Division 44
Water, Energy, Transport

Negotiating the Deal
to enable the first Rea Vaya bus operating company
Agreements, Experiences and Lessons

Case Studies in Sustainable Urban Transport #7

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

On behalf of
BMZ Federal Ministry for Economic Cooperation and Development

About the authors

Colleen McCaul has consulted in the field of transportation planning, management and research in South Africa for 20 years and is experienced in public transport planning for all modes, particularly BRT and informal transport. She was a specialist adviser to the ministerial National Taxi Task Team and was also involved in framing the regulatory aspects of the new SA National Land Transport Bill. She is the author of the book *No Easy Ride*, about the minibus-taxi industry. She has consulted to the City of Johannesburg Rea Vaya BRT project since its inception in November 2006, and more particularly from 2008 to 2011 as the project manager for the team of some 30 BRT and transportation specialists organised by GIZ and funded by a German grant. She was also a member of the City team which successfully negotiated the first bus operating contract for the Rea Vaya BRT with affected minibus-taxi operators.

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List of abbreviations

BOC	Bus Operating Company
BOCA	Bus Operating Company Agreement
BRT	Bus rapid transit
CEO	Chief executive officer
Dorljota	Dobsonville Roodepoort Leratong Johannesburg Taxi Association
DoT	Department of Transport
EFA	Employment Framework Agreement
EUR	Euro (€) currency of certain European Union states
HSBC	Hong Kong and Shanghai Banking Corporation
JSSTA	Johannesburg Southern Suburbs Taxi Association
m	Million
MDN	Meadowlands Dube Noord Street Taxi Association
MIO	Masivo Integrado de Occidente
Nanduwe	Nancefield-Dube-West Street Taxi Association
NCA	Negotiation closure agreement
PFA	Participation Framework Agreement
PTIS	Public Transport Infrastructure and Systems
Pty	Piotrans
RTC	Regional Taxi Council
SITP	Sistema Integrado de Transporte Público
SPV	Special purpose vehicle
STS	Soweto Taxi Services
TINT	Taxi industry negotiations team
TOIC	Taxi Operator Investment Company
TSC	Taxi Steering Committee
WG	Working Group
ZAR	South African Rand (current exchange rate as of Dec 2011: 1 EUR = 10.81 ZAR)

CONTENTS

1. Introduction

Developing cities around the world are struggling to provide affordable and efficient transportation to their citizens. Rising incomes and the wish to travel more comfortably lead to increasing motorisation among the urban middle class, which entails higher levels of congestion, air pollution and road traffic accidents. Meanwhile, low income groups are often left with inefficient, unreliable and unsafe public transportation options.

Many cities are implementing measures to counter these negative developments. Fostering public transportation is usually one of the key elements in any such strategy. Buses and related road-based public transport play the most important role in much of the developing world, especially beyond main corridors which may be served by light rail and suburban trains. Bus services are crucial for the poor to access employment as well as social services. However, efforts to improve the urban bus system have to deal with numerous obstacles. In many developing cities, bus operations are only partly regulated. Much of the passenger traffic is handled by the informal public transport sector (paratransit), using minibuses and vans. Frequently, such services evolved to cater for those parts of the population which had no access to any formal public transport for many years. Individual entrepreneurs were filling the gap, providing necessary services without receiving any kind of support from public bodies. These operations may today still serve a welcome and necessary supplementary role in many cases, providing services on lower-volume corridors or as feeders. However, the drawbacks become obvious especially on high frequency routes, where large numbers of minibuses or vans lead to congested city roads. Besides, paratransit often entails high emission levels of pollutants, inhumane working conditions, violent competition, and criminal-style structures (Kaltheier 2002). Drivers frequently lack the necessary licence (Joewono and Kubota 2007), and their careless driving style renders many informal minibus operations highly dangerous for passengers.

Figure 1

A common sight in many developing cities around the world: Paratransit operators waiting for their customers.

Photo courtesy of Walid A. Noori, Kabul, Afghanistan, 2007.

Paratransit development in Nakuru, Kenya

With an estimated population of 400,000, Nakuru is currently the fourth largest town in Kenya. A further population growth up to 950,000 citizens until 2020 is expected (Municipal Council of Nakuru, 1999, p. 58). Due to the concentration of public and economic services in or in close distance to the Central Business District, the lack of public transit, less employment possibilities also as a consequence of the ongoing economical downturn, rapid unplanned urban growth as well as rising transport demand, the informal transport sector has significantly increased. New types of paratransit such as tuk-tuk (motorised tricycles), bicycle taxi (locally called boda-boda) and motorcycle taxi have appeared. The sector is now responsible for a large share of the passenger transport volume in Nakuru, and offers the only means of public transport in the city. While walking is still the dominant mode (56 %), paratransit modes already contribute around 31 % (see Figure 2), with significant differences regarding the distances travelled (see Table 1). The various coexisting types of modes such as auto-, bicycle- and motorcycle-taxis, tuk-tuks and matatus (vans) are claimed to cause traffic problems such as congestion, road injuries and fatalities, as well as air and noise pollution.

Confronted with a multitude of complex urban planning deficits, the rapid development has overstrained the capacity of local policymakers. Data on paratransit, its role and operators on the one side and travel demand and requirements of users on the other side rarely exist. Experiences in handling urban paratransit are thus lacking, and prejudices dominate discussions. While non-motorised transport modes play an important role especially for lower income households, they are generally neglected by policymakers who frequently favour motorised transport.

Although Nakuru is far smaller than Johannesburg and a full BRT concept is currently not needed to solve urban transport problems, the city needs to learn more about management of public transport while maintaining a certain degree of modal choice and the affordability of transport services for users.

Figure 2
Modal split of urban transport in Nakuru, Kenya.
Source: Field study by Tobias Gorges, University of Trier

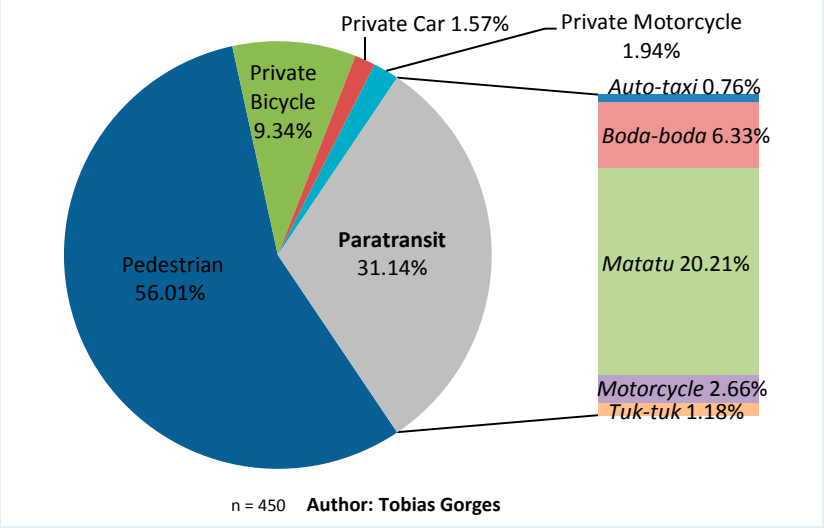


Figure 3a/b/c
Paratransit operations in Nakuru, Kenya.

