

Perth Taxi Group

Western Australia



Perth Taxi Group's Submission to the ERA inquiry into Microeconomic Reform: Taxi Industry Regulation.

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Please read the news article from WA leading newspaper.



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1. About Perth Taxi Group

Perth Taxi Group is a not for profit group established to address the concerns and queries of Taxi Drivers within the Perth Metropolitan region. Initially constructed as a networking channel, and a place where Drivers could openly discuss issues they faces, the Perth Taxi Group has evolved into a lobbying body that acts as a united voice for Drivers.

The Perth Taxi Group was formed in 2010 and has gained considerable industry recognition in that time, having met with key ministers and supported events and actions within Perth's Taxi Scene.

The views expressed by Perth Taxi Group are representative of the majority of it's members who have shared thoughts and opinions in both formal and informal arenas.

2. Taxi Deregulation: A historical context

Across Australia, the taxicab industry has faced significant changes in the last decade or so. Across various states, it has passed from a regulated industry to a deregulated one, and sometimes returned to the regulated environment. These changes have come about in retrospect, when the theory has been overcome by more realistic (and negative factors). In fact, history shows that it is often the same economists who initially supported deregulation that have invoked back the regime of regulation when witnessing the perverse effects on taxicab industry performance impacted by entry and fare regulations.

(Anastassios, "The Taxicab Industry: Theoretical and Empirical Evidence from (De) Regulation," Proceedings; International Conference on Taxi Regulation, Montreal, United States, 1992, p.57)

This discussion paper is prepared in response to the ERA report, which suggests it's intent of removing quantitative caps on the number of taxis. Alongside this intent, it seems there is an underlying intent to remove unaffiliated owners. It is clear that the ERA believes that taxi plate owners are reaping (unaffiliated or affiliated) a huge income out of taxi licence ownership from leasing taxi plates. In actual fact, a taxi owner is only getting around 5.7% return on their investment per annum, an investment which financial institution do not even recognise as equity.

The ERA report states that deregulation will create a huge reduction in taxi fares by eliminating plate ownership. Where the front line experience of the taxi drivers accounts, there will be only be reduction of less than \$1 per taxi fare if the ownership cost is eliminated. This is provided there is no cost of lease to pay to anyone.

The ERA Report maintains a clear intent to deregulate the taxi industry which will be disastrous for the whole taxi industry at large. There are examples quoted by ERA from different countries, however applying the same regime within the Perth taxi industry is like comparing apple & oranges – an unrealistic and unfair comparison.

The ERA only states the short time benefits of deregulation, completely ignoring the disastrous effect afterwards. Most of the countries who did deregulate where force to reregulate the taxi industry as it was wrong approach and saw a sharp decline in the quality of drivers, vehicles, standards and safety. The cities that did not return to regulation have had to place a freeze on issuing any more plates due to poor earnings of their taxi drivers. In this report, there are more rounded examples presented on many of the countries mentioned in the ERA report, examples that look beyond sheer number and at the social and cultural impacts of deregulation.

3. A Realistic Perspective

The Perth Taxi Group (PTG) is questioning the research undertaken by the ERA report around the Taxi industry? We would like to know, how many drivers, owner driver, government lease drivers & taxi plate owners and other taxi stakeholders were consulted before presenting this report by ERA?

We have researched and presented examples of the ill effects of deregulation in various cities around the world. The reports are quite self-explanatory. We strongly advise Western Australian government not to act on the recommendation of ERA which will result in dramatic upheavals to our taxi industry – which currently serves a world renowned balance in meeting the needs of it's customers and operators. Instead of copying failed experiments, the WA government should be looking to build on the solid benchmark it already has and present the state as an example to follow.

It is our unfortunate belief that the ERA has prepared this paper based on erroneous information and stats thus rendering the recommendations in the report inconsiderable.

The approach which the ERA have chosen and recommended would inevitably put many operators and drivers into bankruptcy. In others countries where this happened, such as Ireland, there was a spike in Driver suicides (34 in two years) due to financial hardships. Many studies also indicate that passengers are also worse off in a deregulated market, and that finally – the taxi fares do not decrease as stipulated. In a country such as Perth which operates under a different labour market to most other countries- one that is already heavily strained by the Mining industry- why places further strain and stress on the social and cultural fabric of one of Perth's most required transport channels?

