

THE NEED TO FORMALISE THE TAXI INDUSTRY – ACTION IS LONG OVERDUE

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ABSTRACT

It is now 15 years since the publication of the NTTT report. The NTTT consult, develop and recommend strategies and processes to lift the taxi industry to a level where it can enter the formal economic sector.

The time has arrived to action these strategies and recommendations to alleviate the taxi industry to the required level to participate in the formal economic sector. For such a process to take off it will be necessary for the members of the industry to –

- Make a mind shift from thinking small about myself to consider the opportunities of being an organization – the power of us collectively.
- See change not as a threat, but as an opportunity to set new boundaries and
- Take action to realize opportunities as such opportunities are only available for a limited time after it no longer provides the potential return.
- Think long term by taking the timeously and courageous decisions.

The paper would elaborate on this promises and opportunities available for the formalization of the taxi industry to access the entrance to the final economic sector.

1 INTRODUCTION

This paper is strongly linked to a previous paper* by Moses Mhlambi and the author, about the pitfalls requiring care during dealings with the Taxi Industry. As stated in that paper, and is still very true today, is that the taxi industry has over the years crept into the hearts of the South African community. Firstly, during the freedom struggle the members of the taxi industry risked being arrested when providing an alternative to the government-supported bus service. Secondly, the industry was seen as the sector that would bring fame as the first really successful black empowerment sector.

It is common knowledge today that the Taxi Industry moves the majority of commuters in South Africa. It transports between 60% and 80% of the passengers, depending on the particular part of South Africa. The operators do this without subsidy from government but their fares still do not differ much from those charged for the subsidised buses. The mode is very popular because it provides a type of personal transport which is fast and relatively frequent. One immediately asks why the minibus-taxi industry could not have progressed more successfully, since it controlled more than 65% of the market and was also popular with the

community and government. As stated by Oosthuizen and Mhlambi, the instability prevalent in the industry has undermined its progress and success, preventing it from reaching the point of full formalisation and empowerment and becoming a reliable business partner. It is now becoming clear, however, that the instability in the industry is not the only factor that is delaying progress with the transformation of the industry.

When processes and schemes are developed for the industry, sufficient information should be provided so that the taxi operators can make sounder decisions.

2 OBJECTIVES OF THE PAPER

The paper has the following objectives:

- a) To contribute to overcoming the obstacles that continue to hinder the minibus-taxi industry from reaching its full potential
- b) Last but not least, to warn the minibus-taxi industry about the dangers they create themselves, especially in the way that members of the minibus-taxi industry conduct their business.

3 PITFALLS IN DEALING WITH THE TAXI INDUSTRY

The pitfalls defined previously by Oosthuizen and Mhlambi* fall into five categories:

- a) How the industry and its members structure deals concerning development initiatives and how the developments are positioned to benefit the industry operationally.
- b) When members of the minibus-taxi industry do business with people outside their industry, the business deals have to be official and well-structured to ensure that the members and all other parties are protected.
- c) Leadership and membership

Democratically elected leaders nowadays head the minibus-taxi industry. There are problems, however, because many leaders are not very successful in performing their duties or deliver transport services that fulfil the expectations of the industry's members or clients.

The issues relating to leadership and membership that create pitfalls hampering the development of the minibus-taxi industry, include the following:

- i) Leaders do not report back to the members
- ii) Leaders do not attend meetings
- iii) Leaders are not paid for the services they render to the minibus-taxi industry
- iv) Leaders do not own registered vehicles

d) Regulation and control system

Although there was a quasi *de facto* deregulation of the minibus-taxi industry during the late 1980s it is now general knowledge and the official policy of government that the industry will be controlled and regulated. The various provincial and local authorities have recently started to implement the requirements of the National Land Transport Act (Act 5 of 2009). One requirement of this Act is the development of transport plans which include an Operating Licensing Strategy in terms of which taxi services have to be provided.

The pitfalls relating to regulation and control include the following:

- i) The slow pace at which the regulatory system is being implemented
- ii) The lack of law enforcement to protect the legal taxis and keep the illegal operators off the routes
- iii) Corruption in the issuing of permits to operators
- iv) Little or no provision of taxi rank facilities

e) Formalisation of the Taxi Industry:

Oosthuizen and Mhlambi furthermore mention that, considering the history of the origin and development of the minibus-taxi industry, many organisations, people and the new government had high expectations that the minibus-taxi industry would develop into a giant formal and united business.

