

A VIOLENT LEGACY

The taxi industry and government at loggerheads

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For over a decade the taxi industry has been heavily embroiled in conflicts that have claimed thousands of lives. At the heart of the problem is the persistent struggle over control of this multi-billion rand industry that carries over 60% of South Africa's commuters. Given its troubled and often violent history, and its substantial share of the commuter market, clearer government commitment is needed in the form of adequate investment and implementation of a comprehensive and participatory recapitalisation programme.

One of the most pressing transport-related challenges facing government is to establish a taxi industry that is safe and reliable; an industry that will contribute to its own growth and to that of the country's economy. To this end, the taxi recapitalisation programme initiated in 1999 was an important intervention. However, the process appears to have run aground.

Earlier this year, a Department of Transport official was quoted in the media as saying that government might scrap recapitalisation.¹ Later during the year, the MEC for safety and transport in KwaZulu-Natal announced a proposal to scrap both the bidding process for the new vehicles and the electronic management system.² In addition, the transport parliamentary portfolio committee has recently raised questions around the affordability of the proposed vehicles, and the committee chair believes the process must be revisited.³

Pitted against this apparent reticence to restructure the industry, the South African National Taxi Council (Santaco) has warned parliament about the

risks of further delays in the recapitalisation process.⁴ Recently the Gauteng Taxi Council (Gataco) staged a protest raising its concerns about the ongoing delays.⁵

Indecisive policy directives and implementation delays are hazardous in this volatile industry, with its history of endemic violence and continuing instability. When the taxi industry emerged in the late 1980s it was viewed as the flagship of black entrepreneurship. But from the outset it was beset by violence. To create a niche, taxi operators initially had to defy apartheid machinations and political tensions. Then and now, operators have also had to deal with poor funding and chronic competition between operators. Indeed, taxi operators have battled for their "place in the sun".⁶

At the heart of the problem is the persistent struggle over control of this multi-billion rand industry that carries over 60% of South Africa's commuters. Given its troubled and often violent history, decisive policy direction from government in the form of a comprehensive regulatory framework

(encompassing safety and security, as well as finance components) is necessary to prevent the taxi industry from degenerating further.

Origins of the taxi industry

The minibus taxi industry emerged in the wake of the apartheid government's policy of economic deregulation, initiated in 1987. Prior to deregulation, black taxi operators had to defy apartheid laws and strict regulations that were prejudicial to blacks.

Transport regulations – chiefly embodied in the Motor Carrier Transportation Act of 1930 – stipulated that no transportation of goods or passengers was allowed without permission from a Local Road Transportation Board (LRTB). Obtaining a permit from the LRTB was all but impossible for black operators who, falling under the discriminatory influx control system, found it difficult to prove that they had a good formal employment record, had lived in the magisterial district as legally registered tenants for a number of years, and were in possession of a Daily Labourer's Permit.

In effect, the system meant that over 90% of taxi permit applications by blacks were rejected. Under such circumstances, most black taxi operators operated illegally using private saloon vehicles as taxis.

Indeed, even when an applicant did manage to qualify for a taxi permit, the act only authorised the use of small cars (restricted to carrying four passengers) and there was a quota system allowing only a limited number of licences to be issued each year. As a result, and because alternative forms of public transport – mainly buses and trains – were inadequate and expensive, demand for taxis far outstripped supply.

For this reason, from the early 1980s onwards, taxi operators began using larger 'kombi' minibuses that could carry up to 15 passengers. Until formal deregulation in 1987, such taxis were illegal. Yet they were popular among black commuters because, unlike other public transport options, they:

- ran late-night services;

- travelled to out-of-the-way places;
- picked up commuters from, and dropped them back at, their homes;
- charged reasonable fares;
- made convenient stops on long distances; and
- cut down time spent in long queues at bus and train stations.

As the number of illegal kombi taxis began escalating, changes were occurring in the apartheid state that had a profound effect on the industry. As early as the 1970s, the government began to view its near-monopoly on public transportation, which had initially been utilised to protect and prop up the South African Transport Services (SATS),⁷ as an economic liability.