Unfortunately, the ERA report did not present a single paragraph which shed some practical light and overview on the impact of deregulation on Taxi Drivers, Owners, and Plate Owners. The majority of taxi drivers are owner-cum-drivers covering one shift out of two and leasing other half shift to a lease driver. As taxi drivers is self-employed, many are not supported with the luxury of superannuation – or cannot afford to contribute towards a fund – and hence are left with little in the way of savings on retirement save their taxi plates. After a lifetime of work it seems unnecessary that these drivers rely on welfare payments. As a matter of fact, Taxi Drivers aren't afforded sick days easily, nor can they generally afford them.

Taxi drivers who buy a taxi plate on a mortgage, assume to pay it off in 10-15 years with the belief that once the mortgage is cleared they can increase their income and upon retirement receive a fixed income by leasing the plate or by selling the plate, thus allowing them income to manage through retirement. By deregulating you put tens and thousands of people on a potential poverty line. Many of the conditions dictating the working environment of taxi drivers already make them feel they are in third world, imagine the impact of deregulation on their livelihood?

4. History Repeats

Both analytically and politically, economic deregulation has fared relatively poorly, particularly compared to the expectations of its proponents. The local governments which have adopted the most far-reaching forms of deregulation eventually either completely abandoned this policy or sharply scaled back the most significant features of deregulation. In addition, the only comprehensive empirical study of the deregulation experiences came to the conclusion that the benefits of deregulation were "insubstantial" in most locales (Teal and Berglund, 1987). While some economists continue to argue on theoretical grounds for deregulation, apparently not willing to concede to the empirical evidence (Frankena and Pautler, 1984 is an early example; Travers Morgan, 1988 a more recent example), the political debate appears to be largely over. In America, no large city has deregulated its taxi industry during the past years, and the issue has essentially disappeared from the transportation policy agenda.

(Teal, Roger F., "An Overview of the American Experience with Taxi Deregulation" Proceeding IATR, Montreal, United States, 1992, p. 123)

Why, instead of using progressive and more innovative means of addressing any issues in the taxi industry, are we utilising methods that have a history of failure and far-reaching consequences that exceed the short view economical gain?

The following case studies are realistic representations of countries where deregulation has been implemented, using some of the examples that the ERA has focussed on, including Seattle, Ireland, Darwin, Singapore & Auckland.

4.1 Deregulation in reality 1: Seattle

In 1979, the Seattle City Council adopted legislation, which eliminated the population ratio as an entry limitation for taxicab licenses. You could license as many cabs as met the licensing requirements, i.e., application fee, insurance, inspected and approved vehicle and taximeter, approved name and color scheme, and approved ownership. At the same time, rates were whatever the licensee filed with the City, as long as the rate followed the prescribed form and was reflected on the taximeter.

"Did the market regulate entry and rates? NO. Were there problems? YES. Rate gouging. Short haul refusals. Surly and discourteous treatment of passengers. Fights at cab stands at the Airport. Experiential data concerning accidents and safety became very damaging, impacting insurance rates and coverage. Government regulators were constantly barraged by industry complaints that "deregulation" wasn't working, they couldn't make any money, unsafe vehicles on the street, tension and animosity among drivers with the potential for violence, etc. Pleas for reviews were frequent. 7 By 1984, taxicab deregulation in King County was dead -- completely reversed with fixed limit on taxicab licenses

Seattle already tried deregulating its taxi industry. And failed.

As outlined in a 2001 report from the city Consumer Affairs division, Seattle abandoned a half-century of taxi regulation back in 1979, eliminating its rate-setting authority and opening the industry to all comers. The expectation was that the magic of the market would lead to lower prices, greater efficiencies, and better service. Yay, competition! But it didn't work out that way and they again regulated the market

The Seattle deregulation was included in a comprehensive analysis of taxicab deregulation and re-regulation was prepared by Price Waterhouse's Office of Government Services. It was examined alongside six other American cities which had deregulated their taxicab previously through open entry.

