

BRIEFING PAPER

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Minibus Operators and Passenger Welfare in Malawi

– Milward Tobias

The public transport (Minibus) sector in Malawi is prone to various structural and functional deficiencies, which manifest into problems faced by passengers/consumers using the services daily. Common problems are unnecessary high fares; poor quality of services and lack of attention towards passenger safety. Minibus owners formed an association called the Minibus Owner's Association of Malawi (MOAM), for all the agents to function coherently in the sector. MOAM, however, instead of having controlled the behaviour of individual agents, allowed them to benefit from the lack of regulatory oversight and weakness of civil vigilance in the sector, at the cost of the passengers/consumers. Such a situation has also been facilitated, as the passenger welfare association of Malawi (PAWA) has weakened, gradually. This briefing paper in addition to sensitising readers of the situation in the Malawian public transport system (which exhibits characters similar to those in many other developing countries), highlights the possibilities for the competition agency (Malawi Competition and Fair Trade Commission) to address the situation, by the effective implementation of the country's competition Act, thereby relieving poor passengers/consumers of their heavy (transportation) cost burdens. The paper underscores a classical example of how lack of competition enforcement can further impoverish, already poor consumers/citizens; and strongly advocates for the reversal of this trend.

Introduction

Malawi has a population of about 12 million people with about 25 percent living in urban areas. A large number of urban area dwellers rely on minibus for transport to work, school, market, church and many other places and functions. Transport quality and costs thus have a large bearing on their well-being. The major providers of commuter transport are the minibus operators who have formed a trade association called Minibus Owners Association of Malawi (MOAM).

Minibus (e.g. matatu, combi) operators have flooded the market since the mid-1990s. The Transport Policy of 2004 further liberalised the transport sector, especially road service. Prior to 1990s, there were few operators that complemented with the now being liquidated 'Shire Bus Lines'. The challenge then was the short supply of transport and most routes especially in the rural areas suffered a lot. A bus would only travel once or twice a day or even worse, on certain designated days. This was distressing to most people without personal vehicles. The influx of minibuses in the mid-1990s came as a relief, as access to transport facility increased greatly. In order to be well governed, the minibus operators formed an association, the MOAM that is recognised by the government.

Minibus Operation

In Malawi, minibus transport sector is a challenging one in terms of management. Minibus owners usually offer their agents targets of money, which they should

generate in a day. This has serious implications on speed and hence road accidents are common since the drivers and conductors have to meet that target. Further, they try to also make some extra money for themselves, even at the cost of passenger safety at times.

High Fares

In a liberalised market, the expectation is that more players in the industry would entail more competition on prices and quality, and therefore result in more gains for the consumers. The role of MOAM would, therefore, be representation and quality check so that buses that are registered with it have to meet certain legal and safety requirements such as certificate of fitness, insurance and so on. However, MOAM has been known for determination of price, including directing minibuses on how much to charge for different routes. Further, it has cushioned inefficient and poor or sub-standard transport providers by allowing the agents to line up on the first-come-first-serve basis. This has denied consumers (passengers) their freedom of choice. This practice is illegal according to section 34 (1) (b) (i) of the Malawi Competition and Fair Trading Act, which stipulates that:

The following practices conducted by or on behalf of a trade association are declared to be anti-competitive trade practices and are prohibited: Making of recommendations, directly or indirectly, by a trade association, to its members or to any class of its members which relate to the prices charged or to be charged by

such members or any such class of members or to the margins included or to be included in the prices or to the pricing formula used or to be used in the calculation of those prices.¹

Minibus operators have operated in contravention of this Act despite the fact that country possesses a Competition and Fair Trade Commission, which is responsible for implementing this Act. Under normal circumstances, it would be expected that the transport sector would be under considerable scrutiny to curb such practices because of the impact it has on the welfare of the people who have no choice but to use minibus for transportation. In Malawi, transport is regulated by Ministry of Transport and Public Works that is expected to coordinate with the competition commission for necessary interventions. Currently, there is no coordination between the two. MOAM has used the weakness of the competition governing body to make abnormal profits and cover the inefficiencies of the operators. Every fuel price hike attracts a fare increase that is not only totally transferred to the consumers but also adds more to the profit margin.

