

# **AN INVESTIGATION OF THE IMPACT OF THE TAXI RECAPITALIZATION PROJECT — A CASE STUDY OF DURBAN AND PIETERMARITZBURG**

**M. WOSIYANA**

eThekweni Transport Authority. P. O. Box 680, Durban, 4000 Tel  
(031) 322-7161; Fax (031) 305-5871; Cell: 082-961-5590; Email:  
[Mlungisi.wosiyana@durban.gov.za](mailto:Mlungisi.wosiyana@durban.gov.za)

## **ABSTRACT**

In order to address aged and un-roadworthy vehicles that had become one of the major contributory factors to many public transport vehicle accidents, government through the National Department of Transport (NDoT), initiated and eventually implemented the Taxi Recapitalization Project after many years of planning and stakeholder consultation. The R7.7 billion project rollout began in October 2006 and is still under implementation.

Whilst the taxi recapitalization project has helped to replace most of the aged and un-roadworthy minibus taxis with new taxi vehicles, there are many interventions that were to be implemented as part of the taxi recapitalization project that have not been implemented, thus limiting the potential success impact of the project from meeting the strategic objectives set at the project conceptualization. One of the key questions regarding the taxi recapitalization project is to what extent is the taxi recapitalization project effective as a solution to the taxi industry problems.

Furthermore, vehicle replacement alone has proven to be not a panacea to the taxi industry challenges. Skills development of the drivers as well as customer care issues remain a key challenge for the taxi recapitalization project, clearly indicating a need for a much more comprehensive intervention to transform the taxi industry.

Affordability of the new taxi recapitalization vehicles coupled with vehicle finance constraints, are other key issues and current challenges to the taxi operators. The high prices of the new vehicles in relation to the small scrapping allowance which operators argue is insufficient to pay a deposit for a new taxi recapitalization vehicle has become a barrier to many existing operators from migrating from the old and unsafe vehicles to new “safer” recapitalized vehicles.

Drawing from the research conducted in the Durban and Pietermaritzburg taxi industry, the proposed paper seeks to evaluate as to what extent the taxi recapitalization project has been a success or failure. The paper also seeks to recommend the necessary interventions to government (National Department of Transport) on how the implementation of the project can be improved going forth.

## **1. INTRODUCTION**

The taxi industry plays a key role in the public transport sector and conveys the majority of commuters. Modal share statistics from the National Household Travel Survey (2003) indicate that the minibus taxi industry conveys approximately 65 percent of commuters on the daily basis. The minibus taxi industry economic contribution is also quite significant as it employs approximately 680 000 people (drivers, rank marshals, conductors and car washers) and contributes approximately R30 billion to the South Africa’s Gross Domestic Product (Economics Bulletin, 2012). However, the

taxi industry is also a large contributor to many road accidents and fatalities, which has enormous costs to the economy.

In order to address the problem of aged and unroadworthy vehicles that had become one of the major contributing factors to many road accidents and fatalities, the Department of Transport came up with the taxi recapitalization project. The taxi recapitalization project was initiated as a government intervention “to bring safe, reliable, affordable and accessible taxi operations by introducing the new taxi vehicle purpose built to transport passengers” (Department of Transport, 2006).

## **2. BACKGROUND AND RATIONALE OF THE TAXI RECAPITALIZATION PROJECT**

At the advent of democratic era in 1994, the Department of Transport began a policy review process. The intention of policy review was to review policies and align them to the democratic environment. The policy review process focused across all modes of transport. Steering Committees and sub-committees were established to focus on each mode of transport. With regard to the minibus taxi industry, in 1995, a National Taxi Task Team was established to closely look at the taxi industry challenges and come up with appropriate policy interventions to address various problems that were identified including taxi violence, accidents, old and unroadworthy vehicles, and many others. With regard to accidents, old and unroadworthy vehicles were identified as one of the leading causes and this needed to be addressed. It is against this background that the taxi recapitalization project was conceptualized and eventually formally adopted as a government programme to change the face of the taxi industry and also reduce accidents, whilst at the same addressing other several government objectives.

After many years of planning, deliberation, development of vehicle specifications and consultation of all role-players (taxi operators, vehicle financiers, vehicle manufacturers, etc), the taxi recapitalization project implementation finally began by official launch during the October “Transport Month in 2007. An amount of R7.7 billion was allocated to implement the project for a project implementation period of 7 years. After 6 years of the project implementation, it is important to look back and assess whether the taxi recapitalization project has achieved the intended policy objectives set by the Department of Transport at the project inception stage, given the substantial financial resources allocated to the project. The assessment will play a key role to inform the Department of Transport’s strategy and policy review into the future in its endeavor to improve the taxi industry. As enshrined in the South African White Paper on Transport Policy (1996), “policy cannot be static but must be dynamic and be perceptive to the environment within which it operates”. The White Paper further states that policy must be outward looking, shaped by the needs of its users and customers.

