

The kombi-taxi in South African cities

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Introduction

Up to the Nineteen Fifties, the development of public transport in South African cities mimicked that in British, Australian or New Zealand cities. Municipal tramways and buses provided short-distance movement, and suburban train services provided travel from places further out. Then, the Group Areas Act forced the resettlement of most black people far from their jobs. This increased journey-to-work travel was accommodated on subsidised buses, some running over 100 kilometres each morning and evening. The subsidy of these buses has developed with increasing demands, and present operations carry over a million commuters each day, consuming nearly Rs. 700 million annually in subsidy. In parallel with most other countries, the urban railway and municipal public transport services (now buses) also require heavy subsidy.

But traditional services failed to keep pace with demands of (predominantly black) commuters, and in the last twenty years a parallel, unsubsidised mode: the kombi-taxi, has developed.[#] These van-type vehicles with up to 15 passenger seats operate urban and inter-urban services at fares set by taxi associations. The fares are limited (informally) by the fares set for parallel subsidised bus services, which in turn are claimed by both bus owners and kombi-taxi owners, to be influenced by urban rail fares.⁺ Due to the difference in quality of service between third class rail and bus and kombi-taxi, especially in terms of passenger safety at times of on-train violence, this last claim is difficult to concede.

Consumer voice, in the form of boycotts following attempts to increase kombi-taxi fares, have shown riders' preparedness to shift back to inferior modes or to accept very long waiting times as a consequence of limiting kombi-taxi profitability. But despite their higher fares, the superior service offered has meant that kombi-taxis have taken all of the growth in the urban public transport market in recent years, and have diverted significant volumes from regular buses and trains.

* These are also called Black taxis, minibus-taxis, and combi-taxis.

For a comprehensive account of the development of kombi-taxi services, see Colleen McCaul : *No Easy Ride*, South African Institute of Race Relations, Johannesburg, 1990

+ Which are, as in other similar countries, based on a daily hire of the vehicle, with the driver keeping the surplus over hire and fuel costs. This revenue sharing method is often criticised on the grounds that it places all of the risk on the driver, but it is in almost universal application, from London and Sydney taxis, to para-transit vehicles all over the developing world.

This paper identifies forces shaping the kombi-taxi market in South African cities, and discusses problems affecting its future. By the nature of the "industry", with its unique violent methods of resolving commercial disputes, the kombi-taxi business is not amenable to conventional methods of research. But it is a vital component of the public transport system of South African cities, and it is hoped that this analysis of the informal evidence as presented on the streets will assist in developing an understanding of market forces at work in an atomistic industry where entrepreneurs and workers are trying to maintain their loose cartels.

Basic factors affecting the industry

The only aspect of the South African kombi-taxi industry subject to strict regulation is vehicle size, in terms of seats, but there is no enforcement of maximum passenger loads to match the seating capacity. The kombi-taxi industry uses 15 passenger van-type vehicles. It started with much smaller vehicles, the size of large cars and station wagons. Subsequent increases in vehicle size have been approved as larger vehicles have come on the market. Total relaxation of vehicle size constraints would be a desirable doorway to allowing the predominantly black-owned kombi-taxi business to find a stable role in South African public transport, and reduce the need for subsidy for traditional bus operations.

Some Supply and demand factors affecting the kombi-taxi industry are -

- regardless of claims of poor profitability, there is a steady stream of new entrants to the industry
- kombi-taxi ownership is one of the most desirable avenues to business ownership for black entrepreneurs, especially for those able to accumulate funds from other employment to be investors rather than direct operators
- the demand for second hand vehicles for kombi-taxi use creates a ready market for suitable vehicles which have been used from new as company staff-transport vehicles and the like; kombi-taxi demand sets the pattern of market prices and thus the age at which firms replace their vehicles.
- lending institutions are prepared to finance the purchase of new vehicles, albeit at high rates and with high deposits, by black applicants with access to other income streams; it would be extremely rare of a kombi-taxi driver to accumulate such capital and borrowing power from driving alone, but this situation is common to taxi-drivers world-wide
- the lack of other work opportunities creates a strong supply of drivers prepared to work driving the kombi-taxis at going rates
- kombi-taxis do most of their business in the peak periods, but the amount of off-peak custom a driver can find determines the profitability of each vehicle
- even at their premium fares (over bus or rail) the profitability of the industry requires that intending passengers must queue for very long periods - even longer than the journey time
- provided that the bus or rail alternative is available, kombi-taxi riders will

exercise decisive control over fare levels.

