

# **Shifting views of major local stakeholders in the implementation of the MyCiTi bus services in Cape Town (2008-2014)**

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## **Abstract**

Cape Town's MyCiTi Bus Rapid Transit (BRT) service is part of an ambitious plan to integrate various modes of transport and "place at least 75% of Cape Town's population within 500 meter of the system". MyCiTi would replace the ubiquitous mini-taxis on most major routes. The scheduled public bus service began in the city in 2010, and has since expanded considerably through the phased roll-out of several new routes, the most recent being one that reaches the Cape Flats. Yet in the early stages, there was considerable opposition from various stakeholders and some of that still continues. This research looks at how key stakeholders shifted their views over the period 2008-2015. Three stakeholder groups and their interactive dynamics in the context of ongoing uncertainty about the system are explored in this mini-thesis. The findings show that despite much pre-planning, the MyCiTi project has been negotiated and re-negotiated as the City embarked on a voyage into uncharted territory. The transformation of sections of the taxi industry from the informal sector to the formal sector has been presented as a big challenge but has also been seen as its biggest phase one success so far. Yet, in 2015, the city blamed at least half of its revenue shortfall on having to compete with the minibus taxi industry, which it failed to "contain" as planned. The mini-thesis shows that mega-public-private projects are messy at best and that without effective monitoring, public support and consultation the best laid plans and policies can fail. More research is needed into the complexities of public private partnerships and the City needs to take such knowledge into the next phases.

## Declaration

I declare that this mini thesis is my own work, and that it has not been submitted before for any degree or examination in any other university, and that all the sources I have used or quoted have been indicated and acknowledged as complete references.

Moira Beukes

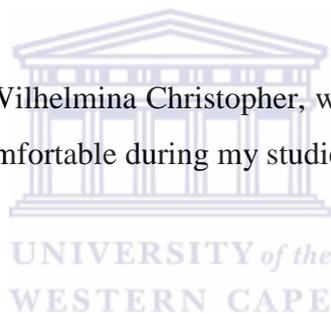
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I would like to thank my mom Wilhelmina Christopher, who prayed for me at all times and ensured that I was spoiled and comfortable during my studies.



Key words: MyCiti Bus, Cape Town, public transport, taxi, public-private partnership, stakeholders



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## List of Acronyms

AFC	–	Automated Fare Collection
BRT	–	Bus Rapid Transit
CBD	–	Central business district
CC	–	Control centre
COCT -		City of Cape Town
CT		Cape Town
IDP	–	Integrated Development Plan
IPTN	–	Integrated Public Transport Network
MFMA	–	Municipal Finance Management Act (56 of 2003)
NDOT	–	National Department of Transport
NLTA	–	National Land Transport Act (5 of 2009)
PTISG	–	Public Transport Infrastructure and Systems Grant
SARS	–	South African Revenue Services
SDA	–	Service delivery agreement
VOC	–	Vehicle Operator Company

## Chapter 1: Rationale, aims and background

Since the 1980's road-based commuter services have been served by buses and minibus taxis (Behrens, 2009; Schalekamp, 2009). The bus industry is generally characterized as “formal”, and provides *scheduled*, subsidised public transport services. The minibus taxi industry on the other hand is informal and provides *on demand* services and does not receive any operating subsidies.

The Bus Rapid Transport System (BRT) is a national government initiative. In his 2006 Budget Speech the then Finance Minister, Trevor Manuel noted that investment in public transport is an important step in reshaping the urban landscape. The state's vision was to replace the previous inadequate, ineffective and unsafe transport model. The specific ideal of *public* transport as a national political and economic priority for big cities has thus come to the fore. As it is well known, taxi operators and private interests have generally tended to resist proposals for public transport. I aim to do a critical inquiry into the evolution of the Integrated Rapid Transport system (IRT) in Cape Town, also known as MyCiTi Bus, focussing on major issues and stakeholder views over the last five years (2008-2014). I examine how stakeholders have significantly shifted their views as the “MyCiTi model” has itself evolved and new issues have emerged.

Academic literature on transport in South Africa is skewed toward technical and economic issues (Schalekamp, 2009). The historical literature covers the rise of the taxi industry and transport privatisation (McCaul, 1990). Pinkerton (2002) comments on the political transition and shows how blacks became economically empowered through the minibus taxi industry. A number of Masters theses have been recently written on Johannesburg's BRT. Boudreaux (2006) conducted her research on South African minibus taxi industry and its economic developments and focuses on how it affects minibus drivers.

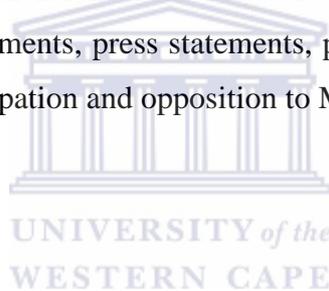
An inquiry into MyCiTi is needed because the system operates in a highly contested environment where a number of divergent interests have to be catered for and aligned. In South African cities over the last decades we have many suburban residents invested in using private cars, while in the poor areas people use walk, cycle, or use a minibus, or commuter train (Barrett 2001). On the other hand, apartheid policies located black people on the margins of cities. Limited mobility in a spatially distorted apartheid city has restricted the poor from participating in the economic, political and social life of the wider community and the city. Some of the stated objectives of the IRT system are to bring the key benefits to public transport users such as:

making transport more affordable; reducing travel times; providing longer operating hours; and accommodating the needs of special needs passengers.

In this mini-thesis, I firstly identify *major* stakeholders in Cape Town's MyCiTi bus; secondly, I provide details about these stakeholders, and thirdly, I look at the MyCiTi business model and rules of engagement that were applied between the City of Cape Town (hereinafter the COCT), the National Department of Transport services and all relevant stakeholders.

In terms of research methods, the bulk of the work involved an understanding of city documents and doing key informant interviews. Key informant interviews were lengthy, semi-structured and face-to-face, which allowed for a free flow of ideas and in-depth information from persons intimately involved with the process. In seeking to understand the stakeholder views the researcher examined records of meetings, public statements, press statements and policy documents. I did desktop research on the model and changes in stakeholder's views and tracked the possible gaps in their comprehension of the rules of engagement using documents such as minutes of meetings, public statements, press statements, policy documents. Local newspapers, which extensively covered participation and opposition to MyCiTi were surveyed.

## **Aims**



The research questions for this mini thesis are:

Who have been the major *local* stakeholders that have participated directly and indirectly in the urban transport debate since COCT?

What were their interests and views?

How have stakeholders' views been modified, and

How has the model evolved, what new issues have surfaced and what lessons might be learnt?

The key stakeholders are: national and local government, taxi associations (also called the "paratransit" sector); private bus companies (subsidised by government) such as Golden Arrow; the public in the form of organised residential groups and civic associations, trade unions, Passenger Rail Agency of South Africa (Prasa). Secondary stakeholders might be vendors (involved in ticketing and related services); or various other private interests such as IT companies. In identifying stakeholders for this study, I prioritised the city, bus companies,

formal taxi operators, and residents. From the literature review, I concluded that there is a paucity of scholarly work on how the MyCiTi bus system was navigated with stakeholders.

I drew on Bryson (1995: 27) for a comprehensive definition for the term stakeholder: “A stakeholder is defined as any person, group, or organisation that can place a claim on an organisation's attention, resources, or output or is affected by that output”. Stakeholder theory can be seen as an approach by which public decision-makers scan their environments in search of opportunities and threats. Stakeholders are the organised groups of people or interests which can be advantaged or negatively affected by change or action within the organisation. Stakeholders include those who are directly affected whereas secondary stakeholders are indirectly affected by an organisation's actions or policies. Stakeholder analysis requires defining key stakeholders, understanding where they stand, how flexible and open they are and developing cooperation between the stakeholders. The main objective is to ensure successful outcomes for the policy or project envisaged. If they are not likely to be positive, what will win them around to support a project? How will one manage their opposition? Commonly used during the conception phase of a project for assessing the positions of stakeholders, stakeholder analysis is less frequently used in execution phase. It also specifies mechanisms to influence other stakeholders.<sup>1</sup> The stakeholder approach needs to be complemented with an understanding of the transaction and monitoring costs and insights from agent-principal theory. Unfortunately, the current literature on MyCiti does not engage adequately with the fact that the model is based on a public-private partnership (PPP) which essentially involves a nexus of long term contracts with various private entities. PPP's are also defined as “arrangements where the public and private sectors both bring their complementary skills to a project, with varying levels of involvement and responsibility, for the purpose of providing public services or projects” (Tang, 2009). Providing a critique of PPP's Greve and Hodge (2010) cite several challenges pertinent in PPP's namely long term and complex nature of the deals; their elitist and inaccessible nature (to ordinary citizens); lack of public participation and transparency, abdication of the lead role by government to private partners and thus enabling nation states to abdicate their responsibilities for the promotion and protection of their citizens'; government's lack of capacity

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[http://www.institute.nhs.uk/quality\\_and\\_service\\_improvement\\_tools/quality\\_and\\_service\\_improvement\\_tools/stakeholder\\_analysis.html#sthash.HP7DWJQL.dpuf](http://www.institute.nhs.uk/quality_and_service_improvement_tools/quality_and_service_improvement_tools/stakeholder_analysis.html#sthash.HP7DWJQL.dpuf)

to manage and scrutinize the activities in the partnership leading to private partners manipulating the partnership for their own selfish ends.

The VOC (or agent) is meant to act in the best interest of the City as custodian of the public interest (the principal). Agency problems arise when the service delivery agent who has better knowledge of the details of service delivery (asymmetrical information) and the principal are not aligned, and conflicts of interest arise. The cost of monitoring the agent (through elaborate service level agreements) cannot be estimated beforehand. The agent is systemically likely to act in his/her own interests rather than the principal's. The risks attached to this process only become evident when it is too late because it may be too expensive for the principal to terminate the agent's contract and it may also be a political embarrassment to the principal to expose to the voting public what has gone wrong. In summary the problem arises because service delivery is outsourced to an agent who has different priorities from the principal. Various mechanisms that may be useful to align the interests of the parties may be too complex or contested. This basic account of agency dilemmas has also occurred in the outsourcing debate at universities in South Africa. Outsourcing has generally been opposed by the labour movement as well as university managers in very recent times. In the case of MyCiTi, in 2006 the City of Cape Town decided not to adopt the full public model for the future transport system.

### **Introduction to MyCiTi and key stakeholders**

A public bus *service* may be defined as a scheduled transport service, which is regulated but not necessarily owned by the city. Public systems are also more democratic and equitable. Enrique Peñalosa, the champion of the BRT system of Bogotá in Colombia, renowned for its thriving public transport system, noted that in the dedicated public bus lanes. "Thirty people on a bus can zoom past a Maserati with one person in, because thirty people should get thirty times the space as one person, no matter how much money they make. That's true democracy."<sup>2</sup>

Cape Town since 2006 has been under the rule of the Democratic Alliance (DA) and its party leader, Helen Zille who has marketed the city as a pro-poor and investor friendly city. Cape Town (with a population of 3, 7 million, 2011) is exceptional in a number of ways given the spatial and socio-economic divisions, urban sprawl and rapid influx of new residents. It has

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<sup>2</sup> Cited in <http://www.urbanafrika.net/urban-voices/cape-towns-myciti-brt-four-years-into-its-democracy>.

enticed much scholarly and political attention in the last few years. Parnell and Pieterse (1999) refer to Cape Town’s “flawed beauty” marked by extreme, enduring and concentrated poverty. Samara (2011) shows that institutional exclusion and gang-related violence in Cape Town’s working class townships such as Khayelitsha, Delft, Manenberg and Mitchells Plain are a common phenomenon. Such residential areas live in constant uncertainty and anxiety about criminality and continuous theft of public transport infrastructure has meant countless delays. Besteman’s book (2008) has explored the feelings and experiences of local residents -- racial fear, mistrust, and resentment that have accompanied the stalled promise of upliftment after the end of apartheid. Samara (2011) points out that statistically black South Africans especially in the townships rather than white South Africans who use private cars are more likely to be the victims of crime. As a result, the use of private cars has increased. Many scholars agree that, Cape Town is a spatially divided city with poor areas mainly the Cape Flats being underdeveloped and the key centres of economic power and growth remain in the former white areas (Turok, 2010; Samara, 2011).

In Cape Town, scheduled services in the Cape Town metropolitan area were earlier provided by two bus companies namely Golden Arrow Bus Services (Pty) (GABS) and Sibanye Bus Services. Both bus companies received a subsidy provided in terms of an interim contract with the Western Cape provincial government. Unscheduled services are provided by mini-bus taxis throughout the City; however legislation requires that all operators need to be members of an association that is registered with the Provincial Transport Registrar or a non-member who is registered with the Registrar. According to COCT, many old and new stakeholder groups will contribute to MyCiTi -- an envisaged externally provided bus service regulated by the City (CoCT 2013).

Below I have sketched a few key stakeholders and some of their issues (see Table 1).