Based on the research conducted in Durban and Pietermaritzburg, KwaZulu Natal, this paper presents an evaluation of the extent to which the taxi recapitalization project has achieved the set objectives. The case study presented in this paper is based on a sample of 100 Minibus taxi operators (30 of whom are taxi leaders), 40 commuter organization representatives, 12 Taxi Workers Organization Leaders that were interviewed as key informants, and 4 officials from Department of Transport, Taxi Scrapping Agency and Municipality respectively. Qualitative research method was used with the aid of a structured questionnaire. Face to face in-depth interviews and focus groups with key informants were used to collect the data. The study was conducted in a period of 3 months. The qualitative data was analyzed by selecting key themes which emerged out of the findings. The key questions asked to the respondents related to what has been their experience of the taxi recapitalization project (effect) as either operators, project implementers or passengers. These themes have been used as a key focus of this paper.

### **3. STUDY LIMITATIONS**

It must be stated from the onset that a small sample size (100 taxi operators, 40 commuters, 12 Taxi Worker organization leaders and 4 officials of state organs involved in the implementation of the taxi recapitalization project) was used. Therefore, the generalization of these study findings to the general population cannot be done as the study relied primarily on key informants.

### **4. THEORETICAL PERSPECTIVE AND LITERATURE REVIEW**

The hypothesis of the study was “without properly structured incentives, punitive measures for non-compliance, there is a strong likelihood for limited willingness to take part in the taxi recapitalization project”.

There is very limited literature examining lessons learnt in the implementation of taxi recapitalization project locally (South Africa) and in other countries. The majority of existing literature does not look at post implementation project evaluation. From the literature review conducted, a country that was found to have undertaken taxi recapitalization project is Egypt. In 2009, the Arab Republic of Egypt government through its Ministry of Finance initiated a “Taxi Scrapping and Recycling Project for the Greater Cairo Region” (World Bank, May 2010). The intention of this voluntary recapitalization programme was to replace old taxis with new, more fuel efficient models in support of Traffic Law 21 (environmental law to improve air quality and reduction of Greenhouse Gas emissions that were largely attributed to the Egypt’s aged taxi fleet. Under this recapitalization programme, operators received financial and other incentives to surrender their old vehicles. Through a collaboration between private sector and government, an attractive financial package to attract taxi owners who owned vehicles that were more than 20 years old to participate. The incentive included a 25 to 30 percent discount on the price of the new vehicle, plus tax waivers, insurance discounts. Within the first year, a total of 17 000 taxis had already been replaced, resulting in 57, 233 tons CO<sub>2</sub> emission reduction and 29 percent in energy used. The programme will remain active for 28 years and replace approximately 50 000 taxis in each phase. Based on the assessment of this project by the World Bank it has been deemed huge success and received international attention and interest as countries like Morocco, Mexico, and others, have all expressed interest in launching similar projects.

Based on the Cairo case study above, it is clear that there is a direct relationship between provision of attractive incentives to operators and their willingness to voluntarily take part in the recapitalization project. The key lesson for South Africa on this is that without properly structured incentives, compliance and willingness to take part in the taxi recapitalization project will remain difficult. A comprehensive incentives programme is very likely to boost participation as the Egyptian case study shows.

This paper presents the key issues that emanated from the study as discussed below:

### **5. Government’s Rationale for Taxi Recapitalization Project.**

The government’s primary objective for the implementation of the taxi recapitalization project was to remove old and un-roadworthy vehicles from the South African roads. These old and unroadworthy vehicles had become one of the major causes of the accidents. In terms of the Government Gazette No 891 of 2006, Old Taxi Vehicles are “any minibus vehicle that was purchased, acquired, or manufactured during any date, on or before 1 July 2006”. In terms of the National Traffic Information System (NATIS), the number of these old taxis was approximately 120 000 at the beginning of the taxi recapitalization rollout in 2006.

Over and above the removal of the unroadworthy vehicles, there were a number of other secondary objectives that the National Department of Transport set to achieve through the taxi recapitalization project. These objectives included empowerment of operators and improving skills development and conditions of service of the taxi industry workers.