In Blantyre, bus fare in most routes went up by MWK 5 while in Lilongwe it rose up by MWK 10. According to Wazonia Ligomeka², the right amount bus operators should have increased the fare was MWK 2.50. This, according to him, would have ensured 'Pareto efficiency' (i.e. by making someone better off no one is made worse off). Based on his survey of 15 operators on a distance between Capitol Hill and Residential Area 12, he found out that bus operators used between MWK 200-400 (US\$1.45-2.91) for fuel per trip. Taking the upper limit and dividing it by MWK 161 (the previous price for petrol) gives 2.48 litres. Multiplying this by the current price of MWK 191 per litre comes to MWK 473.68 (US\$3.45); thus the fuel price increase per trip between Capitol Hill and Residential Area 12 is MWK 73.68.

A bus with carrying capacity of 18 passengers should increase fare by MWK 4.10 if the total fuel cost increase (i.e. MWK 73.68) is shifted to the consumer. In efficiency terms, however, the operators are supposed to shoulder part of the increase. Ligomeka distributes the fuel cost increase equally between the service supplier and

consumer and estimates wear and tear at 11 percent making the consumer pay 61 percent. As Ligomeka rightly notes: "Operators have not only pushed the total cost to passengers, but have also added an additional MWK 5.90 more by increasing the fare to MWK 10".

Unfortunately, in a market where competition is not prevalent, all such gross inefficiencies are borne by consumers. More so where there are limited alternatives, suppliers abuse the market. The market abuse is aggravated by the passive society and weak enforcement of regulation as Passengers Welfare Association (PAWA) laments: "The weakness of civil society in Malawi is the limited capacity to conduct research, resulting in giving opinions rather than facts. This may be a source of contradiction and lack of coordination among civil society organisations (CSOs) in the country".

Poor Quality Services

One determinant of price of a service and a good in normal economics is quality. Minibus operators have compromised on quality through a number of ways that too are linked to the operations of the association, including:

- Lining up of buses on the first-come-first-serve basis implies that passengers have to board on the bus that is packing at that time compromising on choice. This has resulted in sitting on damaged seats or getting on a bus that has inadequate ventilation.
- Getting tightly packed and sometimes being mistreated by conductors and drivers through disrespectful language; diversion from normal routes to run away from traffic police if the bus is not road worthy; and being dropped at a place different from the destination

Boycott against Government Orders

Government of Malawi through the Road Traffic Directorate, directed that minibuses carry three people on a seat roll instead of four. This was a safety measure to avoid accidents that happen due to overloading. MOAM reacted to this with a planned stay away from operation since September 15, 2007. Two days later government reversed its decision and opened up for more discussion

Box 1: Minibus Owners Get Injunction

The High Court in Blantyre has granted the Minibus Owners Association an injunction and stay order restraining government from enforcing the regulation to have minibuses' sitting capacity reduced from four to three people per seat. This development came after the same court granted the association leave to apply for judicial review over government's decision.

"Until the hearing of the *inter-parties* (where both parties are heard) application for an injunction or until a further order, the respondent must not either by himself, his officials or agents, or howsoever otherwise...enforce Regulation 13 of the Road Traffic (Construction, Equipment and Use) Regulations, 2000," partly reads the order.

The court also stayed government's decision requiring association members to configure their motor vehicles in accordance with the regulation and /or present them to Road Traffic Offices for inspection and change of documentation. The respondent in the case are the State and the Minister of Transport, Public Works and Housing. According to the injunction order, the respondents can apply for variation or the discharge of the order.

"The respondents may apply to the court at any time to vary or discharge this order but if he wishes to do so, he must first inform the applicant's legal practitioners in writing at least 48 hours before hand," reads the order.