Table 1: Modal split in relation to distances travelled in Nakuru, Kenya

	≤ 2 km	2.1–4.0 km	4.1–10 km	10.1–20 km	≥ 20.1 km	Total
Auto-taxi	0.02 %	0.05 %	0.39 %	0.21 %	0.09 %	**0.76 %**
Boda-boda	2.10 %	3.60 %	0.54 %	0.09 %	—	**6.33 %**
Matatu	4.34 %	6.31 %	9.56 %	—	—	**20.21 %**
Motorcycle	0.39 %	0.68 %	0.68 %	0.52 %	0.39 %	**2.66 %**
Pedestrian	15.82 %	29.37 %	9.49 %	0.41 %	0.92 %	**56.01 %**
Private bicycle	0.41 %	6.09 %	2.84 %	—	—	**9.34 %**
Private car	0.29 %	0.82 %	0.39 %	0.07 %	—	**1.57 %**
Private motorcycle	0.07 %	1.05 %	0.75 %	0.07 %	—	**1.94 %**
Tuk-tuk	0.12 %	0.40 %	0.58 %	0.03 %	0.06 %	**1.19 %**
Total	**23.56 %**	**48.37 %**	**25.22 %**	**1.40 %**	**1.46 %**	**100 %**

Source: Field study by Tobias Gorges, University of Trier

The table shows the percentage of trips of each mode in Nakuru in relation to the distances of trips. For instance, pedestrians' trips that sum up to the largest share of the modal split (56.01 %) predominantly travel 2.1–4.0 kilometers per trip (29.37 %). Overall, most urban trips take place (48.37 %) within this distance.

Text and photos/graphs by Tobias Gorges, University of Trier, 2011

Once a city with a significant share of paratransit decides to improve and extend the regular bus network, resistance from affected informal operators is to be expected. Replacing paratransit with regular bus services implies severe income losses for owners and operators of minibuses, with many drivers likely to lose their jobs. Dealing with this problem not only involves a large number of stakeholders, as many paratransit operations are run by small-scale entrepreneurs owning only one or two vehicles rented out to individual drivers. It also frequently means confronting semi-legal or explicitly criminal organisations which control or regulate paratransit operations (Meakin 2004). Due to the huge amount of money involved in paratransit businesses in large developing cities, affected associations or federations or individuals may well resort to violence if threatened.

1.1 A snapshot on international experiences

Numerous cities on all continents have been dealing with public transport improvements in an environment characterised by weak regulation and a dominant position of the paratransit sector. The case studies in this section illustrate some examples of how such cities dealt with this issue in trying to improve their public transport system.

1.1.1 Mexico City

Paratransit is serving up to 60 % of the daily travel demand in Mexico City. These informal public transport services are complimented by a subway network, publicly owned regular buses and a recently implemented BRT scheme. Formalisation of paratransit modes has been addressed in two ways. Firstly, a fleet renewal programme aimed at replacing vans manufactured prior to 2006 with new larger buses to reduce emissions and improve service quality. Secondly, the "Metrobús" BRT service was introduced in 2005 to serve corridors with high passenger demand. There has been no coordination between these two measures.

Although both the paratransit sector and existing public bus services have been affected by BRT operations, the formalisation process proved to be relatively smooth. As for the minibuses, this was largely due to the fact that operators were already organised into federations. While the

transition process succeeded in replacing all paratransit operations along the new BRT routes, this result must be put into a city-wide context: The services corporatized via Metrobús lines comprise only one percent of all legal paratransit operations in Mexico City. (Schalekamp *et al.,* 2009)

Figure 4
The implementation process for MetroBus services in Mexico City has been relatively smooth.
Photo by Manfred Breithaupt, 2010

1.1.3 Santiago de Chile

The city of Santiago has witnessed fundamental changes to its public transport system in the past years. A rather informal bus network with fragmented ownership, inefficient route structures, poorly maintained vehicles and high competition has been replaced by a comprehensive public bus scheme called Transantiago launched in February 2007. It was to introduce a trunk and feeder line system complementing the underground Metro service.

In contrast to most other examples, the transition process in Santiago was not planned to be gradual. Instead, the old bus network was to be replaced by Transantiago on a single day, including the transition to a smart card payment system. This so-called ‚Big-Bang' approach proved to be unrealistic, as new services were hampered by the lack of dedicated bus lanes and poor management. This lead to low operating speeds and a general feeling of chaos, prompting passengers to shift to underground Métro services where possible. The situation started to improve only after many months of low performance.

The most important lesson learned is that the costs and risk of a single, system-wide transition necessitate enormous institutional, technical and operator capacity and commitment – and such conditions are unlikely to be found in most developing cities. A more balanced, phased approach would have been more desirable. (Munoz, Ortuzar, and Gschwender 2009, Schalekamp *et al.,* 2009)

1.1.4 Bogotá

To improve public transport services for passengers, eradicate the *penny wars* between paratransit operators (strong competition for passengers) and formalise public transport, the city of Bogotá introduced the BRT system *TransMilenio* during the year 2000. Negotiations and consultation with affected bus companies had already started almost ten years back. In addition, more than 300 meetings with the public were arranged over the course of time. The introduction of the BRT scheme had positive as well as negative impacts. The profits of new bus companies increased, while critics claim their cartel-like practices (*e.g.* to guard against change) continue and numerous outdated buses remain on the roads. TransMilenio is also criticised for being unable to compete with paratransit fares, and for offering only a limited network covering primarily high income areas. (Schalekamp *et al.,* 2009)

Figure 5
TransMilenio has replaced many of the former paratransit operations in Bogotá.
Photo by Carlosfelipe Pardo, 2009

1.1.5 Lagos

Until 2008, Lagos (Nigeria) had been one of the very few megacities worldwide without any regular public transport system. Public transportation was limited to a large fleet of paratransit vehicles, including 75,000 minibuses and a considerable number of midi-buses, shared taxis and motorcycle taxis. To address the problems of unplanned urban growth and the resulting lack of adequate transport, a BRT-Lite system was introduced in 2008 and proved its functionality on the African continent. An institutional reform has been central to the success of the system. About 65 % of the BRT lanes are physically segregated from other traffic, 20 % are separated by marked bus lanes and 15 % of the network is mixed with the other traffic. Paratransit services along the 22-kilometer BRT corridor have not been entirely replaced. However, in order to compete with the BRT-Lite system, paratransit operators had to improve their service quality. A wider modal choice for public transport users has thereby been maintained. Available data show that the citizens of Lagos appreciated the improvement in transport services. By transporting more than 200,000 passengers per day, the BRT-Lite system exceeded the expectations. (Mobereola 2009)

Figure 6
Lagos introduced the first BRT system in Western Africa in 2008.
Photo by Zimmerman

1.2 The case of Johannesburg

Johannesburg, the economic centre of South Africa, is the living place for about 4 million people. Before the introduction of the Rea Vaya BRT system, urban transport was dominated by paratransit, mostly consisting of minibuses accommodating 14-18 persons. First forms of paratransit in South Africa had already emerged in the 1920s. Its development was highly influenced by the apartheid regime and its spatial planning policies and restrictions for the Black population. Paratransit evolved as a response to the lack of access to employment, urban areas and activities, increasingly operating illegally due to a restrictive quota system and other requirements for gaining an operating license. The individual, mostly small-scale minibus businesses were owned and operated by Black South Africans. A sudden deregulation of the paratransit sector in the end of the 1980s resulted in a 2,500 %-increase of the number of permits issued for minibus-taxis in South Africa during the five year period from 1985 to 1990. While the number of vehicles rose rapidly, the minibus industry proofed to be unable to maintain minimum safety standards and acceptable labor conditions (Schalekamp and Behrens, 2009). In addition, due to the highly competitive nature of the sector, 'taxi wars' appeared (Dugard, 2001) and further worsened the transport facilities for the public.

The need for public transport improvements in South African cities had become obvious. However, reaching an agreement that both assures the desired improvements in regular bus operations and incorporates the interests of the informal sector is a challenging task. A successful example of such negotiations can be found in Johannesburg. Encouraged by the bid to host the 2010 Football World Cup, South Africa committed itself to improve the public transportation system. Already during the initial planning stages for the Bus Rapid Transit (BRT) scheme "Rea Vaya" in late 2006, the City of Johannesburg entered discussions with minibus operators affected by future bus operations. Concrete negotiations started in 2009. It took 14 months before a comprehensive agreement could be reached, covering the creation of a new BRT operating company owned by more than 300 minibus-taxi operators and putting together a deal that enabled the operators to give up their current businesses. This document illustrates the various steps of the negotiations, and shares some of the lessons learned by the City of Johannesburg negotiations team in the process that may be useful to other cities transforming their public transport networks with the participation of affected public transport operators.

