

NATIONAL TAXI LEKGOTLA 2020



TAXI INDUSTRY EMPOWERMENT MODEL

RE-IMAGINING TOMORROW'S
TAXI INDUSTRY

"Every accomplishment starts
with a decision to try."
– Unknown

Ver 1, 11 September 2020



transport

Department:
Transport
REPUBLIC OF SOUTH AFRICA



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Disclaimer

This discussion document is only intended to guide discussion and debate on topical issues towards the development of a blueprint for the taxi industry of the future.

Nothing contained in this document represents any official position of government or industry representative bodies. It merely provides information as a basis for dialogue and engagement.

Background

1. The economic empowerment perspective articulated in the Final Recommendations of the National Taxi Task Team (NTTT) accepted by government in 1996, envisaged a multi-pronged approach to the empowerment of the taxi industry. These recommendations set the scene for number of initiatives over the years.
2. The 1996 White Paper on Transport Policy introduced the principle of regulated competition as a core character of the road-based public transport system for the country. In giving meaning to regulated competition, the White Paper alludes that the minibus taxi industry would have to be formalised and measures introduced to enhance its economic viability. This meant that minibus-taxis could form legally registered businesses, such as co-operatives or companies, or be registered associations. These would have to operate in terms of operating licenses to operate on a route or network. More importantly, the number of permissions granted on a route or network must be determined by demand as envisaged in the integrated transport plan developed by a municipality.
3. The White Paper also envisioned that minibus-taxi businesses would be eligible to compete for the awarding of contracts by transport authorities. Financial and technical assistance to enable the minibus-taxis industry to obtain operating licenses and/or contracts and to improve their economic viability is an integral part of the country's transport policy.

Industry Empowerment

4. In re-imagining the economic empowerment of the taxi industry, we must be guided by a commitment to implement a model that truly changes the economic fortunes of the industry in a meaningful way. Economic benefits must reach every single operator, driver and worker in the industry and assist them to participate in the mainstream economy.
5. By extension, this means we must re-imagine the Taxi Recapitalisation Programme, a flagship empowerment programme meant to address the industry's recapitalisation crisis brought about by the fact that it operates on the fringes of the formal economy and is unable to recapitalise itself and invest in safe and purpose-built taxi vehicles.
6. South Africa's taxi industry is estimated to generate in excess of R50 billion per annum. However, the industry itself remains a consumer rather than owner of its value chain.
7. The following issues are identified as critical to the transformation of the industry into a high quality public transport provider. It is anticipated that any of the business models considered in this document should be able to incorporate and help address these key issues.

Formalisation of the Industry

8. Although there is more in defining formalisation in the context of the taxi industry, in its simplest interpretation, it means that the industry would have to operate as a registered business in the formal economy and comply with all regulatory requirements for operating a business. This will include the registering of workers and adhering to formal labour practices including paying taxes, amongst others. The White Paper provides that regulated competition will mean that the taxi industry will have to be formalised and measures introduced to enhance its economic viability. The question that needs to be addressed in detail is that since the industry thrived for years in the informal sector, what are the challenges that it would face towards formalisation.

Management of the operations – vehicles, drivers and ranks

9. The industry has been characterised by destructive competition due to its overtrading on routes. This has led to unhealthy cost saving measures such as poor vehicle maintenance, exploitation of drivers and poor working conditions. The formalisation of the industry should address these conditions. Furthermore, provision of capacity development and technical assistance as envisaged in the White Paper should be encouraged, particularly in instances where the industry is establishing companies.

Access to capital/ finance for their business

10. Due to its informal nature, financial institutions have always been reluctant to finance the industry as they were considered a high risk sector. There have been some notable strides in the financial sector from some institutions to actively finance this sector. However, even these overtures have been a far cry from empowering individual operators such that they find relief from the vicious debt cycle they find themselves trapped in. Forming companies and co-operatives can give the industry access to capital/finance as opposed to when approaching financial institutions as individual operators. When industry is united, various business opportunities can be explored. Furthermore, there is a need for training intervention for taxi operators to improve their limited financial management skills to ensure better management of their finances.