The 1977 Van Breda Commission of Inquiry into the Road Transportation Bill found that South Africa "had reached a stage of economic and industrial development which enabled it to move towards a freer competition in transportation".⁸ The Commission's findings reflected a neo-liberal shift in economic policy that resulted in generalised deregulation, commercialisation and privatisation, beginning in the late 1970s.

Within the commuter sector, the consumer and bus boycotts of the 1980s were viewed as further evidence of the imperative to deregulate transport. Such boycotts also had the unanticipated effect of increasing demand for alternative forms of transport. This was because during this period, buses and trains were frequently attacked by youths, forcing commuters to use taxis. At the same time, there were widespread retrenchments in various industries due to, *inter alia*, political activism and disinvestment.

The fledgling taxi industry became one of the few enterprises that could accommodate retrenched workers as well as aspiring black businessmen. Thus, by the mid 1980s, all that was needed for the industry to realise its potential was the formal deregulation of transport.

Deregulation

In 1985, the National Transport Study (NTPS) released its report,⁹ concluding that the highly

regulatory framework of existing transport policy was "contrary to the principles of national economic policy that emphasise the role of competition".¹⁰ Based on the NTPS findings and the recommendations of the Competition Board,¹¹ which proposed the immediate and blanket deregulation of the taxi industry, the White Paper on Transport Policy of 1987 along with the Transport Deregulation Act of 1988, effectively legalised the 16-seater minibus taxis.

Permit enforcement ceased to be a priority and the industry was soon flooded with aspirant drivers, resulting in heightened competition for passengers and routes as too many operators entered the domain too rapidly. This market 'free-for-all' was exacerbated by corrupt officials who turned a blind eye to traffic enforcement and vehicle roadworthiness, meaning that from the outset, issues of safety and security were sidelined.

Alongside a bid to 'capitalise' portions of the black community, the sudden deregulation of transport became a means of complementing the state's broader destabilisation strategies in the run-up to negotiations by exacerbating socio-economic and political tensions within black communities.¹² In the words of James Chapman, long-time consultant to the taxi industry, "they [taxi operators] were divided by the ... [apartheid] government and violence was encouraged".¹³ Against the backdrop of escalating violence during apartheid's final years, the stage was set for the violent taxi wars that came to dominate the deregulated industry.

Taxi wars

An almost immediate and far-reaching consequence of rapid deregulation was the rise of taxi associations, which have been directly associated with the violence that has shadowed the industry since 1987. As one of the first avenues for black capital accumulation, the taxi industry quickly became a contested terrain, swamped with operators hoping to become rich. While some were able to 'strike it lucky', for the most part the industry was characterised by exploitation and aggressive competition between operators attempting to poach passengers and ply the same routes.

In the absence of state regulation, groups of operators banded together to form local taxi associations, which intervened to regulate loading practices and prices. It was not long, however, before taxi associations began to use their organisational strength to extract income, commonly through the use of violence.¹⁴ Typical of this violent protection of spheres of interest is the following remark by a taxi operator in Johannesburg in 1988: "We will not succumb – they must operate in their own area. We will fight back and defend ourselves."¹⁵

Between 1987 and 1994 official efforts to deal with the taxi industry were almost non-existent. When violence erupted the government invariably became part of the problem instead of the solution. At best, police behaviour during the late-apartheid period was negligent. At worst, the police used their positions of authority to promote rifts between associations and to destabilise black communities. In many areas, the police were implicated in attacks or were in other ways partisan. More generally, by their calculated inaction – which included a failure to disarm attackers or to respond to warnings of imminent attacks – the police fanned the conflict.¹⁶

However, contrary to many expectations, the cycles of taxi violence fomented during the late-apartheid period did not end with the demise of apartheid. Indeed, unlike other forms of political violence that diminished or disappeared after 1994, taxi violence actually escalated in the immediate post-1994 period.

In the years following the 1994 elections, the Human Rights Committee (a now defunct NGO that monitored political violence throughout the 1980s and 1990s) observed outbreaks of violent taxi wars around Johannesburg, Soweto, the East Rand and Pretoria in Gauteng, around Durban in KwaZulu Natal, in the Eastern Cape around Bisho and King Williams Town and Umtata, and in Limpopo and the North West Province.