Figure 7
A public transport hub in Johannesburg served by the ubiquitous minibus-taxis.
Photo by Manfred Breithaupt, 2007

2. Background – The Rea Vaya Project

Fourteen months after they began, negotiations to sign a contract with the first bus rapid transit (BRT) operating company in South Africa were completed, on 28 September 2010. The parties to the agreement were the City of Johannesburg and representatives of 313 minibus-taxi owners drawn from nine taxi associations, represented by "the Phase 1A taxi industry negotiations team" (TINT). This was no run-of-the-mill taxi-local government consultation process. It was a complex engagement where the stakes were high: a prestigious 12-year contract, offering a transformative shift from the informal minibus-taxi industry into a corporate world of state-of-the-art bus operations. This was notable not only as it happened in the face of the uncertainty inevitably associated with such change, but also because it took place amidst opposition from many in the industry who did not join the process, and some participants were subjected to victimisation and violence.

Figure 8
The Rea Vaya logo.

2.1 The Rea Vaya Network

The negotiated contract was for the operation of the Phase 1A Rea Vaya BRT services. Phase 1A comprised a single trunk route between a BRT station called Thokoza Park in Moroka in Soweto and Ellis Park, east of the city centre of Johannesburg. It was supported by an inner city distribution route, five feeder routes inside Soweto, a route internal to Soweto that uses some of the trunk route, and a route between Meadowlands and the city centre/Ellis Park also using mixed traffic roads and the trunk route (such routes are referred to as "complementary" routes). Some 27 BRT stations serve the trunk route. A total of 143 buses were procured by the City on behalf of the future bus operating company to provide the service, namely 41 articulated and 102 rigid, 13-metre buses. The full service was implemented gradually between 30 August 2009 (when the trunk-only service commenced) and February 2011, when the full service swung into operation. A map of the routes is given in Figure 9.

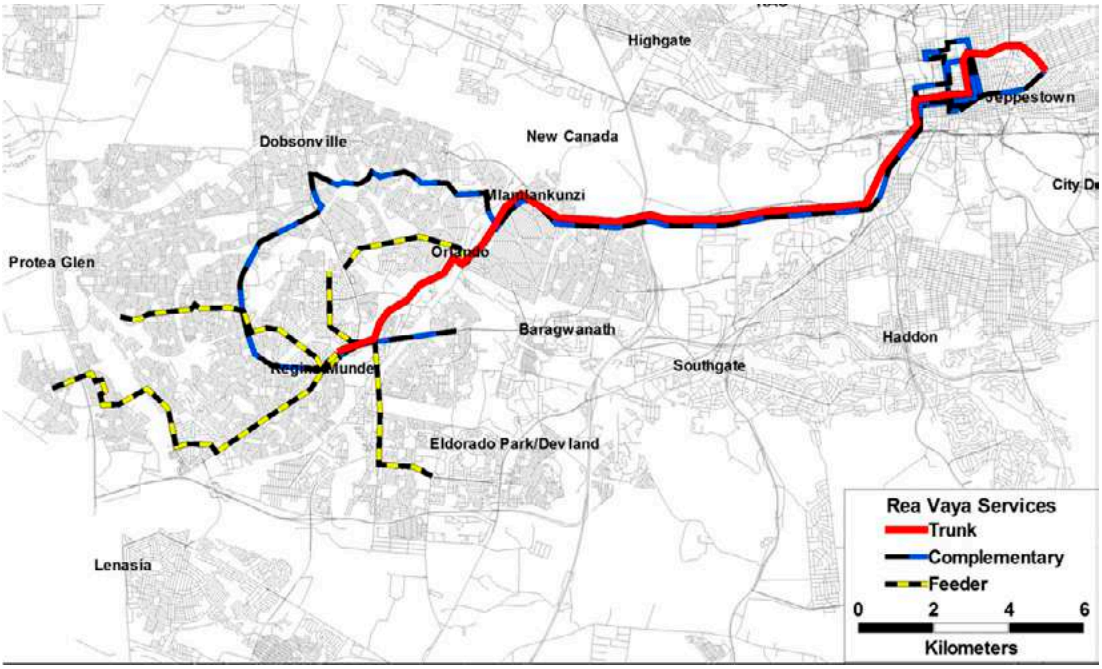


Figure 9
The current Rea Vaya Phase 1A service network.

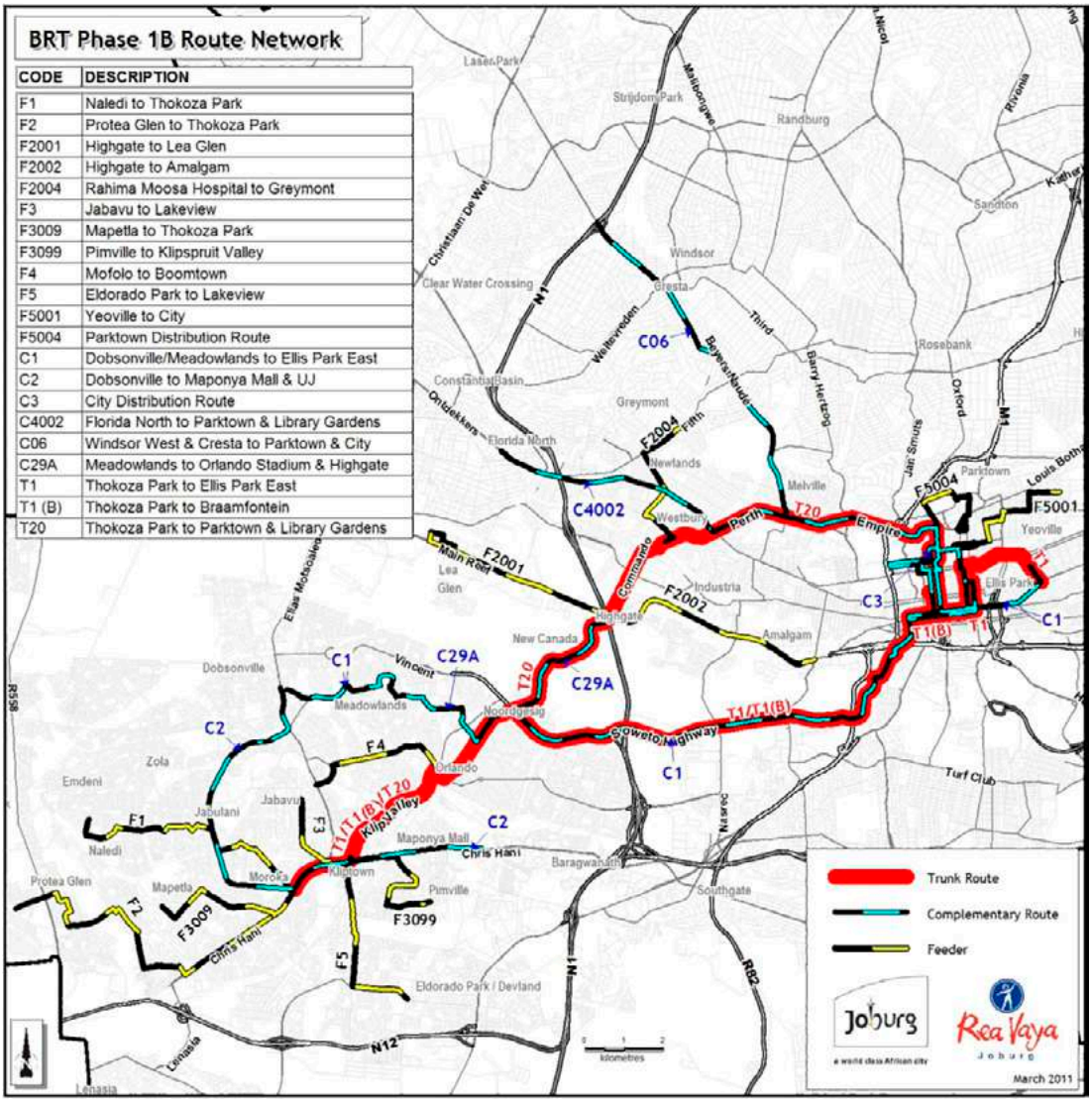


Figure 10
The planned extended Rea Vaya network of Phase 1B.