Diversification of revenue base

11. The current business model of the taxi industry is fare revenue based with little or no diversification. It is for this reason that most conflicts in the industry are a result of jostling for declining demand/ridership. In order to maximise profits, it would be worthwhile for the industry to diversify its business and augment its revenue through these alternate business opportunities. This objective was at the heart of the Taxi Recapitalisation Programme when it was conceptualised in 1999. It sought to address the recapitalisation crisis of the industry, which was essentially a hand-to-mouth business.

Long-term economical sustainability of the industry

12. The long term sustainability of the industry requires a complete change in the current trajectory of short-term profit maximisation. Therefore, economic sustainability would require that a “conflict between short-term profitability and long-term sustainability” be adequately addressed.

Accessing industry value chain opportunities

13. It is estimated that the taxi industry generates about R50 billion in revenue annually and spend more than R20 billion on fuel alone (these figures vary from one source to another). However, the industry has not been able to exploit business opportunities in industries that constitute their value chain. It is therefore critical that the formalisation of the industry should result in real empowerment that enables the industry to leverage and exploit downstream and upstream opportunities available in the entire public transport value chain as active participants.

Economic Empowerment of Drivers

14. Although the Department of Labour introduced a Sectoral Determination for the taxi industry (Basic Condition of Employment Act 95 of 1997, Sectoral Determination 11: Taxi Sector 2005), which outlines basic conditions of employment, the sector is unfortunately still largely informal with no job security for workers. Compliance with minimum wages, working hours and other benefits such as overtime and leave is non-existent. Any economic empowerment planned for the industry should include workers such as drivers, rank marshalls and others. These workers should be developed and provided with a stake in any business opportunity the industry is participating in.

Empowerment Vehicle of Choice

15. Rehashing the considerations made by the NTTTT, with changes in context due to latter day legislative changes, the following conclusions were reached in interrogating alternative empowerment vehicles. The determination of the empowerment vehicle of choice should take into account lessons learnt in the implementation process and latter-day realities.

Associations

16. The Association is not a recognized legal structure for a commercial undertaking. Section 8(3) of the Companies Act, 2008 prohibits an association formed to carry on a business which has as its object the acquisition of gain by its members unless it is registered as a company.

Private Companies: (Proprietary) Limited

17. The proprietary limited company is a legitimate structure for a commercial undertaking. However, the public is not invited to subscribe to its shares and there are restrictions on the rights to transfer its shares. The industry has high levels of mobility and the restrictions may have unintended consequences of promoting gate-keeping, but these can be managed.

Public Companies: Limited

16. The public limited company is a legitimate structure for a commercial undertaking. It is formed when the undertaking is a large one and the public are invited to provide the capital for the venture.

Non-Profit Company

19. The non-profit company is not suitable for a commercial undertaking since it is designed as the legal persona for charitable associations/associations not for gain.

Co-operatives

20. Co-operatives may be formed for the purpose of purchasing supplies or other economic activity such as a co-operative bank. The object of a co-operative is to provide a service for its members. Private or public companies comprise single economic units which have as their object the acquisition of gain/profit for the unit itself. A co-operative is a voluntary organization of a number of economic units and has as its object the acquisition of gain/profit by its members trading as individual economic units.