The association's lawyer Ralph Kasambara applied to the court for leave for a judicial review on the matter which the court granted. Among the reliefs sought is a declaration that government's decisions on the issue are 'unconstitutional, irrational and unreasonable', as well as an order quashing the decisions. Government was to start enforcing the regulation soon.

Source: *The Nation*, November 27, 2007

with MOAM. Before government reversed its decision, Coxly Kamange, Secretary General of MOAM was quoted as saying,

“We made efforts to discuss this matter with government on how best it should be done but government has shunned us.... The operators would not lose business during the stay away more than they would if they were to reduce the passenger capacity of their minibuses”.³

After the reversal of the decision, the association expressed happiness and business continued as usual. Structural and behavioural rigidities are still a challenge especially when service providers have been profiteering from the imperfection of the market. Recent development in the seat capacity directive still faces difficulty to be effected as the government had planned (see Box 1).

Weak Civil Society Vigilance

There are a few organisations in Malawi working on the rights of the consumers notable being Consumer Association of Malawi (CAMA), Centre for Social Concern (CFSC) and PAWA specifically on public transport issues. All these, as advocates, have not yet made significant impact on the welfare of the passenger. Due to challenges that will be discussed later their operations are reactive rather than being proactive.

There is also lack of proper organisation and coordination in the operations of consumer rights bodies. For example, the proposed reduction of seat capacity to three per seat roll was responded differently by different CSOs. While PAWA welcomed the idea, Malawi Congress of Trade Union (MCTU) sided with MOAM giving what it called high taxes as justification for carrying four people per seat roll⁴.

The president of PAWA, Don Napuwa informs that PAWA has received very little support, except from the Norwegian Agency for Development Cooperation (NORAD), which was administered by the Human Rights Resource Centre, but has unfortunately come to an end. Apart from two time support from MOAM, it has never received support from the corporate sector. As an advocacy body, PAWA appreciates the working relationship with MOAM, despite having different perspectives on passenger welfare.

PAWA executive members work voluntarily and mostly use their own resources. With the NORAD support, it had an office for one year that was manned by administrative assistant who has now been laid off. With regard to successes, PAWA has gained recognition to the extent that it is in the boards of Petroleum Pricing Committee and other transport related bodies. The organisation has received cooperation from the media. Further, PAWA lobbied with the Minister of Transport on high rate of accidents and their causes, upon which the Minister called a meeting to form a committee. This committee meets monthly and the recent issue of seat capacity is being reviewed.

Regarding challenges, PAWA observes that the Malawi society is generally passive as people do not seem to appreciate their rights and responsibilities. There is

laxity on the part of government to deal with violations of consumer rights. PAWA cites examples of drivers on the road without Passenger Service Vehicle (PSV) licence, discrepancies in fares among the cities of Lilongwe, Blantyre, and Mzuzu which the passenger body is advocating for standardisation. PAWA collaborates with Road Traffic Department, Roads Authority, and National Road Safety Council. It also has an informal working relationship with CAMA but has no ties with Centre for Social Concern (CFSC) and MCTU and other CSOs. Also, it has not interacted much with the Competition and Fair Trade Commission of Malawi.

Consumer Expenses vs Operator's Income

Consumer Expenditure

In a month of 22 working days, a passenger in Lilongwe staying in Area 25 and using one bus to the work place or business place would spend MWK 3080 (US\$22.44). Going by the poverty level of spending less than US\$1 a day, the daily transport cost squarely consumes US\$1 a day. Average monthly salaries for junior staff in government have just increased to around MWK 12000 (US\$87.45) and these people have to rely on minibus or personal bicycles if not walking on foot to work. Taking away the transport cost, they are left with MWK 9000 (US\$65.59) to be allocated among food, house rent and other needs.

A university graduate at the entry point of professional career pockets approximately MWK 28000 (US\$200). Taking away the transport cost, he has MWK 25,000 (US\$182) to be spent on house rent, food and other needs. More so, people do not only travel to go to work, but also to different places and on many different times. Further, even though only one person in a family may be a bread winner, all the family members may need to travel thereby spending a large part of the income on transport. The argument however is not whether people should spend more or less on transport, rather it is on the justification to pay unnecessarily high on transport and the impact on citizen's welfare.