The network is due to be further extended in Phase 1B (Figure 10). This consists of an 18 km second trunk route running between Noordgesig in Soweto, via the University of Johannesburg and Parktown, to the city centre. This trunk route is now being built and will be completed in early 2012. During Phase 1C a third trunk route between the city centre and Alexandra running along Louis Botha Avenue, and a fourth between Sandton and Alexandra, will be built. This section is in the initial planning stages and operations will probably commence in early 2015.

Plans for further phases will be detailed after the finalisation of the Transportation Department's next *Integrated Transport Plan*, 2011/12. The most current data on travel demand and land use, and the context of a new *Integrated Development Plan* for the 2011–2017 term of office will guide future decisions.

2.2 Fleet

The Phase 1A services are operated by the Bus Operating Company called Piotrans (Pty) Ltd, using 41 articulated and 102 complementary buses (including spares). The articulated buses are 18 metres long, and have a design capacity of 117 people (including standing room), while the complementary buses, which are used on complementary and feeder routes, are 13 metres long, have a capacity of 81 people (including standing), and have doors on both sides.

For Phase 1B, the fleet requirements have been determined as an additional 41 articulated buses and 93 complementary buses, a total of 134 new buses (including spares). This will bring the total Rea Vaya system up to 277 buses (82 articulated and 195 complementary buses).

Figure 11
Modern Rea Vaya buses in the depot at Johannesburg.
Photo by Manfred Breithaupt, 2011

2.3 Regulatory environment

The national Department of Transport (DoT) had created a supportive environment for introducing BRT in Johannesburg and for the negotiation process. Cabinet approved its *Public Transport Strategy* in 2007, which was strongly supportive of capable municipal transport departments implementing, managing and regulating integrated, quality networks with dedicated rights of way in their cities. It published the related *Public Transport Action Plan* the following month supporting "Catalytic Integrated Rapid Public Transport Network Projects". It mapped a fast-track implementation plan for the 2007 to 2010 period leading up to the Soccer World Cup. This supported Johannesburg's BRT plans from a policy point of view, and also provided the link to funding from the Public Transport Infrastructure and Systems (PTIS) fund.

Figure 12
The Soccer Worldcup 2010 with thousands of foreign and domestic visitors provided a strong incentive for South Africa to modernise its public transport system.
Photo by Manfred Breithaupt, 2010

The DoT also prepared a new National Land Transport Act (Act 5 of 2007), which incorporated enabling sections for BRT-type systems, and a clear mandate for municipalities to regulate and manage their own public transport networks. The contracting chapter made provision in Section 41 for first phase negotiated contracts with public transport operators in the area. This section also provided for a negotiated contract to be for a period as long as 12 years.

Rea Vaya BRT buses began operating in Johannesburg much earlier than negotiations were completed – on 30 August 2009. However, these services were operated by a temporary "special purpose vehicle" (SPV) company called Clidet No 957 (Pty) Ltd. The company was initially set up by the Hong Kong and Shanghai Banking Corporation (HSBC) to facilitate the loan financing for the Rea Vaya bus fleet purchase. Clidet then signed the initial bus operating company agreement with the City so that services could begin without needing the negotiations to be completed. The single share was held in trust by HSBC's lawyers. A temporary CEO and temporary general manager were appointed by Clidet. Putco and Metrobus seconded staff to manage the temporary depot and the operations; and the affected taxi operator representatives nominated drivers from their ranks to be trained as the first Rea Vaya bus drivers.

Figure 13
BRT operations in Johannesburg began already before the negotiations were completed, and enabled Rea Vaya to serve soccer fans during the World Cup 2010.
Photo by Manfred Breithaupt, 2010

The various agreements signed in the course of the negotiations allowed a smooth transition to handover of the company four months later.

3. Engagement preceding negotiations

When it gave approval in November 2006 to the implementation of Rea Vaya, the City of Johannesburg's Mayoral Committee said that consultation should begin with the incumbent bus and taxi operators with a view to their participating as operators of the Rea Vaya system. The City's Executive Acquisitions Committee authorised the Rea Vaya Management Team to deviate from normal procurement procedures by, instead of a public tender process, negotiating with only the public transport operators that would be affected by Phase 1A of the Rea Vaya project to provide the BRT services. In the case of Phase 1A the City determined that only min-ibus-taxi routes were directly impacted.

The period of negotiations with the Phase 1A taxi industry negotiations team (TINT) had been preceded by many months of engagement with bus and taxi operators potentially affected by a BRT system. This helped pave the way for willingness to participate by a critical mass of affected operators and the leadership of the Johannesburg-based umbrella bodies, Top Six Taxi Management and Regional Taxi Council (RTC), and enabled a constructive negotiation process. At the outset of the project their representatives, as well as those of two potentially affected bus companies Putco and Metrobus, visited Bogota, Colombia and Guayaquil, Ecuador as part of a City delegation led by the Member of the Mayoral Committee Transport, Rehana Moosajee. From mid-2007, there was ongoing interaction with 18 Johannesburg-based taxi associations potentially impacted by the full Phase 1 of Rea Vaya. Another South American study tour, led by the Executive Mayor, was arranged and all 18 associations sent a representative.

Discussions ensued at various levels, including with a BRT Taxi Steering Committee (TSC) made up of representatives of Top Six and RTC, and a Technical Committee (representatives of the 18 potentially affected taxi associations). "*Roadshows*" explained the proposed roll-out of BRT to individual taxi association members. The engagement included raising awareness of BRT, education about BRT, change management, engagement on infrastructure rollout and taxi routeing during construction, and communication about affected routes and vehicles in the various proposed phases.

Figure 14
The relatively new concept of Bus Rapid Transit (BRT) needed to be thoroughly explained to all stakeholders involved.
Photo by Chris Kost, 2009

The City's intention to replace affected routes with BRT was made clear in this period. The concept was that in exchange for participation as operators of the new system, existing operators would withdraw their vehicles from BRT routes. The Phase 1 Operational Plan bluntly detailed which routes should be "cancelled", diverted or reduced.

The TSC was given office space and meeting facilities alongside the BRT project offices. In addition, the City paid a full-time technical adviser and office support staff to assist the TSC, and paid a facilitator to manage the engagement process.

After the Phase 1A service design was revised and finalised in August 2008, the process concentrated on the operators who would be directly affected by it – namely taxi operators on routes of ten taxi associations. From early 2009 the City expanded its technical support, and paid for other technical advisers including legal, financial and business support as well as for all meetings, workshops, breakaway sessions required in the engagements.

From February 2009 discussions between the City and the TSC became focused on agreeing a negotiation process which would result in the formation of a taxi-owned bus operating company to contract with the City to operate the first BRT Rea Vaya contract (Phase 1A services). The TSC and City representatives also agreed that the negotiations should be facilitated by independent and experienced mediators, and they jointly selected an independent chairperson with a team of three facilitators to manage and run the talks.

The TSC initiated a registration process whereby affected operators could come forward and submit their details to indicate interest in participation. In addition, the City placed advertisements in the press and sent letters to affected associations in June 2009 inviting mandated representatives of affected operators to a process of negotiating a Phase 1A bus operating company contract with the City.

