe who is the fellow panel member and that makes up the panel. We have also got the technical team here. Just
10 to remind you that you are being broadcast publicly on YouTube.

So please do not traverse confidential information. I believe you do not have a presentation, so we thought we just lead you through the various areas that we are
15 interested in and including, obviously, quickly contextualising Intercape.

But I am going to ask our technical team member, Aphiwe Nanto to lead you through that, if you do not mind, Shaun?

20 MR SMEDA: No, thank you for the opportunity.

MS NANTO: Hi, Shaun, how are you?

MR SMEDA: I am doing good, thank you, and yourself?

MS NANTO: I am good, thank you. Shaun, thank you for –
thank you very much for making the time. I will get straight
25 to it. So my first question is. Can you please start by giving us a background of Intercape, when did Intercape start to

operate, which routes does Intercape operate in and what services do Intercape provide to the public?

MR SMEDA: Thank you. So I am going to try and sum up
5 and be as brief as possible. So Intercape had started off in
1978 in South Africa specifically. It was founded by the late
Mr Johan Ferreira. And, ja, we started in 1978 in South
Africa per se. And, ja, we focus on intercity long-distance
passenger transport

10 And we are currently the biggest private owned in
the industry at the moment. And, ja, we are not only
focussing with travelling within South Africa. We also have
the options of travelling across borders to our neighbouring
countries, Zimbabwe, Botswana, Namibia, Mozambique.

15 So, ja, I think that is us in a brief. And, ja, I guess
we see ourselves as the leader in the game.

MS NANTO: Thank you for that, Shaun. Intercape has been
in the market for decades. So ...[intervenes]

MR SMEDA: So, maybe – sorry to interrupt. Maybe just to
20 add the route you asked. So, without going into the routes
because there are plenty but I can say there is basically no
area within Southern Africa or South Africa that we do not
include in our route network. To mention all of them is just
going to be a very, very long time.

25 MS NANTO: Okay, thank you for that, Shaun. I would like
to ask. Since you guys have been in the market like for so

long. How has the South African market of distributing bus tickets evolved over the years?

MR SMEDA: Ja, so I have been fortunate. I have been with
5 this specific company for 22-years. So I saw much of the
growth happening over the years and how the channels
changed. If I can go back. I think we all used to the old
Amadeus system and stuff we had back in the day where you
physically, you know, you needed to have a ticket to board a
10 coach.

And that then we – you depended on your own
offices and you depended on travel agencies like your
traditional Harvey World to mention a few. And the local
butchery sold tickets in the small little towns. So, ja, it –
15 that is where everything started and with time, you know,
evolved and I think it is only until a little late – or early 2000
when we really started switching off and where more and
more retailers got involved.

I think it took a bit of a while for people to accept
20 the concept, to go into retailers. To name a few; Shoprite,
Checkers, Pick n Pay, Spar's, all of those where you could
purchase your ticket or you can now still purchase your
ticket. And then, obviously, online came in a bit later. How
did the South African market adapted to online bookings? I
25 guess that is where the question is going to.

Specifically on the lower LSM in South Africa, you

know, it is something that is not – it is very difficult to change the behaviour of how people are shopping especially online and we can break it down per region but it is
5 definitely, it is not such an easy cookie to crack. Although, past Covid the internet is one of our biggest – growing our internet website sells one of the biggest – the quickest growing and I think that has mostly to do with Covid. Covid kind of changed the behaviour.

10 Why do you want to go to Johannesburg Park Station, for example, if you can book your ticket, you know, online? And, obviously, online, there are quite a few guys that do. So, ja, I do not know if that answers your question?

MS NANTO: Yes, it does. And your response, it take me to
15 the next question that I was about to ask about the uptake of online sales. So as you have mentioned, the market like people or consumers purchasing online is still growing. Are there maybe any challenges that they are faced with when it comes to them purchasing these bus tickets online?

20 MR SMEDA: I think the options there – there are so many options available. You know, there is a lot of – I mean, and you will know, there is a lot of overseas companies investing also a lot of money in getting the SEO rankings and everything up there to be a first on search engines to make
25 tickets available out there.

The challenge was – I think the biggest thing is

trust. You know for somebody – and I take our markets specifically – somebody that worked hard for a year saving up their money and to go, you know, to go on holiday or
5 whatever the case might be, you know, people do not have that specific trust yet with purchasing online, feeling comfortable doing payments online and that is where you normally losing, you know, a lot of the people.

You know, people tend to have that cash in here,
10 they feel more safest with swiping or tapping their card at an outlet or at the office but I think it is a lot of safety and I think it is about awareness. I mean, we have tried to run several awareness campaigns but I think it is about awareness, you know, informing people about to say it is
15 safe to do this online, it is the norm.