Oosthuizen and Mhlambi state that a number of pitfalls face the minibus-taxi industry on the way to becoming a fully fledged formal business:

- i) Members of current structures in the minibus-taxi industry fear that a more democratically co-operative system could result in their losing some or all of the benefits and perks they currently receive.
- ii) Some private sector businesses currently have deals with the minibus-taxi industry and because these business owners fear that they might lose their market, they are capable of deliberately destabilising the minibus-taxi industry to keep their market share.
- iii) People who benefit from the negotiations for the formalisation and development of the minibus-taxi industry could also prolong the process.
- iv) The formalisation plans and strategies are not always explained clearly and in the correct manner to the members of the minibus-taxi industry.

4 GUIDELINES FOR DEALING WITH THE MINIBUS-TAXI INDUSTRY

The following guidelines are important when dealing with members of the minibus-taxi industry or when they spend time on formalising and developing the minibus-taxi industry:

4.1 Development initiatives:

- a) The minibus-taxi industry should become a partner in the development projects, not necessarily by running a project but preferably by benefiting from the spin-offs and profits produced by the development.
- b) Taxi parking and ranking should always be protected by legal means, such as land-use zoning or by registering a servitude on the property.

4.2 Business with people outside the minibus-taxi industry:

- a) Business deals should be properly protected by legal agreements or contracts between members of the mini-bus taxi industry and external business people;
- b) The minibus-taxi industry should be considered as a business which is run by leaders.

4.3 Leadership and membership:

- a) Leaders should be compelled to report back regularly and in writing, not only to the Executive Committee but also to the general membership;
- b) If the office of the association gave official report-backs and kept the diary, this would ensure that leaders attended meetings;
- c) The industry should regard its leaders as important and pay them for devoting their time to the upliftment of the industry;
- d) The standard constitution requires leaders to own vehicles in the taxi industry.

4.4 Regulation and control system:

- a) Government ought to speed up the process of regulation and control
- b) Law enforcement should be made more effective to protect the legal taxi operators
- c) Corruption has to be eradicated by removing corrupt people from the system
- d) If public transport is a priority, the local authorities ought to devote more of their budget to upgrading the transport infrastructure.

4.5 Formalisation:

- a) The structure of the industry has not been sorted out yet, as federal structures and newly elected taxi councils are competing for and representing the same operators
- b) The influence of the private sector in the process of the formalisation of the taxi industry should be investigated
- c) The facilitation of processes in the formalisation of the industry should be dedicated to this purpose

5 **A NEW APPROACH TO THE TAXI INDUSTRY TO MAKE PROGRESS TOWARDS FORMALISATION**

It is now 15 years since the publication of the report by the National Taxi Task Team (NTTT). The NTTT consults, develops and recommends strategies and processes to lift the taxi industry to a level where it can enter the formal economic sector.

The time has come to put these strategies and recommendations into effect to elevate the taxi industry to the required level so that it can participate in the formal economic sector. If such a process is to begin and succeed, it will be necessary for the members of the industry to take the following steps:

5.1 Change their mind-set from thinking small about themselves and instead consider the opportunities that being an organization would offer – the power of collective bargaining

The instances and experiences from projects from the past are haunting the minds of the members of the Taxi Industry, when their collective power resulted in favouring only a few. This was due to non-adherence to the main principle of the co-operative concept, namely that if people stand together they have greater bargaining power which should in fact benefit all those who contributed to creating the power by standing together. There are numerous examples of the selfish approach which not only wrecked a number of projects but also destroyed the leaders of the latent BEE giant, the Taxi Industry. It is perhaps because of its potential that so many business people in South Africa and abroad realise the opportunity to be associated with the industry or want to be part of assisting the industry to seize the opportunity for innovative projects. Even the Chinese are becoming excited about the possibility of doing business with the taxi industry in South Africa. Unfortunately, because many attempts by business people to awaken the sleeping giant were aimed at making profits for themselves than at assisting the taxi industry to realise its potential, such selfish motives had the result that the industry did not get its share of the profits. In the few cases where the taxi industry was getting a share of the profits, the benefits from such projects never reached the grassroots members whose support and numbers were vital for the sustainability of the projects. The co-operative structure provides the right elements to distribute profits and benefits to the members and also to benefit the various levels of management at national, provincial, regional and local levels. For long-term