According to the Taxi Scraping Administration Agency, as at 31 December 2012, approximately 52 000 taxis have been scrapped. With an estimated number of 120 000 vehicles that needed to be scrapped in 7 years, this represents about 43 percent completion in 6 years of the 7 years allocated to the project life cycle. Other than the quantity of the vehicles scrapped, there are other key issues that have emerged during the research as raised by the interviewees relating to the taxi recapitalization project. These are as follows:

**(i) Vehicle Specifications and (speed)**

From the Department of Transport's point of view, vehicle specifications were the most essential element of the project. This is because the old taxi vehicles were not purpose built for the conveyance of passengers and had limited safety features. The Specification of the new taxi vehicles covered the following issues:

- Roll-over protection in the event of vehicle overturning in an accident;
- Seat belts except in the front seat;
- Emergency Braking System (EBS) and Air Braking System (ABS),
- Speed limit of 100km per hour;
- Commercial 8 ply rated tyre;
- One passenger seat in front to make provision for the Electronic Management System;
- Accessibility of vehicles and dimensions for the wheel chair space given – should taxi operator opt to purchase a taxi that accommodates special needs passengers;
- Vehicle sizes and number of seats;
- Uniform Branding and colour coding of vehicles, just to mention a few issues covered in the specification.

Based on the above specifications, the taxi recapitalization project was an opportunity to ensure that the vehicle safety elements of the taxi vehicles were improved. After many months of consultation with the South African Bureau of Standards (SABS) and the National Automobile Manufacturers of South Africa (NAMSA), the New Taxi Vehicle specifications were finally approved and published in the Government Gazette. Whilst the government's noble intent with the comprehensive specifications has yielded some positive results such as new, "safer" and comfortable vehicles for the commuters, after 6 years of the project rollout, at the practical level, there have been a lot of "side-effects" or negative consequences as a result of the specifications. These, as raised by the operators interviewed, are discussed below:

**(ii) Cost and Affordability of the New Taxi Vehicles**

One of the major disadvantages of the comprehensive safety specifications of the new taxi recapitalization vehicles is that it resulted to high vehicle prices relative to the old taxi vehicle prices. All taxi operators interviewed (100 percent) cited "expensive and unaffordable" vehicles as one of the key challenge they are experiencing. The operators argued that the vehicle prices have made their profit margins to diminish drastically as the vehicle installments, vehicle parts and maintenance costs are quiet high it is difficult to sustain their business especially that they get no operational subsidy from government. Notably, many (40 percent)

of the interviewed operators indicated that most taxi owners have even fallen trap to purchasing illegally converted vehicles (panel vans) (some ignorantly and unintentionally) while trying to find safety compliant but affordable vehicles. Sadly some of the operators and government only become aware of this after horrific accidents where it is discovered the vehicles did not have the specified safety requirements. The operators argue that the scrapping allowance (initially, fifty thousand rands (R50 000) in 2006 and increasing with consumer price index to R63 000 to date), is far insufficient as a deposit for the new vehicles. The South African National Taxi Council (SANTACO) and all the other taxi organizations argue strongly for government to consider reasonably increasing the scrapping allowance to an amount to be at least sufficient towards a deposit for a new vehicle. The operators argued that this would be a form of empowerment of the taxi industry as the majority of the taxi industry has not benefited from subsidized public transport (bus) contracting.

### **(iii) Availability of Vehicle Finance**

During the negotiations prior to the taxi recapitalization project, government indicated that government alone would be unable to make the taxi recapitalization project a success if the taxi owners and commercial banks did not come to party. Government and SANTACO urged banks to come to the party by financing the vehicles. All the country's four major banks came on board and pledged their support to the project and indicated their commitment to provide finance to the taxi operators. However, the majority (85 percent) of the taxi operators interviewed highlighted major difficulties in securing finance for the New Taxi Vehicles simply because the taxi industry is often regarded as "high risk business" and the taxi owners themselves often with a low credit rating profiles, creating a serious barrier for them to partake in the Taxi recapitalization project. Based on the desktop study undertaken, there are limited alternative incentive programmes that fund capital replacement of worn out assets. Available funding options rely primarily on collateral requirement which most taxi operators cannot meet.

### **(iv) Fuel**

The minibus taxi industry is one of the largest consumers of fuel in the South African economy, with an estimated expenditure of fifteen billion (R15 billion) per annum (Economics Bulletin, 2011). The taxi owners interviewed in this study were asked about how was the new taxi vehicle fuel efficiency and consumption when compared to their old taxi vehicles that had been scrapped. High cost of fuel and its continuous escalating price was highlighted as a key issue that the operators are grappling with. There was consensus amongst all taxi operators interviewed (100 percent) that government should be doing something to help them "cushion" the cost which they bear alone and reducing their profit margins to avoid always passing it to commuters to keep the fares affordable to passengers. Notably, some (15 percent) of the taxi leaders interviewed also urged government to fast-track shift towards alternative energy fuel, which they believe should be more affordable and beneficial to the economy than the current fossil fuel that is expensive and harmful to the environment.