And there is a big investment from a lot of overseas companies at the moment you know to try and change the behaviours as well. We, for one, is trying our utmost but I think it is the challenge is specifically to trust. Trust is a big
20 issue when it comes from especially the lower LSN. You know, people want to make sure their money is safe.

MS NANTO: Okay, thank you. Thank you, Shaun, for that – for that response. So which online platforms do Intercape use for the distribution of bus tickets?

25 MR SMEDA: So there are quite a few. Obviously, we have our own website. And then someone like Computicket per se

although, you know, it is also going through – they have got a website. Although retail outlets sales for that specific group is much more than the web-based sales. So let us
5 name it, us ourselves which Computicket, it will be the guys of the likes of Ticketpro which falls under Blue Label, the Blue Label Group.

It will be Travelstart, FlightSite which is part of Pick n Pay or Travelstart which is Pick 'n Pay's booking site. And
10 then we have got – you know there is Busbud which is a Canadian based company. Lately, you have got QuickBus that came onboard, CheckMyBus.

So there – you know there is quite a bit of people entering the space and I will be honest with you, since Covid
15 started and obviously know this industry was hit very hard but as we are getting through this Covid, you know, are seeing more and more people wanting to get onto this online bandwagon of you know trying to get soft spot to let sales go through it, ja.

20 MS NANTO: So what value propositions do these online platforms offer, like, do they bring in new customers for you?

MR SMEDA: So I guess it depends how you look at it. From a business point of view you would obviously love everything to go through your own channel because you
25 know when dealing with additional partners there is always commission involve.

So, you know, there is commission being paid out to every lead or every sale that goes through someone else's channels. So what is the value in there for us? Obviously, it is to reach – some of these guys have got a very wide reach. You know, if you take somebody like Busbud that spend a lot of money on ensuring the ranking is up there.

I mean, we cannot – I cannot compete to try and get them off the top spot, for instance. I can but it is just going to take too much money. And then, you know, if you looking on the online space, I mean, they are not only on the South African domains, it is all over where they have got search engines that push sales through to us.

So, you know, value wise you pay commission to get the sale but yes there are certain promotions that you can run with guys but it normally also comes at a cost. So I think it is just securing that sale and putting your network, you know, putting a wider net out there and to try and bring the people.

As I said, it would have been awesome if everybody came straight to our website. There is no commission involved but you need some of these guys, unfortunately. With the likes of the name like a Computicket, it is a strong brand, it is a trusted brand, people trust it. And just to name Busbud for example.

It is a growing – you know people try it, they test it,

they see, they are happy, and it is a growing platform. But the value in there, yes, as I said it is getting that net wider out there.

5 MS NANTO: Would you say that Intercape is dependent on these online platforms?

MR SMEDA: To a certain degree, yes. Unfortunately, I think a lot of these platforms will not be – some of the – how can I put it now in the correct way? So, you know, for us to
10 be in a retail space for example, you – you know this is part of the package. So, you know, you cannot be on the one and not the other one.

So if you need – if you want to be in the retail outlet you need to adopt to this. So at this stage, I do believe yes.
15 We are still dependent on them. Although we have got all the functionalities to – not to use other online platforms.

We have got our own systems and stuff do it but ja there is a bigger picture behind it whereby you need – unfortunately, you need to have this to have the bigger –
20 which is not a discussion here but to be in the retail, et cetera, it is all part of the package.

MS NANTO: I want to take you back to your point of a same entry within – entry of other different platforms and you mentioned Busbud. Busbud is a new competitor in the
25 market and they are growing. So I wanted to check or get a sense from you. Since the entry of new online platforms,

have you seen or have you observed any change in average commissions that are being charged?

MR SMEDA: Commission charged by competitors?

5 MS NANTO: By the online platforms?

MR SMEDA: Okay, so if I understand your question, with the new guys coming in, is there different commission charged, is there room for negotiation, if I am understanding your correctly?

10 MS NANTO: Yes, that is what I mean. Have the commissions that are being charged, have they changed since now there are new players in the market?

MR SMEDA: So, no the commissions have not changed. Currently – the industry norm is around 10%, if I can put it
15 that way, which I believe is quite high. We, for one, try and negotiate lower rates at the moment because giving the circumstances of the industry whereby we find ourselves in a position where, you

know, coach travel is still capped on 70% load
20 factor. You can only travel 70% people in a vehicle. So your profit margins lie in that last 30% which you cannot load. So the norm in the industry is 10% and being for many years but as I said we are the point where we are busy trying to negotiate lower rates with competitors because we just
25 cannot – you know 10% is a lot of money and the margins are very, very small in this game.