sustainability, however, the major portion of the benefits has to reach the members who contribute to and support projects and who need to continue to do so after enjoying the fruits of the success of the projects. There is a strong element of jealousy among the members of the taxi industry, which might have developed over the years when certain people benefited from development projects and the other members of the taxi industry believed that whoever was successful in its business must have benefited from projects or from the coffers of the industry. Such jealousy has led to intolerance among members, so they do not appreciate progress among members and even dampen the drive from business-minded and gifted members and leaders to strive for greater levels of success because they fear rejection by co-members and even fear mismanagement and self-enrichment.

The way the industry develops or struggle to develop also affects young entrepreneurs' the entry to the industry because their role models do not reach their potential, so they do not set the example and provide the excitement needed to attract young blood to the industry.

5.2 See change not as a threat, but as an opportunity to set new boundaries

As change also breaks down boundaries and limitations, a major effort would have been necessary for the industry to form part of the formal bus operations and to obtain equity in the integrated system. Now that the transport industry is becoming transformed into a more integrated system, the National Land Transport Act (NLTA) even states that the minibus-taxi industry has to be part of every contract and system. The question is how the taxi industry will position itself to seize the opportunities. The industry will have to understand its strengths and weaknesses if it is to realize the opportunities that the NLTA presents. The industry's members will have to focus on being able to see change as providing new opportunities. There is a need for fresh and new leadership in the industry where self-interest is placed second to all the members' interests. The bargaining power of the industry can only be realised if the circle is completed, namely if the benefits flow back to the members whose support will keep the industry going and ultimately growing, as the demand for a service or product provides the potential for larger discounts and greater benefits to the members. It is in this regard that the industry made its biggest mistakes, as demonstrated by the failure of the SABTA garage system in the late 1980s. The scheme consisted of garages that would be established after an agreement was signed between the Shell Petroleum Company and the then national taxi structure, the Southern Africa Black Taxi Association (SABTA). It was a concept which would have set the industry on a new road and paved the way for other similar projects with other service providers. The garages were established as companies with certain leaders as the directors and shareholders. The members were to support the garages and then benefit from the profits of the garage. This was an excellent concept but soon after the system began, the members did not benefit much so there was no motivation for the owner to instruct the driver to fill up at the SABTA garages. Drivers decided to support other garages where they at least received a token of appreciation in the form of a T-shirt or food. This pilot project could have changed the direction of business development in the industry but instead it entrenched its members' distrust and doubts that such schemes could work for them. It had far-reaching results as it undermined the belief that management could be trusted to manage vehicles and operations on behalf of members, a characteristic that is fundamental to the ultimate success of the co-operative concept. The co-operative company could for example manage the

operations of many vehicles more efficiently than if each owner managed his own operation. The co-operative company could include the operations at ranks and on routes, the electronic ticketing machines to handle fare collection, the maintenance of vehicles at service centres owned and managed by the co-operative, and many other services.

The new TR3 2020 policy document developed by Santaco gives a bird's-eye view of where the industry wants to go. The key to the success of such projects and programmes is the members' support of the projects and their trust that their interests will be protected and they would receive their share of the benefits. For the first time, the Taxi industry realised that the customer was indeed the king. For this reason the Hlokomela project was started, where the industry embarked upon a campaign to improve road safety by starting at the rank, by making sure that the vehicle would not leave the rank unless it was safe and that the needs of the passenger would be catered for.

The industry also requires much-needed changes before it can take its rightful place in the formal business environment. Some of these changes are in management and leadership and others are purely operational changes.

The managerial change is also connected to the structures used by the industry, for example the conversion from the association structure, where structure and formalities are vital to business entities that have profit as the driving force. There are widely differing views on the appropriate legal business structure for the minibus-taxi industry but certain structures, such as the co-operative structure, not only offer more possibilities for serving the large number of members but also ensure that the members do not lose control over the structure. The experience of the industry in the past with the company structure makes it more difficult for its members to feel positive about getting involved in companies or even in any business entity. Accordingly, they prefer to keep operations and business close to their chests so that they can protect their own businesses and operations, but in this way they lose the advantages of collective bargaining and using the strength of their numbers to create wealth.