### **(v) Accessibility of taxis by Persons with Disabilities**

Whilst most of the commuters interviewed (40 percent) applauded government for the taxi recapitalization project and introducing comfortable and safer vehicles, People Living with Disabilities felt the taxi recapitalization project was a missed opportunity for government to address their needs. Mr Cedric Ndwandwe of the

Blind and Deaf Society as well as other representatives of the Quad Para Association lamented, expressing their disappointment that although the new taxi vehicle specifications issued by the Department of Transport covered a specification for dimensions for the wheel chair space to be given in the vehicles, the fact that this was meant optional (where a taxi operator chooses to buy such vehicle) was a failure from government to address the needs of people with disabilities. As a result there is no operator who opts to buy such vehicle as those vehicles are much more expensive than the standard taxi recapitalization project vehicles. Government should have come up with punitive measures and incentives to ensure that the needs for people with disabilities are addressed. Given the fact that government does not subsidize the taxi industry, realistically government would have not had much leverage to enforce this. Given the fact that the taxi industry conveys the majority of commuters, there is still a dire need for government to address the needs of people with disabilities within the taxi industry while long term universal accessibility interventions across all public transport modes are being developed and implemented.

**(vi) Electronic Management System (EMS)**

At the conceptual stage of the taxi recapitalization project, government's intent was for the new taxi vehicles to have an Electronic Management System which was going to be used for smart card payment as well as providing information on patronage, revenue collected, etc. However, during the negotiation between the taxi industry and government, there was no agreement on the issue of smart card simply because the issue of ownership as well as who bears the cost of the installation and maintenance, brought a deadlock on the matter and it was subsequently not catered for in the project. According to the municipal officials interviewed in Durban and Pietermaritzburg municipality responsible for transport planning, the EMS was identified as a missed opportunity as it was going to provide useful planning information to improve public transport and the taxi industry planning and operations. The EMS had the potential role towards integrated transport to ensure seamless use by commuters when paying fares and transferring from one mode to the other. As a result, planning authorities continue to spend substantial resources (financial and otherwise) to collect utilization data for planning purposes relating to the public transport industry which the taxi industry is a majority mode when it comes to commuter segments which stands at approximately 65 percent.

**(vii) Training, Human Resource Development and Customer care issues**

Whilst most of the commuters interviewed (40 percent) applauded government for the taxi recapitalization project and introducing comfortable and safer vehicles, almost all commuters interviewed (98 percent) cited poor customer care as a major long standing problem that has almost become synonymous with the taxi industry. Commuters indicated that most drivers are rude, drive reckless and do not treat passengers like conventional businesses care for their customers. As a solution to this long standing problem, compulsory training linked to remuneration as an incentive and intervention was highly recommended by many commuters. When the issue of training was raised with the taxi owners and leadership, they unanimously blamed the Department of Transport for not providing the training whilst the Transport Sector and Training Education (TETA) is not visible within the taxi industry skills development in recent years. The taxi industry leadership indicated that government has failed on a promise made prior to the rollout of the taxi recapitalization project to help fund re-skilling of taxi drivers and in upgrading their

licenses. Drivers have had to pay this for themselves to avoid losing jobs. However, some (40 percent) of the taxi operators acknowledged the fact that they also have a responsibility to train their drivers on customer care issues like most businesses do to their staff to improve their customer loyalty.

#### **(viii) Scrapping Administration Process**

The Taxi Scrapping Agency appointed by the Department of Transport to administer the vehicle scrapping and also pay out the operators also came under critique from the taxi operators interviewed who had undergone the experience of scrapping their vehicles. At the launch of the taxi recapitalization project in October 2006, Mr Mabunda of the Taxi Scrapping Agency indicated that the turnaround time to pay the operator after all the necessary requirements have been met, would be 3 working days. In January 2013, an official of the Taxi Scrapping Agency interviewed indicated that the turn-around time is approximately 10 days. However, the experience of the operators who have dealt with the Scrapping Agency indicated many frustrations and lengthy (one month or even longer, with the longest reported waiting time being 1 year for one operator, a Mr Magagula of Mpumalanga (Sowetan News, 7 February 2007) to get pay out. This, according to the operators negatively affects their income generation and some even reported to have lost fixed assets and being unable to provide for their families while waiting for payouts to go buy new vehicle to operate. Going forth, this is something that needs to be addressed to improve turn-around times.