4. The various agreements

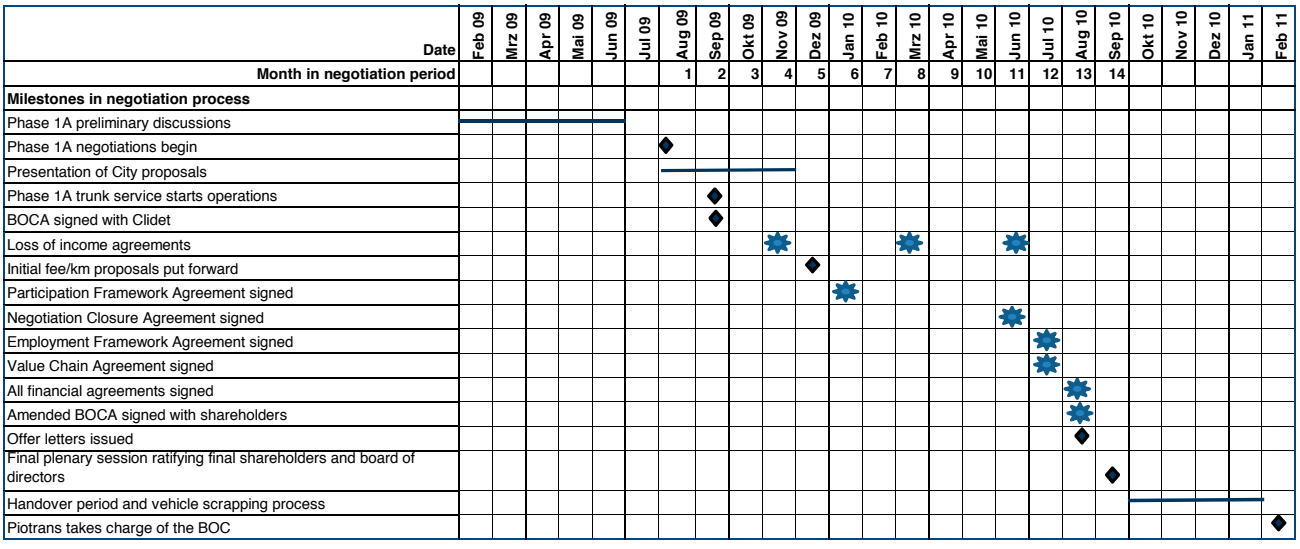
The duly mandated representatives of affected operators, verified by the City, attended the first negotiation plenary meeting held on 5 August 2009. A negotiation protocol was prepared by the independent chair and agreed, as was a process design. Four chief working groups were established to formulate recommendations to plenary sessions for decisions, namely a Special Purpose Vehicle (SPV) Working Group (WG), dealing with oversight and information sharing in relation to the SPV, Clidet, and the interim services; a Participation WG, dealing with who could participate in shareholding in the new company and the process of becoming a shareholder; a Finance WG and a Legal WG. A Process Committee managed progress and process, and met every week.

Over the next 14 months, the negotiations tackled many areas, including:

- Process of affected operators becoming shareholders of the Bus Operating Company (BOC) and then shareholders taking over the BOC both from an ownership and management perspective.
- Compensating operators for loss of income due to the Rea Vaya Phase 1A rollout of services.
- The content of the Bus Operating Company Agreement (BOCA).
- The fee per kilometre for each type of bus, and adjustment formula.
- Employment of displaced taxi drivers in Rea Vaya.
- Implementation of the City's value chain policy framework in Phase 1A.
- Compensation for operators who were unable to operate due to intimidation and harassment resulting from their participation in the negotiations.

A timeline showing the key milestones that are discussed in the following sections is given in Figure 15.

Figure 15
Timeline of key milestones in the negotiation process.



4.1 Agreement on who was affected

During the pre-negotiation discussions, the understanding developed between the City and affected operator representatives that participation was being offered in BRT in return for relinquishing competing routes. Preliminary agreement was also reached between the City and the TSC about exactly which taxi routes and ranks were affected, the number of taxis that should be withdrawn from operation, and the number of vehicles per association thereby affected. Later consolidated in the negotiations, this was an agreement that while Phase 1A would affect

routes served by about 1,250 taxis, only 585 taxis could be replaced by the 143 BRT buses being put on the routes. An understanding was reached that 585 taxis would be withdrawn, but the remaining 650 or so serving those routes could continue operating (see Table 2 for the detailed breakdown of taxis to be removed by the different associations).

Figure 16
Almost 600 of the minibus-taxis operating along the future BRT route were to be withdrawn from service.
Photo by Carlosfelipe Pardo, 2010

4.2 Compensation for loss of income agreements

The first agreement to be negotiated was a compensation for loss of income agreement. The TINT said that once BRT buses began operating, the taxi operators on the competing routes lost passengers to BRT and therefore income. Because Phase 1A was implemented in stages, with

Table 2: Number of taxis to be removed for Rea Vaya Phase 1A

Taxi Association	Taxis removed for BRT Starter Service	Taxis removed for additional BRT services from 15 March 2010 onwards	Balance	Total number of taxis to be finally removed
Soweto Taxi Services (STS)	44	16	121	181
Witwatersrand African Taxi Association/ Johannesburg Taxi Association	41	21	68	130
Nancefield-Dube-West Street Taxi Association (Nanduwe)	10	38	31	79
Meadowlands Dube Noord Street Taxi Association (MDN)	0	62	30	92
Diepmeadow City Taxi Owners Association	58	2	0	60
Bara City Taxi Association	13	0	0	13
Noordgesig Taxi Association	0	0	9	9
Dobsonville Roodepoort Leratong Johannesburg Taxi Association (Dorljota)	0	7	3	10
Faraday Taxi Association	0	4	2	6
Johannesburg Southern Suburbs Taxi Association (JSSTA)	0	0	5	5
Total	**166**	**150**	**269**	**585**

only 28 trunk buses to start with, it was agreed that competing taxis would be withdrawn in stages as well. It was necessary to determine the removal of vehicles per route, and therefore per taxi association, that was required for each stage. The decision shown in Table 2 was agreed on.

As it was also not known whether the owners of the withdrawn vehicles would become shareholders, the City agreed to arrange and pay to place the vehicles in safe storage, rather than dispose of them, so that the owners could keep their options open.

Furthermore, it was agreed that as the shareholders would receive the benefit of profits only once they took ownership of the BOC, the City would pay compensation for loss of income to the owners removing their vehicles in the interim. The amount of compensation had to be negotiated, and an amount was eventually agreed for the first tranche of vehicles. A loss of income agreement was signed in November 2009 providing for this, and then two further agreements were signed in March 2010 to cover further vehicles withdrawn for the March 2010 service expansion, and the further storage period of the original vehicles.

Following further negotiations in June 2010, a fourth loss of income agreement was signed. This provided that owners would be paid for each vehicle placed in storage or otherwise not operating (due to intimidation). It dealt with four groups of vehicles: the original 163 vehicles of November 2009, the 138 stored since April 2010, the balance of the 585 that would be removed from their routes and scrapped or sold as part of the process of subscribing for shares, and several taxis prevented from operating by intimidation. The period of compensation would end from the date their owners, as the shareholders of the BOC, began receiving the benefit of profits.

Figure 17
The operator company name and logo chosen displayed at a Rea Vaya BRT station.
Photo by Carlosfelipe Pardo, 2010

4.3 Agreement around process of becoming a shareholder

In August 2009, the City presented its proposals to the negotiations about how it envisaged the numbers and process of share allocation between the owners from different associations, verification of applicants' bona fides, and the staffing and basic governance requirements it would expect of the new bus operating company. It offered to arrange for the storage and disposal of vehicles turned in, and proposed that each shareholder should pay in about ZAR 60,000 (EUR 5,400) per share towards the company's working capital.

The proposals were essentially accepted by both parties, and put in writing in terms of an agreement called the Participation Framework Agreement (PFA), which was signed between the

City Negotiations Team and TINT on 27 January 2010. It set out how many vehicles should be withdrawn from affected routes per association, as described above. Operators had to prove they belonged to one of the ten affected associations. It also provided that for each vehicle withdrawn, the owner would get one share in the BOC. The vehicle would need to be shown to have a valid permit or operating licence, or the owner needed to show that he/she had a receipt for having applied for an operating licence that had been granted but was not yet issued. The agreement also provided that the owner would need to invest a certain amount of money in the BOC per share, which was subsequently set at ZAR 54,000 (EUR 4,860) – the amount that could be earned from the scrapping allowance in the national taxi recapitalisation programme. To participate one also needed to be prepared to surrender to the City's appointed valuators and auctioneers both the vehicle – either for scrapping or auction, whichever yielded more – and its permit or operating licence. At this stage, the process was also attracting a growing number of interested parties, as the doors remained open to participation. (This was the case right until June 2010, when a closing advert was finally put in the press.) The PFA therefore also dealt with what would happen in the case of over-subscription of shares, and mechanisms to equitably allocate shares within each association of origin.