On the question of funding of kombi-taxi purchases, whilst interest and insurance rates are high relative to those applying to most private cars in South Africa, arguments that this displays a racial bias confuse two issues. First, it is a high risk industry because of the way in which some of its participants behave. Because most of its participants : owners, drivers and passengers, are black, the high insurance rates are due to the market and its unruly organisation, not specifically to the race of would-be borrowers. Second, the fact that most kombi-taxi owners are black shows that the difference between owners and would-be owners who cannot find the initial capital (deposit) is related to their access to other earnings, not their race.

There have been allegations that white people have used their other assets as security to gain access to cheaper loans to buy kombi-taxis through dummy owners: blacks would then drive the kombi-taxi for the absentee owner. But where this occurs, and McCaul suggests that this was a big issue in the recent past^{*}, the white absentee owner is just substituting his or her self-insurance for that provided, for a fee, to the black owner.[#]

The failure of formal regulation

Colleen McCall's path breaking book describes the initial official ignorance of the kombi-taxi industry, and then the various abortive attempts to regulate it. It is ironic that much of the regulatory action was provided by the South African Railways (now South Africa Rail Commuter Corporation : SARCC) police in their attempts to prosecute kombi-taxis operating without permits or outside their permitted routes. But the kombi-taxis were competing at the high-fare end of the commuter market whereas in most cases the rail service carried those paying the lowest fares.⁺

It has been a triumph of good sense and justice to the growing numbers of riders of the kombi-taxis that a series of recommendations to try to regulate them in detail have been ignored by successive South African Governments. A simple cost - benefit analysis would show that the social benefits to the approximately three-quarters of a million daily passengers using these cost-covering services far exceeds any long-run cost to the other modes.

Because both the Rail Commuter Corporation and the subsidised bus operators (private and municipal) should have reduced their capacity to account for the diverted traffic (while maintaining service quality), there should be no costs of the modal shift, only benefits to riders. There were some road costs, but with the high vehicle occupancy of kombi-taxis these would be far less per commuter than the costs of providing roads for car-borne commuters from other areas. Equity considerations suggest that commuters from black areas are as entitled to share in the benefits of the road building program if their vehicles are paying the same fuel taxes. The main issue, which is outside any cost:benefit analysis, is the loss of revenue to bus

^{*} *Ibid.*, pp. 24-30.

[#] Regardless of colour, the issue of income tax payments by kombi-taxi owners remains, and is race-neutral.

⁺ Discussion of the kombi-taxi business has been confused by the use of a high estimate of operating costs provided by South African Railways which was at variance with the readily observed ability of kombi-taxis to stay in business at much lower revenue levels

owners (which is mainly profit) and to SARCC, which increases its loss with any diversion of traffic not matched by a reduction in capacity.*

The permit system for kombi-taxis fell gradually into misuse as permits were more readily issued, eliminating the colourfully named "permitologists", the middle men who could guide would be kombi-taxi owners to fulfilling conditions which would achieve a permit. There was also considerable operation of non-permit kombi-taxis; after large numbers of kombi-taxis were impounded in a blockade, a Johannesburg newspaper reported that around 20 percent of impounded taxis were unclaimed, suggesting that they were stolen vehicles. If owners could not detect their own taxis in improper use, authorities would have little chance of success.

Internal attempts to control the market

These show interesting parallels with the responses a century and a half earlier by the London horse bus owners. Associations of kombi-taxi owners have been in existence for many years, with the joint goals of restricting entry to routes in order to lift revenues and profitability, and acting as buying cooperatives for dealing with fuel and parts suppliers.

