

TRANSFORMATION OF MINIBUS-TAXI INDUSTRY TO BRING ECONOMIC OPPORTUNITIES, SERVICE DELIVERY IMPROVEMENTS

The City of Cape Town's Council today, 28 October 2015, adopted a game-changing policy for the transformation of the minibus-taxi industry. This model intends to breathe new life into the industry by making available immediate business opportunities to shareholders in taxi operating companies, while also improving the service rendered to commuters in general.

The City's new business model for the minibus-taxi industry will benefit the entire industry and not only the operators who are affected by the roll-out of the MyCiTi bus service in areas that are currently served by minibus-taxis.

'Now that we have Council's approval, Transport for Cape Town, the City's transport authority, will have further engagements with the minibus-taxi industry in mapping the way forward. We will also embark on a process to assist the minibus-taxi associations in Cape Town to form taxi operating companies (TOCs) and it is our intention to approach the National Department of Transport for grant funding so that we can assist the taxi industry with capacity building and training in business management. This new approach will provide the minibus-taxi industry with financial security and stability and commuters with a much-improved service,' said the City's Mayoral Committee Member: Transport for Cape Town, Councillor Brett Herron.

Currently there are up to 102 route associations across the city that are organised into six regional structures. A total of 16 000 vehicle owners and drivers own between them approximately 10 000 operating licences and compete with each other, as well as with illegal operators, for passengers.

'The intention is to establish association-based taxi operating companies (TOCs) where the TOC owns the operating licences and not individuals as is currently the case. Thus, with this model, the individual minibus-taxi operators must transfer their licences to the TOC in exchange for shareholding in the company. Furthermore, the TOCs will own the vehicles and employ and train the drivers and other workers,' said Councillor Herron.

The City will provide financial assistance for professional services to assist the industry to set up the TOCs, as well as for training and building management capacity. Furthermore, in future the TOCs will have to prepare a business plan, substantiating the number of operating licences required to run the company at a profit.

'Seeing that the profits in the new model will go to the TOCs as opposed to the individual operator, it will be in the TOC's interest to curb illegal taxi operations and to self-regulate the routes that they are authorised to operate on in terms of their operating licences. It will also be in the TOC's interest to ensure that the drivers comply with the rules of the road and that their vehicles are roadworthy. With this new business model, the TOC will also have significantly more bargaining power than the individual minibus-taxi operators when it comes to the procurement of new vehicles, or the servicing of a fleet,' said Councillor Herron.

The establishment of TOCs is a fundamental building block to prepare and position the minibus-taxi industry to access economic opportunities – be it as vehicle operating companies contracted by the City for the provision of the MyCiTi service, or for the provision of services at public transport interchanges (otherwise known as taxi ranks).

'Going forward, the TOCs that operate from a common public transport interchange can form regional taxi companies (RTCs). Once this has happened, the City can enter into contracts with the RTCs for a variety of services, with the City playing an oversight role,' said Councillor Herron.

In future RTCs may be contracted by the City for the provision of the following services:

- Security at public transport interchanges
- Cleaning services at public transport interchanges
- Undertaking minor maintenance at public transport interchanges
- Managing the advertising rights at public transport interchanges
- Managing the land provided for depots and fuelling facilities

As the MyCiTi service is rolled out, the City will negotiate with the taxi operating companies who are affected, offering the TOCs the opportunity to have shareholding in the vehicle operating companies that will enter into agreements with the City for operating the buses on the new MyCiTi trunk routes. The TOCs will, in certain instances, also be involved in operating the feeder services for the MyCiTi service.

'The City has, over the past six years with the roll-out of Phase 1 of the MyCiTi service and the N2 Express service, learned a number of valuable lessons, including that it is not always desirable to replace all of the taxis on feeder routes with buses as minibus-taxis can offer a more frequent and adaptable service. Likewise, it is not always cost-effective to replace the taxis with a formal bus service on all of the feeder routes. Thus, instead of replacing minibus-taxis, we are considering a hybrid model where we combine MyCiTi buses and minibus-taxis to provide scheduled and unscheduled services alongside each other without competing for passengers,' said Councillor Herron.

Going forward, the City will assist the industry as follows:

- Facilitating the establishment of the TOCs
- Making available funding for capacity building within the industry
- Making available land for depots and fuelling facilities
- Providing new business opportunities to them by making available maintenance, security and cleaning contracts to the industry
- Playing an oversight role in the TOCs and RTCs

'I am confident that the new business model will also assist to improve the overall conditions for commuters. Once the minibus-taxi industry is transformed into formal businesses, other road users and employees within the taxi industry and the City will also reap the fruits as it will be in the TOCs' financial interest to improve self-regulation and service standards,' said Councillor Herron.

It is envisioned that this new model will lead to less speeding and reckless driving from taxi drivers as they will no longer need to compete for passengers to meet their daily targets; and TOCs will be motivated to train their drivers in terms of how to behave towards their clients. It will also be in the interest of the TOCs to operate with the right type and size of vehicle and to have a fleet that meets the demand on their routes, leading to less overcrowding.

'We have presented this transformation model to the minibus-taxi industry and it has been well received. In fact, leaders in the local taxi industry have indicated that they are in favour of a new approach that will provide them with financial security and stability. An efficient minibus-taxi industry, managed in accordance with sound business principles, is in the interests of us all – be it in the form of higher profits for the taxi operators, or in an improved service for the passengers,' said Councillor Herron.