And online, specifically, as I said it is not that you must have them but at this stage they help us. So it is a very difficult position to be in because you are dependent on quite a bit of these. So, ja, I guess it is every operator's choice. I do not know about the other guys but according to my knowledge, the industry norm is roundabout 10% and for some reason when somebody new approaches you, they always come with: Listen, it is 10%. So, ja.

But is it sustainable going forward? I doubt it. It is – this industry is in real distress. So it is a problem at this stage and we, as I said, we try on a regular basis to try and lower these commissions as far as possible.

MS NANTO: Thank you for that, Shaun. So I believe that you guys have or entered into contract with these online platforms. So in terms of contracting with them, have you had any challenges with any of the – with any of the platforms?

MR SMEDA: Challenges in the form from service delivery? If...

MS NANTO: In terms of concluding the terms and conditions of the contracts.

MR SMEDA: No, I would not say we did. We normally sit and you know it is a negotiation up and down and up and down. All in all it has been a difficult, you know, transactions to be done. You know a lot of these guys we

have been in business with them for many years. Apologies for the sun coming in here.

For many years and some of these agreements
5 come back donkey years which get reviewed, obviously, on a more regular basis. But no for the new players coming in, as I said, there are one or two new guys that came in who are willing to do for a bit less but they are still small, you know. We also try to give the local people the chance.

10 So there are quite a few local companies that are trying out new kind of things and you know we sit and see what we can do for them. No, I would not say it has been a difficult or, no. I guess if you want each other – you know if you want my business and I want your business, somehow
15 we need to meet each other somewhere.

MS NANTO: Okay. I just want to find out. In terms of those terms and conditions in the contracts, are there any other clauses that you find that seem to be unfair and not transparent?

20 MR SMEDA: No, I would not say such. You know, I look at it from a commercial point of view as the CCO of the company after which then, obviously, gets vetted by legal. But now I would not say except for commission negotiation which can be very tough. You know, it is – I would not – it is
25 nothing that is *kommering* us or you know something that we cannot get out of or et cetera.

So, I would not say – no, it is not.

MS NANTO: Okay. I just want to find out. Has pricing priority been imposed by the online platforms?

5 MR SMEDA: Sorry, just repeat that? Price...?

MS NANTO: The pricing parity. Sorry about that. Maybe I can ...[intervenes]

MR SMEDA: Ja?

MS NANTO: Maybe I can just give you a bit of context,
10 right? So what normally happens is that with the price parity clause it is whereby the online platforms they would have a clause in the agreements that you conclude with them that bus operators are prevented or they are restricted from selling the bus tickets at a lower price than the price it would
15 sell their ticket at on its own websites or through any other channels. So there are those restrictions.

MR SMEDA: Okay, thank you, I think I understand your question. No, definitely not in a contract. You know, they cannot prescribe to us what we need to charge where.
20 Definitely not in Intercape's case. So, I mean, our API's – everything works through our API.

So the price that you see on Intercape's website or Intercape's booking system is the price that you are going to see at any of these outlets. However, there might be such –
25 you know there might be campaigns that will be running. Maybe a five-day campaign or something like that. Black

Friday coming up although we are not participating this year. We do not have the luxury of giving discounts.

But I mean things like that and I mean you obviously
5 you give a discount in price to the supply and exchange let us say for marketing, you know, like a barter agreement but it is not the same in a contract.

So we do not get told listen what we charge. I believe whatever I charge on my system needs to be on
10 everybody else's system. I mean, that is just how it is, ja.

MS NANTO: Are exclusivity clauses being applied to the distribution of online bus tickets? Is it currently applied?

MR SMEDA: Not in our case. Not that I am aware of any on the platforms we currently find ourselves in. I guess all
15 the opposition or most of the them, those that survived Covid are still on there. So we do not have any exclusivity with anyone. If you go on – let us the common ones, Computicket, Busbud, Ticketpro; if you go onto their websites you will find all the main competitors there. I
20 cannot talk for the smaller guys.

South Africa is - well, you will be shocked if you actually know how many bus operators are there trying to run a business like this, but no. I think the biggest competition is on there. And it is normally determined – your
25 ranking of where you lie is normally determined by price. The cheapest is normally on top and ja.

MS NANTO: Were they previously applied?

MR SMEDA: Previously applied, exclusivity?

MS NANTO: Yes.

5 MR SMEDA: Well, since I can remember, all competitors
and let us go – I mean, I think at that stage I think the
biggest one was Computicket. I cannot say if exclusivity was
there to keep anyone out. That I cannot say. Obviously, I
guess they need to answer for that. But since I can
10 remember, it was us, Greyhound, the Unitrans Group
Citiliner.

