

POLICY BRIEF

Multi-directional change: Regulating public transport fares and payments in Zimbabwe

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EXECUTIVE SUMMARY

As of March 2009, there was the cessation of the Zimbabwe Dollar as the nation's currency and the introduction of multi-currencies. The shift to foreign currency brought with it a host of foreseen and unforeseen changes. While the economy has been stabilised, one of the challenges of adopting foreign currency has been the scarcity of all denominations of these currencies, particularly coinage, where there is no availability of each amount from the smallest to the largest value. This has increased chaos in trade, particularly in the public transport industry as there is no fixed or regulated amount for each journey taken, partially because of the unavailability of coins for change. As a result, many public transport users are short-changed or delays and commotion results from the attempts by public transport operators to obtain change for their customers.

It is necessary for regulation to the public transport industry regarding change to be put in place. Recommendations put forward include the adoption of regulations by the Ministry of Transport where minibus operators are required to buy coins from vendors. Additional recommendations

are given to the Reserve Bank or National Treasury to, through the banking sector, sell coins to public transport operators. Further recommendations suggest the introduction of a ticketing system to be adopted.

INTRODUCTION

The advent of multi-currencies in 2009, or what is referred to as ‘dollarization’² to replace the obsolete Zimbabwe dollar has led to a dearth of change for monetary transactions in all spheres of trade. The use of multiple currencies has led to multi-directional problems in all commercial transactions. There is a lack of policy relating to change in the public sector. This has created situations where change in formal commercial transactions is issued in the form of ‘credit notes’. ‘Credit notes’ are receipt-type pieces of paper with the outstanding change amount which can be used in that same establishment or chain at another time. Credit notes have the disadvantage of being printed on thermal paper that fades easily and they limit the user to that particular outlet. In some cases, trivial items such as sweets, match boxes and chewing gum are given as change to make up for the difference. More recently, mobile phone operators have begun to offer airtime at till points in supermarkets to compensate for as change.³ Prices also tend to be rounded-off and this makes goods and services more expensive. Rounding-off prices and customers being short-changed occurs often and the volatility of currency markets and the conversions from one currency to another lead to short-changing. In other cases, unplanned extra spending occurs. Consumers end up spending/buying more in order to make up for the difference they may lose because of a lack of change.

The Ministry of Transport, Communication and Infrastructural Development has no enforceable regulations for the proper management of public transport fares, particularly in this environment where various currencies are used. Part III of the Road Motor Transportation Act [Chapter 13:15] which relates to the regulations for the Operation of Goods Vehicles and Passenger Transport Services Section 13 (2) (a, b)⁴ is devoid of legislation on the regulation of payments by public transport users.

CHALLENGES OF THE MULTI-CURRENCY REGIME

In the public transport industry, more specific problems have emerged which include the credit notes’/coupons issued being valid only for specific routes and the problem of fake coupons in circulation resulted in a loss for the operators. Because of the shortage of coins for change, numerous disagreements over change have occurred among passengers and between passengers and operators as the result of the scarcity of change.

While banks offer to sell change to public transport operators, the latter are not willing to buy coins from the banks because the official and black market exchange rates differ. Therefore, the operators feel that they would give out change at a lower rate to the one they received from the banks.⁵ As a result, in instances where change has been supplied by the banks or by those who legally supply or smuggle coins into Zimbabwe, coins may be offered a rate higher to that they would give out to passengers. A further challenge is presented by the fact that some passengers or minibus operators refuse to accept the copper coins below R1 and the coins supplied from the USA because they cannot identify them as they are not accustomed to seeing them as legal tender and neither are they aware of the exchange rate.

In cases where change is unavailable to the public transport operators, situations such as '*kuchatiswa*'/ 'the act of being married' occur. '*Kuchatiswa*' is when public transport operators pair passengers and give them a dollar bill in change leaving the two riders (who are commonly strangers) to source the change for themselves. Also, to combat the shortage of change, irregular fares are sometimes charged. One-way trips from the city centre to any township/suburb within Harare costs between R3 (converts to US\$0.30) and \$1. Since change is limited, one customer may pay with a R5 coin and receive no change, just as another may pay R4 (two R2 coins) and another may pay R3. Unfortunately, in some instances, passengers decide to accept being short-changed or forfeit their change since public transport operators may say they are unable to source any coins.