**Table 1: Typical stakeholder spectrum in Cape Town urban transport**

Name	Main Concerns
City of Cape Town	The main focus of the City of Cape Town was to develop an integrated public transport system that could serve the public well but also leverage private sector expertise. This was believed to be possible through the implementation of an Integrated Rapid Transit system, with a systematic rollout timeframe of 15 to 20 years. The introduction of a public transport network, with high-quality rail and road services, would place at least 75% of Cape Town’s population within 500 metres of the transport provision system. The city sets the rules for the system and

	where the system is to be rolled out.
PRASA (Railways network)	To support mass transport of workers using rail services, an effective support road network necessitated other forms of feeder services.
Taxi associations	<p>The first minibus-taxi association, the South African Black Taxi Association (SABTA) formed in 1979 in order to assist operators in obtaining permits from the DoT. Together with the South African Long Distance Taxi Association (SALDTA), SABTA began pressing government to deregulate the industry. In 1988, the Transport Deregulation Act effectively legalised minibus-taxi operations, giving rise to a great influx of new minibuses into the industry in a short amount of time.</p> <p>Taxi operators began to form associations at local levels. The main objective of the local associations was to intervene on behalf of their members to regulate loading practices and fares. However, while association leaders ostensibly worked in the best interests of their members, more often than not, they catered to their own interests above all else. In addition, sometimes their interests were in direct conflict with those of their members.</p>
Golden Arrow	<p>The initial arrangement was that the bus services be operated by Golden Arrow Bus Services (GABS) under an interim contract with the Western Cape Provincial Government. At the time, GABS operated 1021 buses during peak hours while serving 900 routes in the Cape Metropolitan Area. They were also funded with an amount of R660 million. Later, a part of the City of Cape Town's IRT service – known as MyCiTi – started its operation between Tableview on the West Coast to the Civic Centre (CBD).</p>
Taxi owners	<p>Taxi owners and their drivers were (amongst other) concerned about their prospective earnings, the loss of revenue as their taxi vehicles had to be removed from routes, the potential job losses, the complexities associated with becoming 'formal' business owners or Vehicle Operating Companies (VOC) of the MyCiTi. This led to protracted negotiations and many bitter meetings.</p>
Cosatu	<p>Cosatu has been a persistent critic of the IRT. Tony Ehrenreich has suggested that the IRT "bus service were unfairly rolled out in former white areas first, disadvantaging the black communities again. Ironically, the service went to the areas where most people use private transport instead of the Cape Flat areas where most people desperately need the public transport. This is the clearest indication of how the DA maintains the apartheid generational advantages for the white communities".</p>
National Government	<p>National Government funds the capital costs and it was National Government in 2006 that realised the problems that the cities have with public transport.</p>

The City of Cape Town is the main stakeholder for the implementation of the MyCiTi system. The national government provides for all start up and capital costs (buses, compensation to taxi-industry, stations, and new road works automation systems). Phase 1 of the system was introduced in May 2010, prior the 2010 soccer World Cup from Cape Town airport to the inner city. It was further envisaged that Phase 1 of the IRT provides bus services in especially high-density areas without railways. It is important to note that the MyCiTi is based on a model where the City and private sector are in a partnership in a semi-privatised system (COCT, 2012b: xi).

**Figure 1: Phases of MyCiti Rollout**





Following on a Section 78 (1) report to City of Cape Town in March 2008, the Council rejected a proposal by organised labour for an internal mechanism i.e. a fully public model and resolved that the provision of these services should be by way of an external mechanism (a partnership with the private sector). A city run restructured public transport service was estimated to cost R5, 3b per annum. It was noted by the City that “the overall trend for the provision of such services (actual operations) is that it is undertaken by private companies” (Holtzhausen and Abrahamson, 2011: 141).

The initial stakeholder engagements lasted for a period of just over three years (2007-2009) before phase 1 with the city (using private consultants) engaging 14 local taxi associations (Key Informant Interview 1, 7 May 2014). The process of creating a business model for the existing industry in the IRT system has been evolving since the project's inception (COCT 2008). Changes to the initial strategy have occurred for several reasons:

changes in project leadership; adjustments to the financial model; approvals and disapprovals at the City Council or political level; a project team that has been learning the process on-the-run; engagement and initial negotiations with the existing taxi and bus industry; and, finally, issuing of national guidelines and negotiations with the minibus-taxi industry in other cities (COCT, 2010c).

In order to get to grips with the issues, I include a time line of key developments.

### **Time Line of Key Developments up to 2010**

**2007-8** Project office started to plan IRT; representatives from CoCT and minibus taxi industry go on study tours to Bogota.

**August 2008** – Council approves commencement of project to implement Phase 1A of the IRT

**October 2008** – Public information meeting disrupted by representatives from the minibus taxi industry

**February 2009** - Draft Prospectus released by COCT to guide negotiations with the minibus taxi industry

**NLTA 2009** passed providing for devolution of responsibility for public transport to municipal government

**September 2009** - Cost of MyCiTi made known

**October 2009** - Council realises that costs will be much higher than anticipated, but grants permission for MyCiTi to proceed, limited to what is available through National funding

**April 2010** – An additional R3.42 billion grants allocated by national government to COCT

**May 2010** - World Cup MyCiTi service begins operating based on interim contracts with previous taxi operators to run service

**2012** - updated Business Plan released

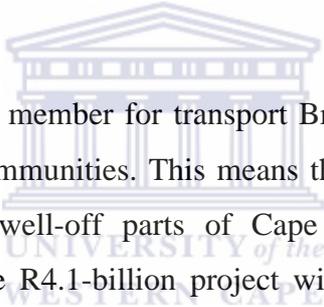
**October 2013** - Long term contracts (12 years) signed with three Vehicles Operators Contracts

(Source: adapted from Boulle and Van Ryneveld, 2015)

It is also vital to note that the urban built form of Cape Town is a major problem because the most dense areas (Mitchells Plain and Khayelitsha) where the majority of the City workforce lives is on the periphery and low density areas (mainly white are close to the city). Long travels distances at peak times and high inequality create a structural problem for any high quality transport system making it very expensive. Travel from major working class areas is generally time consuming, dangerous, overcrowded and unreliable (COCT, 2012). For the minibus taxi and workers, it was meant to improve conditions of service and opportunities to learn new skills. The “public” are not defined as “stakeholders”, yet a number of consultations have been held with concerned residents in particular localities.

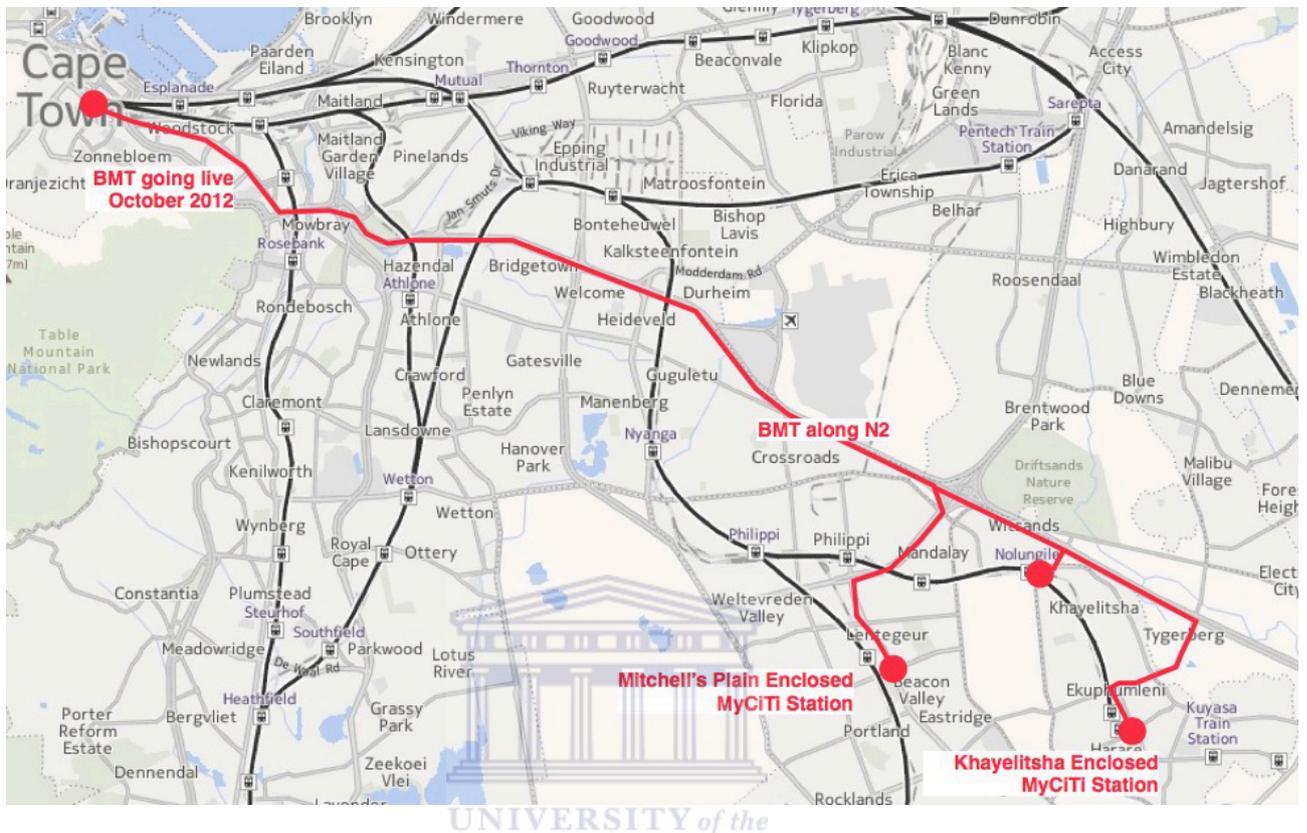
MyCiTi was conceived in four phases of expansion from 2010-2030 with a network expanding outwards from the CBD. By early 2015, the roll out of Phase One was nearly complete. It moved about 54 000 passengers every weekday, with a fleet of 214 vehicles and over 402 drivers. The Phase One of the service included a 26 km trunk route going northwards from the Waterfront to the City Centre. Included since 2014, were 28 routes (Hout Bay, south west of the city centre, to Atlantis to the north of the city). An airport service and an express route (referred to as the N2 Express) run to the southeast (Cape Flats) to Mitchell’s Plain and Khayelitsha. Trunks under construction in mid-2015 linked Montague Gardens (an industrial area) and Century City (a large commercial and residential area) to the system (COCT, 2015).

The City of Cape Town unveiled phase two of MyCiTi in 2014 aimed mostly at commuters in Khayelitsha, Mitchell's Plain, Nyanga, Gugulethu, Philippi and Hanover Park. (<http://www.timeslive.co.za/thetimes/2014/11/19/MyCiTi-to-take-more-for-a-ride>). The Codeta taxi association in Khayelitsha and the Route Six Taxi Association in Mitchells Plain together with the Golden Arrow Bus Services (GABS) make up the vehicle operating company (VOC) that operates the N2 Express service which was rolled out on 5 July 2014. “This service was the first to be launched in the metro south-east and provides the residents from Mitchells Plain and Khayelitsha with safe, decent and affordable transport to the Civic Centre station in Cape Town” (CoCT Press statement 2015). The N2 Express Route to Khayelitsha and Mitchell's Plain had been delayed due to disagreements between the city and taxi operators. A typical domestic worker passenger from Khayelitsha might pay R184 a month to travel by train from her home in Khayelitsha to Cape Town’s central station. There she catches the MyCiTi bus to Camps Bay for an additional R345 a month. (16 October 2013, *Cape Argus*).



According to Mayoral committee member for transport Brett Herron “phase two had two new routes, which would cover 35 communities. This means the bus service - previously criticised for mainly servicing only the well-off parts of Cape Town - will ferry working class communities. Construction of the R4.1-billion project will start in mid-2015 in Philippi and Strandfontein Road in Ottery. The first trip is expected in 2020. The two routes are expected to serve an area with a population of 1.4million residents”. Unlike other routes in DuNoon and Table View, taxi operators in Khayelitsha and Mitchells Plain would not have to scrap their taxis and surrender their operating licences, as MyCiTi would only be a top-up service to these areas with huge transport capacity constraints. (zara.nicholson@inl.co.za 03 June 2015).

Figure 3 Phase Two (N2 Express)



In July 2014, the City of Cape Town launched the [MyCiTi N2 Express service to Mitchells Plain and Khayelitsha](#). More than 644 000 passengers have made use of the service since its inception. Mayor Patricia de Lille opened the newly constructed station and supporting infrastructure at the Mitchell's Plain public transport interchange, which represents a R18, 5 million investment for commuters in these communities. "Construction started in January 2014 and was completed in May, with the additional work to be completed by August. Six buses operate during peak hours along the N2 Express route for Mitchells Plain and 10 buses operate during peak hour for the Khayelitsha route. Buses are added to the route when the demand arises. When all buses for the N2 Express are operational, there will be a total of 40 buses allocated to the route" (City of Cape Town Media statement, July 2014).

Finally, I stress that the MyCiTi has six main parts each overseen or run by separate municipal entities and private companies. The operations unit (lodged in the City), the vehicle operations (lodged with three private companies); automated fare collection (outsourced by the city); a control centre (outsourced) station management (outsourced) and finally an advertising contractor (private media company). By late 2015 the City noted that "the MyCiTi service

consists of 31 routes with buses covering on average a distance of over 1 270 000 kilometres each month; more than 480 bus drivers; 222 buses in the peak-hour periods, transporting 59 184 passengers on a week day” (Transport for Cape Town, 7 October 2015).

The thesis is organised thematically according to various stakeholders. Chapters are set up as follows: Chapter one provides an introduction; chapter two sets out the national context and historical background and also provides a literature review; chapter three speaks to the specifics of Cape Town’s social and transport geography and key issues for the City and community as stakeholders. Chapter four introduces the Golden arrow component of MyCiTi and the final and possibly most fundamental player namely the mini-bus taxi industry (now vehicle operator companies) is discussed alongside a detailed description of the workings and problems of the MyCiTi business plan. The final chapter wraps up the findings of the thesis.



## **Chapter 2: Historical and legislative background to transport and a literature review**

This chapter provides detailed historical background to recent transport legal framework and debates in SA as well as basic socio-geographical data. It then provides a critical review of literature and theory relevant to the study. Some of the early works include Dugard (1996, 2001), Khosa (1994), McCaul (1990) and Pirie (1992b), which all provide historical contexts for the emergency of the mode, and its relationships with other modes and government. More recent work by Schalekamp and Behrens (2013) and Venter (2011) review the failed attempts by government to successfully engage with the taxi industry in its formalisation attempts. . Nevertheless, literature on the South African taxi industry is sparse, specifically concerning its detailed operations.