Earnings of Operators

Most minibus owners instruct their agents to generate about MWK 5,000 (US\$36.44) a day, the average target as business may not be stable throughout the month. While some of the operators work every day, some take rest one day in a week. Calculating the earning per month of those that take a-day rest (hence working for 26 days) comes to MWK 130,000 (US\$947.46). And operators whose buses do not ply two days a week (hence working for 22 days), the earning comes to MWK 110,000 (US\$801.70) per month. During mid-month the revenue generation is lower than towards the month end and initial days of the month. So too is the case with weekends.

Alternatively, minibus makes six trips in a day⁵. The most expensive routes are in Lilongwe at MWK 70. If a minibus carries 18 passengers in a day, it would generate an average sum of MWK 7,560 (US\$55.17). The cheapest route

is the Kamuzu Highway in Blantyre at MWK 40, and in this case also a minibus with a carrying capacity of 18 passengers can earn up to MWK 4,320 (US\$31.52). Fuel is bought using the money earned during trip. The target of MWK 5,000, therefore, impacts on speed as driver and conductor panic to meet the target and also make their own money.

In early 2006, I was staying in Area 23, a residential high density area in Lilongwe. From the area, every early morning when working persons travelled to town, minibus fare was MWK 30, at 8 am when people travelled, the fare went down to MWK 20. However, business-minded operators knew they would still make profit by charging the lower end. A trip from the parking area in the town to Area 23 at the same time would cost MWK 40. If a minibus driver would decide to charge a low fare and bypass others parked on line waiting for their turn to pack, the minibus touts usually would beat and harass him. Worse ever, passengers who wanted to go home early and catch such a bus that had bypassed others and was cheaper would be harassed as well. The price and quality of service has technically reduced the number of operators to a few, as they operate in oligopoly and can afford to abuse the market.

Cost for Operators

The cost structure of minibus operators would include: salary for driver and conductor; guard where applicable; mandatory insurance; certificate of fitness; vehicle licence; road service permit; registration; change of ownership; Malawi Revenue Authority; subscription to MOAM; route application form; and regional passenger membership. The Table 1 shows average running cost of minibus.

Other cost items may include gate fees, lunch allowance for driver and conductor, and provision for depreciation. The lunch allowance is about MWK 200 for each driver per day. Gate fee ranges from MWK 25, to,

Cost item	Amount (MWK)	Period
Salary driver	8,000	1 month
Salary conductor	4,500	1 month
Salary guard	4,000	1 month
Mandatory insurance	40,000	12 months
Certificate of fitness	3,000	12 months
vehicle licence	2,000	12 months
Road service permit	3,000	6 months
Change of ownership	5,000	One off
registration	5000	One off
Route application form	500	6 months
Subscription to MOAM	2,500	12 months
Malawi Revenue Authority	3,500 (with 3 months grace period for new vehicle)	3 months
Southern Region Passengers membership	500	One off

Source: Minibus Owners Association of Malawi, Blantyre.

Table 2: Monthly Cost of Minibus Operators

Cost item	Amount (MK)
Salary driver	8,000
Salary conductor	4,500
Guard	4,000
Mandatory insurance	3,333
Certificate of fitness	250
vehicle licence	166
Road service permit	500
Change of ownership	83
registration	83
Route application form	83
Subscription to MOAM	208
Malawi Revenue Authority	1,166 (with 3 months grace period for new vehicle)
Southern Region Passengers membership	8
Monthly Total	22,380

Source: Author's calculations from figures in Table 1

MWK 200 depending on the route with high figures for routes to areas outside Blantyre. The last cost item in the Table 1 applies to all minibus operators in the other regions of the country. It may only change to central and northern parts of the country.