#### **(ix) Labour Issues**

Prior to the implementation of the taxi recapitalization project, accident research attributed most of the accidents to old and unroadworthy vehicles. However, a significant number of accidents resulted from human (driver behavior) and element. This includes reckless and negligent driving and driver fatigue. Driver fatigue within the taxi industry is often related to the extremely long working hours (12 hours or longer). The Department of Transport, working closely with the Department of Labour, identified this as a problem and engaged the taxi industry leadership. The issue of minimum wage was also regulated by government but the majority of the drivers interviewed indicated that long hours of work, poor pay and conditions of service are a serious long standing problem which often results to them speeding, and not adhering to traffic laws and causing accidents. In an interview with the 12 members of the leadership of the newly formed South African Taxi Workers Organization (SATWO) in Durban, they indicated that the issue of conditions of service is the main issue the drivers are at loggerheads with their employers about. Given the above, there is still a critical need for government to ensure that the above issues are addressed as “replacing vehicles without addressing the other key issues affecting the drivers will do little to reduce the accidents involving the taxi industry” (SATWO, Durban Representative, January 2013).

#### **(x) Infrastructure Issues (Ranking facilities)**

The introduction of the taxi recapitalization project has had a huge impact on the taxi ranking infrastructure and facilities where taxis load and off-load passengers. The introduction of the New Taxi Vehicles which are much bigger than the old taxi vehicles, warranted alterations and reconfigurations of geometric designs of taxi loading aisles in most ranks that were designed for the old taxi vehicles. Following the finalization of the vehicle specifications, the Department of Transport appointed consultants to develop guidelines for the taxi ranks geometric design. However, these were never adopted and shared with municipalities to upgrade the ranks.

Municipal officials mostly in Metropolitan cities responsible for the infrastructure (including ranks) indicate that they had to react and appoint consultants to develop their own guidelines and to upgrade the ranks to accommodate the new taxi vehicles. Unfortunately, most small municipalities have not upgraded the ranking facilities to accommodate the new bigger vehicles and vehicles are getting damaged (tyres, rooftops and body works) trying to maneuver through the narrow aisles and restricted rooftop heights. Taxi operators interviewed in Pietermaritzburg and Durban highlighted this lack of infrastructure upgrade to accommodate the new vehicles as a serious problem and this continues to cause huge damages on their vehicles. The operators recommended that the Department of Transport at national level should have taken leadership role to allocate funding to address this huge problem. It is therefore necessary for government across the 3 spheres to deal with this issue.

**(xi) Speeding**

One of the key safety specifications that was spelt out as a requirement in the New Taxi Vehicle was a requirement for the new vehicles to have a maximum speed limit of 100 kilometres per hour (100km/h). This is one requirement that has not been implemented in the new taxi vehicles as almost all new taxi vehicles can drive to speeds far beyond 100 km/ hour. This is one of the serious concerns that commuters raised during the study given the fact that speeding is often one of the major causes of the accidents involving minibus taxis where many lives are lost. It still remains unclear as to what was the obstacle to enforce or implement this safety requirement from the side of government and whether there is an intention to do it going forth.

**(xii) Taxi Recapitalization Project as a sustainable solution for the taxi industry**

Whilst the taxi recapitalization project has helped to replace a substantial number of the aged and un-roadworthy minibus taxis with new taxi vehicles since October 2006, almost 7 years later (2012) the situation is almost back to where it was in 2006 as the first new taxi recapitalization vehicles have reached their end of their economic life-span and become "skorokoros" or "moving coffins". This is a clear indication that the taxi recapitalization project was a short term solution for the taxi industry. Therefore, government needs to come up with much more innovative ways to make the taxi industry vehicle fleet renewal programme self-sustainable and self-reliant, at the same time empowering the industry through involvement in contracted public transport services especially in the rollout of the Integrated Rapid Transport System as envisioned in the Public Transport Strategy and Action Plan (2007).

**6. CONCLUSIONS AND RECOMMENDATIONS**

Whilst the taxi recapitalization project has helped to reduce a substantial number of the aged and un-roadworthy minibus taxis and improved passenger comfort and industry image, there are still a number of challenges that government has to address for the project to achieve the objectives that were set at the project inception and for it to be deemed a success story. Furthermore, the taxi recapitalization project has not been, and cannot be regarded as a panacea for the minibus taxi industry challenges, but it can be viewed as an intervention that was reacting to address some of the critical taxi industry problems such as aged and unroadworthy vehicles in the short to medium term from its inception date. There is a need for government to review the taxi recapitalization project and consider addressing some of the key and valid taxi industry concerns and come up with a long term solution to address the minibus taxi industry



challenges in a sustainable manner such that there is a win-win situation for the government, commuters and the operators.

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