Most of the literature available is focused on the history of one key stakeholder, the minibus taxi industry, taxi violence and the taxi recapitalisation program. Among the more useful is Maungnidze (2011) who focussed on the typical transport problems of poor populations in developing world cities and the consequences for the livelihood the urban poor. Her research established that the poor are likely to be worse-off than the other income groups in terms of all the service levels. A recent paper on engaging stakeholders deals specifically with only the taxis industry (Schalekamp and Behrens, 2013). This paper provides a useful overview of the history and complications of the City of Cape Town engagement with the taxi associations. The most recent account of MyCiti however has been written by Boulle and Van Ryneveldt (2015). Based on interviews and insider knowledge their paper presents an “heroic” account, arguing that the key reasons for the successes so far has been an incremental approach and the role of experienced facilitators appointed by the City. Their main achievement in Phase One was to build trust with the taxi-industry. According to these authors, the turning points were the 2010 World Cup and the signing of the 12-year contracts with the vehicles operator companies in 2013.

The key challenge of the engagement was to overcome the deep levels of mistrust historically present in the relationship between the City and the taxi industry ... taking almost five years between initial engagements and final signing of long-term vehicle operating contracts. Out of necessity an incremental approach was adopted and this was able to achieve a degree of progress, despite sustained opposition (Boulle and Van Ryneveldt, 2015: 22)

## Historical background to transport

Transport can be seen as integral to productive and inclusive cities and social space and urban planning. Under the apartheid regime, the state's policies forcibly relocated black people ("black" here includes Coloured, Indian and African) into places of residence often at huge distances from their workplaces. As part of apartheid's orderly urbanisation, in Cape Town black people were forced to the fringes of the urban areas such as Mitchells Plain and Atlantis. The provision of elementary transport thus was crucial to the functions of segregated dormitory townships and moving large armies of workers to workplaces. However, in the mid-1980s the apartheid state found it increasingly burdensome to continue paying huge subsidies for urban bus companies and it also allowed rail transport to degenerate (McCaul, 1987; Walters, 2013).

Historically, passenger transport under white minority rule before 1994 was also a crucial site of contestation and popular protest. As noted by Khosa (1995: 167): "The South African passenger transportation system was by and large designed for daily transportation of labor to and from the workplace". This often involved transporting Africans from the fringes of urban centers into the cities, based on the racially segregated nature of minority rule. Furthermore, "in time, transport became a site of popular struggles and a dramatic expression of tensions and disputes over control, management and affordability of racially divided spaces" (Khosa, 1995: 168).

Donaldson (2006: 344) explains that:

One of the greatest spatial challenges to overcome in the post-apartheid city is the inequality and spatial inefficiency caused by apartheid planning. Not surprisingly a World Bank report of the early 1990s considered South Africa's cities among the *most inefficient* in the world. Cities were (are) characterized by low-density sprawl, fragmentation and separation, all of these contributing to the dysfunctional structure where privilege was racially determined. Over a period of four decades, black South Africans were systematically marginalized, among others, in terms of accommodation, leisure, employment, and transport. Structural deficiencies in the former apartheid city, resulting from segregation and low-density sprawl, created long-distance work-travel patterns.

The growing impetus in favour of deregulation of the public transport industry eventually led to the Welgemoed Commission of Inquiry in 1981. The bodies that were in favour of this inquiry and move to privatise included the Taxi Owner's Association, the Free Market Foundation and the Transport Consultation Commission. In tracing the transport policy development we noted that in 1986, a White Paper on National Transport Policy was adopted by the apartheid

government which legalised the entry of the 16-seat minibus taxi industry (Naude 1999: 169). The Transport Deregulation Act of 1988 (RSA 1988) effectively legalised the 16-seater minibus taxi and gave birth to the taxi industry.

Many bus operators lost a major share of their businesses through the intense competition of an unregulated minibus taxi industry. The bus sector was concerned over the fact that the taxi industry was eroding their monopoly status (McCaul, 1987). The growth in the taxi industry eventually resulted in a significant increase in the levels of subsidy on a per bus passenger basis as operators faced huge overhead costs (fleets, infrastructure ) that had to be covered by the revenue from a diminished passenger base.

The 1986 White Paper further stipulated that bus services also had to be put out to competitive tender (DoT, 1986). In 1987, the first bus services were therefore put out to tender as demonstration projects to evaluate the effect of tendering on the public transport environment (Naude, 1999). The first operators' services that were put out to tender were those who gave notice to the DoT that they could no longer maintain services mainly because of insufficient funding, and that they intended to suspend their services (Naude, 1999).

In 1979, the South African Black Taxi Association (SABTA) was established comprising dozens of taxi owners associations (Dugard, 2001). The main reason for its establishment at the time was to obtain permits from the department allowing the members of the association to carry not just four, but eight passengers. When permits were no longer an issue, the industry was soon flooded with drivers and there was tight competition for routes and passengers (Matjila, 2001). SABTA, however felt that the deregulation of the taxi industry would cause chaos and fragment the industry. SABTA fears proved to be right, the taxi industry soon was characterised by exploitation, violence and aggressive competition between operators attempting to poach passengers and hound the same routes and this was caused by low barriers to entry for new taxi operators thus turning competition into fierce competition (Bubesi, 2000). The Human Rights Committee (1998) 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, Western Cape and the North West Province. The taxi operators formed local groups and banded together to form particularistic taxi associations. However, these associations used their organisational strength to extract income by means of violence and the state officials did nothing to stop this

intimidation. Dugard (2001) suggested that the violence would decrease but instead the taxi violence escalated.

After the elections in 1994, the number of taxi associations especially the mother bodies increased yet again. Mother bodies comprise of loose alliances of local and long-distance taxi associations that operate in a particular region and province. The national associations and the mother bodies wanted to protect the interests of the local taxi associations affiliated to them. Most of the taxi violence could thus be traced to the executive officers of the various mother bodies (Dugard, 2001). The senior executives of these associations decided who can use what route and what taxi rank and how much privilege will cost them. The mother bodies were characterised by the use of violence in attempts to protect their spheres of interest and these kind of violence escalated after the emergence of the South African Long Distance Taxi Association (SALDTA) as a supra-local umbrella taxi association and this association was a direct competitor to SABTA's leadership of the taxi industry. According to Dugard (2001):

The sudden permit free for-all, set against a backdrop of the escalating community violence during apartheid's final years, established the scene for the sectarian taxi wars that have plagued the industry.

### **Evolution of Post-Apartheid Policy**

Five important legislative documents in the field of transport emerged since the ANC government came into power in 1994. The first was the RDP 1994, then a White Paper (RSA, 1996), followed by Moving Ahead (1999) and then the National Land Transport Transition Act (RSA 2000). The vision statement was to

Provide safe, reliable, effective, efficient, and *fully integrated* transport operations and infrastructure which will best meet the needs of freight and passenger customers at improving levels of service and cost in a fashion which supports government strategies for economic and social development whilst being environmentally and economically sustainable (RSA, 1996).

The objectives of transport policies have shifted since the White Paper on National Transport Policy of 1996. The general theme of the above-mentioned policies was to give impetus to the public transport and non-motorised transport and furthermore to prioritise and promoting a modal shift towards having fewer private cars on the road. Easing congestion and having a more extensive public transport system through the provision of convenient and efficient road and rail transport system emerged as strong policy directive. One of the related goals was to provide

affordable transport and more equitable access to the city. It has been envisaged that this could be achieved through integration of modes.

The NLTTA (National Land Transport Transition Act, 2000) aimed to regulate and transform the minibus sector and ensure a sustainable and effective subsidy allocation. Section 21 of the Act states that there should be a National Land Transport Framework (NLTSF). It is the duty of the Minister to ensure that this framework is drafted every five years. The core function of the NLTSF is to guide land transport planning countrywide. The MEC is responsible for ensuring that the approved policies at National Level are implemented and also promote the implementation of these policies within spheres of other government bodies. The MEC must co-ordinate transport planning and ensure adequate provision of infrastructure and public transport services. After consultation with the local governments, the Province must be subdivided into transport areas in the form of “*declared metropolitan or services council administrative area.*”

The NLTTA and the Municipal Systems Act (RSA, 1998) require that transport and land-use be integrated and this is intended to be achieved through Integrated Development Plans (IDP) and Integrated Transport Plans (ITPs). The NDoT, through its relationship with provincial and local authorities, is responsible for the long-term planning of transport systems in South Africa, thus the needs to develop practices that are aimed increasing the access to appropriate and quality public transport.

The new structure of the public transport in South Africa sees the public passenger transport system be based on “regulated competition” and a mix of public and private sectors. The regulation will take the form of a permission, (authority to operate a route or network with no subsidy) contract (the authority to operate a route at a tendered contract price) or concession (authority to operate a rail line or network at an agreed price). This is awarded in terms of a passenger transport plan and is subjected to strict law enforcement. This arguably, can be seen as a form of partial and staged privatisation.

### **Restructuring the Taxi Industry**

In an attempt to address the problems of the taxi industry, the post-apartheid government established the National Taxi Task Team (NTTT) to establish the causes of and solutions to the violence that raged in the taxi industry. The NTTT held its first meeting on 20 April 1995 and comprised a chairperson from the National Department of Transport (NDOT), nine government

officials from provincial departments of transport, ten taxi industry representatives and nine special advisors. The NTTT held 36 public hearings around the country between August and December 1995. In 1996, the NTTT released its first report to the Minister of Transport and the report recommended the *re-regulation* of the taxi industry.

Since then the main aim has been to recapitalise the taxi industry from scratch, phasing out the 16-seater minibus taxis in favour of new 18 and 35 seater vehicles. Government planned to subsidise owners to help them buy the new vehicles. The process also aimed to introduce smart card technology thus eliminating cash from commuter transactions. The process has been ongoing but remains unfulfilled. In conclusion, it can be seen that by the late 1990s the government was faced an inherited fragmented urban transport system. Many taxi associations especially the mother-bodies opposed government's attempts to re-regulate the industry and thus there was an escalation in taxi related violence. The government had to change its focus because it was clear that the re-regulation and re-capitalisation plans were not working as planned.



### **Chapter 3: City of Cape Town, MyCiTi and the larger community (Stakeholders 1 and 2)**

In this chapter I look specifically at the city administration's plans in the Integrated Development Plans (IDP) and their transport strategies as the key stakeholder. I provide a brief sketch of Cape Town's divided socio-geography. Then I provide an indication of selected community responses.

The Rea Vaya BRT system in Johannesburg, along with MyCiTi in Cape Town became major policy interventions to reconstruct the post-apartheid landscape. The City of Cape Town's Public Transport Plan's (2006), vision for public transport is "a safe, effective, efficient, equitable and affordable public transport system that supports sustainable, social and economic development in an environmentally responsible manner." In June 2007 the City of Cape Town and the Provincial Government of the Western Cape approved the original Integrated Transport Plan dated (2006 – 2011). In alignment with this vision, the City decided to investigate the implementation of an Integrated Rapid Transit System for Cape Town, based on the concept and principles of a Bus Rapid Transit System.

The BRT system, as noted before, drew on lessons from densely populated cities especially South America countries. Thus, in early 2008 South American consultants, that included international experts with experience in delivering BRT systems, were contracted to develop the operational and business plans for the Cape Town system. Eichhorn (2013:1) noted that the MyCiTi project was "initially designed on the highly successful Bogota model" which lends itself to high population density linking working routes with high volumes of commuting.

In Gauteng province, unlike the Gautrain, the Rea Vaya links residents of Soweto to the core of Johannesburg, and does a better job of connecting people from historically segregated areas to their places of work. This is a progressive step in terms of battling mobility-related exclusion for citizens who can access the stations. In addition, it is much less expensive to build than rapid rail transit (Thomas, 2011).

One of the central challenges, as already noted, for the BRT system has been integrating and incorporating the minibus taxis. The Rea Vaya, for example, runs parallel to many of the previous taxi routes. As noted by Walters (2013), taxi owners and their drivers were (amongst other) concerned about their future earnings, the loss of revenue as their taxi vehicles had to be

removed from the route, the potential job losses, the complexities associated with a 'formal' business, etc. This led to protracted negotiations and many acrimonious meetings.

The Cape Town model required that taxi-owners would cease operations (forgo licences and scrap vehicles) and be compensated for this. They could then take the cash or buy shares in organised formations/associations were to form companies" which would co-own the MyCiTi through 12-year contracts. This transition for the taxi industry needs to be negotiated over a long period, and poses a substantial challenge for municipalities to proceed with the BRT implementation. Often each new section required another set of negotiations with the taxi industry (Walters, 2013).

### **Cape Town context and divided views**

Cape Town is often portrayed as a "deeply divided city" possibly "one of the most unequal and segregated and as a city hostile to Black Africans and among the "most racist" (Samara, 2011; McDonald, 2008). The majority black population (African, Coloured and Indian) live on the flood plain (also called the Cape Flats in the South-East extending 30km from the CBD) in dormitory townships that supply labour to the city and wealthy residents. Blacks live in dense peripheral townships on the Cape Flats with many informal settlements. Density has increased with thousands of backyard shacks.

In 2011, Cape Town had a population of 3, 7 million of whom 585 800 were White (about 15% of the total in CT compared to national proportion of 8.9%). The white population in CT is distinctively richer and older with 15, 3% older than 64 compared to Cape Town's African population with only 2,1% older than 64 (Statistics South Africa Census, 2011). Almost every second white adult (45%) had higher education (higher than grade 12) compared to one in ten blacks (Africans and coloureds). There are few poor whites in Cape Town. Only 0, 3% of whites lived in informal dwellings compared to 43% of Africans and 7% of coloureds (all data from 2011 census). In 2011, a mere 14000 whites were unemployed compared to 383 000 blacks. Almost 35 % of White households earned above R12 800 per month compared to 2% of African households in 2001. In 2011, these figures had changed: whites improved to 39%. At the lower income levels, more than half of African people in Cape Town earned less than R3 200 pm compared to 7% of white people.