Lessons on Taxi Co-operatives

21. While the NTTTT recommended taxi co-operatives as an empowerment vehicle of choice, experience in the implementation of this model has brought to the fore various lessons that should be taken into consideration in adopting a model for the future.
22. Taxi co-operatives have been subjected to a very high mortality rate in the country. The “top-down approach to fast-track job creation” has not created sustainable co-operatives or sustainable jobs, but rather resulted in opportunistic registrations in order to access funding and exploitation of co-operatives by corrupt members who had no previous association (Godfrey et al., 2015).
23. According to the report by the Department of Trade and Industry (DTI) Baseline Study (2012 -2022), the survival rate in the transport co-operatives was only 6%. The high mortality rate is attributable to poor management and lack of education/skills, lack of financial management and limited access to finance, limited promotion and awareness, limited access to technology, limited access to critical business infrastructure, democratic decision making remaining low, greed among members and high conflict levels among members. It was also found that the Provinces provided financial support to the co-operatives without ensuring that financial management skills/training are acquired and as such big boards were appointed by the co-operatives at huge remunerations and claims for travel and accommodation from the board members. These and other reasons contributed towards the high mortality rate among taxi co-operatives in the country.

24. In a research study conducted among the Tshwane Metropolitan Co-operatives, investigating what the causes for the ineffectiveness among taxi co-operatives were, the following responses were recorded:

- Lack of good financial management: taxi co-operatives, upon being established, were provided with funding without proper training on how to manage the funds. As a result, the majority of taxi co-operatives blew the allocated funds within the first few months of existence. Most of the funds went to claims for travelling to meetings, accommodation and allowances.
- Poor management – the appointed management was never provided with any basic training on the management of small businesses and as such the management applied the same management style applied in their taxi businesses. These included calling too many meetings and appointing individuals without following any due processes, and at times appoint their own family and friends. Capable women were not given opportunities to lead as the industry is dominated by males and the few women joined the industry by default.
- Greed among members – as indicated earlier on, greed was reported as one of the reasons that hampered success among the taxi co-operatives. It became a situation where everyone was looking to milk the little resources available and benefit themselves at the expense of the many.
- Conflict among members – the management at these co-operatives didn't know how to address and deal with conflict issues, and as such conflict among members created divisions and threatened to split the members. Where members had genuine concerns, their complaints and cries for help fell on deaf ears and that meant members started withdrawing from the co-operatives.

Observation

25. Experience and research has shown that key factors that would contribute to cooperatives success include leadership strength, group size, business relationship amongst members and a member selection process during the group's formation. Further to these factors, an enabling legal environment that creates economic conditions favorable to profitability as well as a regulatory system favorable to business success.

Options for Consideration

Private Companies

OPTION 1A: Vehicle Operating Company (VOC) Structures in South Africa

26. Approximately 13 municipalities in South Africa are in a process of rolling out integrated public transport networks (IPTN). In municipalities that are already at operational stage, the taxi industry was required to establish Vehicle Operating Companies (VOC) in order to enter into contract with government as part of the IPTN. In all these cases the taxi industry always opted for companies as their

model of choice for VOC citing the following, amongst others:

- Service delivery: Ultimately the operator company must deliver a public transport service at the required standard, which implies that adequate managerial expertise and operating capacity must be built into the business model.
 - Empowerment: Adequate broad-based black economic empowerment (BBBEE) must be enabled (and sustained) through the model, in terms of historically disadvantaged individuals (HDIs) and gender participation in shareholding, management and staffing, with adherence to BBBEE charters and employment equity targets.
 - Capital financing: Adequate capital must be available to obtain assets and provide for working capital, either through equity or debt, with local financing being preferred over international investment and/or debt financing.
 - Minibus-taxi participation: Effective participation of the mini-bus taxi industry operators at all levels is enabled through this model.
 - Institutional simplicity: Simple models are preferable to complex (potentially non-transparent) arrangements, in terms of functioning, legal establishment and contract performance management.
 - Future implications: The degree to which models achieve long term objectives of public transport transformation must be considered, particularly around the creation of local capacitated operators that will be competitive in future contracts in the area and beyond.
27. Currently there are about nine (9) VOCs and one (1) Special Purpose Vehicle (SPV). Of the nine (9) VOCs, there is one (1) public company and eight (8) private companies. The SPV is to provide interim services before the VOC is established, set up of governance systems until such time that the industry is ready to take over the operations of the SPV as shareholders in the VOC and initiate training and capacity building for future VOC stakeholders including management staff and Directors of the Board.