To obtain monthly cost, each cost item is divided by the number of months of validity. Assuming the life span of a vehicle to be five years the one-off cost items are divided by 60 months. Such an exercise provides the monthly cost (see Table 2). It should be noted that these are operating cost and investors would want to recoup their initial capital. Since the market is dominated by individual operators, some of them invest personal income that does not attract interest while others may borrow from the bank to finance their investment. Lending rates in commercial banks have averaged 40-50 percent between late 1990s to 2003. The rates have declined from around 35 percent in 2004 through 27 percent to 19.5 percent at present. However, the gap between the average monthly earnings and the average monthly costs is self explanatory in terms of how consumer welfare is compromised. The cost of fuels and oil is deliberately not included because drivers would have to buy fuel out of the daily revenue while meeting the target amount.

Nature of Market

Most markets in Malawi are imperfect. The 1997 competition policy for Malawi admits that the economy is characterised by imperfect market structures, as such most goods are produced and distributed under monopolistic and oligopolistic conditions⁶. The imperfect market creates distortions that only benefit suppliers. The transport sector and particularly the minibus sector in

Malawi is operated at small scale. This implies ownership is usually with individuals except a few occasions that minibuses are owned by a consortium. The implication of this is that decision making on pricing is largely done by MOAM. This is because no single operator would influence demand for other operators by cutting price or improving quality. Even though some minibus operators own many buses and are established in the business, they only exercise their economies of scale by setting relatively low target amount of money that their employees have to generate. This may have a positive impact on two fronts. Firstly, economies of scale do not act as barriers to new entrants. Secondly, the low target amount of money agents are directed to generate may positively impact on speeding.

Road Accidents

A minibus operator one day in May 2007 went to the bus stage where his driver had parked and was waiting to get passengers from Lilongwe to Mangochi. The owners instructed that the bus should return to Lilongwe the same day implying that it should travel to Mangochi, drop the people and carry people from Mangochi to Lilongwe to have a high turn over rate. Upon leaving Lilongwe the driver was speeding and a few kilometres from Lilongwe, he failed to successfully overtake a lorry and was involved in an accident that left him dead on the spot with several others seriously injured. This is one example of the many road accident cases which police investigations have found to be caused by over speeding. Table 3 gives a picture of road accidents occurrence. There are, however, unreported accidents as such the figures may be under estimates.

The figures above include all types of vehicles. Nonetheless, minibuses dominate the occurrence of accidents and lead to loss of many lives. The data collected by National Statistical Office (NSO), Malawi is from Police Headquarters and as said above only captures reported accidents.

Factors Affecting the Sector

The imperfect nature of the transport market is a result of multiple factors such as:

- Weak regulation in terms of enforcement;
- Weak civil society and passengers union (PAWA) in terms of resources; and
- Structural set up of operators, as they work in oligopoly.

Measures to Address Sectoral Problems

Specific measures are required for promoting consumer welfare. This would encompass specific roles to be played by the police, the competition and fair trading commission, the road traffic directorate and the civil society. The players would require support to carry out these roles.

The Police

The Police started tracking speed using speed traps but these machines were few and would only be used irregularly. Now even the speed traps are no longer in use. Increasing the number of speed traps and enhancing its use is likely to change the behaviour of drivers. This, coupled with stiff penalties, could gradually promote careful driving. However, the police are vulnerable and often resort to corrupt practices because of low salaries, among other reasons. It is important that salaries for civil servants including police be improved, so that officers might not give into temptations.

Another factor is behavioural rigidities. Malawi has been a politically independent state since July 1964 and changed to multiparty democracy in May 1994 due to a referendum in June 1993. The political euphoria during the United Democratic Front (UDF) led government from 1994 to 2004 overemphasised the rights and under-emphasised the responsibilities. Street vending just as any other business became so powerful that the state would not control. So too was the case in the minibus sector. Currently, government has ordered the removal of minibus touts but there is still laxity as this became the source of living for the touts though illegally and irresponsibly. In November 2007, for example, 20 minibus touts were arrested by the Police in Kasungu district⁷. Besides, there is need for regular training to build capacity in moral and leadership issues in the police service. Non-state actors can support such trainings.