Maps created from the data gathered during Census 2011 show that in the 10 years since the previous census, most of the dynamics between race and space have barely changed, except for

a few areas such as Woodstock, Rondebosch East and Pinelands. Khayelitsha, established in 1983 under apartheid specifically for an African population, is Cape Town's biggest black township. In 2009-2010, it became a centre of a "toilet wars" – a rebellion around quality of services and lack of dignity accorded the residents. Located on the sand dunes of the False Bay coast, it is approximately 30km from Cape Town's central business district, which makes commuting costs high for its residents.

The distance between the black areas and the city's economic hub deepens social exclusion. Some 40 per cent of main breadwinners in Cape Town's poor areas take more than an hour to reach their workplace. The most common means of transport to work is by train (42 %); followed by taxi (17%) and bus (15%), and a return journey to work costs more than R 20 per trip for 60 per cent of breadwinners (de Swardt, 2005). The City researchers say, "at least two-thirds of homes in Nyanga and Khayelitsha were found to be susceptible to flood damage, and most shelters were at risk of fire and wind damage" (de Swardt et al, 2005). The bulk of Cape Town's 195 listed informal settlements are clustered along the N2 highway and comprised an estimated 100 000 informal structures in 2005 (City of Cape Town, 2006). The figure has increased so that by 2008 as much as 20 percent of the City population resided in an estimated 118000 shacks. This figure excludes backyard shacks which number 85000 (Small, City of Cape Town, 2008). According to a sample survey conducted by the municipalities housing directorate, about 41 000 families live in the backyards of the City's rental properties alone. The survey found that the average backyard household consists of four members and that over 90% have a monthly household income of R3 000 and less. Geographers note that: "There was a striking absence of formal economic activity in the South East district (the Cape Flats). This district accommodates at least a third of the city's total population (City of Cape Town, 2010b), yet total turnover and payroll in 2005 amounted to only 0.5% and 0.3% of the city totals respectively (Sinclair and Turok, 2012: 404).

Of those employed in Cape Town, 22% work in the precarious informal sector while 40% are employed in small or medium enterprises (IDP, 2006). With earnings generally low in these sectors, it was estimated by the City that 33 percent of Cape Town households earned below R1600 (COCT, 2004d) and using the state's terms were "indigent". "Income inequality has a racial dimension in Cape Town".

<https://www.capetown.gov.za/en/ehd/Documents/EHDEcon.pdf>. About 22% live in an informal dwelling/shack. Andrew Boraine, in his capacity as Chairman of the SA Cities Network, said that Cape Town had failed to create job opportunities in line with its economic growth. He cited

poor transport systems in the city as major constraints. “Urbanisation continues at a faster rate here than in any other province, as poor rural dwellers, particularly from the Eastern Cape, move here in search of economic opportunities” (Zille, 2009).

The African National Congress (ANC) became a minority party in 2000 when it lost elections. It still commands mass support in Xhosa speaking black areas. “The African National Congress (ANC) in the Western Cape will continue lobbying the national government to withhold funding for Cape Town’s multimillion-rand MyCiTi bus expansion until the party’s call for “genuine” consultation with affected communities has been met” (Business Day, 2015 May 24).

### **Post-1994 transport in Cape Town**

Cape Town, as a City document highlights (TCT 2013) “is an inefficient city ... the majority of the poor living in remote areas with no economic base; low densities; tidal morning and afternoon peaks and one way flows of people. This results in a very expensive public transport service that is a burden to the City. An over reliance on the private car as public transport cannot serve the growing needs; and (there are) different standards in the public transport system”. Because much of apartheid layout of the city involve with dormitory townships, the bulk of transportation is one way in the morning and the other way in the afternoon/evening. A bus from Mitchells Plain would be full on the outbound trip and empty on the return trip. “Single direction, point to point trips”, high income inequality and dispersed urban form were seen as major structural problems (COCT, 2012b: 10).

The transport system in Cape Town is very uneven with massive overcrowding on the rail system from south eastern areas: Khayelitsha and Mitchells Plain. “Commuters travel a roundabout way to reach their final destination ... towards Bellville and Claremont” (CoCT 2012b: 22). Workers spend up to 20% of their income on public transport (Walters, 2013). The train service frequently breaks down for various reasons sometimes related to copper cable theft. There are also major safety concerns on trains. At rush hour, the trains are jam-packed it is often not possible to board them.

Table 3.1: Modes of transport by race in CT

Table A2: Key modes of transport to place of work in 2011

	Black African	Coloured and Asian	White	Total
Office is at home	7,27%	6,48%	14,35%	8,36%
Walking	10,33%	7,91%	3,55%	7,77%
Bicycle/motorcycle	0,75%	0,58%	1,01%	0,72%
Taxi	20,71%	19,73%	0,11%	15,98%
Bus	13,33%	7,70%	0,71%	8,03%
Train	23,36%	14,18%	3,23%	14,81%
Lift club	3,28%	4,24%	1,40%	3,35%
Car	19,74%	37,15%	75,20%	39,54%
Other	0,00%	0,28%	0,00%	0,14%
Unspecified	1,22%	1,74%	0,44%	1,31%
Total	100%	100%	100%	100%

SOURCE: IDP Cape Town

[http://www.capetown.gov.za/en/IDP/Documents/COCT\\_IDP\\_prf82013.pdf](http://www.capetown.gov.za/en/IDP/Documents/COCT_IDP_prf82013.pdf)

As Table 3.1 shows above is that 2.36% of blacks use trains; 20.71% use taxis; 75.20% of whites use private cars whereas only 19.74% of Africans do. Not even 1% of whites use taxis, and buses. In other words, they occupy a different circuit of movement, more convenient but ecologically and socially irrational. They can also avoid contact with perceived danger and by default black people. This transport apartheid or renewed apartheid ‘developed over decades and is difficult to shift’ according to the City (COCT, 2012: 11). However, the private car culture is actively encouraged by the city by making car mobility easy and cheap through low parking fees, extensive highways. It is replicated in social life in malls, private schools, private hospitals and so on all linked to private cars.

The City of Cape Town’s transport plan aims is to give priority to public transport, thus focusing on public transport infrastructure and services in development corridors. The plan also aims to

restructure the minibus-taxi industry and incorporate it into a unified formalised public transport sector. The City of Cape Town's Integrate Development Plan has identified access and mobility as one the strategic themes for development and this is in turn based on the "Mobility Strategy". The COCT seeks to "Transform and restructure public transport within the City of Cape Town to provide a high quality public transport system. Encourage the use of public transport and non-motorised transport over the use of the private car. Distribution within residential areas to activities such as schools, hospitals, shopping centres, recreational areas, institutional complexes" (Williams, 2002).

Joint funding for the improvement of transportation infrastructure by all three spheres of government contributed significantly to the idea of renewed public transportation and road works. The 2010 World Cup transportation projects, for example, were funded through the Public Transport Infrastructure and System Grant, with an allocation of R11,7 billion. National Government used the 2010 Soccer World Cup to accelerate transport service provision in South Africa's through significant investments into world class transportation infrastructure.

### **Key issues for the COCT**

The City of Cape Town's detailed transport plans of 2006, did not only look at transporting fans during the 2010 soccer World Cup events, but more importantly putting infrastructure in place that would have a lasting benefits for the city's public transport. Those who visited Cape Town during the 2010 FIFA World Cup had access to a transportation system linked to their accommodation areas, including the World Cup facilities and the city's main tourist's attractions. Sadly, the airport service remained underused with 10 passengers per trip on a good day (West Cape News, 2010). According to data from a key informant in the City (Interview 1b, 2015) in the three months August to October only 113 monthly tickets (at R780 each) were sold (about 37 per month). Only 5520 single tickets (one way) were sold over the same three months. For a service that operates for 18 hours a day with large busses departing every 20 minutes (more 80 one way trips) it is clear that buses are only transporting about 61 persons a day.

See table 4 below

**Table 4: Three Months passenger ticket Data 2015**

	Monthly Premium @ R780			Single Premium @ R85		
	Passengers	Amount	Income	Passengers	Amount	Income
Sep-	39	R 780	R 30,420	1704	R 85.00	R 144,840.
Oct-	34	R 780	R 26,520	1656	R 85.00	R 140,760.
Nov-	40	R 780	R 31,200	2160	R 85.00	R 183,600.
<b>Total</b>	<b>113</b>		<b>R 88,140.</b>	<b>5520</b>		<b>R 469,200.</b>

As part of the City of Cape Town's Integrated Development Plan (IDP), apart from building the Cape Town stadium, one of the other major areas for 2010 investments was public transport. In October 2013, twelve year contracts with three companies (called vehicle operator companies) were signed to provide on-going vehicle operations for the first of four envisaged phases MyCiTi within Cape Town's public transport system.

We might note at this stage that MyCiTi is a "mega-project" and like other mega projects such as the Gautrain where cost spiraled from R7 billion to R30 billion are linked to the prestige of the government in power, and the mission to leave a legacy and set a standard. Van der Westhuizen (2007: 334) argues that:

political symbolism appears to override utilitarian or rational considerations and within that context, the Gautrain as a mega-project needs to be understood as signaling South Africa's pre-eminence as *the* modern African state. In other words, the Gautrain symbolically buttresses the country's quest to punch above its weight in international affairs.

A key cost issue is the profitability and viability of the system which will be severely affected if the other road-based public transport services (mini-taxis) continue operations on nearby routes. The City of Cape Town therefore asserted that such competing routes must be required to cease operations. However, it also recognised a rare opportunity to formalise the existing industry by

allowing them to form companies and operate the new IRT system. The “major premise is that the IRT would replace **all** existing modes of public transport (scheduled and on-demand)” (Whitehead, 2014). Another issue might be the overselling of the IRT, under-utilisation of busses, and contentious issues such as community protests and strikes.

A further concern is the failure to cover operating costs and the current and future burden on the city’s finances. Originally, the City said it would contribute to shortfalls in MyCiTi revenue but would also place a cap of four percent of its rates income to such assistance. (This amount was close to R190 million in 2011, see COCT 2012b: x).

### **The larger community responses since 2010**

Public views on MyCiTi are fragmented across different communities and across time because different people are affected depending on when the rollout occurs. Much opposition and also support has been expressed. Whilst the City produces a positive spin, newspapers seem to be less generous.

A recurring issue is the class bias of the IRT (see Cosatu statements) and the perception that the rich benefit more.



I think better research and consideration could have been done. They started the phase in the affluent and rich community who can afford to travel with their own cars. The majority of the people come from your poor townships that are unsafe and can be dismissed easily if you arrive late at work more than once. I know they are trying to reduce the amount of cars on the road, but I think affordability and safety should take priority (Passenger, Interview, The Argus, April 26, 2014).

Public interest and participation has been exceptionally uneven: in June 2015, only eight people turned up for the public engagement at the Site B community hall event to introduce MyCiTi Integrated Transport System’s plan for new bus routes in Khayelitsha (<http://www.cptcommunity.co.za/MyCiTi-reaches-out-to-Khayelitsha/>).

Public meetings have been held in a range of affected communities including Table View, Big Bay, Milnerton, Dunoon, Atlantis, Camps Bay, Sea Point, City Bowl, Hout Bay and Melkbosstrand. Public meetings are called by the city as the service arrives in new areas (COCT 2013). <http://MyCiTi.org.za/docs/885/MyCiTi%20Stakeholder%20Guide%20-%20January%202013.pdf>).

Recent press reports have highlighted major problems: for example overcrowding on certain routes, long queues, poor ticking systems; staff not informed, strikes and litigation by some private stakeholders, no monitoring of busses and poor information and over servicing of ‘tourist’ routes.

I catch the bus from town to Table View during the week and I am shocked and appalled at the following: excessive overloading of passengers, too few buses to cope with large numbers of commuters trying to get home from 3pm onwards, the timetable is not adhered to at all and the electronic screen has not worked for weeks, (IOL, Wheels come off MyCiTi, April 26, 2014 2013).

One newspaper editor argued that in the long run prices will increase and it will not be affordable for the poor (West Cape News, 12 October 2013). There is also evidence that the middle-class might stubbornly cling to private cars thereby vitiating a major aim of the ITR namely to decongest roads.

As reported in the Argus, Natalie le Roux, who works in central Cape Town, said she stopped using the bus from Milnerton for a host of reasons.

“We moved to Cape Town from Bloemfontein last year. I’ve had some good and bad experiences. Sometimes the buses are just too full. I used to wait in the morning for six buses to pass before I could take a bus. The buses are packed. I was put off from taking the bus because I get squashed like a sardine. They don’t clean the bus either. When you stand you have to hold on to the railings and it’s caked in dirt. I always have hand sanitisers and whenever I get out I sanitise my hands. (Weekend Argus MyCiTi bus service woes pile up, February 8, 2015)

Natalie Le Roux said she decided to drive with her car to work daily. Commuters have responded diversely: Negative views expressed in newspapers show daily frustrations.

The MyCiTi service is not good enough. Four buses have come and gone and I’m still unable to board a bus as they continue filling up again. When busses arrive at Table View station they are already loaded, hence we need empty busses to start loading at Table View. Come on, this is not service. I expect to board a bus every five minutes as was promised but this is not happening. –the MyCiTi is not even apologising for their weak service.

Another passenger noted,

I catch the bus from town to Table View during the week and I am shocked and appalled at the following: excessive overloading of passengers, too few buses to cope with large numbers of commuters trying to get home from 3pm

onwards, the timetable is not adhered to at all and the electronic screen has not worked for weeks. (*Cape Argus* 14 August 2012)

A MyCiTi bus public consultation meeting in Sea Point was attended by approximately 200 residents. Because of uncivil behaviour, the meeting had to be cut short and a date set for another meeting. The residents claimed that the City's engineers took rate payers for granted as it appeared that the City had already decided what it intended to do. A resident Marlene van Duuren, said "feeder buses would ruin their quiet suburb ...the feeder buses would devalue the properties". Other residents agreed. "You haven't taken into account that this is a nice quiet residential area and you want to turn it into a thoroughfare. "It's a quiet neighbourhood. The City is bullying us. They have already made up their mind," (Sharron Pearce, who has stayed in the area since 1976).