VOC Business Structure and Institutional Model

28. This business model involves the establishment of a private company as a legal entity, which by definition creates the empowerment platform through co-ownership. Notwithstanding, the basis formed by this structure offers a larger number of operators an opportunity to become individual shareholders in the business.
29. The company is established to achieve the following:
- Become the contracting party with government to provide a regulated bus transport service;
 - Empower the operators of minibus-taxis as individual shareholders and co-owners in the business;
 - Provide a platform through the entity to grow the business and offer further business opportunities;
 - Ensure regulatory compliance and sound corporate governance through regulation under the Companies Act (No 71 of 2008).

Lessons learned in VOCs

30. The challenges or lessons learned from the establishment of VOCs can be categorised into two categories (Labour or Labour Relations, and Governance and Operations).

Labour and Labour Relations:

- Lack of understanding of labour laws of the country
- Lack of experienced bus operations staff for professional and technical positions
- Non-payment of employees
- Reluctance of shareholders to attend capacity building program

Governance and Operations:

- Negotiators insisted on large boards all made up from shareholders
- Unjustified increase of Directors' remuneration
- Poor understanding of governance issues and inability of new Board to exercise effective financial and other oversight
- Bloated organisational structures which have negative impact in terms of operational costs
- Significant infighting – to some extent reflecting old tensions but also new tensions arising out of:
 - Owner drivers vs. non-owner drivers
 - Shareholders who are also managers in the company
 - Directors running VOCs like Associations
 - Disunity and Conflict - emergence of splinter group in relation to the implementation of the project
 - Reluctance of the bus and taxi representative to form one steering committee and one company
 - Non-compliance with the terms of the VOC Agreement
 - Lack of administration, business and management experience
 - Lack of training and experience on operational aspects
 - Intra competition:
 - Shareholders of VOCs competing with their own company

Observation

31. For a company to succeed as a sustainable taxi industry empowerment model there is a need to establish good management from the top level. Quality leaders offer a business clear goals and direction.

OPTION 1B: Red/Blue DoT in Western Cape

32. This model started as a dedicated service for the transport of healthcare workers and individuals to and from quarantine and isolation facilities. However, the Province is planning to extend it across the Western Cape Province. The service includes a fleet of 250 vehicles fitted with protective screens. A new company, Umanyano Travel Service (UTS) was formed representing the entire industry in

the Western Cape. A contract was signed with the company in record time and the company is being actively developed to deliver a professional service. The benefits of this model include the following amongst others:

- Improved safety standards
- Safe driving
- No overloading
- Safe, branded vehicle with tracker
- Leveraging the successful partnership established with Umanyano Travel Services (UTS)

33. The model relies on the Provincial government supporting the establishment of regional companies linked to UTS. These regional companies will be responsible for co-ordination of the taxi industry and ensuring that standards are met. The Province contracted with UTS for existing Red Dot Services and other services.

Observation

34. This model provides an indication that collaboration between government and the taxi industry to advance transformation is possible. A company formed entirely by taxi operators has been established and contracted at provincial level to co-ordinate operational function of services.

OPTION 2: Co-operative Bank

35. There are a number of options that can be adopted by the industry to roll-out the co-operative banking structure. Two potential models can be considered as the activities and services that the various tiers can provide should be considered when deciding on a final model.

36. The first option proposes a Secondary Co-operative Bank at national level, with each Province establishing a Primary Financial Co-operative, which in turn will be members of the Secondary Co-operative Bank. The second option entails a National Co-operative Bank with branches in the 9 Provinces. The difference between the two institutions is that the Co-operative Bank must have more than R5 million in members' deposits, while this does not apply to the Financial Co-operative. However, both types of Co-operatives require R100,000 share capital and a minimum of 200 members. Requirements on the skills of both the Steering Committee that drives the establishment and the subsequent Board are stringent and are determined by the Prudential Authority of the South African Reserve Bank.