Operationally, the industry will first have to change from the current system of operating individually to operating more as a system. For example, the practice that taxis leave when they are full does not present a reliable service because passengers never know when they will arrive at their destinations. So they tend to look for greater certainty about the time of departure as this determines the time when, for example, they can make appointments. This statement is proven by the fact that more and more passengers gather at the exit roads where they look for a lift by hitchhiking. Taxis that leave when full also have no opportunities available for other potential passengers along the routes because all the seats have already been filled.

More reliable scheduled services are needed. Such schedules would let passengers know when they will arrive at the destinations and would also open the taxi services to more people along the route as the taxis would depart from the ranks even if they are not full, thus allowing potential passengers along the route to get transport.

The second way in which the industry should change its operations is to work together in the management of the operations.

The third way in which the industry should change is to join together in the use of maintenance and service centres. Pooling their resources would save a lot in costs and would also make it possible to appoint skilful technicians and equipment to service the highly sophisticated vehicles that the industry uses. The industry will have to use the strength of its numbers to negotiate reductions in the cost of running the vehicles.

5.3 Take action to seize opportunities, as such opportunities are only available for a limited time after they no longer provide a potential return

You should see an opportunity as being like a drop in a flowing river, where you are standing on the bank of the river waiting for the opportunity, the drop of water in the river, to reach you. When it eventually reaches you, you have to take action to take it from the river full of other opportunities. If you hesitate for too long, that drop will go past you and you may not find it easy get hold of it again. Even if you use a scoop, you might not get the right drop or you might disturb it so much that loses some of the benefits. So act timeously.

The minibus-taxi industry must have the earliest possible access to the newspapers where tenders are advertised so that it will have the maximum time to submit its tenders. In addition to knowing about the tenders at an early stage, the industry will also be informed about any compulsory briefing sessions. It is important to delegate a person to monitor the newspapers and the *Government Gazette* to have early notice of tender opportunities.

The industry must be well prepared so that it can take timely action. Certain things have to be in place so that the industry can take advantage of opportunities. For example, when a tender is advertised the industry needs to have a legal entity with a tax clearance certificate and a business profile. There is no time to put these in place after the tender has already been advertised.

5.4 Think long-term by taking timely and courageous decisions

The industry has to be visionary and know where it wants to go. If its leaders know their destiny, they should make courageous decisions at the correct time even if they look wrong to other people. If they are not sure where they are going, they will be hesitant about seizing an opportunity from the river of opportunities so that they can maximise the return from a specific opportunity.

Due to the informal organisational structure of the industry, it is also difficult to stay focused on the future. The TR3 2020 strategy drawn up by SANTACO is a good effort to predict the future but it has not gone far enough. The future and the changes needed include structural and organisational changes as well as a new approach to project management, the distribution of benefits and communication with internal as well as with external parties such as business partners and government.

The structural changes needed have already been touched on, for example because the industry is a business it needs business entities as structures.

Because of the nature of the industry, the business structure should not be separated from the policy structure otherwise there will be a power struggle between the two as has happened in different provinces in the past and is currently happening between SANTACO and its business arm, Taxi Choice. The business arm should grow and the policy arm should be cut back and the business arm should take a more prominent position. The members of the industry need to have confidence in the leadership as this will pave the way for the members to give the required support of the businesses created by the industry. A structure of primary, secondary and tertiary co-operatives could serve the needs of business development.

The issue of the right project approach and management is important for the members to understand where they will fit in, which would create the correct environment for them to give their support.

6 **CONCLUSIONS**

The following conclusions could be drawn about the implementation of policies and the formalisation process of the Taxi Industry:

- a) The members of the Taxi Industry should change their mind-set from thinking small about themselves and instead consider the opportunities of being an organisation – the power of numbers in collective bargaining
- b) They should see change not as a threat, but as an opportunity to set new boundaries
- c) They should take action to seize opportunities, because these opportunities are only available for a limited time after they no longer provide a potential return
- d) They should think long-term by taking timely and courageous decisions

7 **REFERENCE**

* SIAS OOSTHUIZEN AND MOSES MHLAMBI: THE ROAD TO EMPOWERMENT OF THE MINIBUS-TAXI INDUSTRY IS FULL OF PITFALLS –
Our experience and observations over many years.