In its statement the City said the introduction of a MyCiTi service in Sea Point, Bantry Bay and Fresnaye next year would offer residents "much-improved" public transport service. Routes would operate from the new Sea Point station, along Beach Road, Main Road and Regent Road, Victoria Road and High Level Road (MyCiTi bus routes launched, *Cape Argus* November 4, 2013). The City (key informant Interview 2014) also took a long-term view arguing that wealthy ratepayers would see the benefits of having their domestic workers arrive on time and safely.

The roll out in historically black areas such as Wynberg has been very contentious. In November 20, 2014, Wynberg residents and taxi associations gathered in front of parliament protesting against the City of Cape Town's MyCiTi planned routes through Wynberg. Singing residents brandished posters saying: "BRT copy and pasted on apartheid road" and "national funding for city evictions". The memorandum calls for a moratorium on "illegal South Road evictions" and the city's "total disregard for the well-being of the Plumstead and Wynberg communities." (CAPE ARGUS, November 20, 2014).

Councillor Brett Herron, the city's mayoral committee member for transport, instead hit back at the ANC:

The ANC is playing a very dangerous and irresponsible game in working to sabotage a vital transport project that will benefit people from communities that are in desperate need for rapid, affordable, dignified and direct transport,.

Mayor Patricia de Lille saw the attacks on public transport infrastructure are "well-orchestrated and driven by the desire to make the city ungovernable". Golden Arrow stopped services from the Philippi, Nyanga, and Crossroads after violent attacks on its busses. Cosatu, condemned any

acts of violence, but suggested that “the mayor seems to be playing politics. It is clear that it is taxi drivers protesting and they have genuine concerns. The mayor should listen to those concerns and not play politics,” (Mr Ehrenreich cited in Cape Argus, 2 Sept 2014).

Cosatu says it wants the equitable rollout of MyCiTi bus services in Cape Town. The union argues that “bus services in Mitchells Plain and Khayelitsha are substandard when compared to operations in other areas. Cosatu launched a court application against the City of Cape Town in 2013. The federation's Tony Ehrenreich who also speaks as a community voice, noted.

The roll out of MyCiTi buses is unfair, it’s discriminative, and it continues the disadvantages of apartheid. We want some steps to immediately equalise the facilities to the different communities, in this case it is between Milnerton, Blaauwberg, Khayelitsha and Mitchells Plain. It is not to the standard or to the levels of how it has been rolled out in Milnerton and Blouberg.

Given these perceptions some believe that MyCiTi is in danger of being delegitimised. In the view of Pelzer and Fataar (2013), Cape Town is a “broken city held to ransom by powerful minority”.

... the continuing opposition to Cape Town’s MyCiTi routes are proof of the status quo – in which thousands of commuters’ interests are held hostage to a smaller, but more highly organised, narrow-interest group.

They argue that, “The MyCiTi integrated rapid-transit system, when fully integrated with density zoning and land-use planning over time, is intended to radically alter the fabric of the city. However, the system risks years of delay and the compromise of its routes due to the fact that the poor are least able to contribute formally to the public participation process”.

## **Conclusions**

From the above chapter, it is clear so far that the City, having committed vast amounts of funds, to the IRT, has no choice but to engage the communities and the public, making concessions here and there. It has met opposition but has largely been able to forge ahead as the new rollouts show. Dissatisfaction of the public transport service provision is from diverse sources. Some of it may be about political manoeuvring and much may be sensationalised. Inasmuch, as the general public deserve safe and quality transport service provision, political and civil leaders have an obligation to safeguard the interests of the community and ensure that ratepayer’s money is wisely utilised. Furthermore, the MyCiTi is a national government priority, which

serves the province and country as well as locals. It is clear that organised local opposition has also shifted and that many communities both use and enjoy the service understanding that “teething” problems are inevitable.

There are also strong sentiments among opposition political leaders that the rollout of the MyCiTi bus service was not equitably implemented. This sentiment was based on the premise that the MyCiTi bus service was initiated in rich communities with a high white population as opposed to the poor communities in the townships. This has put the dispute in the political arena with Cosatu encouraging drivers to embark on strikes to address this inequality. However, in principle, there is no disagreement that a public system is needed to supersede private and taxi transport.

From these various reports, it is clear that there are many dimensions and perceptions for opposing the operation of the MyCiTi bus services. Some have real and genuine concerns while other serving their own political and economic interests. Transparency and broad consultation could be one of the most effective ways forward in addressing this impasse. The reality however is, as a global tourist attraction, Cape Town is in need of an effective, efficient, safe and affordable transportation system.

The key point is that the time to assess mega-projects is usually much longer than a few years with larger forces that were not anticipated play a role. The MyCiTi plan runs up to 2030 and must perforce be protracted processes of incremental and radical changes that overcome deep spatial inequities on-going uncertainty about the competing minibus taxi industry, and major shifts in state and social dispositions especially from the middle class towards public transport, the environment responsibilities and a shared city life.

## **Chapter 4 – Golden Arrow, Stakeholder 3**

### **Introduction**

This Chapter looks at how Golden Arrow Bus Services (GABS), one of the country's oldest public transport companies and also the main operator of scheduled public bus transport in Cape Town, is responding to the transformation of the public transport landscape and specifically how that impacts its core market at the base of the pyramid income segment. Furthermore, it looks at a marketing strategy that would contribute to a more sustainable and financially viable transport system.

The services offered by GAB are formalised in a contract, which was originally for a three year period, but now it has been extended (COCT, ITP 2013). Subsidies are provided by the national Department of Transport (DoT), which until 2009 was based on an agreed amount per passenger trip. This amount was negotiated between the operator and the DoT, but only applied to multi-journey tickets (called “clip cards”). Single-journey tickets are unsubsidized and are sold at full fare – priced at a premium to encourage passengers to purchase clipcards, which would increase the subsidy to GABS.

In 2009, this model was changed, on instructions of National Treasury, to a kilometre-based subsidy, removing the need for GABS to discourage single trips. In addition, government has given notice to the bus industry that it needs to broaden the access to subsidies, which is likely to reduce the money flows to bus companies over time. A key mechanism for broadening subsidies in cities putting in place BRT operations, is to reallocate bus subsidies for previous scheduled bus services to new BRT operations (where subsidies are required).

### **Overview on Golden Arrow as one of the licence operators**

Golden Arrow as a provincially managed and subsidised commuter bus services are mainly funded by the nine provincial governments through the Public Transport Operations Grant (PTOG) system in accordance with Schedule 4 of the Division of Revenue Act (DORA). These funds are transferred via the Department of Transport (DoT) to the provinces for contracted commuter bus operations (DoT, 2013a:153). This is a conditional grant that can only be used for provincially contracted bus commuter services. Furthermore, in terms of the (DoT, 2013a:154, 163) provisions, the commuter rail system is funded by the DoT through the transfer of funds from the DoT to the Passenger Rail Agency of South Africa (PRASA).

According to a Golden Arrows Fact Sheets published June 2008, between 1997 and 1999, a number of competitive tender contracts were already entered into with bus operators. Subsequently, between 1999 and 2001, the process gained momentum but was brought to a halt after a court case in the Western Cape where the local operator, Golden Arrow Bus Services, took the DoT to court for failing to meet the requirements of the (NLTTA). These stipulated that services had to be put out to tender, based on public transport plans. The additional concerns raised with government was the substantially higher costs of the competitive tenders compared to the original subsidy system which was replaced (see Walters & Cloete, 2010) and the lack of sustainable funds to fund the contracting system. At that time organised labour voiced their concerns about the impact of the tendering system on job security and wage levels. This caused the DoT to put a moratorium on further competitive tenders in 2001 (DoT, 2012:10).

In a further development in 2009, the National Treasury and the DoT informed the bus industry that all interim contracts (ICs) had to be converted to kilometre-based contracts in order to limit the subsidy claims of operators (DoT, 2009). Prior to 2009, these contracts were all used a passenger subsidy base – the more passengers that were carried, the higher the operator's claims. These operators experienced substantial passenger growth over a prolonged period because of a vibrant South African economy and inroads being made into the taxi industry market. This resulted in increased and unpredictable subsidy claim amounts, which complicated and put heavy strain on the DoT budget. Following the conversion of these contracts to kilometre-based contracts, all contracts were 'frozen' at the agreed kilometres that operators produced under their respective contracts (Cornelius, 2014). No additional subsidised kilometres were allowed. Other forms of contracting, such as tendered and negotiated contracts, were already kilometre-based and limited to the originally agreed upon network kilometres in those contracts.

### **Memorandum of understanding between City of Cape Town & Golden Arrow**

After many debates and talks, the City of Cape Town, the Western Cape government, and Golden Arrow Bus Services signed two memorandums of understanding on working together to establish an integrated, world-class transport system, on 8 June 2014. The signing of the memorandums was to pave the way for a smoother implementation of the integrated transport system in the City of Cape Town and the Western Cape which has in the past experiencing many difficulties.

During 2013, Golden Arrow approached the High Court in Cape Town claiming the negotiations for the rollout of the MyCiTi bus system with the city were not legitimate. The transport

company had asked the court to refer the discussions for mediation, but at the end the court dismissed the application. Golden Arrow's concern was the percentage of the stake that it would get in the two phases of the MyCiTi service, and whether it was entitled to a payment for decommissioning buses and mothballing some of its assets.

One of the memoranda serves as a departure point for the imminent integration of the Golden Arrow and MyCiTi bus services to establish one bus service with unified branding, one timetable and one scheduling system linked to the integrated public transport network. The memorandum also acknowledges Golden Arrow as a significant role player, and will also be contracted as a scheduled bus service operator. The mayoral committee member for transport, roads and storm water, Mr Brett Herron in his address of 2013 reiterated that:

The objectives of the two memorandums of understanding was to ensure a smooth and seamless transition process; to lay the foundations of a good working relationship between the different role players, and to establish the basis for an adequately resourced and expanding road-based scheduled public transport service.

Brett Herron (2013) declared that Cape Town was committed to transforming all aspects of the city's transport network and operations, in realising its vision of a "world-class, affordable, integrated, and intermodal" transport system for the benefit of all residents.

Under the current provision, different transport services are being managed by different spheres of government. Mr Herron said the aim was to transform this system by locating the management of all operations at local government level to facilitate this integration.

Transport for Cape Town (TCT) will lead this transformation process, of which affordability and cost competitiveness form an integral part. As outlined in the first memorandum of understanding, the city, under the auspices of Transport for Cape Town (TCT) (May 2014), will work with the Western Cape government through the Department of Transport and Public Works, which will provide advice, guidance and support, as well as performing a key oversight role to facilitate the smooth transition.

Western Cape transport and public works MEC Robin Carlisle (2014) said these are the first two of a series of memorandums required in terms of the Western Cape Provincial Land Transport. Golden Arrow spokeswoman Bronwen Dyke claimed that the signing of the memorandums "provides a strong basis for the long-term relationship between Golden Arrow and the contracting authority, which can only be to the benefit of public transport users" (Phakathi, 2014).

## **Market share**

In order to properly allocate shares between bus companies and taxi associations, a model was developed that could account for subsidies received by the bus companies (Integrated Rapid Transit System, Fare Policy Technical Document 2010). The best method for determining market share was considered to be passengers per mode as confirmed by surveys (e.g. bus or minibus-taxi) times the fare each passenger paid (the number “x” for purposes of the discussion that follows) – subject to adjustments discussed below.

The City conducted preference surveys of bus passengers which asked: “If the fare for riding the bus was the same as riding a taxi, would you continue using the bus or would you switch to minibus-taxis?” The response was that 80% of bus passengers would stay on the bus. Moreover, the survey showed that even if the bus fare was significantly higher than taxi fares, a large percentage of passengers would still choose the bus service – because of perceived higher levels of road safety and passenger security. The survey indicated that, if the bus fares increased to the equivalent of taxi fares, 20% of passengers would shift away from buses to taxis. In terms of this first model, then, the market share between bus companies and taxi associations would be adjusted by taking the number x (the proportion of passengers using bus services) and adjusting it downwards by 20%. In 2011 study GABs had a 5 percent market share of affected routes (COCT, 2012a: 124).

## **Financial implications**

In the 2012/13 financial year, Golden Arrow received a R696 million subsidy from the provincial government to provide transport across the City. From 2010, the few MyCiTi routes operating had cost the City R175 million by June 2012 with an income of R35 million, a situation Golden Arrow says is financially unsustainable. The total annual Public Transport Operating Grant paid to the Provincial Government of the Western Cape for operational subsidies for bus services, of which almost all is paid to Golden Arrow Bus Services for services supplied within the area of the City of Cape Town, was R796 million in 2015/16 (RSA, Division of Revenue, 2015).

Golden Arrow operates within a very particular business environment. While it is run as a private company, its independence and autonomy, certainly more than in other industries, are limited by heavy government regulation and an unusual competition landscape. Golden Arrow is a capital-intensive operation with high cash flows. Bus fleets cost huge amounts of capital to acquire, operate, and maintain. Overhead costs are also very high and any slowdown or stoppage

has an almost immediate effect on the firm's financial situation. Golden Arrow's autonomy is often constrained by government regulation and restrictions. Since 1997, the main basis of the relationship between public authorities and GABS is the Interim Contract, originally supposed to last only for three years. (Public Transport Plan. Draft for Public Consultation, June 2006). This Interim Contract is still in place ten years later, and is currently renewed on a monthly basis. No new routes have been approved by government since 2002, despite considerable demand in some of Cape Town's new residential areas. The network that GABS operates is therefore not always strictly based on business considerations but also to an extent determined by political priorities. This hampers the company's ability to do forward planning and makes efficient capital resource management very difficult. Bus designs and specifications are also determined by government rather than GABS itself, and this can create further issues as the bus types operated are not always ideally suitable for public urban transport.