OPTION 2A – Secondary Cooperative Bank

37. In this option, a secondary co-operative Bank will be established, which will represent the taxi industry nationally, subject to the requirements determined by the Department to ensure that the co-operative achieves the intended objectives.

38. South Africa has nine (9) provinces, with each Province establishing its own

primary Financial Co-operative. This will lessen the administration burden and costs. Such Primary Co-operative Banks will have branches across the Provinces, where people will be employed to services the members.

OPTION 2 – National Cooperative Bank

39. The option of having one National Head Office can be considered, meaning there can be a National Co-operative Bank that can cater for the Taxi Industry within the country. The National Cooperative Bank will have branches across all Provinces. However, the number of branches should be limited in order to reduce administrative and cost burden.
40. The Steering Committee for the National Co-operative Bank will comprise of provincial representatives selected by the taxi industry across Provinces. There must be a mix of skills as required by the Co-operative Banks law within the Steering Committee. Provinces must ensure that representatives that are selected must poses the skills required.

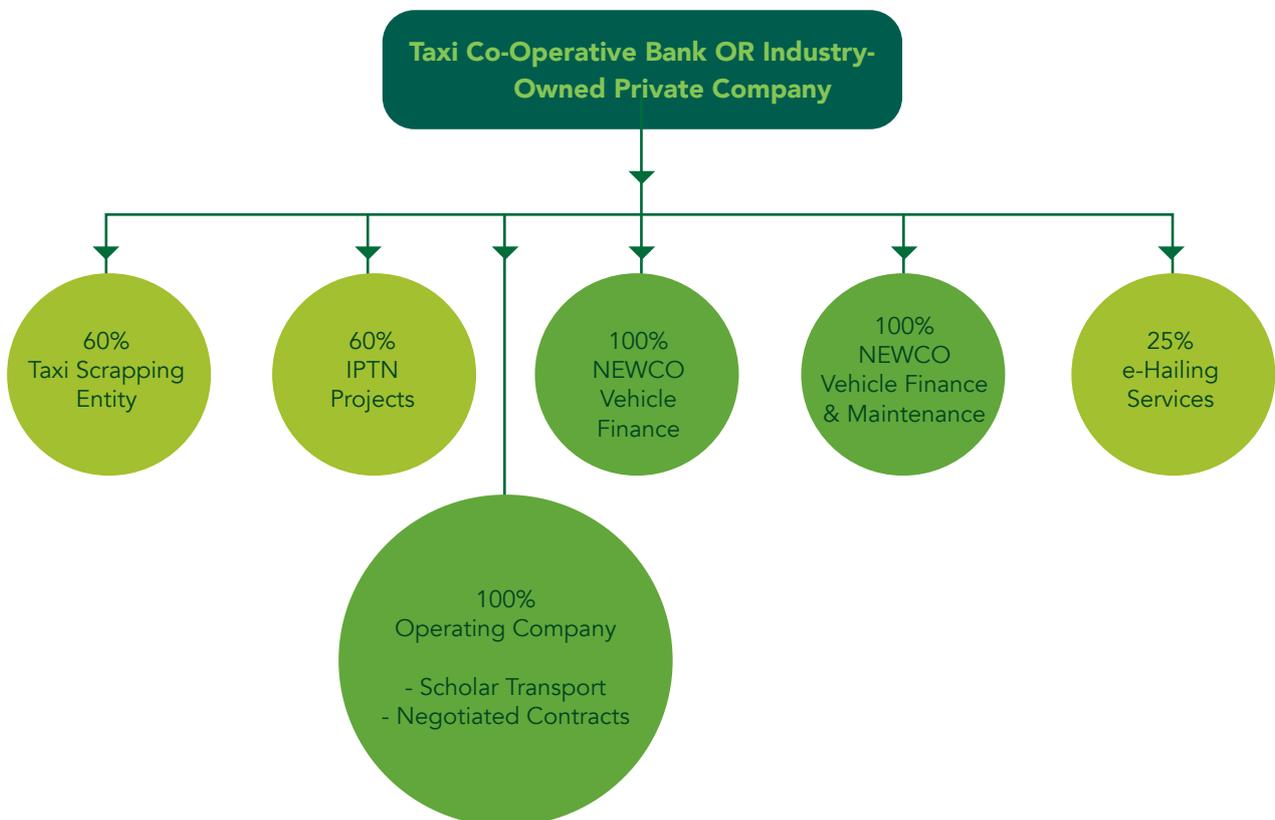
Key Tenets of Empowerment Model

41. The ownership of the empowerment model vests with the taxi industry. It is important to note that the NTTT recommended the establishment of taxi co-operatives as an empowerment vehicle of choice for the taxi industry, a recommendation that was subsequently accepted by government. The early attempts to establish taxi co-operatives that would be supported through economic incentives by government did not get a lot of traction due to a variety of reasons, which include lack of centralised co-ordination in the establishment and development of these co-operatives. Some progress had been made in with different Provinces at varying levels of progress, but more needs to be done to make the intervention meaningful.
42. Significant experience has been obtained in the implementation of various models that rely of the private company business structure. These range from VOCs that have been a major feature of the roll-out of Bus Rapid Transit (BRT) projects and Integrated Public Transport Networks (IPTNs). The taxi industry itself has pockets of excellence where operations have been formalised through the establishment of companies. This is experience worth drawing from.