Although widespread and seemingly random, it was notable that the most persistent conflicts occurred between associations using long distance routes.

Many of these conflicts were inter-provincial, involving long distance taxi associations such as the Lethlabile Taxi Organisation (LTO), the Federated Local and Long Distance Taxi Association (Felldta) and the South African Local and Long Distance Taxi Association (Salltdta).

Another defining feature of this increasingly sophisticated form of violence was the mutative nature of the associations and the tendency for smaller associations to change affiliates in favour of the more violent and financially stable ones. Between 1997 and 1999 some of the worst conflicts took place at the Rietgat Taxi Rank in Soshanguve and at the nearby Mapobane station. Such conflicts revealed that there was more to taxi violence than politics alone.

Attempts to restructure the taxi industry

The persistence of taxi wars after 1994 forced the post-apartheid government to intervene in the industry. In 1995 government established the National Taxi Task Team (NTTT) to deliberate over the causes of, and potential solutions to, the violence. In 1996 the NTTT released its first report, recommending the re-regulation of the taxi industry as a matter of urgency.

However, by the time of the finalisation of the NTTT process in 1998, it was apparent that powerful interests had become vested in the mafia-like use of violence as a means of suppressing competition. Many taxi associations – particularly a handful of key supra-associations (called ‘mother-bodies’, to which local associations were affiliated) – actively opposed the government’s attempts at re-regulation, sparking an escalation in taxi related violence between 1998 and 1999.

Mindful of the apparent failure of its re-regulation plans, in 1999 government changed its focus to restructuring the industry through the recapitalisation process. In essence, the recapitalisation strategy aims to recreate the taxi industry from scratch, phasing out the 16-seater minibus taxis in favour of new 18- and 35-seaters, and introducing smart card technology to eliminate cash from commuter transactions. However, both processes have run into problems and, seven years

later, recapitalisation is still a pipedream. A number of problems have emerged both from the side of government and the industry.

From the government’s perspective, two issues continue to dog the proposed recapitalisation strategy. First, there is the question of who represents the taxi industry. Second, there are concerns over the cost implications of recapitalisation.

Santaco, which was formed in August 1998 as an industry-driven response to the government’s failed attempts to resolve taxi violence, has a democratically elected council and claims to represent the industry as a whole. However, shortly after it was formed, a rival association, the National Taxi Alliance (NTA), set up office and it, too, claimed to be the mouthpiece of the taxi industry.

Tensions between the two bodies erupted almost immediately and conflicts over representation continue to cause problems for the recapitalisation process. The existence of two associations both claiming to represent and speak on behalf of the taxi industry significantly complicates government’s efforts to consult with and enter into binding agreements with the industry.

Arguably of more concern to government are the cost implications of the recapitalisation process. As currently envisaged, to off-set the higher cost of the larger vehicles and to ‘sell’ recapitalisation to operators, government will contribute 20% of the cost of each new vehicle as a ‘scrapping allowance’ for trading in or scrapping an existing taxi. Government has set aside R4 billion for this purpose, but the taxi industry is not satisfied with this amount, proposing instead that government should provide a 20% up-front subsidy as well as a 30% scrapping allowance.

With over 100,000 taxis in the country, government is concerned that this level of spending will exert substantial pressure on the fiscus, leading recently to suggestions that the programme might be abandoned if there is an expectation of “an additional funding requirement above the R4 billion mark”.¹⁷

From the industry's point of view, the proposed scrapping allowance is not enough incentive to convert to the new system. At a cost of more than R300,000 for a new taxi, meaning maintenance leases of around R15,000 per month per vehicle, operators are demanding an equitable subsidy system, which they calculate should amount to around R10 billion per year. However, the treasury believes that this sort of subsidy is unaffordable.¹⁸

Santaco is also opposed to the larger 35-seater vehicles being proposed by government, preferring a maximum number of 29 seats per taxi, and it does not see the need for every vehicle to have disabled access. At this stage it remains unclear whether the recapitalisation deadline of 2008 will be realised.