Crime and insecurity have a big impact on GABS as it partly operates in high risk areas at very late hours. There is an additional operating cost involved in providing protection to staff and passengers in the form of security guards, and reinforced, protective cabins for bus drivers. Of course addressing the causes of crime does not form part of Golden Arrow's mandate, but it has an obvious business interest in taking preventive measures both on its vehicles and around the boarding facilities

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## **Conclusions**

The business model of the City of Cape Town was strongly opposed by the bus companies, who argued that even if an adjustment downwards was justifiable due to the benefit they have had in government subsidies –this method doubly disadvantaged them. On reflection, the City conceded that the first step has probably already brought about a sufficient adjustment. In addition, it had to take into account that, in addition to decreasing the fare to passengers, the existing subsidies also increase the quality of service. Using both these methods cumulatively placed the bus companies at an unfair disadvantage to the taxi associations when calculating market share, and thus the City settled on using the first method only.

The bus companies argued that the City's method disadvantaged them because the City intended to pay compensation to minibus-taxi operators, but not to bus companies (May 2013). However, the City rejected this argument because National Government had set a policy objective that cities had to attempt to ensure that minibus-taxi operators are, on a balance, not worse off due to

BRT / IRT compared to how they would have been had it not been introduced. National Government did not set a similar policy objective regarding bus companies.

Thus, the City's current model for determining relative market share between the two modes (scheduled bus services and minibus-taxis) was confirmed as follows: the cash fare paid passengers (e.g. excluding subsidies paid to the bus companies) times the number of passengers paying that fare. It is believed that this method provides the most accurate market share between bus companies and the taxi industry.



## **Chapter 5: From Minibus Taxis to Vehicle Operating Company: Stakeholder 4**

### **Introduction**

Perhaps the most important business stakeholder is the taxi industry, which became a beneficiary of “one of the largest empowerment deals in South Africa ... valued at over R4,5 billion’ in 2009 (cited in Diaz 2009). The taxi industry as the main provider of mass transport and main competitor to a public system is also the key to the “business model” of IRT. In this chapter, I want to contextualise this in order to understand in some detail how the IRT operation is meant to work as a public-private partnership and how taxi-owners and drivers relate to other stakeholders. One of the chief tenets of the business model was that on average minibus-taxi operators should not be worse off in the new system.

The minibus-taxi sector of the South African public transport industry, as noted earlier, was formed historically by small black entrepreneurs during the years of apartheid. Large groups of township dwellers who were seeking job opportunities in other parts of the city had no means of travelling there. Thus, a new industry developed informally and remains only partially regulated to date (Schalekamp, Behrens & Wilkinson, 2007).

One major result of the lack of formal oversight has been the growth of informal protection circles within the industry. The taxi associations in control of a set of minibus-taxi routes often resorted to violence to protect the interests of their members. The association system fitted into a hierarchical structure beginning at the local level and reaching the level of national taxi groupings.

The minibus-taxi industry operates with the one objective of maximizing profit. They generally travel quickly and in cut throat competition with one another to pick up passengers which often means dangerous driving and no predictability in arrivals. It is also common that vehicles are under-maintained which also results in dangerous conditions. Drivers often work extremely long hours under these dangerous conditions and with no health benefits or job security (Walters 2013).

The movement of the taxi industry from this kind of informality to the formal sector presented a big challenge to the association leadership but also a major opportunity to reorganise cities. The first challenge was how this was going to be done by associations. The fear was that as the leadership they were going to lose control of the association and that they were not going to

have a place in the new companies. Secondly they were wondering why there must be a company in order for them to participate in the project.

In Cape Town by 2009 only eight associations out of 104 operating locally (COCT, 2007) had been engaged, and with varying degrees of success (COCT 2009a). “The remaining majority of paratransit stakeholders have not been successfully engaged on the role that city and national governments have envisioned for them in the new networks, claiming a lack of consultation and insufficient evidence of improved business and employment prospects” (Schalekamp, Behrens and Wilkenson, 2010).

### **Taxi Owners and Drivers**

Drivers play a major part in the economics of the taxi industry even though they are not formally organised. Each owner employs his or her drivers and the terms of employment are usually determined between the employer and the employee. But the salary is generally determined by what is offered in that route by the majority of owners. The salary of the driver is usually determined by the amount that is typically made by the taxi on a daily basis. For example, drivers on routes that make about R300 a day are paid between R600 and R800 a week (The Star, July 2012).

It is important to note that the money made by each taxi a day is not always determined by the number of passengers but by drivers themselves. In each route drivers come together and discuss usually how much cash they are supposed to pass through to their bosses a day. So a new driver would ask other drivers how much do they give to their bosses a day and that is what he will then pass through to the boss. If he makes more money, then the rest belongs to him.

In some areas, the owner does not pay the driver salary. The driver is obliged to bring a fixed amount of money from Monday to Friday. During weekends, the driver works for himself and all the money collected on Saturday and Sunday is pocketed by the driver. In other instances, the drivers are requested to bring a fixed amount of money on a daily basis and any extra money made every day will then belong to a driver. For example, the driver will be required to bring R500 every day and if he makes more than R500 he then keeps the rest as his payment or salary.

There is no advantage in any of these kinds of payments as the driver pockets excess money anyway. In some instances drivers are promoted to owner level after a number of years of service in the association. In one association a driver can work for a number of owners and depending on the behaviour of the specific driver and how acceptable he is to other owners, he is

then promoted to become an owner and is required to purchase his vehicle and is normally not required to pay exorbitant amounts to join the association.

In a number of associations when the owners hire a driver no contract is signed and no drivers' license is required and only the ability to drive is the prerequisite. The owners usually ask other drivers whether the person can drive or tests him. After the test for the ability to drive is conducted then the person gets the job.

In other associations the drivers are required to submit their Drivers' Licenses, Public Drivers Permit, and an Identity Document (ID) and to also complete a form that will be kept with his owners file. The records of the date for the renewal of the PDPs are kept and drivers are reminded to renew their PDPs.

A few years ago the South African Transport and Allied Workers Unions (SATAWU) started organizing drivers in the taxi industry (Barrett, 2003). The efforts of the unions were fruitless as there is high turnover among the taxi drivers and owners were reluctant to employ drivers using the formal means of signing contracts. Secondly, the owners resorted to employing relatives who did not want to be unionized.

When the driver is sick or the car is involved in an accident the owner does not pay him. Instead when the driver is sick the owner finds one of the relatives to drive the vehicles or a temporary driver. In late 2014 protests in Nyanga, (Cape Argus, 13 July 2014) a taxi driver complained that he cannot afford the hefty fines which have tripled since August. "I don't have enough to pay R11,000 on one ticket because we don't even make a R1,000. If we are lucky, we make R500 so how can I pay that?" It is however important to emphasize that the drivers wield a lot of power in some of the associations. There have been instances where the drivers have been used by some of the owners. In instances where there are disputes within the same association, owners have used the drivers to fight their battles. For example, owners organize drivers to protest against the leadership and force elections and re-elections in the association.

Consider a driver aged 40, who has been a taxi driver for the past eight years under the Blaauwberg Taxi Association (BTA) in Atlantis. He is now working as a MyCiTi bus driver employed by the Kidrogen (a VOC), and earning R7200 per month before deductions. But as a taxi driver, he earned about R13 000 a month. He believes that about 60% of his colleagues at BTA are now unemployed following the roll out of the MyCiTi bus service along the west coast corridor. Now, together with unemployed taxi drivers, they have teamed up with other taxi

bosses and drivers in Witsand and they are forming a taxi association to operate taxi's as the service was in high demand in the area., "But their taxi service was likely to be operating illegally, as City has stopped issuing operating licenses in the areas where MyCiTi is operating. In the meantime, Hout Bay taxi bosses share the same grievances." (West Cape News, 10 November 2014).

### **Taxi Owners' concerns**

To kick-start the IRT process and get buy-in from key taxi industry leaders in the area of the proposed first phase of the IRT project, city officials organised a study tour. The itinerary included visits to Brazil and Columbia, in particular Bogota, which at the time was regarded as the global cutting edge of BRT implementation. An important part of the Bogota model involved the informal para-transit sector being incorporated into running the companies operating the buses. The visit to the Columbian capital included intensive meetings with informal transport operators, including some of the operators that were not involved in its BRT system.

Taxi-owners would cease operations (forgo licences and scrap vehicles) and be compensated for this. They could then take the cash or buy shares in organised formations/associations were to form companies, which would co-own the MyCiTi through 12 year contracts. From the early planning stages, it was envisaged that MyCiTi would operate as a monopoly. This decision was formalised in the second version of the prospectus which stated that

No other road-based public transport would be allowed to run on the IRT routes, subject to the provisions of the National Land Transport Act, unless pre-authorized by the IRT Agency and does not compete with a significant portion of the IRT service. (COCT, Business Plan Amendments, February 2011)

Taxi operators' frustrations spilled out in their march on 9 December 2008, where a memorandum of grievances from the Western Cape National Taxi Alliance's CATA and CODETA was presented to the Mayor of Cape Town. The Memorandum demanded that:

all BRT projects and processes should stop immediately, pending proper consultation, presentation of business financial model that guarantees that operators be better off and also giving the projected guaranteed figures for at least five years, by all the tiers of government" (Cape Argus, 9 December 2008).

The Western Cape National Taxi Alliance (WCNTA) insisted that the City of Cape Town took the WCPTC to Bogota and they failed to report back to the industry about the outcome of the

study tour. WCNTA therefore claimed that their lack of knowledge and understanding of the project stem from that. They emphasized that the taxi industry is not opposed to public transport in principle but they need to be adequately consulted so that they can be in a position to engage with their members on the project.

These were the key questions in the petition to the City by the taxi owners:

Why they were not consulted?

Who will own the buses?

Who are the owners of the proposed company?

Jobs are going to be lost;

drivers, fare collectors and vehicle cleaners and job security

Who will manage the bus stations/stops?

What will happen to the entrepreneurs operating at current Interchanges?

Outstanding permits applications

The City's Mayoral Committee Member for Transport, Councillor Brett Herron and the Executive Director: Transport, Roads and Stormwater, Ms Melissa Whitehead, met with Mr Vernon Billet and Mr Mandla Mata, respectively the Chairperson and Vice Chairperson of SANTACO Western Cape, and a number of other prominent members of the local mini-bus taxi industry. The SANTACO leadership voiced their concerns that they had not been consulted on the City's plans for the improvement of public transport in Cape Town and specifically in relation to the further rollout of the MyCiTi to the Metro South East or Cape Flats.

According to my key informant, the taxi industry confronted a problem of shifting from structured as associations into companies and they wanted to know why they had to be "companies" *first* before they participate in the project. They were eager to know how small entities would be accommodated and who would finally own the project and who would own the buses? What is the role of government in the project? Which routes of the associations will be affected? Will the taxi industry be able to participate in other business areas of the project? (Interview with COCT key informant, 7 May 2014)

### **Compensation model in the transition**

Since the project's inception, it had been understood that the City would compensate affected minibus-taxi operators in associations for giving up their businesses. The City offered such fair compensation to the taxi industry operators, subject to approval by the national government.

The mini-bus taxi owner should not be worse off after compensation. According to the Integrated Rapid Transit System,(2010) approved by the City of Cape Town council, it was suggested that *legitimate profits* should be the basis for determining whether operators are equal or better off in the new system, as compared to the old system. Legitimate profit is determined using assumed average costs across the area for the value of the vehicle, payment of driver, maintenance, insurance, tax etc. Thus, to determine market share between minibus-taxi associations, the City used the calculated average legitimate profits within each association (COCT, 2010a). The city conducted surveys of taxi-operators. Since the City’s proposal (2010) it will be based on its surveyed passengers per individual operator, some operators may not have carried any passengers on the day or days the survey was executed (e.g. because the vehicle is in for repairs). On the other hand, merely because one vehicle was out of operation does not mean that fewer passengers would have travelled on the relevant date(s). Thus, the survey would have picked up all the relevant passengers who travelled on that day, but would have allocated them to the operators who actually moved them on that day.

The associations would know whether operators who were out of operation on the survey dates have a legitimate claim of the passengers who were actually moved on those dates. Thus the City requires of associations to make proposals to it on how the compensation should be divided between operators.

The impacted operator had two forms of compensation: one for the cash value of their existing business and leaving the business entirely; and the other obtaining shares in the new VO company to which they have been assigned.

**Figure 4: elements of the formula for compensation**



## Stakeholder Conflicts and Meetings

From the beginning of 2013 there will be stakeholder meetings once a month. These meetings would run parallel to the broader consultation process. Councillor Brett Herron (COCT, Media release, 2012) noted:

I would like to state categorically that we cannot take public transport to the next level of integration in our city without the mini-bus taxi industry – this industry is a crucial part of our future plans for public transport. The City has a proposal designed to improve public transport for the close to one million Capetonians that daily climb onto trains, mini-bus taxis and buses to connect with opportunities. This proposal is not cast in concrete and we will work together to achieve better public transport for our people. I am confident that we all share a common goal.

Mr Vernon Billet (of taxi association) argued:

We must speak to one another until we understand where you want to take us as a city - that is our collective responsibility. We are not opposed to improving the public transport system, we welcome this, but do it with us, please continue to take us into the City of Cape Town's confidence. (cited in Integrated Strategic Communication and Branding Department, City of Cape Town 2009).

The Peninsula Taxi Association (PTA) evolved into Peninsula Holdings. Peninsula Holdings was established as the business arm of the PTA, which has a membership of around 150 and is one of more than 160 informal taxi associations in Cape Town, Western Cape.