Policy options which have mainly been developed from budget speeches and ministerial declarations have centred on the importation of coins and their distribution through the banks. However, while this has been taking place the banks have raised that importing coins is particularly costly, and the weight of coins also diminishes the value of importing them.⁶ Furthermore, coins are being sold at diverse exchange rates which disadvantage either the public transport operators or the commuters.

The option to develop a policy to implement coupons would be riddled by fake coupons, unless if measures were taken to develop coupons with dense security features in place. Such security features would be expensive to implement but would save public transport users many costs.

POLICY RECOMMENDATIONS

This issue requires input from a number of stakeholders since a lack of co-operation from one stakeholder is detrimental to others.

To the government of Zimbabwe

- The National Treasury or the Reserve Bank should source US coins through the banks to be used as change.
 - The banking sector has coins in their stocks; therefore, they must provide the public transport operators and the general public with coins at the official exchange rate.
- Must ensure that all traders abide to an official rate so as to avoid major losses in exchanging money for change.
- The official exchange rates should be honoured. In order to do this, Parliament should devise a law which compels retailers and wholesalers to get coin change from the banks and give that to customers, failing which they risk fines or the loss of their trading licenses.
- The Ministry of Transport should be involved in the consultations with the public, public transport operators and national government to set a minimum fare per journey.
- The Ministry of Transport must work with the government and local business people to expand and encourage the use of electronic money transfer systems of payment for public transport such as 'Ecocash'.⁷
- The government can manage to subsidise the sourcing of coin change from the banks.
- Enact, enable and police policies for a ticketing/coupon system which facilitates for travellers to have prepaid tickets purchased at outlets and redeemed upon boarding. This way, change will be supplied by the banks directly to the ticketing facilities and customers can purchase tickets and receive change at the ticket depot rather than being short-changed, *kuchatiswa* or experiencing delays which lead to arguments while waiting for change after boarding.

To minibus taxi operators, Transport Operators' Association of Zimbabwe (TOAZ), and Bridging the Gap Transport Operators Association of Zimbabwe (BGTOAZ)

- Enforce the policies put forward by the government and the Ministry of Transport regarding sourcing change and the ticketing-coupon system.
- Minibus taxi operators must source change from the banks where an official rate policed by the government is put into place.
- Must desist from harassing travellers with no change and must provide patrons with change where it is available and not short-change or conduct the *kuchatiswa* of travellers.
- Engage with the government of Zimbabwe on how the change problem, particularly in the public transport sector can be solved or mitigated as they are most aware of the issues and possible solutions.

Local business people and coin/change merchants

- Work with the government to further develop and encourage the use of mobile electronic systems of payment for public transport payments such as 'Ecocash'.
- Sell coins change at a rate close to the official price as set out by the government particularly if a subsidy is offered for sourcing coins.

CONCLUSION

The issue of change is particularly problematic in the public transport system. The unavailability of coin change among public transport operators owing to the variable exchange rates has caused problems for public transport users and operators alike. It is necessary for a variety of stakeholders to play their part in honouring the official exchange rates. Moreover, the government of Zimbabwe has the duty to provide alternative payment methods such as those raised in this policy brief, which include electronic money transfer methods being encouraged and ticketing systems being put in place.

REFERENCES

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- ¹ Image representing the various currencies being used for transactions in Zimbabwe.
Photograph taken by the author.
- ² ‘Dollarisation’ refers to the official introduction of the United States Dollar (US\$) and other currencies, particularly the South African Rand (ZAR), the Botswana Pula (BWP), Euro (€) and Great British Pound Sterling (£) in March 2009.
- ³ Njanji, S. (AFP) ‘Small change sparks fights in coin-starved Zimbabwe’, August 4 2012.
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- ⁴ Road Motor Transportation Act [Chapter 13:15].
- ⁵ Legal Resources Foundation (2011) ‘Opinion on Coins and Tokens as a Form of Change in Wholesale and Retail Sales’, Research and Advocacy Unit. Accessed from: <www.kubatana.net>, on 28 November 2013.
- ⁶ Njanji, S. (AFP) ‘Small change sparks fights in coin-starved Zimbabwe’, August 4 2012.
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- ⁷ The Market Monetarist (2012) ‘Good E-money’ can solve Zimbabwe’s ‘coin problem’.
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