What should be done?

South Africa's taxi industry has come a long way since its inception as a result of deregulation in 1987. However, as the title of Colleen McCaul's book suggests, it has been *No Easy Ride*¹⁹ for taxi operators. Government investment and a reinvigorated, consultative, recapitalisation process are needed to prevent the industry from sliding into anarchy and disrepair.

Government investment

The contributions of the taxi industry to employment and to South Africa's economy are substantial and should be acknowledged by adequate government investment. At present, bus companies get an annual subsidy of R2,1 billion from the department of transport, and rail companies receive R2,4 billion. Yet taxis, which command at least 60% of the total commuter market, receive no subsidy at all.

Recapitalisation has the potential to stimulate further economic activity in the transport sector as well as in the "web of survivalist activity"²⁰ that surrounds taxi operations, and to create the basis for a stable, safe industry that could stimulate new sources of government revenue as the industry is formalised and brought into the tax net. Failure to invest in this critical industry is a short term financial strategy that could cost the government dearly in the long run.

Consultation

A new process of consultation with taxi operators and their representatives, along the lines of the NTTT, is necessary to determine who represents the industry and what their needs are. In the first instance, Santaco's dissatisfaction with the proposed 35-seater vehicle should be taken seriously. Not only does Santaco represent tens of thousands of taxi operators, but the international experience of *jeepneys* in the Philippines, *matatus* in Kenya and *trotros* in Ghana suggests that smaller vehicles are optimum for informal public transport.²¹

The taxi industry is a key player in South Africa's society and economy and should not be neglected. Government should acknowledge its vital role through adequate investment and by realising a comprehensive and participatory recapitalisation programme. In the final analysis, given its share of the commuter market, it is necessary that government engages meaningfully with taxi operators and makes sufficient funding available to properly formalise the taxi industry.

Postscript

Shortly before this publication was printed, government announced that the long delayed taxi recapitalisation programme will be implemented from the beginning of the 2005/6 financial year. This is a significant step and will hopefully assist to create a profitable, reliable and safe industry.

Endnotes

- 1 <<http://www.busrep.co.za/index.php?fArticleId=2119962&fSectionId=556&fSetId=304>>
- 2 <<http://www.busrep.co.za/index.php?fSectionId=&fArticleId=2197482>>
- 3 *The Star*, Business Report, 15/06/04.
- 4 *Pretoria News*, 16/08/04.
- 5 *The Sowetan*, 26/08/04.
- 6 Former director general of transport, Adriaan Eksteen, quoted in *Financial Mail*, 14/08/1987.
- 7 J Dugard, *From Low Intensity War to Mafia War: Taxi Violence in South Africa (1987-2000)*, Violence in Transition Series Volume 4, Centre for the Study of Violence and Reconciliation, 2001, p 9.
- 8 C McCaul, *No Easy Ride*, Johannesburg, South African Institute for Race Relations, 1990, p 37.
- 9 The NTPS was established in 1982 to bring transport policy in line with national economic reform policy.

- 10 Cited in *The Natal Mercury*, 03/02/1987.
- 11 The Competition Board was set up in 1986 to review the position of illegal taxis.
- 12 J Dugard, op cit, p 11.
- 13 Quoted in *The Star*, 22/05/1996.
- 14 J Dugard, op cit, p 12.
- 15 *The Sowetan*, 13/05/1988.
- 16 J Dugard, op cit, p 13.
- 17 Deputy director general in the department of transport, Jerry Makokoane, quoted in *Business News*, business.iafrica.com, 18/06/2004.
- 18 *Financial Mail*, 18/06/04.
- 19 C McCaul, op cit.
- 20 Chairperson of the portfolio committee on transport, Jeremy Cronin, quoted in *Pretoria News*, 16/08/2004.
- 21 P Bell and P Cloke, Deregulation: Problems, warnings and a continued case for regulation, in P Bell and P Cloke (eds), *Deregulation and transport: Market forces in the modern world*, London, David Fulton, 1990.