Formalising had many advantages. It put us on track to negotiate and participate in many projects such as The Jammie Shuttle (The University of Cape Town's transport system),

“We are the first in the transport industry to investigate, negotiate and participate in the widely publicised Bus Rapid Transit (BRT) system. This put us on track to negotiate and secure a 77% shareholding in TransPeninsula Investments, the company that was awarded the World Cup 2010 Public Transport Contract”. (<http://peninsulaholdings.co.za/>)

“The DuNoon Taxi Association (DTA) which has a fleet of 180 taxis with 70 owners, used to be the major public transport provider for people commuting along the R27 west coast. Although contracts are in place to compensate the taxi owners for lost revenue as well as to incorporate the taxis into the feeder routes in Parklands and surround suburbs, to date (since May 2011) there has been no compensation provided. This article presents both sides of the situation and outlines the two options that are currently being considered for concluding the problem. Part of the delay in compensation is due to awaiting data from a survey designed to determine how

many of the commuters had moved from using DTA taxis to MyCiTi buses.” (Luhanga, P. 2011).

### **Mandatory compensation model**

It is important to note that the compensation models was changed over time. When a strategy for compensation was initially devised, it was thought that those affected operators not wishing to be a part of the IRT system could voluntarily opt out, while all those desiring to play a role in the system would have the opportunity to do so. The original compensation model, for this voluntary system did not see the necessity of MyCiTi monopoly on affected routes:

The City would offer a specific amount of compensation based on market share, the net present value of current profits in the minibus-taxi industry over a period of one to seven years (depending on period of validity of the relevant operating licences). In addition a vehicle scrapping allowance (about R63000 on average per older vehicle) would be paid. In return, the operator would sign a waiver of any legal rights to operate minibus-taxis in the relevant area, and would need to agree to meet the requirements to reduce their fleets relative to the minibus-taxi routes being eliminated in this phase (e.g. through scrapping processes). After the opt-out contract has been awarded and signed, the City would pay the negotiated compensation directly to the relevant operator.

This scheme was adjusted to the mandatory compensation model, since it was felt that the City needed to play a central role in allocating compensation to individual taxi operators to avoid conflict within the industry.

The voluntary compensation model was appropriate for a scenario in which the IRT system could accommodate as many existing operators as wished to be involved. Since most taxi associations do not yet operate as formal companies, the market share of each operator in each association had to be determined. The following approach was adopted to allow each operator to exercise his/her rights based on the options available.

In addition to the calculation of legitimate profit as was used for determining market share of a given taxi association, the value of a taxi business is determined based in part on the validity period of the operating license of a given taxi operator. Three categories of taxi licenses are considered in this calculation: indefinite license holders, definite license holders, and “semi-legal” operators. For the purpose of calculating the value of the operating license, the validity period of these three categories of operators are considered to be:

**Table 4: Taxi Licenses**

Category	Period
Indefinite License	7 years
Definite license	3 years
Unlicensed (semi-legal) operator	1 year

The value of the operating license is determined by calculating the total modelled legitimate profit (see table 4 in this thesis) over the above periods relative to the category of license, and converting it to a net present value. This calculation is done per association or route (or groups of routes) to determine the average total value for each category of operator in that association or on that route, producing an indefinite pot, a definite pot, and an unlicensed pot.

According to this model, if the average operator invests his entire compensation amount in shares, the dividend yield would be about the same as his current profits (provided the company is run relatively well, and thus yield reasonable dividends).

The City will need to ensure that individual operators are consulted and fairly treated by the association. The City will therefore require of the association to demonstrate that a substantial majority of their members support the association's proposal on how to distribute the compensation.

Associations put forward excessive compensation and other demands but in the end the City was able to settle at lower amounts. According to a key informant the "taxi owner should not be worse off" after agreeing to transition to a company. By 2013 a few taxi owners left the industry but most converted to into shareholders on IRT (Key informant, 2014).

Three companies were registered and long-term contracts were signed for with them. Taxi-owners on affected routes as noted migrated into VOCs. In order for members of the existing directly affected operators to formally operate the IRT system, they have to form privately-held companies (COCT, Operating Licence Strategy, July 2013). Directly affected operators refer to those whose services are proposed to be replaced and upgraded by the IRT, namely minibus-taxis and scheduled buses in the Phase 1A area. They were expected to give up their current rights in the Phase 1A area in return for either: shares in the companies contracted to operate the

new system; compensation or a combination of part shares and part compensation. These operators would form these VOC companies, but may in addition bring on board other non-affected partners. (COCT, 2012b)

By 2012 three VOCs had 12 year contracts with the City -- Transpeninsula Investments (TPI), Table Bay Area Rapid Transit (TBART) and Kidrogen. The VOCs are contractually bound to provide an efficient level of service and are subject to penalties for infringements. If there are illegal taxi operators who are members of the above VOCs such VOCs will be penalised (CoCT, 2012b; CTC Press release, 20 March 2014)

### **Profitability**

One of the chief tenets of the business model that on average minibus-taxi operators should not be worse off in the new system than it is today, whether they choose to go only for compensation, only for shareholding or for a mix of the two. But when the City did a financial model for the VO companies, this proved not to be the case. The problem was that;

The City's financial model for the VO company was based generally on the financial model of TransMilenio in Bogota, which held that profits would be based on a return on investment by the shareholders. That is, a certain level of profit is planned for, as a percentage of annual investments.

In Cape Town, however, the VO companies are *not* expected to purchase their own vehicles, and then include the finance costs and amortisation as a component of their proposed kilometre rate. The City decided to purchase the vehicles itself from a capital grant provided by national government. The VO companies in Cape Town would be investing significantly less than their counterparts in Bogota.

So a new approach was taken: instead of setting profits relative to the VOs' level of investment, the City proposed to set it as a percentage of annual operator turnover. The City's proposal is to set profits at 15% of turnover per annum, averaged over the 12 years of the life of the contract. By migrating from a system based on fee-per-passenger to a fee-per-kilometre, the system prioritises greater quality of service rather than higher operator profits. However, in many BRT systems, the introduction of exclusive lanes for buses and methods of rapid boarding can compensate for these losses by improving operator efficiency.

## **The Business Model and Taxis**

The basic concept was that the city (using national grant funding) would initially purchase and then make busses available to VOCs at no cost. This would allow VOCs to operate the service while maintaining the vehicles. The VOC would invoice the city for its service on a per scheduled kilometre basis, while the city collected all fares. The per km basis (variable charge) was complemented with a fixed charge invoiced by VOCs.

The City's IRT team recognised that the fee per kilometre rate paid to the VOCs would be a most important area of negotiation between the City and the three companies – and would be settled by way of a final proposal submitted by each VO Company (subject to City acceptance). This fee per kilometre would be a unique figure for each kind of vehicle and would need to be high enough to cover their operating costs for all services, all capital investments and other equipment. The pre-operational costs, the performance guarantee and a reasonable rate of profit would also be included. The companies would have to have a reasonable level of management and efficiency (COCT, 2012b: 67-9). In this way, they would not be competing for passengers: unlike taxis, they would no longer have an incentive to cut in front of other buses to capture passengers, or wait at a station until their bus or minibus becomes full.

Penalties apply to VOCs who perform poorly or damage buses. VOCs have to submit quarterly reports and have an investment plan because they will have to have enough cash to buy their own vehicles once the first phase was completed. VOC's profits would be taxed. In order to be eligible to sign the final operating contract with the IRT Entity, the companies were required to meet the following minimum eligibility criteria:

**Capital** – Each firm must have minimum capital required to pay a performance guarantee to the City, plus an additional sum for legal and administrative costs in case of a contractual default. Additionally, each firm must be able to supply the initial investments in all equipment and furniture other than the vehicles, and the working capital required during the pre-operational period. (COCT, October 2010a)

**Expertise** – Each VO company must demonstrate that it has the necessary expertise to run a world-class IRT/BRT system, and that it has made sufficient arrangements for international advice and experience.

**Staff** – Each VO company will need to demonstrate that they will have a sufficient number of certified drivers capable of operating the buses.

**Management** – The company had to provide sufficient information to the City to show that it would be able to adequately manage bus operations.

**Scrapping of vehicles** – Each vehicle operating company had to provide a prescribed number of old minibus-taxis, equivalent to the number of minibus-taxis on the affected routes, to avoid such vehicles flooding the rest of the city thereby leading to conflict with other taxi operations. They had to surrender licenses representing the value of at least 60% of licenses in the area. The 60% figure was set once the City realized that any higher figure may be too difficult to force onto the operators via their associations. Any lower figure would seriously begin to undermine the financial viability of the IRT system (MyCiTi, Business Plan 2012).

### **Company structures**

No shareholder from one company may hold shares in the other company. This provision enhances the level of competition between the VO companies – a key principle of the IRT system’s business plan – by avoiding collusion between them.

According to the City, it did not have the final say on the composition of shareholders within the Phase 1A companies, it was able to work with the taxi associations and recommend models for shareholding within companies. The big decision with regards to shareholding for the company groups was whether individual members from within taxi associations and bus companies should hold shares within the VO companies or whether shares should be held at higher (perhaps association) levels.

By promoting a structure whereby all affected bus and taxi operators became shareholders, the process would be more democratic and “association loyalty” would eventually become less strong. However, the City also believed that by having too many shareholders, the process would become unwieldy and would slow negotiations and ultimately, operations.

It was therefore the City’s preference that shares be held at higher levels. The result was a two-tiered system:

**1. Associations-turned-companies:** Shareholders in the VO companies would be companies formed out of and corresponding to each taxi association (and possibly a bus company too), identified by the City to be directly affected and thus potentially part of the two VO companies. Shares in the VO companies would thus be held at the level of the “sub-companies” formed by each association.

**2. Owners and operators:** At the lowest tier are the shareholders of the sub-companies formed by associations (that make up the VO companies, i.e., the *shareholders* of the association-based companies that form the shareholders of the operating company). This includes individual bus and taxi operators, previously members of these associations, who would become shareholders in their parent companies.

Because of this, the City made the stipulation that for the first five years of the vehicle operating contract, shares cannot be sold outside the shareholders of the VO company, except in the case where an increase in capital is required, in which case the reduction may not be more than 50% of the total participation. However, shares may be traded between shareholders of the Company, up to a maximum shareholding of 33% of shares in the VO Company in the hands of a single legal entity (including subsidiaries or parent company of that entity) or of a natural person. After five years, stock holders have the option to sell their shares to outside parties. (COCT, Business plan 2012b)

Additionally, in the case where an operator is currently a member of more than one association or bus company falling into different company groups as determined by the City, the City has proposed that he or she is only permitted to hold shares in one – to enhance competition between the companies. This requirement is still under discussion.

Finally, all of the existing operators who accept compensation, shares in the new company, or a combination between the two must unconditionally waive their right to any possible further compensation.

Shares were allocated to companies based on market share. Once shares had been allocated to companies, each company would distribute its allocation to individual operators through steps described in Compensation. This allows associations include “semi-legal operators”, namely those who have applied for licenses but who have not been awarded such licences – whether for sound policy reasons or because of inefficiencies in the processing of licence applications.

The City would then receive the planned allocation of license points to owners/operators and verify it for fairness. Once satisfied, the City would issue a License Point Certificate to each operator.

### **Payment by companies to shareholders**

Early on in the process, the plan was to recommend that VO companies provide an option to their shareholders to release estimated profits to them regularly, e.g., every two weeks. This

would be unlike a traditional stock holding company, which usually releases a portion profits by way of dividends at the end of its financial year. The rationale behind this recommendation was that in the current system minibus-taxi operators receive payment on a daily basis. To move to a yearly receipt of payment would likely be too drastic and unsustainable to the incomes of those in the taxi industry, many of whose lives depend on a steady inflow of cash. At the time, though, the City did not intend to actually prescribe this provision – it was only intended as a recommendation.

While this remains the case, the City has made further moves to help ensure that this provision is made. First, the City is willing to support a tax-efficient mechanism that allows a more frequent payment to operators, provided that the VO company has settled this matter among shareholders and described in detail its proposed mechanisms for doing so.

The mechanism recommended by the City is that VO companies establish a *taxi industry dividend equalization fund* for the shareholders from the minibus-taxi industry. This does not really constitute dividends, but in effect comprises a loan to the company funded by its taxi shareholders, which in turn is funded from the compensation paid by the City to minibus-taxi operators. The company will repay this loan to taxi shareholders at regular intervals, thereby providing a steady income to these shareholders for the start-up years of this company.

As indicated, the taxi shareholders would, in addition to other funding to be contributed, have to contribute an additional amount to the capitalisation of the VO companies sufficient to capitalise the taxi industry dividend equalisation fund (which could be set up as a loan fund), e.g., by using compensation offered by the City, vehicle scrapping allowances or private funds. They would do so in proportion to the shareholding that they intend to take up in the VO company.

The equalisation fund would then be used to “top up” the actual annual dividend pay-outs to taxi shareholders during the initial period of operations when no annual dividend pay-outs may be made, or any dividends paid are likely to be below the estimated average annual dividend (as calculated over the full period of the contract).

Once the point is reached where the actual annual dividend exceeds the average annual dividend, such annual excess can be distributed as final repayment of this loan to taxi shareholders.

Obviously the forecasted annual dividends and the estimated average annual dividends cannot be guaranteed. Thus, if a VO company’s performance is worse than predicted, its taxi

shareholders would have to share the risk in the same way as any other shareholders. However, if the company's performance is better than predicted, the point where the actual annual dividend exceeds the average annual dividend will be reached earlier, and the loan can also be paid back to the taxi shareholders earlier thus in effect comprising a self-funded "bonus".

The conclusion was projected VO profits in the IRT system would be significantly lower than operator profits in the current system (approximately one-quarter of their current profits). The solution then was to offer compensation to all minibus-taxis operators, which the operators could use to obtain shares in the new VOs – or to take their compensation and invest it in other ventures. If significant numbers of operators choose the latter option, or only invest part of their compensation in the new VO, this will result in acceptable levels of profits per share for the remaining shareholders. This became known as the policy of compensation.