Figure 18
Even in the case that BRT passenger numbers remain lower than expected, the operating company owned by former taxis businesses does not have to bear any financial risk.
Photo by Chris Kost, 2009

The PFA had a corollary agreement, the Participants Commitment Declaration. This was signed and submitted by the individuals applying to become shareholders in the BOC and contained their personal details and details of the vehicles to be removed from the Rea Vaya Phase 1A routes.

4.4 Financial agreement

The City and the TINT had to come to an agreement about how much the BOC would be paid. The City's business model was that the BOC would operate scheduled kilometres as specified by the City, on the routes and to the frequencies required by the City. It would be paid a fee for each kilometre so operated, regardless of the number of passengers carried. The City would keep all fare revenue. The concept was also agreed that there would be a certain number of minimum guaranteed kilometres per annum for the fleet of articulated buses and complementary buses respectively. The guaranteed fee and guaranteed kilometres were important foundations for the eventual agreement, in that they drastically reduced the amount of risk involved for the participating taxi owners. The business model placed all the patronage risk on the City as well as the burden of guaranteeing payment for 12 years of a minimum number of kilometres, come what may. This was one of the critical ingredients of the successful outcome. Furthermore, the concept that routes did not "belong" to the company, in that the City could alter their routes, or allow another future BRT company to operate on the same routes, had to be accepted by the TINT as part of buying into the BRT model.

Agreement on the financial aspects had various components. The first was getting agreement on a company setup and the staff numbers, particularly drivers, that were adequate to run the contract. Then agreement was reached on the actual input costs per kilometre – diesel, wages and salaries, tyres, licences, staff transport, fleet insurance, and so on. The costs of the bus purchase were determined by the conditions of the loan and so were not part of the negotiations – they were taken as a given and incorporated into the fee/km.

Finally, the amount of profit was negotiated. Because of the particular circumstances of the deal, this could not simply be a commercial mark-up. It needed to be sufficient to persuade the taxi owners that participation in BRT would leave them better off than remaining with their existing taxi businesses.

Initial "offers" of the fees/km had been made by the City and TINT in December 2009, which were far apart. Then agreement was reached in February 2010 about the staffing and the input costs. Finally the amount of profit required as a monthly dividend per share was agreed in late May 2010. In July, a fee/km was agreed which would yield these average dividends.

However, other difficulties presented themselves. The offer also needed to be persuasive to taxi owners in the sense of mimicking the cash flow they experienced in their taxi operations – namely immediate returns, if not daily at least weekly or monthly.

The difficulty was that owners expected a minimum amount per share every month from day one. While the company could pay out the agreed total dividends over the 12 years with the agreed fees/km, the returns were higher in later years than in the initial years, and were regarded as insufficient in earlier years to satisfy the potential shareholders. In fact, the company could not afford to pay dividends at all in earlier years if it was to meet legal liquidity and solvency requirements.

The whole of July and half of August was an intensive period of negotiations on the fee/km and mechanisms for the company to be able to pay out regular

Figure 19
Meeting the financial demands of former minibus-taxi owners proved to be difficult.
Photo by Carlosfelipe Pardo, 2010

and early-year dividends. Agreement was finally struck on 13 August 2010 after three days of negotiations.

This was that the City would pay out an agreed minimum monthly amount per share, for the first four years of the company's life. A reduced fee/km was also agreed which factored in these payments but which achieved the agreed dividends per share for the remaining eight years of the contract.

In that these upfront payments placed the City at some risk if the company was not run profitably or paid out dividends in the early years despite the imperative not to, the TINT agreed to sign another agreement with the City called a Compensation for Loss of Income Agreement, on 23 August 2010 –

- providing for the monthly payments by the City per share for four years,
- allowing the City to see monthly management accounts and agendas, minutes and board packs of board of directors and shareholder meetings,
- providing that no dividends be declared for four years,
- providing that no non-essential expenditure be incurred, and
- requiring each operator to sign a restraint of trade agreement – namely that they would declare the taxi services they still operated on competing routes, and would agree not to expand these services.

Shareholders would begin to receive the compensation package after submitting vehicles for sale or scrapping.

This agreement on the financial component allowed for the signing of several key agreements between the City and the TINT, namely:

- Fee/km agreement;
- 8th Addendum to the Bus Operating Company Agreement (BOCA) – see below;
- Escalation formula, in terms of which the fees/km would be adjusted monthly in response to changes in a basket of input costs.

This at last paved the way for formal, individual offer letters to be issued to just over 300 potential shareholders on 30 August.

4.5 Bus operating company agreement (BOCA)

An interim BOCA had been signed at the end of August 2009 between the City and Clidet to facilitate the financing of the bus purchase. This was amended in negotiations with the TINT, mainly to clauses on maintenance, insurance, and monitoring and step-in rights for the City. The BOCA also needed to address the TINT's proposals in February 2010 to sell some of the shares to Fanalca, the large Colombian industrial group, in return for systems and management support and investment. The BOCA limited change in ownership allowed to a non-controlling percentage (24.9 % of shares), that may be sold to a suitably experienced BRT operator approved by the City, not less than a year after the signature date. Fanalca, among other operations, has BRT operating companies running 5 000 buses in South America. It operates BRT as part of TransMilenio (Bogotá), Transantiago (Chile), Metrobus (Panamá), Masivo Integrado de Occidente(MIO) (Cali), MetroSinú (Montería), and Sistema Integrado de Transporte Público (SITP) (Bogotá). It subsequently established Fanalca South Africa as a local subsidiary.

It was agreed in July 2010 that the contract length would be 12 years dated from the transfer of Clidet to the new shareholders, and not dated from the commencement of operations in 2009. The BOCA schedules contain also the agreed fees/km and the escalation formula. The so-called 8th Addendum to the BOCA, containing all the above substantive amendments, was signed on 23 August 2010, as the fee/km had been agreed.

4.6 Employment framework agreement

The Rea Vaya Phase 1A project aimed to be employment neutral, which it defined as creating at least as many jobs of equivalent or better quality and remuneration as it directly removed. The intention was also to place in those jobs the people who had lost them, as far as possible. As 585 taxis were being withdrawn from service permanently, it was known with certainty that 585 driving jobs would be directly lost. During the negotiations with TINT, the City put forward various concepts about how these displaced employees could be offered positions within Rea Vaya. This eventually resulted in an Employment Framework Agreement (EFA) being signed between the City and TINT on 16 July 2010.

The key difficulty was that many jobs had become available in Rea Vaya before the taxi drivers lost their jobs. This was because operations started a year before offers were put to the potential shareholders. Although the 200 people who were recruited and trained to drive the buses were all taxi drivers nominated by TINT, the majority were not the employees of final shareholders, because of the mismatch in timing. Another constraint was that drivers needed to already possess an E14 driver's licence so as to drive the articulated buses. The drivers were therefore offered temporary employment so that the permanent contracts could be signed with the new owners of the BOC. However, this caused much dissatisfaction, and the drivers' contracts were made permanent from 1 July 2010 after a strike over this issue.

In the case of Rea Vaya station staff, temporary employment only was offered. The protracted nature of the negotiations posed a difficulty as these contracts had to be renewed several times, and many of the staff felt they had a right to permanent employment. Several work stoppages were held in protest, disrupting Rea Vaya operations.