Back in the day it was SA Roadlink ...[indistinct]
The state-owned enterprises which were Translux and City to
City. The old Roadlink was there. APM later on joined the
15 party which was a project we started. DMJ. So I cannot say
for exclusivity in the past, not if we talk about who has got
access to this.

As I said, I can answer in my own – I can answer for
my – for what I know about, you know, what is happening out
20 there. If there is some funny stuff going on between other
parties and one of these outlets, maybe I am not aware of it
but no we have not – as I said, according to me it was
always available.

And like commission, if they come in, I would not be
25 able to tell you. But according to my knowledge the industry
norm is roughly 10%.

MS NANTO: Are there any other issues that you would like to rise in relation to the online distribution of bus tickets?

MR SMEDA: Ja, thank you. You know, I think South Africa
5 is such a unique position. You know, we will never be able to – you know, we will never be able to be you know – this industry will never be able to die. I think it is a matter of you know who is going to keep on giving a great service within this country.

10 If you look at flights, we are so limited. You can fly from Pretoria to – *ag*, from Johannesburg to let us say, East London, but you know, if you look at the demography of this country is laying, I mean, how are you going to get to Ngcobo or Cofimvaba, Tsomo-tsono(?), all those little places
15 in the Eastern Cape?

And that is where the people come from and that is what makes it so unique. So the industry is going to be there forever because we need to cater for these people. The mindset, yes, is, you know, how are you going to get an
20 open, you know a platform and how are you going to get people to buy in?

And as I said from the beginning, to get them to trust these systems and how to make sure of online and that ease of heart that I can book online, my money is not going
25 to get lost. So. No, I think, you know, obviously, as I said commission and negotiation is definitely going to be

something that is going to be on the tables.

After, you know, you are giving away 10% of your blood, sweat and money although you need some of these
5 guys and they need you, it is a lot of money just to give away. So I guess that is going to be something we will raise in the next few months and will come up more in discussion for those who have survived Covid. But, ja, I think it is – if I can end off, maybe. Ja, that is my – that I show I feel about
10 it.

MS NANTO: Okay, thank you, Shaun. Let me check with the other technical members and also the panel members, whether they have questions or not.

MR SMEDA: [No audible reply]

15 MS NANTO: I am going to hand over to the Chair. Thank you, Shaun.

MR SMEDA: Thank you.

CHAIRPERSON: Thanks, Ms Nanto. Shaun, I just have question of whether you look at other countries and how this
20 online bus booking has developed there and what we may expect in the future.

MR SMEDA: Thank you, thank you, Mr Hodge. Ja. So, ja, I obviously – I see Busbud as really as one of the big leaders. I do meet regularly with their teams and the guys looking
25 after us. And you know that is the way of the future. The unfortunate thing is a lot of – and I am going to say it as it is

– a lot of these companies, they do not necessarily they want to go onto system because system means there is managing and there is statements, et cetera.

5 And in Africa the challenge – if I take Zimbabwe for example, and it is not pointing fingers, cash remains king. You know, people do not want to go through the system, you want to do these things. But if you see what is happening in the northern hemispheres and you know it is amazing to see
10 what people can do with online and nobody is going – I mean the traditional office is just dying out.

I mean, you do not see an office. I mean it is almost like our airlines. You – who goes to an airport to go and buy an air ticket? And you know – and the way they are
15 teaching and educating people and I guess with the younger generation coming through and Smart phones becoming more available, access to the internet that it just becomes easier.

And I definitely believe it is going to growth. Once
20 again, as I said, internet is one of the fastest growing channels of payment current, for us as well. So there is a change coming. I think Covid helped us a bit with that one.

CHAIRPERSON: And are you getting different payment
options working for the online platform? Obviously, cash is
25 king but I think we have seen innovations around eWallets and the like that do not necessarily involve cards.

MR SMEDA: Ja-no, definitely. We have partnered with quite a few guys. You know, you have got your traditional pay gates. You know your traditional pay gates which we
5 kind of use but as you mention, I mean, stuff like SnapScan coming through. There is – you know we have partnered with guys like eBucks where you can use your eBucks to pay online. So, ja-no, there is definitely nice challenges.

There are a lot of vouchers issues. Voucher type of
10 payment options going around. And then obviously also referring people you know after phoning in, somebody that is a bit scared to complete a transaction is actually to refer him, give him a reference number and he goes and pay somewhere else.