The executive summary of this Price Waterhouse report concludes: "Deregulation introduced several immediate changes in taxi supply, price, and service quality in the six cities for which detailed case study information is available (Berkeley, Oakland, Phoenix, Portland, San Diego, and Seattle.) The experience of these cities generally indicates that the benefits of deregulation were devalued by unanticipated and unattractive side effects: "Although the supply of taxi services expanded dramatically, only marginal service improvement were experienced by consumers. Within a year of deregulation, the supply of taxi services increased an average of 23%. Because most new entrants were independent operators and small fleet owners with limited capability to serve the telephone-based market, most new service was concentrated at already well-served locations -- such as airports and major cabstands. Customer wait times at these locations, already short, were reduced further. Response times in the telephone market were similar to pre-deregulation performance. Trip refusals and no-shows, however, increased significantly

(Analysis of Taxicab Deregulation and Re-regulation, Price Waterhouse, Office of Government Services, Washington, D.C., 1993)

4.2 Deregulation in focus 2: Ireland

Ireland opened the taxi market to full deregulation. Suddenly almost anyone who wanted a licence could have one. This was initially great for consumers, who now had plenty of availability and choice. It was also convenient to those seeking a job driving taxis - as the cost of entry was now much lower. It looks like a win-win for everybody, but in such an unbalanced situation – the ramifications were soon obvious.

Ireland and, in particular, its capital, is now saturated with taxis. In Dublin on any day you have over 13,500 licensed taxis working with approximately 4,000 taxis from outside the capital also working. A large number of these taxis are illegal. New York with 14 million people, and London with excess of 10 million people, has a similar number of taxis.

So how did it get here?

Before the Irish taxi industry was deregulated in 2000, the country, with a population of 4 million, had around 2,700 taxis. Licences were valued at up to €100,000 (then A\$150,000). The price of 3 bed family home at the same time was approx €70,000. Taxis were largely operated by owner-drivers. Most would have what they call 'a cosy', a regular co-driver.

When deregulation came, most cosies became owner-drivers themselves as they could get a licence from the Government for €6,500 (then A\$10,000) and as there was no age limit on taxis they could buy and fit out a vehicle for less than €5,000.

The result was a doubling in numbers over the next 2 years and Taxi licences became worthless - the Government refused point blank to pay any compensation.

From 2002 things got progressively worse. Taxi numbers exploded and by 2008 hit a peak of more than 27,000. Regulators and police lost complete control of the industry. In desperation, the Government, in 2009, introduced a moratorium on the issuing of new licences to halt the growth, which is still in force today.

The damage, however has been done. Alongside the honest drivers who invested their livelihood into the industry, are criminal drivers, shonky fleet owners, corrupt taxi inspection stations and dodgy drivers.

At the same time as the taxi fleet reached its peak in 2008, Ireland was hit hard by the Global Financial Crisis and its economy collapsed.

The demand for taxis has dropped dramatically since this time and owner-drivers went broke in large numbers. Desperate owners are selling their €6,500 licences for less than €1,000 on the open market and allegedly 13,000 working drivers are on welfare as they can't feed their families from driving. Between 2009 and 2010 - 32 Dublin taxi drivers, according to news reports, committed suicide.

As for better quality service and greater safety for passengers, things could not be worse. The Government has spent the past 10 years trying to re-regulate the industry to get it under control. That includes an attempt to reducing the number of cabs, hence the moratorium on new licences.

Ireland's largest city has 1.8 million people and twice as many cabs as Melbourne. Its streets are regularly grid locked by vacant cabs.

So after 12 years of deregulation, how much cheaper are fares in Ireland compared to Melbourne?

A 10km fare in Ireland is A\$20.80, however, after 15km the tariff per kilometre increases and again after 30km. A 25km fare is more expensive in Ireland than in Melbourne where a 10km trip costs \$22.00, but the tariff stays the same for longer journeys.

The situation in Ireland, contrary to ERA suggestions, has turned out to be a bit of a disaster.

On a grassroots level - in Ireland, Driver's work 15-16 hours every shift to survive (in Australian standard this would be deemed equivalent to drink driving in fatigue) and make paltry earnings. The financial hardships severed by drivers due to lack of income.

