

Press Release

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South African Institute of Race Relations

The power of ideas

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Reducing government intervention best likely route to improving SA's taxi industry – IRR

The latest report from the Institute of Race Relations (IRR) – *South Africa's Minibus Taxi Industry, Resistance to Formalisation and Innovation* – assesses the potential for innovation and modernisation in this vital transport sector.

Written by independent researcher Ivo Vegter, it concludes that the industry is surprisingly efficient, despite cartel pricing and lacking published routes, stops, fares, or schedules. It argues that the most compelling opportunities for improving the quality and profitability of taxi services probably lie less with technological innovation and formal regulation than with policy changes that would reduce government intervention in the market.

Successful policing of anti-competitive behaviour, unsafe vehicles, overloading and reckless driving, depends on enforcement of existing law, not new regulation. In addition, reducing the cartel power of taxi associations, promoting competition, and lowering barriers to entry for new operators would bring about the largest potential improvements to the industry and the experience of passengers.

To make this assessment, this paper takes a long, hard look at the nature, structure and history of the industry. Who the passengers are and how they'd prefer to interact with taxis, who the drivers are and what motivates them, and how the owners organise their businesses all determine how the taxi industry operates.

The industry is almost entirely cash-based, and all attempts over the years to change this, promoted by government, taxi owners' associations and technology companies, have met with failure. The dreams of cashless fare payment systems, and bringing drivers and owners into the formal finance net, remain elusive.

It turns out that there are very good reasons for this. Owners, drivers and passengers all prefer cash, each for their own reasons.

South Africa's minibus taxis form a vibrant and profitable industry that grew out of the needs of a community that was literally swept aside, out of the cities, by the Apartheid government. Both the spatial dislocation and socio-economic circumstances of millions of working-class commuters live on as a legacy of those dark days.

It provides transport to millions of people who have few alternatives, and it offers employment and profit opportunities to hundreds of thousands of people who previously were denied the right to own or operate businesses.

Our paper examines the rise of the taxi industry from its roots during Apartheid, through its spectacular, albeit often violent, growth in the last two decades of the 20th century, and into a 21st century of taxi recapitalisation schemes and integrated public transport network plans.

There are widely known challenges in the industry, but on balance it has proved to be highly flexible, responsive to the needs of passengers, and deeply integrated with the culture of the communities that it serves. It is an excellent case study of how a free market spontaneously provides for the needs of millions of customers, even when they're poor, and even in difficult circumstances.

Read the full report [here](https://irr.org.za/reports/occasional-reports/south-africas-minibus-taxi-industry-resistance-to-formalisation-and-innovation). (<https://irr.org.za/reports/occasional-reports/south-africas-minibus-taxi-industry-resistance-to-formalisation-and-innovation>)

Coupled with the report is the following three-part video series:

- Part One - [A Day in the Life of a Taxi Boss](https://www.youtube.com/watch?v=b6yACd_FQ2Q&feature=youtu.be) (https://www.youtube.com/watch?v=b6yACd_FQ2Q&feature=youtu.be)
- Part Two - [On Taxi Drivers, Marshalls & Traders](https://www.youtube.com/watch?v=oY-idfJvNz8&feature=youtu.be&t=1) (<https://www.youtube.com/watch?v=oY-idfJvNz8&feature=youtu.be&t=1>)
- Part Three - [Interview with Ivo Vegter](https://www.youtube.com/watch?v=MR-EE2q8kS0&feature=youtu.be) (<https://www.youtube.com/watch?v=MR-EE2q8kS0&feature=youtu.be>)

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