

TAXI INSURANCE IN 2008

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Background to the Taxi Industry

Democratic elections in 1994 heralded an era of both economic and social reform. Government policy quickly shifted to addressing the needs of the workforce. Public transport, although a critical area of social delivery, has changed little since then, and has in all probability deteriorated since 1994.

Use of traditional (local) government solutions such as commuter rail and bus systems declined. Regulation of informal minibus-taxi drivers and operators is ineffective and recent land use development has led to urban sprawl, which in turn is associated with the increased use of private vehicles and consequently road congestion.

Car sales and the subsequent use of private vehicles have reached record levels in the last decade. Public transport is the mode of the less advantaged. Nevertheless, user surveys reflect a wide ranging dissatisfaction with what is currently on offer.



have increased 20% during the eight years to 2006. This increase is a reflection of growing and endemic peak period congestion allied to no significant improvement of the roads infrastructure.

Mini Bus Taxis provide 70% of the capacity of public transport trips in metropolitan areas. They compete intensively amongst themselves, and

company. The characteristic of these operations is a link to and from the townships with central business districts or the older large industrial areas. Again there have been no infrastructure improvements during the last 10–15 years. Competition between taxi drivers and Metrorail is intense along rail corridors. Allied to this, rapid and continuing changes in SA urban lifestyle continue to marginalise the access which Metrorail offers. Thus there has been a decline in urban rail patronage of over 30% during the last two decades. To reverse this trend will require massive infrastructural investment which Government is not prioritising, other than the Gautrain project in Gauteng.

Buses are used by city management to provide services to suburban areas, but not to the denser, public transport dependant, townships. Although cities such as Johannesburg have renewed their bus fleets and improved the route networks, such services still remain poorly coordinated with other forms of public transport.

Two characteristics typify the SA urban transport system. The first is the legacy of apartheid. Most services retain the pre 1994 pattern, and although no longer racially segregated, they have not been modernized in line with current land use. The second is the jumble of regulated, (mostly government owned services - rail and bus) competing with non-subsidised informal services.

Government's Vision

This is to encourage the densification of transport corridors by the concentration of higher intensity developments along dominant corridors i.e. more concentrated urban/suburban areas; the optimisation of modal economics and the public transport services mix with high intensity corridors served by rail whilst moderate corridors would be based on road based public transport i.e. taxi usage; and the improvement of the "rules of the game" with stricter regulation and policing for formal operators, effectively regulating and enforcing a permit system for mini bus taxis and the overall distribution of a subsidy.

The implementation of this will be through the enforcement of the National Land Transport Transition Act (NLTTA) which was promulgated

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The ever sprawling character of South African cities and the legacy of land use and planning under the apartheid regime has characterised the form of public transport. Visitor's guides describe SA public transport as “chaotic”, which is perhaps an understatement.

Current Situation

In 2006 SA recorded the highest year on year growth in new car sales. Car journeys account for 37% of all motorised trips in metropolitan areas. In Johannesburg travel times

with other formal modes of transport. Minibus taxi drivers rarely receive fixed salaries, but rather accrue the excess of a basic daily minimum (+-R550.00) which is paid to the owner of the vehicle. This forces drivers to flout traffic regulations in a desperate search to collect new passengers and maximise revenue for the day. Money is seldom set aside for repairs and maintenance or even recapitalisation of the vehicle.

Commuter rail services operate in all of SA's largest cities. Services are provided by Metrorail, a state owned

in 2000. It is now the core institutional and regulatory mechanism for addressing urban public transport. The act creates the regulatory mechanism for addressing the "rules of the game" as noted above. It also creates transport authorities as local level agents responsible for planning and implementing public transport. The taxi permit system is controlled at provincial level. Effectiveness of implementation has varied depending on the province analysed. Gauteng is the leading province at this stage.

Some densification has occurred in SA cities but is based on intensified car use rather than patterns of corridor densification to enhance the use of public transport. In fact government housing policy has largely ignored the vision to increase the density of housing development, and has maintained the "one house one plot" situation. By nature this favours the private car as opposed to public transport.

The NLTTA provides the means to plan more effectively to enhance modal economics of public transport. This planning process however has motivated large scale capital intensive developments such as improved

railway lines and tram systems, whilst paying little attention to the preferences of commuters, which is often to use minibus taxis.

The Future

Several developments are currently coming together which are likely to have a defining impact on the taxi industry, and consequently the insurance underwriters of that business. Re capitalization has resulted in more operators being compelled, by finance houses, to purchase comprehensive insurance thus increasing the numbers of taxis which require insurance. The development of larger mini buses – up to 34 seats – increases insured values, but also the potential for higher passenger liability and personal accident losses.

The current massive increase in the cost of fuel has the effect of driving more hard-pressed car commuters to change their habits, and revert to the use of taxis. The fuel price may also lessen road congestion and encourage drivers to drive more conservatively, which in turn may reduce accident incidence.

Amendments to the Road Accident Fund rules and regulations, while still the subject of discussion, will no doubt impact on the operation of passenger liability insurance, and should encourage operators to purchase personal accident insurance for both passengers and drivers, which is another opportunity for the insurance industry. Government is implementing legislation to increase the minimum level of passenger liability which has to be carried by minibus taxis to R10 million before the 2010 FIFA World Cup, and this too presents both challenges and opportunities for the specialist underwriters in this class of business.

At the same time, the Gautrain is scheduled to begin operations and there is a concerted effort by Transnet to update and improve their rolling stock - will this take any significant business away from the taxis, and consequently put a squeeze on their margins? Only time will tell. It is, however, certain that this extremely important, crazy business is going to continue to pose questions for, and present opportunities to, the insurance industry for many years to come. ♦

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