

Market Structure, Rents and Violence in the South African Minibus Taxi Industry

Leonard LE ROUX

Abstract :

In many lower and middle countries, formal public transport is only one part of a patchwork of urban transport providers. Privately owned minibus taxi operators are important role players in transport provision in many African cities, and yet little is known about the overall functioning of this sector and the implications of its industrial organisation on economic outcomes. The minibus taxi industry is at the center of South Africa's commuter transport system. Sixty percent of all commuters and eighty percent of public transport users rely on minibus taxis to navigate the country's spatially segregated cities that are characterised by significant spatial mismatch and long commute times. Low income earners (in the first quintile) in metropolitan areas spend on average 40% of gross earnings on public transport. The taxi industry is constituted of private actors and largely self-regulated. Taxi owners organise into associations to compete for control over routes, with limited de facto governmental oversight. The South African Minibus Taxi industry is also characterized by very high levels of physical violence. Roughly 40% of all assassinations that occur in South Africa are a result of Taxi-related violence. Competition for the control of routes - economic markets - is at the heart of this conflict.

This paper empirically studies the organisation of the minibus taxi industry using administrative data on the universe of individual minibus taxi license applications and specific routes operated on by each taxi association from 2003 to 2022. This panel is linked to a novel data set of route-level prices collected at taxi ranks, and a novel data set documenting taxi-related violence gathered from news articles to understand the linkages that exist between economic competition, the rents associations are able to extract from commuters and outbreaks of violence within this industry.