43. Economic incentives that are funded from the public purse or derive economic benefit from the same must come with strict conditions for the industry to adhere to. At the heart of these condition is linking economic benefit with upholding the rule of law, adopting a customer-centric culture as part of professionalising the industry and severe penalties for violence. In this context, the following terms are proposed for any economic incentive as articulated above:
 - 43.1 Individual taxi operators across the association divide must constitute the shareholding of the company or membership of a co-operative, as the case may be. While shareholding of a company or membership of the co-operative cannot be a mandatory requirement, government however, should only recognise a company or co-operative and provide economic support/incentive if it meets the following criteria:

- a) Membership/Shareholding must include the totality of legal operators in the taxi industry, which includes minibus-taxi, metered taxis and e-hailing operators. In respect of e-hailing operators, only natural persons may be shareholders of a company or members of the co-operative.
- b) Shareholding or Membership represents at least 80% of all legal operators in the particular Province across association lines. Any association-based company or co-operative must become shareholder or members of the bigger company or co-operative in the Province. This also applies to companies registered by individual operators.
- c) The Province must be free of any violence and/or conflict.
- d) Facilities should be open to all taxis, and no segregated ranking facilities along association lines.
- e) Members must subscribe to a Code of Conduct prescribed by the Minister in terms of the law.
- f) All companies or co-operatives must be registered with SARS as a corporate taxpayer and must be registered for corporate and employee taxes and must comply with labour laws.

43.2 A valid operating license should entitle the holder to a share in the company or co-operative. Share equity should be allocated on the basis of an operating license, rather than an individual as each legally operating vehicle represents commercial value.

Business Value Chain



44. The primary objective of the Taxi Empowerment Model is to formalise the

industry by infusing in its operations formal business processes and improve its economics by unlocking additional revenue streams and effectively address the recapitalisation crisis. To achieve this in any meaningful way, the taxi industry must evolve from being a consumer to an industry that owns its value chain, both upstream and downstream. Upstream opportunities include manufacturing of vehicles, tyres, spare parts, provider of electronic management systems. On the other hand, downstream opportunities include maintenance of vehicles, distribution channels, supply of spare parts, and ownership of filling stations.