Any system that requires such long and desperate hours is jeopardising the safety and the quality of the services it provides. The lack of ranks has resulted in many taxis being reduced to circulating around the city with associated environmental and congestion problems.

Opening up the industry to drivers of all kinds also brings with it a number of safety issues and conflicts within the industry itself. Full-time drivers, who do things honestly by the book, will be frustrated to see people in other full-time occupations arrive out at peak times to make a few extra dollars at the expense of those who have this as their only source of income. And they will be angry that others get involved who have no respect for the rules and who are dragging the trade into disrepute. This will all result in lot of violence, and unrest in the taxi industry.

This is the sort of disarray the Irish Taxi industry has been left in after 10 years of deregulation. A decrease in every aspect of its operation – except taxi availability. Does passenger safety, taxi operators mental and financial health, long term economic risk and quality of the industry count for nothing in the ERA eyes?

4.3 Deregulation in focus 3: Darwin

Deregulation of entry into the NT commercial passenger vehicle industry has resulted in a major industry upheaval. A buy –back scheme for licences resulted in the Government paying out some \$25m in compensation, to be recouped through the imposition of an annual licence fee (\$16,000 in Darwin). Consequently fares have not decreased, and indeed as recently as early October 2002 there was a further increase approved by the Government.

While there was a dramatic increase (35%) in the number of taxi licences on issue following deregulation, waiting times have improved but there has been a serious deterioration in service standards, including safety issues, and driver income. This has been recognised both by the stakeholders and the general public and is well documented in the press and in question time in the Territory Parliament. This is inevitable when there has been an increase in the supply of CPVs without a corresponding increase in demand.

These problems were acknowledged by the NT Labour Government who introduced a temporary freeze on the issuing of new licences and conducted a review of the CPV industry. The resulting Reform Package has resulted in a partial reregulation through the creation of an industry based CPV Board which will have significant regulatory powers.

During Question Time in the NT Parliament on 9 September 2000 the then CLP Minister was asked the question

‘Over the past few years the government’s deregulation of this industry has seen (the number of) taxi licences double, the number of hire cars halved and havoc created for the minibus sector. I ask the minister, what do you have to say to these people when, as a direct result of your actions, some of them are now earning as little as \$35 a day ...?’,

During question time on 6 June 2001 and prior to the NT election, a question from Mr Ah Kit to the Minister stated, in part,

‘In 1998 when the CLP deregulated the taxi industry, the then minister for transport said, ‘I believe this bill will begin a new era for commercial passenger taxi transport in the Northern Territory, and I know we will be watched with great interest by other jurisdictions.’ This new era for commercial passenger transport now has many cabbies working 12 hour shifts for as little as \$25 per shift. Taxi drivers and their families are struggling to make ends meet as a direct result of CLP policies.

‘ In his response the (then) Minister stated:

‘There are now well over 120 taxi cabs operating in the Darwin area alone. Perhaps Darwin is over serviced in relation to taxis and perhaps there is not enough of the pie to go around. We are aware that, however, it will take time for that industry to settle down to a level where not only adequate service is provided, but those providing those services can get an adequate income from the industry.

One would think the force of supply and demand will eventually lead to equilibrium in the industry.'

The NT Taxi Council rejected the claim by the minister that the taxi industry would 'settle down' after the disruption caused by deregulation.

Press reports and letters to the editor of NT newspapers report driver earnings as low as \$8.50 an hour for a 12 hour shift with some instances of drivers working for as little as \$4 an hour.

What has emerged from the deregulation of the NT commercial passenger vehicle industry is the collision of economic theory and empirical reality, as identified by Dempsey.

(2 Dempsey, P S (1996): Taxi Industry Regulation, Deregulation and Reregulation: The Paradox of Market Failure. Transportation Law Journal. 24, 1)

While the waiting time for a taxi has been reduced as a result of increased taxi numbers, driver incomes have declined dramatically, as has the quality of the service provided.