### **Termination of taxi licenses**

Legally a taxi operator cannot be forced out of the industry, even with the offer of compensation – except where the period of a licence runs out and the City does not support it to be renewed. The National Land Transport Act says that cities cannot terminate route licenses at will. The only way that a route license may be terminated is through consent of the operator – or to allow it to run until it expires. (Business Plan for Phase 1A)

In Phase 1A, 40% of affected operators have "definite licenses" which in Cape Town means that they expire after two years. 60% of affected operators have what are known as "indefinite permits." The industry has come to interpret this as "perpetual permits" although this is incorrect since the term *indefinite* means that the date of termination is simply undefined. The NLTA provides that any "indefinite license" will expire automatically in 2016, after which it can be renewed on the same basis as definite licences.

Thus the City has opted to make the offer of compensation favourable to encourage operators to choose it rather than to continue operating in competition with IRT. However, if an operator does not accept compensation, he or she will face competition from parallel IRT routes and will become less profitable. As a way of ensuring that as many operators as possible accept the offer of compensation before the IRT system become operational, the City offer of compensation will expire, if not taken up. Thus, operators cannot change their minds once faced with competition

from the IRT system. For this reason, it is believed likely that most operators will accept compensation, but it can be assumed that some will not.

### **Employment in the new system as VOCs**

One of the main aims of the IRT is to substantially improve the work environment for those currently employed. Many of the current drivers and staff are without employment benefits such as leave, sick leave, health care, maternity benefits and pensions. The new system will provide these benefits as well as safer working conditions, a stable salary and regular working hours while enhancing professionalism and career development.

The City is working to increase overall employment in the public transport sector. In the new IRT System there will be opportunities for employment as drivers as well as other fulltime jobs, such as in maintenance, customer service and security. Employment is expected to grow because of the emphasis on customer safety and quality of services, such as longer hours of operation each day. Also, although there will be fewer vehicles than there are currently, there will be multiple shifts for drivers.

At the very least, the IRT System is likely to be employment neutral, when comparing the full time jobs in the present transport sector with the planned on-going jobs in the new system. It was expected that the drivers and other employees in the VO companies will be drawn mainly from the pool of workers in the current system. Also, most of the jobs in the station service contract are for station cleaning and maintenance, station security, customer service, and ticketing system management, which are compatible with skills of the workers in the minibus-taxi industry. In addition, the construction of the system itself will generate considerable employment.

A good example of the limits of the City's outsourcing/PPP model is what happened when the station management was won by a new bidder. The two VOC's lost the contract to manage stations in October 2013. The new (lower priced) contract was awarded to AEM—a joint venture comprising of Arcus Facilities Management Solutions (Pty) Ltd and Enforce Security Services (Pty) Ltd. Workers earning a monthly R5700 as ticket validators were retrained as kiosk cashiers, but because their working hours had been reduced, their wages were halved. The City claimed it could not intervene in this matter. "We are not able to comment on the private

employment relationship between an employer and employees.” (West Cape News, 9 August 2013).

### **Obligations of VO companies**

In the earlier part of the process, when the VO company contracting was intended to contain a competitive element, a points system was designed to give preference to the company that would employ the most existing employees. Given that the VO company contracts were later to be fully negotiated, the City has decided, instead to require the companies to give preferential access to jobs to full-time workers in the affected taxi routes and bus industry. To achieve this:

The City will provide each of the VO companies with a register of fulltime former taxi-drivers and their contact details. The station services company, the fare system company, the control centre company, and the companies contracted to provide non-motorised transport would also receive the list. (Council approval MyCiTi Phase 1A, 2010)

Because the City allows a five year grace period before declaring a license dormant, there are a group of operators considered to be “semi-legal.” Semi-legals are operators who have applied for licenses that have not been granted because the City’s database shows demand as being already met. But because there are so many dormant licenses, the City needs these operators to provide service in order to meet demand. So the City does not officially recognize them as legal operators but also does not prevent them from operating. Thus, the City cannot only calculate the number of vehicles to be scrapped based on licensed vehicles in the system, instead it must look at all vehicles supported by an association and then recalculate formula.

However, many of the semi-legals are currently in disputes with the City for licenses. As a result, the City is creating “goodwill” by prioritising routes parallel to the IRT, cancelling dormant licenses on those routes and making legal many “semi-legals.”. The VO Company will have to identify the individual taxis to be sold in this manner, and submit an irrevocable mandate from the owner of the vehicle that this vehicle will be available for sale in this fashion.

Another issue in the scrapping requirement is the immediate depreciation of the value of a first-hand vehicle after it has been purchased. Those who have recently purchased new vehicles (again, worth more than R55000) and are now being required to scrap a vehicle (by likely first selling their new vehicle) for entry into the system, are doing so at a loss. The City is currently investigating methods of counteracting this issue. Another complication could be what happens when operators have outstanding payments on their vehicles. It would be unreasonable to force

them to sell off their vehicles when they owe money but the City is forcing them to do so. This problem has not yet been solved.

### **Conclusion and on-going problems**

Community and labour issues are central to the MyCiTi Bus project and to the model where some key aspects of the public service have been privatised. Thus the employees were affiliated to South African Transport and Allied Workers Union. Drivers embarked on the strike on the 4 February 2015. Cosatu encouraged all MyCiTi bus drivers to join about 50 striking workers employed by Transpeninsula. Meanwhile, the ANC said the city had failed to compensate taxi operators, and R632m was allocated for this in the 2012/13 fiscal year but had still not been spent. “Reports have it that only 85 of the 123 operators have been compensated to date,” but the City’s Brett Herron said this was incorrect, as the city had in fact paid out about 520 operating licences and the number was increasing as more taxis withdrew from the inner city.

The buy-in of taxi owners and associations as well as ensuring their compliance and good performance is crucial to the success of the MyCiTi. The taxi-owners had to be convinced and compensated to give up their current rights in the Phase 1 in return for shares in the vehicle operator companies contracted to operate the new system. The VOCs are contracted to provide an efficient level of service and are subject to penalties for infringements. Once compensated taxi-owners would lose their licenses and would not compete with buses. However, the entire move has turned out to be extremely complex with the city having to amend its positions pragmatically as it went along but perhaps at the expense of the publicness and integrity of the system. Taxi-owners similarly changed their views and upped their demands.

## Chapter 6: Lessons and Conclusions

The research for this mini thesis aimed to uncover the complexities of the MyCiTi project looking at the major *local* stakeholders; their interests and views; how has the model evolved and how stakeholders' views been modified and finally what lessons might be learnt? As is evident there are many difficulties and hundreds of ways in which MyCiTi could still fail. In this final chapter, we draw on reflections by actors themselves in 2014 and provide additional comment on problems surfacing in 2014 among stakeholders.

In 2014, in looking back at MyCiTi project, Melissa Whitehead (2014) a key strategist for the city in the IRT architecture and planning drew four key lessons as follows:

No public transport service in the world runs at a profit, let alone in a South African city where the poor are marginalized and placed far from places of employment, sometimes between 45-70km away. (Our) biggest operational challenge is higher bus occupancies while maintaining passenger expectations and ensuring the utilisation of existing assets. ...The original revenue projection was substantially out.

She further notes that, “the infrastructure standards must be standardised across the City so as to ensure that there is quality service delivery. Communication, she notes, is critical. Demetrius Dudley of the African Christian Democratic Party making an economic argument, for scaling back the project, noted that “the biggest lesson to learnt from all this is that if other bus operators were not offering a service on certain routes, surely the first thought would have been that those routes were not financially viable”. (May 1, 2015, Independent online, IOL *myciti-facing-r52m-deficit*).

A key informant in the City (Interview 1, 2014) expressed the view that the most severe challenges could come from future labour disputes because the City does not directly employ MyCiTi personnel and drivers. The key informant indirectly spoke to the problem of PPP's (see chapter one of this thesis) and the risks of having an external service provider who interacts with the public on behalf of the City. For example between January and July 2014, 15 drivers had been dismissed by their companies following accidents or for being drunk, staying away from work and not taking proper care of buses (*Cape Times*, 7 August 2014). In 2014, 200 penalties to the value of R198 000 were imposed on the three VOCs: Transpeninsula Investments, Table Bay Area Rapid Transit (TBRT) and Kidrogen – who are operating the MyCiTi service in the inner-city area, Montague Gardens, Atlantis, Melkbosstrand, Dunoon, Salt River and Hout Bay.

These penalties, imposed from 1 January 2014 until 30 June 2014, have been paid to the City. They relate to schedule adherence, employee conduct, and compliance, amongst others. Companies have to discipline workers themselves and then report to the City.

Tony Ehrenreich, leader of the ANC in the city, and advocate for commuters on the Cape Flats and working-class areas, like Melissa Whitehead) has pointed to the disparity between the the quality of services rolled out to Table View and Mitchells Plain. An interesting paradox is that city buses are “mostly full of domestic workers on their way to work in Camps Bay and staff working at the cable car.” <http://mybroadband.co.za/vb/showthread.php/712174-MyCiTi-Bus-price-increased-up-to-43-in-Cape-Town/page3>.

Attempts to moderate the system (a euphemism for cutting back services or lowering service quality) to ensure that it remains financially viable might undermine the public perception of equity and the quality of the MyCiTi system for all. Building less expensive infrastructure in the future will feed perceptions that the first phase services mainly advantaged affluent areas.

It must be remembered that MyCiTi is a nest of contracts (a complex multiple PPP) with many private players attending to different parts of the system while trying to make as much money as possible within the prescribed rules. The three VOCs (previously taxi owners and GABS) have been guaranteed a return of 15% profit per annum. The overall deal for a 12 year contract with one company alone (Kidrogen) is around R4,5 billion (Western Cape Government 2013). The stakes are huge and as is often the case the risk is borne by the taxpayer (socialised via the public) and the profits are appropriated privately (Harvey 1989).

As also observed, using the principal-agent theory, much of the success of a PPP requires coordinated efforts between players and a high trust environment as well as keen oversight by the City, which as the principal has to monitor the companies on a daily basis. Legal intricacies and failed plans with one contractor could mean that contracts are either cancelled or renegotiated and there could be numerous knock on effects of failure in one area (for instance the MyCiTi control centre). The control centre with a tender worth around R250 million provides a good instance. Here ‘numerous intricacies have to be concluded (with a new company) to get the control centre to operate as was originally specified. Once fully operational, the control centre will be able to provide commuters with real-time information about the MyCiTi service during its hours of service’ (Transport For Cape Town 14 April 2015). MyCiTi has appealed for passengers to provide information and report problems. But the cost of getting information to monitor implementing agents and punish them is typically far more than expected given that

implementers often have more knowledge about how to take short cuts. These are classic issues of principals and agent dynamics and moral hazard. The City has been anxious to show it has the capacity and will to regulate the VOC's and other agents to whom it has outsourced activities. "These penalties and dismissals demonstrate that we are holding our VOCs to their contractual operating standards and obligations, despite the fact that the MyCiTi Control Centre is not yet operating as designed" (Transport For Cape Town, 2014). The BRT concept was sold to the national government on the premise that no recurrent operating subsidies would be required. However, it is now clear that the BRT system will indeed require a higher subsidy than its predecessor.

The overall model of public-private partnership presents a number of problems chiefly related to monitoring and evaluation, and information problems that arise when the principal stakeholder (the city) has to regulate the private external agents.

A final crucial set of issues is related to the middle class use of the system reducing the private car orientation of the middle class, congestion and limiting the ecological damage caused by motor vehicles. The MyCiTi bus has so far failed to make a dent in the divided social geography and racial space of the City. The airport shuttle -- which middle class air travellers and tourists could use -- has been a failure (the busses run close to empty every thirty minutes for almost 15 hours a day (interview May 2015)).

The private car orientation of the middle class is understandable but not desirable. Effective and high quality public transport systems could as a catalyst for more social cohesion, non-racialism and more sustainable urban communities, which are less reliant on private cars. Safety and security forms an integral part of the BRT system for all passengers but also for the middle class who have pronounced fears. Closed circuit cameras, monitored by the controlled centre should be used to easily deploy patrols should the need arises. The absence of effective visible policing and law enforcement is an indication that an element has been overlooked. However, with the middle class for the most part refusing to 'buy in' to MyCiTi, it will become stigmatised as a working class form of transport. The shift to a public transport life style might require a fundamental reshaping of the city and its political economy and a reversal of its orientation to investors.

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## **Appendix I: List of all interviews**

Interview No 1 (anon), senior official in transport dept COCT, August 2014

Interview No 1 (b) Second Interview November 2015

Interview No 2, Taxi drivers ,City of Cape Town station

Interview 3, Tony Ehrenreich, 29 August 2014



## Appendix II

### Guide Interview Questions:

1. What were your initial fears about BRT and do you think that the BRT has brought about significant improvement in terms of safety and efficiency in the transport services provision in the city?
2. Comparing the two systems the (old and new), as a stakeholder are you satisfied with the integration phased process?
3. Four years down the line, have your views changed... about what aspects and to what extent?
4. Do you feel that an adequate consultation process was followed with the introduction of the IRT/MyCiTi?
5. Are there any conflicts of interest between different groups of members (e.g. taxi members vs. public bus company drivers, between employers over routes, between long distance taxi companies and others).
6. What has the organisation done to meet these needs or address these interests?  
How has this changed over the last year? How has this changed over the last five years?
7. Do you believe the system now implemented would be sustainable for the next 10 years.
8. In your view, how do we compare to international cities operating the IRT's.
9. What has been the major lessons learned in the rollout process. Where are the big risks?
10. What logistical gaps have you found in the purchase of the MyCiTi cards in relation to cash payment methods.
11. How has your income been affected with the introduction of MyCiTi and IRT.
14. Did you at any time feel positive about the system and which aspects.
15. What were your initial views of the future in your aspect of the industry.
16. Can you brief me, on the data reporting systems planned vs the current operating data used.

17. What quality assurance system is in place to monitor the continual development.
18. What was the initial budget that was appropriated for the system and how has this budget been escalated.
19. How does the data reporting system cater for the misappropriation of funds. Is it working according to plan, and what costs are incurred in monitoring VOCS.