45. Should the option of a National Secondary Co-operative Bank be the preferred option, the Bank should provide the following services, as provided for in the Co-operatives Banks Act of 2007:
- Solicit and accept deposits from its members;
 - Open savings accounts for its members;
 - Borrow money from the Development Agency for Co-operative Banks and members, other than deposits up to percentages of the assets held by it as prescribed by the Minister of Trade, Industry and Competition;
 - Provide trust or custody services to members;
 - Conduct any additional banking services as may be prescribed by the Minister of Trade, Industry and Competition;
 - Invest money deposited with it in investments prescribed;
 - Grant secured and unsecured loans to members to a maximum aggregate value prescribed;
 - Trading financial instruments on behalf of its members;
 - Open an account with a bank registered under the Banks Act to facilitate foreign currency transactions;
46. Despite the model chosen, the industry must be in a position to exploit opportunities presented by the value chain of the industry it operates in. The business should provide financial services to all its members, which include provision of finance for new taxi vehicle at preferential rates and in a manner that lowers the premiums while increasing the money in the pocket of an operator. The services it should provide, in addition to vehicle financing include:
- a) Insurance for new taxi vehicles
 - b) Dealership network owned and operated by primary co-operatives
 - c) Maintenance (Spare Parts, Tyres and Panel Beating)
 - d) Supply of Consumables (Fuel and Lubricants). Fuel and lubricants constitute the single biggest cost in operating a taxi vehicle. It is proposed that an On-Road Electronic Fuelling (OREF) technology solution is introduced to offer a simpler, faster and more secure automated card free fuelling system. This will also allow for fuel and lubricants purchases to integrate seamlessly through the proposed electronic fuelling system into the loyalty programme where registered taxi operators and drivers can begin to participate and benefit immediately in the fuel and lubricants value chain. An estimate of 2.4 billion litres of fuel is consumed annually by the taxi industry. A rebate of 5 cents per litre will contribute a saving of R120 million per annum to the taxi industry. Ideally the taxi industry will eventually be in a position to develop its own supply network, including the direct ownership and operation of home base sites equipped with fuel storage and dispensing facilities and on-road petrol stations. The home-based sites will present an opportunity for the taxi

industry to procure fuel at a wholesale price enabling them to benefit from the full retail fuel margin which currently stands at R1.88 per litre.

e) Electronic Fare Collection

Records from the Electronic National Transport Information System (eNaTIS) as at May 2017 reflect 310,457 vehicles registered in the vehicle category of 'combi/ microbus/ minibus' of which 200,000 is estimated by the taxi industry to provide a projected 15million commuter trips daily, and generating more ZAR50billion a year in fares, but due to the informal and unregulated origins of the taxi industry a significant bulk of this cash is circulated informally making regulating it extremely difficult.

f) NTV Vehicle fleet management

The Public Transport Strategy and Action Plan states that all minibus taxis will have electronic monitoring equipment installed in them and through it be monitored by the relevant Public Transport Authority. It is proposed that all new taxi vehicles are preinstalled with a GPS enabled Electronic Vehicle Management device (EVM). Such a system allows more than simply tracking, monitoring and recovery assistance. It would also allow taxi operators to manage their operations in terms of:

- Vehicle performance: providing an analysis of fuel consumption and vehicle running costs;
- Driver performance: providing an ongoing analysis of the driver's driving behaviour through the inclusion of an intelligent driver profiling programme which monitors a variety of physical, environmental, physiological criteria;
- Operational performance – generation of monthly information statistics (number of trips and kilometres travelled);
- Route monitoring – instant alerts to the taxi owner when the driver is off route, warning of non-routine stops, etc.;
- Driver authentication – Can be linked to a database of trained drivers;
- Vehicle demobilization – allows for remote activation in the event of theft;
- Service warning – serving as a flag for the taxi owner for roadworthiness and regular servicing intervals as a way of minimizing the expensive costs for the taxi owner involved when there is a breakdown;
- Impact alert – send an alert with GPS coordinates to the Fleet Tracking service provider for the dispatch of emergency services;
- Vehicle recovery – in the event of theft the tracking device will assist in locating the vehicle; and
- The GPS enabled device will act as a WiFi hotspot for both vehicle and commuter access to the internet.