(The Impact of Deregulation on the Northern Territory Commercial Passenger Vehicle Industry. Professor Des Nicholls School of Finance and Applied Statistics Faculty of Economics and Commerce Australian National University ACT 0200)

4.4 Deregulation in focus 4: Singapore & Auckland

The ERA report does not mention the livelihood of taxi drivers after quantitative restriction is lifted. Singapore offers a few more great examples of how Drivers fare after deregulation, and of the greater implications of too many taxis. The quotes below are lifted directly from a report about the Taxi Industry in Singapore.

“Driving a taxi in Singapore is usually the last resort when a person can’t find another suitable job because of old age or after retrenchment.”

“It’s not a glamorous or ultra-lucrative job. More than half the earnings of a taxi driver goes to the taxi companies as rental and fuel. A taxi driver does not enjoy things like paid annual leave or holidays (same conditions like Perth). Apart from this setback, this is the only job I know where you had to pay for not working.

“A typical taxi driver, drives for 10 hours a day and earns about \$12 an hour on a very good day. There is no medical benefits, no CPF and no pension...yet you can find plenty of taxi drivers here with a diploma or university education. The taxi companies do all they can to get every taxi rented out to drivers, regardless of the demand on the street. As long as rentals are collected promptly, they do not care how the drivers survive. Can you blame them? No. All companies operate to seek maximum profit, just like the way the PAP runs this place. And every year, Singapore company report double digit earnings growth, just like the PAP with impressive GNP.”

To be more aware of the Singapore taxi industry we highly recommend to look the blog of Singapore taxi driver with real life experience and see how dehumanise they feel.

<http://cabby65.blogspot.com.au/>

Research indicated that presently,” all players in the taxi game are unhappy with the taxi model in Singapore.”

- Taxi commuters are unhappy with sporadic fare increases, complex fare structures and surcharges, difficulties in getting a cab, poor customer service, etc.
- Taxi operators are facing difficulties in maintaining their bottom line with increasing operating costs, higher COE, hirer issues, meeting regulatory standards, etc.
- Taxi drivers are forever grouching on their hardship in earning a decent income with increasing competition on the road with more taxis, increase running costs and taxi rental, no protection or social safety nets whatsoever, etc.

All these grievances and issues are interlinked and nobody is able to devise a system to satisfy all the different needs which has no obvious pattern. Sadly, this situation has been going on for the last 28 years since taxi industry was deregulated. Like Mr Han Fook Kwang (Managing Editor of ST) said, "no transport minister had the appetite to intervene in these issues". But rightly, our transport minister ought to take the lead to set the RIGHT PRICE and proceed from there. Allowing the "monopolistic" big companies to set taxi fares is essentially wrong, for obvious reasons. All the woes in the taxi industry require decisions that ONLY the G can make.

Over in Auckland, research has uncovered the following testimonials:

“Many work 72 hours a week yet earn as little as \$60 a day. On top of that the airport charges another \$2 every time they enter the rank.

“The taxi industry was deregulated to bring better service to customers and to ensure there were competitive practices. That hasn’t happened. Airport companies are encouraging anti-competitive practices that make life even tougher for drivers. Cut throat practices like these mean that take home pay is further squeezed and drivers can’t feed their families.”

“The Government needs to take a good look at what is happening for contractors like our cabbies and consider whether there needs to be some minimum protections.”

The following blog provides more real-life accounts of the Taxi industry in New Zealand.

http://www.kiwiblog.co.nz/2013/11/labour_campaigning_for_higher_taxi_fares.html

5. A closer look: ERA findings present only half the picture.

As mentioned earlier, there are a number of instances within the ERA that require further verification, or seem to be misleading in their factuality. The research process in discussing these issues should be looked at closely.

1. Fare Evasion.

On page 233 of the ERA report, there is mention of fare evasion as an issue for the industry. Interestingly, from drivers opinions, this is not at all a key issue for the taxi industry. An experience driver knows the tricks of the trade and can usually judge a situation where they require a deposit upfront or face eviction from the taxi cab. In order to address the issue of fare invasion the Taxi Dispatch Services should play a more proactive and positive role by taking measures such as procuring the credit card details of the potential passenger.

The main concern for taxi drivers is personal safety how Department of Transport ensures a safe work place for drivers in the incident of quantitative deregulation.