Figure 20
The need for drivers to possess a valid license for the large articulated buses used by Rea Vaya posed a major challenge.
Photo by Chris Kost, 2009

In this context, the EFA provided that each shareholder could nominate one employee per vehicle surrendered, *i.e.* per share held, to benefit from Rea Vaya employment opportunities, to the extent that they were qualified and suitable for the positions. A shareholder whose employee had already become a Rea Vaya driver was however not entitled to nominate a further employee. A nominated employee database was established.

The EFA bound the BOC to endeavour to recruit future drivers from the nominated employee database for a further two years as vacancies arise. It also required the BOC to employ 80 % of its unskilled staff from that source and 20 % from others, particular preference being given to residents in the communities in which Phase 1A operates.

Figure 21a/b
A considerable number of jobs have been created in Rea Vaya stations, but the availability of temporary contracts only repeatedly led to protests of employees.
Photos by Chris Kost, 2009

The City committed in the EFA to try and fill 40 % of the positions for station ambassadors, marshals and cashiers from the nominated employees database. The remaining 60 % of employees would be recruited from among the incumbents filling the positions on temporary contracts and from other interested citizens, in particular, residents in the communities in which Phase 1A operates. This was in recognition of the experience and training invested in the temporary staff who had been working in the stations for almost a year, and who had been the face of Rea Vaya from day 1. Dissatisfaction over the EFA caused many of the temporary station staff not to apply for the positions in protest. Eventually station positions were filled permanently from 1 November 2010, with approximately 50 % of posts filled by the nominated ex-taxi employees.

The EFA also provided that the station security and cleaning contractors would be given a target of employing 60 % of the staff for them from the nominated employee database. The City will maintain the database of those who were unsuccessful for a further two years, or until everyone has been employed.

4.7 Value chain agreement

A Rea Vaya value chain policy framework was approved by the City's Mayoral Committee in 2009. It set out the employment, business and investment opportunities for minibus-taxi operators arising out of the implementation of Rea Vaya, the so-called "value chain". It provided for affected taxi operators to be eligible to benefit from certain preferential procurement processes in respect of these opportunities.

During the negotiations, a specific Value Chain Agreement was signed to deal with how the policy would be applied in respect of the Phase 1A opportunities.

The main opportunity made available was the contracts for cleaning and securing the Rea Vaya Phase 1A stations. The original contract with service providers was short-term, and the agreement provided for a further short-term contract of a year. This was to give the BOC shareholders sufficient time to set up a suitable security and cleaning company/ies. One requirement of the contracts is that 60 % of the employees must be recruited from among the nominated employee database (see above). When the short-term contract expires, the City would invite a ring-fenced tender from the BOC shareholders, which they could submit from a suitable company they have formed, or as a joint venture with a company that has the necessary skills, expertise and qualifications to render the station cleaning and security services, provided that the company owns no more than 30 % of the joint venture. The contractor will also be required to take over the employees of the temporary contractor that were recruited from the nominated employee database or if some have left, then from further ex-employees of the BOC shareholders who are recorded in the nominated employee database.

The Value Chain Agreement also bound the City to run a training workshop for BOC shareholders about how they can take advantage of the opportunities provided in terms of the agreement and the value chain policy framework. In respect of other tender opportunities that may arise for the maintenance of Phase 1A stations and Phase 1A trunk route roadways, it bound the City to advise the BOC shareholders of advertised tenders to enable them to respond, and to apply the value chain policy framework in respect of preferential procurement regarding these. To the extent that the BOC procures any goods or services, it was also obliged to apply the value chain policy framework.

Figure 22

The final works on Rea Vaya stations were completed in 2009, but the transition from the temporary bus operating company to the final operator lasted until early 2011.

Photo by Christ Kost, 2009

4.8 Negotiation closure agreement (NCA)

To draw a line between the negotiations and the transition period to handover of management and ownership to the new shareholders, the City and the TINT signed a "Negotiation Closure Agreement" (NCA) in June 2010. This agreement recognised legal entities called "Taxi Operator Investment Companies", commonly referred to in the negotiations by the abbreviation "TOICs". These were nine companies that had been set up by the affected operators participating in the negotiations, with one TOIC per taxi association of origin. (The tenth affected association, Faraday, did not participate in the Phase 1A negotiations.) The concept developed by the TINT's technical advisers was that the shareholders would have shares in their TOIC. The TOIC would subscribe for shares in the BOC on their behalf, and finally ownership of the BOC would be transferred from the trust to the TOICs. (This was to overcome the limit on the number of shareholders in a (Pty) Ltd company stipulated in the Companies Act.)

It was agreed that after completion of the negotiations, the City would make a written offer to each of the participating taxi owners who had been verified eligible in terms of the Participation Framework Agreement. It also set out how over-subscription of shares would be dealt with (and under-subscription). It provided for the shareholders in each TOIC to elect their boards of directors, and for the TOICs then to each subscribe for shares in the BOC, according to their quotas of the 585 shares as outlined in the PFA. It entitled the TOICs to carry out a due diligence investigation of Clidet prior to subscribing for shares. It required them also to submit a management plan outlining how the new Board of Directors of the BOC (as elected by the TOICs) would run the company.

The NCA required the City to provide training and orientation to the representatives of the future shareholders in the day-to-day operation of the BOC, and induction workshops on topics such as corporate governance to the future Board of Directors of the BOC, as well as mentoring to the new management team.

The NCA allowed for unsubscribed shares to be held in reserve for potential issue to further eligible shareholders according to PFA quotas, but after a year they will be released from reserve and remain part of the authorized but unissued share capital of the BOC.

5. Closure of negotiations and process of transition

With the financial negotiations at last concluded, and the key agreements signed on 23 August 2010, written offer letters were issued by the City to the verified eligible operators a week later. Over the next three weeks the TOICs held meetings to present and explain the City offer to their shareholders, and to enable them to accept and sign the offer letters.

A resolution signed at a final negotiations Plenary session held on 28 September then ratified the final shareholders and the database of the vehicles to be surrendered within each TOIC (except those of two small TOICs where some outstanding work remained), and closed the negotiations. It also transferred the authority to negotiate with the City on behalf of the affected operators from the TINT to the board of directors of the bus operating company (BOC).

Figure 23
Old and new modes of public transport in Johannesburg: A certain number of minibus-taxis continue to operate along the Rea Vaya BRT corridors.
Photo by Carlosfelipe Pardo, 2010

A Transition Process Committee was set up to implement the handover of Clidet to the new shareholders in the TOICs, as well as the employment and value chain agreements. In the following months, the transition entailed:

- The finalised 313 shareholders submitting their taxis and documents for valuation by the City's appointed auctioneers, Tirhani, and thereafter their sale (113 vehicles) or scrapping (the balance) – depending which yielded more money.
- Payment of the sale and scrapping money into an escrow account opened by the City's attorneys on behalf of each TOIC. (Yields greater than ZAR 54,000 were refunded to the shareholder.)
- Payment to the BOC by the city attorneys, on behalf of each TOIC from the escrow funds, the subscription price for that TOIC's shares (the management and ownership handover required that at least 66.7 % of the shareholders had subscribed for their shares before handover took place, with the balance of the 100 % allowed to happen thereafter).
- Allotment and issue of the shares.
- Establishment of the employee database – 414 applications were eventually submitted.
- Process of applications, selection and appointment of the employees to jobs within Rea Vaya

- Each TOIC electing its board of directors, and designating representative/s on the BOC's Board of Directors.
- Ten days of training for the TOICs boards of directors in October 2010.
- Presentation of the Management Plan by the TOICs to a City panel for its comment and approval. This also outlined the proposals for Fanalca's involvement in the management of the BOC.
- Appointment of management staff.
- A due diligence investigation of Clidet by the TOICs' representatives.
- The BOC purchasing the sole share held by the Trust for a nominal value.