Taxi Recapitalisation Programme

47. The Taxi Recapitalisation Programme was conceptualised in 1999 and its first iteration implemented after buy-in was secured from the industry. The objective of the TRP at the time was to transform the economics of the industry and create new sources of revenue that would enable the industry to own its value chain. At the heart of it was the introduction of a South African manufactured purpose built taxi. An international tender was issued after specifications for the new 18-seater and 35-seater taxi vehicles were developed in partnership with the Department of Trade and Industry, the South African Bureau of Standards (SABS). The terms of the tender included manufacturing of the

vehicles through a special purpose vehicle in which the taxi industry would have equity. Equally the industry would have equity in the businesses that retail and maintain these vehicles. Linked to the tender was the rollout of the electronic management system (EMS) as a platform for cashless transactions. Due to resistance from certain sections of the industry and affordability issue due to a scrapping allowance that was pitched at 20% of the vehicle price, the tender was cancelled after the 6 shortlisted bidders submitted their Best and Final Offer (BAFO).

48. This attempt to develop a purpose-built taxi for the South African market was similar to the measures employed by the British Public Carriage Office early in the 20th century when they prescribed certain measures to standardise the design of taxis in London. The collapse of the first iteration of the TRP in 2005, led to the introduction of a new iteration in 2006 with strong emphasis on safety and a fixed scrapping allowance.
49. Through a competitive bidding process, government has awarded Anthus Services 84 (Pty) Ltd a contract to administer the scrapping of old taxi vehicles in 2009. The contract requires that a special purpose vehicle, trading as Taxi Recapitalisation South Africa (TRSA) be established with 60% ownership by the taxi industry and the remaining 40% by Anthus Services 84 (Pty) Ltd. In order to settle the long-standing debate as to who the benefactor of this 60% is, this should be the corporate entity/company chosen as an empowerment vehicle of choice. Such entity must then build the requisite capacity to take over the scrapping business in its entirety at the expiry of the Anthus Services contract in 5 years.

eHailing Services

50. Through regulation, eHailing services will be subjected to tighter regulation which should include the following requirements:
 - a) Providers should only participate in the South African market if they operate through a South African registered company;
 - b) All its financial transactions must be through a South African registered bank;
 - c) The South African company through which the Provider will be trading will ensure that at least 25% equity is held by the corporate entity chosen as empowerment vehicle of choice at all times.

Conclusion

51. The main objective of this discussion paper is to explore different business models that could be employed to contribute to the economic empowerment of the taxi industry. All models identified are able to achieve this objective but of critical importance is that each model should help members to attain their economic goals.
52. For a company or a co-operative to succeed as a sustainable model for empowerment of the taxi industry there is a need to establish good management from the top level. There will be need to curtail duplication of co-ordination structures as this may increase the operational costs. Technical assistance

should be provided for the industry, particularly in the first 3 years of the establishment of their entities at various levels. If this technical assistance is procured by government it should account to government with respect to deliverables. This technical assistance will assist the industry with governance, management and labour issues among others.

53. A structured capacity building program will be needed to ensure that industry is well capacitated on various issues such as roles and responsibilities of members of co-operatives, Directors and Shareholders of a company. Furthermore, capacitation in areas such as operations, customer care, and scheduling and contract management is critical for the industry. Further skills in business development should be at the forefront for the industry to grow. Therefore, a tailor made program should be established in this regard.

END



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TAXI INDUSTRY EMPOWERMENT MODEL

RE-IMAGINING TOMORROW'S
TAXI INDUSTRY