The Competition and Fair Trading Commission

A major challenge at present is that there is no full time secretariat for the Malawi Competition and Fair Trading Commission. There is need to hire full time competent personnel to run the secretariat. Personnel should possess a diversity of expertise such as in commercial law, human rights law, industrial economics, accountancy, auditing, natural sciences and others. Government of Malawi and other stakeholders should support the commission in this regard. There is also need for support to be provided by the international development partners.

Table 3: Road Accidents in Malawi

Year	Persons Involved					Number Vehicles damaged
	Fatal	killed	injured	Injured seriously	Minor injuries	
2001	609	667	1189	227	962	1131
2002	646	667	3105	227	992	2846
2003	739	829	2971	768	2203	2118
2004	509	529	2425	613	1812	1313

Source: National Statistics Office of Malawi 2006

Civil Society

The challenge faced by civil society is capacity building – both in terms of number and at times quality of personnel. Usually, the majority of civil society activists do so from moral point of view but lack expertise in the field of market structures, research, and proper dissemination of findings. This is a result of a number of factors that include:

- *Financial and technological challenges:* Most often finances are inadequate which leads to hiring of less skilful personnel and little investment in research. Procurement of computers, adequate use of internet that would help research work is limited.
- *Mismatch of expertise:* In Malawi, most CSOs emerged in the mid to late 1990s with others emerging in the current millennium. The tradition in most CSOs is that of founder or Executive Director who also becomes spokesperson on any issue. As a result of this, very few organisations have people with relevant expertise to handle specific issues. Hence, there is need for capacity building – financially and technically so that right people are put in right positions and their scope of expertise is deepened. Exchange visits, internal and external seminars may help deepen and widen understanding of transport sector, market structure and competition matters.

Recommendations

The above sections have highlighted the relationship between minibus transport and consumer/citizen welfare. The transport sector services deserves closer look because it has direct and unavoidable impact on the well-being of many people. While the Competition and Fair Trading Commission in Malawi has done some work on some sectors of business, the minibus sector has not been part of the agenda. It is recommended therefore that:

- The MOAM, PAWA and the Competition Commission should discuss and find plausible ways of resolving challenges facing the sector, especially those impinging on public interest.
- The PAWA should be empowered through support and guidance.

- Once empowered, PAWA should conduct awareness among people on their rights, especially with regard to public transport/passenger welfare.
- There should be coordination and consolidation of efforts by all consumer organisations/CSOs. Currently, they work in isolation.
- The new bus company that government intends to introduce replacing ‘Shire Bus Lines’ should extend to commuter transport service. The company should provide consumers with an alternative by providing coasters and minibuses for residential areas as is the case in some countries like Zimbabwe.
- There is need for private transport companies to come in and break the current oligopolistic structure of the market.
- The working relationship between PAWA and MOAM should be enhanced to promote a harmonious interface between passengers and transporters.
- Traffic Police should check vehicle roadworthiness at the point of departure apart from on the road as is currently the case.
- There should be proper coordination between sector regulator, ministry of transport and public works and the commission to deal with the challenges.

Conclusion

In analysing competition and market structures, the core aim is to investigate consumer welfare. This paper endeavoured to study the transport sector particularly the minibus operations in the cities in Malawi using Blantyre city as a case study. With the available data, it is found that consumer welfare is greatly compromised in terms of price and quality and there seems to be not much happening to reverse the trend. Even individuals and the corporate sector does not seem to value the work of PAWA. Further behavioural rigidities and individualism hampers the efforts of advocates of passenger welfare. The paper has made recommendations aimed at improving and protecting consumer welfare, especially that of users of public transport.

Endnotes

- 1 Competition and Fair Trading Act, Government of Malawi
- 2 *My Turn*, an article by Wazonia Ligomeka, *The Nation*, October 03, 2007
- 3 *Minibus Strike hits urban workers*, *The Daily Times*, October 15, 2007
- 4 *Ibid*
- 5 *Another minibus association formed*, *The Daily Times*, December 13, 2007
- 6 Competition Policy for Malawi 1997, Government of Malawi
- 7 Malawi Broadcasting Corporation, news bulletin, November 22, 2007

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