

## **Nationalising the taxi industry: What not to do**

### **The problem?**

According to Ravi Naidoo of the National Labour and Economic Development Institute (NALEDI),

‘the taxi industry has become synonymous with endemic violence, high road deaths, and extreme labour (driver) exploitation. The roots of these problems lie in the field of economics. The taxi industry is historically under-regulated, with relatively low barriers to entry, so the market is easily saturated. In these over-competitive conditions, turf wars and violence must follow. Hazardous taxi driving is also largely related to economics. Taxi drivers need to drive like maniacs to carry more loads to make the tough quotas set by taxi owners. Also, taxis are often in dangerous states of disrepair because the low fares rarely allow enough revenue to afford vehicle maintenance.’

“The economics of taxi violence”,

*Reconstruct, Sunday Independent, 11/06/2000*

### **Market failure or government failure?**

‘Under-regulation’ and ‘over-competition’ are not exactly free-market terms, and Naidoo clearly thinks that more government involvement is a good idea. He describes the desired government approach to the taxi industry as ‘to improve regulation (effectively raising barriers to entry) and to enforce law and order.’

### **Enforcing law and order is government’s primary role**

Enforcing law and order certainly seems like a good idea. In February a correspondent to *The Star* (Bob van Gemert, “Groundwork for efficient taxi service has been laid, but govt has not enforced laws”, 01/02/2000) noted that ‘the minibus taxi industry ... has many problems ... all the result of the government’s inability or unwillingness to enforce existing laws’. It may indeed be true that ‘taxi drivers outnumber, outgun and terrify the police’. Nevertheless, *The Star*’s Mathatha Tsedu recently observed that ‘the government cannot just respond to taxi violence with verbal threats of tough action – they must act’ (“Taxi mayhem: Why no arrests?”, 31/07/2000). Assisting us in our own self-defence by enforcing law and order is the first thing we should demand from government.

### **Regulations are the problem**

On the other hand, improving regulation may be an oxymoron. It is the existing taxi regulations which, by ‘effectively raising barriers to entry’ using the public transport permits system, have set ‘legal’ taxis and ‘illegal’ taxis against each other. It is the existing subsidies and route-protection for approved bus companies which have set taxis and buses against each other.

Despite the ideological preferences of Ravi Naidoo and Transport Minister Dullah Omar, our taxi industry problems can and should be laid squarely at the door of government, which for twenty years has failed properly to provide for the needs of taxi owners, drivers and customers. This is why, despite the highly successful service industry which they have created since partial deregulation in the eighties, taxis have become such a nuisance to other road-users.

### **How will nationalisation help?**

In 1999 the government accepted its National Taxi Task Team recommendations to formalise and regulate the taxi industry as an integral part of the formal public transport sector combining rail, buses and taxis. If it proceeds, Minister Omar’s taxi industry recapitalisation plan to implement former Minister Maharaj’s ‘Moving South Africa’ grand strategy will effectively nationalise the taxi industry. The success story of Toyota’s market-driven relationship with the black taxi market

described in Muzi Kuzwayo's *Marketing Through Mud & Dust* (Ink Inc) will fade into history. The expressed and implemented preferences of private transport providers and users will give way to allegedly well-meaning but hopelessly uncommercial social engineering by government bureaucrats.

The plan is to phase out 130 000 'ageing and unsafe' 16-seater mini-bus taxis from Toyota, Nissan, Isuzu and Volkswagen, perhaps compensating their owners and drivers. 85 000 'purpose-built and safer' 18- and 35-seater mini-bus taxis from Russian, Indian, Chinese, American or other government-approved suppliers will replace them. Travel subsidies like buses and trains already get are being considered. Taxi-driving will be 'formalised and regulated' towards greater 'order, control and security'.

Minister Omar 'will not be intimidated' and President Mbeki is 'determined to renew the minibus taxi fleet', but both vested and reasoned opposition mounts. Taxi drivers don't believe Omar that the taxi plan will create more jobs than it destroys. Some drivers, owners and associations are thoroughly unconvinced. 'There has been little consultation.' 'The small operator may be forced out or impoverished by maintenance cycles'. 'Slow permit-granting will hamper the process'. 'Taxi ranks won't handle the bigger taxis'. 'If government proceeds without our consent, we will ensure that the recapitalisation process does not succeed.' 'We reject the violation of taxi owners' rights and the job losses looming for about 41 000 drivers.' 'How long will it take to fill a 35-seater?'

### **What should road-users in general expect from government?**

Elsewhere in the economy, government is gradually moving to 'privatise' state assets at least as public-private-partnerships. For example, its SA Rail Commuter Corporation has granted Transnet's Metrorail a 5-year monopoly concession until April 2003 with an annual R880m subsidy, before introducing competition; and a pilot private concession project will soon begin on certain rail links (*Business Day*, 29&30/08/2000). Such approaches suggest that Ministers do understand how poorly government runs and regulates business, yet Minister Omar seems determined to try his hand at taxi management.

### **Back to first principles**

The proper question is how government in a constitutional democracy should manage the public roads. Obviously it does not "own" the public roads, or anything else, in the full sense that a private person owns his private house or car. Government's 'ownership' is instead a more limited custodial role on behalf of citizens who are collectively the true owners of state assets.

A private person can handle his own property in various ways which are constitutionally forbidden to our government, and one such way is by exercising arbitrary or selective discrimination when granting access. Constitutionally, any discrimination by government has to be 'in terms of law of general application to the extent that the limitation is reasonable and justifiable in an open and democratic society based on human dignity, equality and freedom'. So particular members of the public may not be disbarred from public spaces – on the contrary, to avoid unfairly discriminating against anyone the government should aim to treat all citizens equally, and our constitutional right (clause 21) to freedom of movement can only refer to public spaces.

So government should treat taxi-drivers like any other driver, without discrimination, as legitimate private users of the public roads. Taxi-drivers should be subject only to general regulations and expected to comply with all the normal legal obligations of other vehicle-users. As we emerge from decades of *apartheid*'s excessive regulation, there is undoubtedly a need to deregulate road-users in general and extra taxi regulations in particular. Also, wherever possible, regulation of vehicle traffic should be devolved from national or provincial level to municipal or local level.

The tax-paying electorate should insist that the state fulfils its functions of providing adequate public roads (including taxi ranks) and policing road-users regarding license and roadworthy requirements and other legal obligations such as complying with traffic rules and not initiating violence.

### **How might government limit taxi-drivers in particular?**

Recognising that taxis are numerous and that they do unavoidably create a certain amount of nuisance for other road users, how might government reasonably treat them differently from other road-users? There are two aspects – provision of helpful extras, and regulatory restrictions.

Since commuting and travelling customers support well over 100 000 busy taxis, government might usefully provide optional lay-byes, pick-up and drop-off points and even dedicated traffic lanes for taxis, as it does for cars, buses and trucks. Restrictive regulation of taxis in particular should obviously be minimised. If thought essential, specific registration of taxis as taxis should be cheap and there should be no limit to how many taxis which meet the minimum requirements can register. A few streets could be designated as off-limits to taxis if necessary. Maximum passenger numbers could be specified. Any restrictions which impose barriers to entry or competitive disadvantage against other providers of customer transport should be avoided.

In short, government should avoid trivial discrimination against taxis or any other private road-users. The industry and its customers are quite capable of working out for themselves how best to operate.

### **Further reading**

Markman, Terry (1984) *Transport policy: A study of road passenger transportation*, Free Market Foundation, Johannesburg.

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