Handover

By the end of January 2011 the process had been sufficiently completed. On 1 February 2011, the nine TOICs, owned by 313 taxi operators and in the case of Dorljota and JSSTA by the association as a whole, took charge of the Rea Vaya Bus Operating Company. They re-named it PioTrans (Pty) Ltd to reflect, in their words, "the pioneering steps of the taxi operators who have decided to transform and grow into the fully-fledged public transport operator as part of the public transport transformation process in the City and South Africa". The new Board of Directors included 13 taxi operators as non-executive directors, representing their TOICs. The CEO was announced as Mr Victor Cordoba of Fanalca South Africa, with taxi leaders Mr Dumisani Mntambo and Mr Eric Motshwane as deputy CEO and director for corporate affairs respectively (Press release by PioTrans, 1 February 2011).

Figure 24
Rea Vaya BRT services are increasingly popular among commuters.
Photo by Manfred Breithaupt, 2010

6. Lessons learned

The various agreements negotiated between the City and the taxi industry that enabled the forging of a new bus operating company (BOC) were not reached easily in all cases, and there are lessons that can be shared from the experience. These are presented from a City Negotiations Team point of view.

- The negotiations are about a great deal more than agreeing to a bus operating contract. They are also about several hundred individual business people in the informal sector being sufficiently persuaded that participation in the new BOC being proposed will leave them with livelihoods at least as secure as provided by their existing taxi businesses. The absence of a competitive tendering process also inevitably increases the contract cost. As a result, the fee per km was significantly higher than envisaged, resulting in a contract with an annual value of about ZAR 184 m (EUR 16.56 m). Funds had to be sourced from the PTIS before the required fee/km could be agreed, to prevent a breakdown in the process.
- Overall the costs of the negotiation process were also significantly more than initially envisaged. Taxi industry capacitation is costly as are the costs of facilitation and the many months of meetings and workshops.
- A business model which shifts the burden of risk away from the BOC to the City is an important success factor. The new BOC is paid per scheduled km, regardless of passengers carried. The number of km that will be "ordered" by the City over the course of the 12 years is guaranteed, and the fee paid per km is calculated to be sufficient to pay back fleet loans, costs and profits.
- Arrangements to ensure immediate returns to shareholders and regular payments (monthly if not weekly) are also required to overcome the change from a hands-on daily cash operation to a formal bus company that may not pay out dividends until later years, and then traditionally only annually. Several of the agreements described in this paper make these arrangements.
- The City made several concessions to make the deal attractive, and the TINT made concessions in return. The City secured fairly good monitoring and step-in rights to ensure that the public transport services are guaranteed, even when the company is not being managed satisfactorily, and these rights are particularly strong in the first four years when shareholders enjoy direct payments from the City. The City also secured the removal of taxi competition from the BRT routes in return for the agreements reached.
- Negotiations to incorporate informal operators into modern public transport networks are multi-faceted and complex, and are time-consuming. Some streamlining could be achieved if a negotiation plan is drawn up at the outset, setting out what is up for negotiation and the time-frames for completing certain agreements, and deadlock-breaking and fall-back mechanisms. However this is probably only possible in a second round.
- The use of an independent chair and facilitation team means that the parties can negotiate with each other without necessarily having to build up trust between each other – as long as each trusts the facilitation team and their process. The formality of the facilitated negotiation process adds a helpful element of gravitas and therefore dignity and built-in mutual respect to the process.
- The City's sponsoring of a substantial and strong technical support team for the TINT is another essential ingredient in the successful outcome. The TINT chose its own legal, financial/business/tax, bus operations and technical advisers, and they enjoyed the full trust of the TINT. The City and TINT technical teams could also work out issues that required a factual, data-driven or technical solution within the broader agreements on principle reached between the two parties' negotiation teams.
- Availability of current, trusted data and information is valuable. Parties need to be able to agree on what routes are affected, how many vehicles operate on them, and on how profitable current operations are, which may vary between routes.

- Although Clidet, the SPV, was not formed out of preference, the temporary company meant that the shareholders did not have to form a company from scratch. This is not to say this was an essential condition of success, but it did reduce the pressure and complexity. The temporary nature of the initial operations did cause problems however, as mentioned in this paper.

Figure 25a/b
The Rea Vaya BRT stations provide a pleasant and safe environment for bus users.
Photos by Manfred Breithaupt (above) and Carlosfelipe Pardo (below), 2010

7. Conclusion and outlook

The Rea Vaya Phase 1A negotiated agreement was a significant and major empowerment deal in the public transport sector, particularly as it involved grassroots operators from the informal taxi sector as 100 % shareholders of a modern BRT company. It consciously replaced informal operations by linking the deal to the withdrawal of 585 minibus-taxis and their operating licences. It was transformative both of public transport operations, and of informal sector businesses. It was a win for operators in that they signed a 12-year contract which they regard as making them better off, and for the city in that there is a determination by the new shareholders to run a high-quality operation. To this end they entered into an operational partnership with an experienced international company in BRT operations, Fanalca.

Figure 26a/b

Construction of BRT infrastructure such bus stations and dedicated bus lanes has generated about 6,800 temporary jobs during the implementation period of the Rea Vaya project.

Photo by Manfred Breithaupt, 2007 (above) and Carlosfelipe Pardo, 2010 (below)

It was a deal which benefited more than 300 individuals generally owning one or two taxis each, and did not rely on special privileges or larger shareholding for taxi association "bosses". It also drew together members of nine Soweto taxi associations, some with a history of conflict between them, into one company, running a joint operation on all their previous routes.

Financial gain was de-linked from the number of passengers carried and the incentive to speed and overload has been removed. Control of passenger relations was put in the hands of the City. Further, the contract departs from traditional taxi operations in that the City determines on which routes their buses can operate, and can alter these in its discretion. The City thus takes back ownership of the routes in the interests of the passengers. All these differences with taxi-style transport mark the deal as a transformative break with the past.

From an employment perspective, Rea Vaya has proved to be an overall success. In addition to about 6,800 temporary jobs mostly in infrastructure construction, the BRT scheme has generated 830 permanent positions. The latter comprise 256 jobs in the bus operating company, 280 positions at the Metropolitan Trading Company (as station cashiers, station ambassadors and station customer marshalls), 240 jobs in security and cleaning contracts for the stations, and 40 jobs in the Rea Vaya administration. Special attention was paid to displaced taxi drivers. At least 585 people lost their jobs because of Phase 1A (the taxi drivers of shareholders who surrendered their vehicles), and they were all offered the chance to obtain employment opportunities in the new system. A total of 414 drivers finally registered on the employment database, while an additional 200 taxi drivers had already been employed by Clidet as drivers.

Based on the salaries paid in the Rea Vaya jobs, there has been a significant increase in earnings compared to the ZAR 2,500 (approximately EUR 225) that affected taxi drivers were estimated to earn a month. Annual earnings as taxi drivers total approximately ZAR 17m (EUR 1.57m) whereas earnings in these new positions will total about ZAR 38m (EUR 3.51m). This is an increase in earnings of former taxi drivers to the tune of ZAR 21m (EUR 1.89m) per annum.

First results from a passenger interview survey conducted in October 2010 at six major Rea Vaya stations also indicate that the BRT scheme is already attracting passengers who would otherwise have used private cars. The data suggest that in the absence of the new BRT services Rea Vaya passengers would have been travelling by car (11 %), minibus-taxi (63 %), train (17 %), bus (8 %), by foot (2 %) or other means of transport (1 %). The average weighted journey length of the previous car users replaced by Rea Vaya was 18.6 km.

Figure 27
First results show that the Rea Vaya BRT scheme had some success in shifting trips from car to public transport.
Photo by Carlosfelipe Pardo, 2010

Process for Phase 1B

The intention is that the BOC for the operation of Phase 1B services will again be formed from among affected operators, and to again negotiate a 12-year BOCA with them. Approximately 12 taxi associations, several of them not involved in Phase 1A, and two bus companies, one privately owned, namely Putco, and the City's own municipal bus service, Metrobus, are potentially affected by the Phase 1B BRT routes. A process of discussing the extent of the impact on each was in progress in 2011, with negotiations proper intended to take place in 2012.

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