Both present and past profitability has been sufficient to sustain continued growth in kombi-taxi numbers. In 1992 a survey of owners reported common responses to the question of what they would do with the additional revenue if fares were higher, made the overwhelming response: buy more kombi-taxis! Even at present levels of driver "pay-ins" it appears, based on discussions with a new vehicle dealer about the funding arrangements required that a pre-tax return of 25 percent is available to an entrepreneur buying a kombi-taxi and getting work for it within an association. The apparent replacement pattern in the numbers of kombi-taxis, evidenced by the fact that kombi-taxis are being replaced as they wear out, also attests to the "satisfactory" returns from the industry for owners. So far, attempts to control entry have not resulted in official action, and owners and drivers' perceptions of excess supply on many routes have resulted in violence between drivers and between association "queue marshalls" and non-member drivers. In Johannesburg, where queue control at the terminals (which may be along city footpaths) is tight, other kombi-taxis will pick up passengers along the streets leading away from terminals, with passengers using an intricate code of hand signals to signify their intended destinations.

From this, admittedly casual, evidence of the profitability of the kombi-taxi to the owner it appears that the main goal of the associations is to capture the profitable growth for existing members, rather than to preserve some floor of profitability for all participants. But on the heavier routes, which have greater scope for picking up and setting down at subsidiary locations away from the terminals, protection of the business of association members by denying access of others to terminals, automatically creates subsidiary markets for non-members.

* This leads to assertions about the minimal marginal cost of the extra commuter not he train, but when the kombi-taxi commuters are prepared to pay fares much higher than third class rail fares for the comfort and security of the kombi-taxi, we have a reliable *minimum* valuation of the perceived difference in service quality.

The interests of the driver

A vital aspect of the business, not recognised until the blockades of Johannesburg in February 1993, is the divergent interests of owners and drivers. Initially, drivers were paid a fixed daily amount, and were required to pass all takings to owners. But as in any other ticket-less system the world over, this led to drivers supplementing their income by diverting fares and led to the present "minimum pay-in" or daily hire, as in other African and Asian countries.

This limits an owner's interest in the operation of a kombi-taxi to whether sufficient drivers are prepared to hire kombi-taxis each day, which in turn depends upon the ability of the association to protect the market by controlling terminals. Thus the owner's "asset" is the vehicle *and* the membership of an association, giving it the right to profitable trade.

There is little trade union protection for drivers. Some casual evidence of the lack of trade union influence on the so-called peak body of kombi-taxi operators in Johannesburg was that in response to a request for the drivers' union phone number, it took eight minutes to find it!

Although some associations do claim that they are representing the workers in the industry, their members are in fact kombi-taxi owners, and their activities in dealing with the government are aimed at lifting the security of their access to terminals and, indirectly, their revenue.

Subsidies for kombi-taxis?

As discussions regarding subsidies for the Rail Commuter Corporation and contract buses have been publicised, kombi-taxi associations have also asked for subsidies. The argument is simplistic: kombi-taxi associations claim to want subsidies similar to those available to their "competitors": the railways and municipal and contract buses. But in an industry where there is a ready supply of new entrants, the need for subsidy is not evident. The availability of subsidies for kombi-taxis, however paid, would only exacerbate present problems by lifting profitability, attracting more entrants, and lead to more violence as existing association members and their drivers literally fight off the new entrants.

A fundamental question, not so far addressed in South African studies, is why any subsidies are paid for trips within the economic range of kombi-taxis. There are two low (or no-) subsidy solutions available.

- the low-cost mode: the kombi-taxi, which could probably operate on all journey-to-work routes without government support,

and, where large bus operations are required for other reasons.....

- competitively bid services, with single buses or fleets, possibly owned and operated by the same black entrepreneurs as are running fleets in the kombi-taxi business.