15 So, no, there are definitely some innovations. As I said, how the rest of Africa is going to adopt to it in the neighbouring countries, I mean, I can say for one, Malawi is a – which is always nice for me when I went there. Malawi is very – and they have got all kinds of payment options that
20 people quickly adapted and that is lovely to see because they have got the likes of MadKudu.com and those guys which is in every single village.

And I guess if you do not have a choice you are kind of forced to start using that, so. No, there is interesting
25 ways. I just think sometimes people are afraid to go onto these other type of platforms because I mean then they are

kind of exposed to – expose their way of income.

CHAIRPERSON: And, I mean, Shaun you are mentioning that obviously moving online might see some of the demise
5 of the office. I mean, is that, you know, create savings for the industry that maybe can help consumers or can consumers save by not having, I suppose, pay for travel into an office and just do it online?

MR SMEDA: Ja. So, I do not know how much time I have
10 but I think it is important to understand the history of what happened to this industry and a lot of people forget it. In 2016, it used to be a very regulated industry. You know, you need to apply for a permit and then you get a permit and you know then somebody kind of objected to the permit. It was
15 basically like a mini court case in order for you to actually get a permit to operate.

And in 2016 or around 2016, for some reason, every second guy who had a bus started getting permits. You know, it was dished out right, left and centre but the result
20 is, you all of a sudden have such an influx of role players coming into the market that you know there were just too many vehicles.

And first thing you do when you buy a new bus and you are on a six-month payment holiday, then it is nice, you
25 can undercut the prices, you know and that is actually why I want to stop. And that was the baddest thing that ever could

have happened to this industry because everybody went into price war since 2016.

Now that is great for the consumer because all of a sudden he has got all these cheap options. The problem that that brought along is. The first thing that goes is safety. You know you cannot sustain with that kind of prices. If your payment holiday is x so and so and you do not have the infrastructure, then the consumer is actually on the second hand and that is when you see bus accidents starting to happen. All these kind of things because you cannot keep up with the maintenance.

And you know – ja, you just cannot and... In any case. So will it be a little bit cheaper for the client to go into the office? Not necessarily. Yes, he is going to save on fuel. Definitely he is going to save on fuel. He is not going to have the risk of possibly getting some disease which is a big concern at this stage and you know pray that it will not happen.

We focus a lot on ...[indistinct] You know, actually educating people not - you know ...[indistinct – distortion] long line then go to an office because it minimizes the risk for us and it minimizes the risk for our staff and for them as well. So, yes, there will definitely be a saving towards online sales.

The only thing about us – for us then again, as I

said, if it is not your own channel you lose commission and you need to pay out commission. So the customer save on that side but for us it is kind of a bit of a blow but that is the
5 way the life is going to.

The traditional office will never disappear within South Africa and when I talk about you know then I talk specifically to your bigger starting points because there is still operational function that needs to take place. So almost
10 like an ABSA at O.R. Tambo, you know, we need to board people, you know and people need to go through a boarding process, the luggage needs to be checked in.

So from that point you know there will always be a go to a little place at these big things. So it will never go
15 away. I just think it is going from a salespoint of view it is going to have a more operational function than a sales function.

CHAIRPERSON: Thanks, Shaun. I mean, I think you – it was interesting that you pointed out that may be there is a
20 saving of being online but not necessarily for you because you are paying commissions if it is not your channel. So I think that is a useful insight. Sorry, I think we have one question from Donovan Linley.

MR LINLEY: Hi, Shaun. Just – I want to rephrase one of
25 the question that Aphiwe asked earlier. Have you had a situation where you negotiated 1 Commission and that

Commission, average Commission that you paid has changed over time with a particular player? you do not have to go into specifics, just ...[intervenes]

5 MR SMEDA: No, no, it is fine. So yes there was definitely some of the guys that we negotiated down, if that answers your question, where we had higher commissions before paid which we have negotiated down but you know you kind of get to the 10% and then you are stuck and it has been like this
10 now for quite a few years.

So, ja, definitely there was in my knowledge while I was in the role off we are find myself, we have negotiated rates before which we have managed to bring down but ja 10% you are kind of stuck at the moment.

15 CHAIRPERSON: Thanks, Shaun, I think that is all the questions from the panel. we really do appreciate your time and giving us more insights about the bus platforms that are emerging and it is certainly something you know I think it is an important part offer growing South African economy as
20 well, servicing a very important community needs as well. I know it has been a tough time for the bus industry. I wish you all the best now that travel has opened up again and hopefully you will find your feet again. So thank you.

MR SMEDA: No, thank you, sir. thank you, panel. it was
25 nice chatting to you.

CHAIRPERSON: Thanks, Shaun. You can leave the

meeting now. and we will just see if our next participant is
online.

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