

Privatisation, worker compromise and the emergence of quasi-monopolies:

The case of Durban Transport

After 101 years as a public bus company and five years of playing hide and seek with Samwu, Durban Transport privatised its operations in 2003. Opposition by both the SACP and Samwu did not halt the bumpy, and at times treacherous road to privatisation. **Sultan Khan** examines how the local municipality handled the privatisation process.

The changing policy landscape of national government in the transport sector placed the Durban municipality in a precarious position. It had to shift from the role of being a public transport provider to that of regulator. Other factors such as accruing financial deficits running into R70m per annum and an ageing bus fleet, prompted the decision to privatise the public transport service. More importantly the public transport service was beset with internecine labour disputes between the minority white Independent Municipal and Allied Trade Union (Imatu) and the predominantly black South African Municipal Workers Union (Samwu) comprising a membership of 300 and 900 respectively. The prelude to the privatisation process was characterised by serious claims of racism, nepotism and unfair labour practices by Samwu workers, from their white Imatu counterparts.

An attempt to investigate claims of corruption in the public bus company through an independent inquiry to test Samwu members allegations, was mothballed when senior officials of the public transport company, comprising predominantly Imatu members, brought on an interdict to stop investigation into

allegations of nepotism, racism and corruption. Despite this move, the municipal council suspended the entire management of the public transport company, appointing an interim management committee. Interestingly, the investigation deviated from the initial terms of reference and expanded itself into an inquiry regarding privatisation policies, unfair dismissal, demotions and medical boardings. This was the first time that the mask on the council's intentions to privatise was removed.

Subsequent discussions with Samwu on the future of the public transport company were fuzzy, with no clear indication on the form of privatisation contemplated by the council. To quote Samwu's KwaZulu-Natal general secretary in frustration at his inability find out the intentions of council, '...call it privatisation, call it outsourcing, call it private-public partnerships, call it what you want'. The council played hide and seek with the union in regard to privatising the Durban Transport Management Board (DTMB). From the negotiations between the union and council officials it becomes apparent that the union had no clear understanding of the contemplated form of privatisation intended by the municipality. A press statement affirms the council's

confusion when they said they 'considered corporatising operations, but opted for privatisation' (*Financial Mail*, August 4, 2000).

The unions went on to negotiate with the council to secure the best deal for its members. The following settlement was agreed upon:

- that all staff employed by the council will be offered retrenchment packages;
- the new private consortium will re-employ 75% of the total staff of the DTMB;
- the remaining staff will be redeployed within the council's new executive of the Transport Authority; and
- staff would be given an opportunity to buy 28% of the shares in the new consortium.

This deal placated the workers and the road was cleared for privatisation. The settlement reached benefited staff greatly. One official commented that the 'staff at DTMB were the most highly paid civil servants in the country', with a large proportion receiving packages of R300 000 and over. To facilitate the retrenchment process, council approved bridging finance to the amount of R200m. With such a lucrative offer, workers could find no reason to oppose privatisation but welcome such an event. This however, was contrary to the position held by Samwu officials in the national anti-privatisation summit held in Johannesburg in 2000.

But Samwu bowed to wishes of workers who had been taken in by the municipality's offer of economic empowerment and at the same time tried to safeguard their interests. The workers were so greedy for the perceived benefits to be derived from privatisation that they became impatient with the role of the union.

Finally on 13 May, 2003 the DTMB was opened to tender and Remant Alton was the only bidder with significant shareholdings



(60%) by a preferential population group. Consequently, the entire bus fleet was sold to the consortium for R71m. Intrigue and speculation surrounded the awarding of the contract to Remant Alton, which was investigated by the Scorpions and found guilty of corrupt practices pertaining to subsidy claims and failing to fulfill its 'social investment commitments' (BEE).

Despite this irregularity, the tender was not withdrawn. There were claims of political connections influencing the bus deal. A former United Democratic Front (UDF) vice-president in the region and the minister of transport in the province were cited as influential parties in the tender award process. Political links to the mayor of Durban were also said to have influenced the decision. It was alleged that the CEO of Altons Transport had a history of strong influence within the ranks of the ANC leadership during the UDF liberation struggle days by virtue of making his buses available to transport protestors and to and from political rallies. Former staff of DTMB (Staffco) who had bought shares in the new consortium complained bitterly that they were allocated routes in affluent residential suburbs such as La Lucia, Umhlanga and Durban North. None of the financially

lucrative routes from the townships to the cities were awarded to Staffco. Even Taxico who acquired 12% of shares were only awarded routes within the CBD that are largely supported by low fare paying commuters. The operational assets acquired by the new consortium were also a source of contention and revenue loss. The ageing bus fleet has been showing signs of collapse while it is not infrequent to see broken down buses and stranded passengers in the city. Drivers are already complaining that they are underpaid and the safety conditions of the vehicles have deteriorated.

Although on the surface it would appear that the former Samwu staff have struck a lucrative deal in the new consortium, it is questionable whether their investment will realise any appreciable returns. The SACP, when contesting the privatisation of Durban Transport, interestingly raised concerns as to whether a private company could run a financially viable service when the metropolitan council was running a deficit and unable to renew its operational assets. In keeping with corporate management principles, the new bus consortium has already made 1 048 cuts in the bus timetable on routes with 50% and less seat occupancy.

Already one can see the effects of privatisation on ordinary commuters who have to wait longer hours for a bus so that profits are maximised at the expense of taxpayers. On the other hand, this cut in bus timetables has a more positive spin off for the already volatile taxi industry. It has created greater space amongst taxi operators to compete for passengers and routes resulting in a violent contest within the city. With government's taxi recapitalisation programme emerging from the doldrums, the private bus consortium is set for strong competition from this emerging monopoly, placing its profit at risk.

In the privatisation quagmire the future of Staffco in the new bus consortium is likely to be reduced to a thin filling in a hefty sandwich of emerging monopolies especially when the government's taxi recapitalisation begins to create a new appetite within the beleaguered transport sector.

This article is a summary of a paper titled 'Privatisation of Durban Transport - Rationale, process and implications for regulation at a local government level'. Khan is with the School of Sociology and Social Studies, University of KwaZulu-Natal.