There is no obvious alternative to continued subsidy of rail services, even if they are tailored more closely to demands. They provide a low fare service for large numbers of workers,

who are prepared to accept the personal dangers presently inherent in rail travel. By the nature of commuter train travel, train users are in large groups, and have shown a readiness to react violently to attempts to interfere with the present price/quality mix of rail service.

Public discussion of the issue is confused by the kombi-taxi owners' preference to see subsidies maintained and to share in them, rather than to replace the subsidised buses. The issues put by present owners are -

1. subsidies would lift kombi-taxi owners' profits or at least enable replacement of vehicles (the associations' argument)
2. subsidies for buses are depressing bus fares, which in turn depress kombi-taxi fares

But more importantly, from a public policy viewpoint, subsidies for buses enable them to attract traffic which could be carried at not much greater fares, and at no cost to regional budgets, by kombi-taxis

Kombi-taxi subsidies would no doubt provide windfall profits for present kombi-taxi owners, but would greatly restrict the future value of this industry to the community. The best solution for the long run health of the kombi-taxi industry would be to reduce the effect of bus subsidies on the kombi-taxi industry by reducing them, not by extending them to kombi-taxis. This is because elimination or significant reduction of bus subsidies would gradually lift the overall profitability of the kombi-taxi industry, by opening many new route and service opportunities to kombi-taxis, possibly using larger vehicles. The opening of new markets would relieve some of the present disorderly pressures on existing kombi-taxi terminals.

Alternative uses and market expansion

i. Off peak work

Attempts have been made to generate off peak work for kombi-taxis, in carrying school children, or as taxi-trucks. In early 1994 in Pretoria a marketing group was offering kombi-taxis for hire between 9am and 4pm at a fixed hourly rate. But in other cities kombi-taxi owners and drivers appeared to be resisting this innovation on the grounds that they should not have to pay a commission to the broker, who had to place the advertisement and man the telephone, on the grounds that "they did the work". This aversion to paying a middleman is expected to disappear as the informal economy develops.

ii. Inter-city travel

The kombi-taxi industry also serves long distance inter-city routes and here again there are informal and formal associations involved, trying to protect their businesses from incursions by city kombi-taxis operating outside commuter peak periods. This is not wholly successful, and many city kombi-taxis do weekend runs to distant homelands, although they need good cohesion among each passenger group because they must pick up the group in places away from the normal inter-city starting points, and for the return trip on the Sunday, they must gather their loads away from the surveillance of the local association.

iii. In the former white areas

Just as the kombi-taxi has quickly built its business in the black townships and between them and the workplace areas, if allowed, it would have the same success in the former white suburbs. Except in CapeTown (where the frequent kombi-taxis pick up white passengers along some bus routes in predominantly white areas), the extensive kombi-taxi operations in white suburbs are patronised by domestic staff of residents. Changes in licensing provisions, eliminating all (in practice unenforceable) route restrictions from kombi-taxis, would allow former white municipalities to cut back the cost of bus subsidies by withdrawing their own buses as the kombi-taxi supply extends. In Durban, there are already competitive full-size buses (largely owned by people of Indian extraction) operating in the manner of kombi-taxis in other cities.

Public transport coordination needs

Most recent discussion of public transport coordination in South Africa has followed the theme of bringing decision making and funding to the same, and lowest possible, level. With the kombi-taxi industry, this is redundant because the informal search for workable solutions mean that this mode is already organised at the lowest possible level. Kombi-taxi passengers do not need a bureaucrat to so organise fares and services that they can choose a minimum-cost path for their journey-to-work, they are already doing so.

This ambiguity in public transport policy making has two facets. First, the informal allocation process going on with the kombi-taxi owners and drivers, where their mutual search for profits leads them to maximise the passenger benefit from their operation at fares the market will accept. Second, the growth of the kombi-taxi industry in each city shows that large numbers of commuters are prepared to pay a twice-daily premium for the total travel time package - long wait-times and short in-vehicle times - and other benefits of kombi-taxis. Apart from provision of adequate terminals, these need no formal coordination at all.

Provided that licences for kombi-taxis are freely available, and terminal numbers and capacities are continually expanded to meet market needs, 'coordination' needs relate only to the issues of defining the changing roles of the rail and bus systems, to ensure that a low-price, basic service remains available for those commuters and day-time travellers who are unprepared to pay the premium for kombi-taxi service. This group includes the large number (about 30 percent of rail travellers in 1993) who failed to pay any fare but who presumably would have been prepared to pay present rail fares where these could be monitored adequately.

In the face of the kombi-taxi phenomenon, the problem of determining the right level and thrusts of transport planning in South African cities has been complicated by a confusion of goals: a preference for maximising the use of traditional, inflexible modes, and a preference for minimising subsidy by minimising the costs of those traditional modes. These are past solutions to what are past problems. Together, the Group Areas Act and the interests of the traditional transport providers channeled journey-to-work flows to suit their own cost-minimising goals, but the new assertion of the rights of black people, the growing availability of the kombi-taxis, the demands of many travellers for higher quality service, and the much more flexible future land use policies mean that fixed systems (including high-volume bus routes) will find it increasingly difficult to cater for journey-to-work needs.

There are also the background problems of:

- consumer resistance to the imposition of rigid solutions which require high volumes and loss of personal flexibility
- difficulties of fare collections on rail-type services
- and resistance within the kombi-taxi industry to imposed solutions which favour particular owner-groups.

On the latter difficulty, the open threat of violence by aggrieved multi-owners at the Johannesburg proposal to create a highly favoured group of owners in the initial proposals for the "Buxi" experiment show that cosy relationships between association committee members and regulators and contract administrators will not be tolerated.

The first necessary step in creating a workable planning framework for the whole of urban public transport will be to define goals in terms of outputs, rather than in terms of sustaining traditional forms of inputs, and to place no barriers in the way of informally organised solutions to meeting these goals; ie, the kombi-taxis, for those passengers prepared to pay a fare covering their cost. Coordination, for this part of the increasingly segmented market, will consist mainly of providing sufficient terminal capacity to sustain free entry to the kombi-taxi system, which will go on developing new routes and sub-terminals and on-street boarding.

The major coordination efforts can then be devoted to the remainder of the market: the substantial number of travellers who are unprepared to pay a premium fare for a premium service where train services are available, or over longer distances where subsidised buses now run. The needs of these groups of rail or bus passengers will continue to require administrative intervention in terms of subsidy management and planning of fixed facilities, although the proportion of these line-haul travellers will decline as workers are able to find jobs nearer to their homes (or homes nearer to their jobs), and new arrivals will not be channeled into heavy flows as in the past.

What can we conclude about South Africa's Kombi-taxis?

The kombi-taxi, or its operational equivalent, is an inevitable development in urban public transport markets where there is a great divergence between the earnings (and costs) of workers in regular public transport diverge greatly from the minimum acceptable earnings of otherwise out of work people. (They do not even need to be out of work: in cities in disrupted societies like the former Soviet Union, every automobile owner is a potential kombi-taxi operator, albeit carrying smaller loads on a more directly demand-oriented basis!)

The growth of "vans" in New York and Miami, run by blacks mainly for blacks, at fares which offer a superior value than regular bus fares, is another example. Responses to kombi-taxis in both South Africa and new York were similar, with proposals to ban them. In South Africa, the kombi-taxis filled such a pronounced need for both users and providers: running to parts of townships not served by pt, avoiding the violence on the trains, and providing a way into the economy for black people, that they proved impossible to stop. Successive Ministers' toleration of the kombi-taxis, because they felt powerless to stop them, was the right reason for the wrong decision. Now, administrative action must be devoted to shaping the industry to avoid violence, by widening its possibilities through the provision of terminals to match the

growth of markets whose demands and supply increase without "planning" or subsidy.

References:

McCaul, Colleen: *No Easy Ride*, South African Institute of Race Relations, Johannesburg, 1990