2. Taxis vs available work

The ERA report does not highlight that there are already too many cabs chasing too little work in Perth. We often hear stories of drivers doing rounds & rounds in the city just to find a spot on taxi ranks then wait for a hail to come by. Drivers at the airport are constantly waiting nearly one hour on any given day and taxi ranks at the airport are totally full at all times.

On the other hand, drivers across Perth, from North to South, East to West of Perth, are often waiting for at least 30minutes to 1hour minutes before they get a job through the taxi dispatching system (TDS) . On a bad day a driver can drive empty for several hours without a job or hail.

3. Jobs Not Covered (JNC)

There is some manipulation in the data presented on JNC, which suggests that JNC range between 2 and 4 per cent of taxi jobs requested.

What is the definition of JNC? The Department of Transport definition of a JNC is a job not covered within 15minutes and is calculated from the time TDS received a phone call from the customer not from the time when a taxi driver received a job. This immediately creates an issue in case there may occasionally be a delay in this – the JNC should be calculated from the time driver received a job not from the time TDS received a job. It doesn't take into account the reasons that the taxi may be late to the pickup point.

As anybody who has ever travelled in a car would know, there are several reasons which can delay travel, including distance, road works, traffic, road hazard other factors. These need to be taken into consideration.

There are also times where passengers hail a cab whilst waiting for their dispatch cab (No Jobs), which also impacts on statistics. Figures indicate there are thousands of these happening every day.

At the end of the day, most passengers are getting picked up and the JNC statistics represent otherwise and have been misconstrued by the ERA report.

4. Waiting time

On the ERA report, page 254, it mentions waiting times for passengers will be reduced which will save around 6.5 million to \$7.4 million. This figure, as admitted by the report itself, has no substantial evidence of improvement in a deregulated environment.

However, the PTG questions, what about the waiting time in between jobs which Taxi Drivers waste in search of the next job . This could be whether he is waiting in an outer suburb of Perth, in the city sitting vacant on a Taxi ranks for 20-30 minutes , or waiting at airport for wait at least 1 hour.

We agree that waiting time is usually related to income, however any form of public transport requires waiting, be it trains, planes or buses. However, compared to these industries which operate on an annual salary, Taxi Drivers have a much more difficult time in utilised time. On the busy day, hire time of taxi driver is only 30% of the shift - 70% is waiting time. Is taxi driver's dead time is calculate as the same rate of the customer's waiting time? Any public transportation involves waiting time worldwide. If the wasted time is evaluated in terms of dollars the world will go into big time recession. For your reference again, if 15-20 jobs given by TDS turn up to be a no job , the taxi driver has wasted time, fuel & energy without any rewards. Are customers liable for this?

Further comments:

On ERA report page 235 you have failed to write that peak period also work Monday to Friday from 4am to 9 am and also 5pm to 12am on Sunday night and they also can work when there is increase in demand due to concert & public holidays.

ERA report on page 241 says that you unable to identify a market failure in the taxi industry that justifies the need for imposing regulatory limits on taxi number which just proved that scale of your study was limited here are few points for which justifies the regulation of taxi industry.

The ERA report writer does not understand the taxi industry by reading few case studies. Keeping a targeted picture in mind led to a conclusion of this report which should not be

implemented and adopted as it will affect taxi passengers and taxi drivers. The recommendation will reduce the taxi driver income further than regulated market as ERA report indicates and intent to increase the driver's income on the contrary there will be reverse effect on the driver's income.

6. Academic insight, insight built on fact

The failure of the U.S. taxicab industry open entries deregulation is well documented. Dr. Sandra Rosenbloom of The University of Texas, and Dr. Roger Teal of The California State University have separately concluded that taxi deregulation has failed to demonstrate any substantial benefits to drivers, taxi firms, or users.,

(Dempsey, Paul Stephen, " Taxi Industry Regulation, Deregulation & Regulation: The Paradox of Market Failure" Transportation Law Journal, University of Denver, College of Law, Denver, Colorado, Volume 24, #1, Summer 1996, p.102) Dr. Paul Dempsey in summarizing the empirical data from these researchers' studies and other commissioned studies , listed the results of taxi deregulation in 21 major U.S. cities prior to 1983. These were:

1. A significant increase in new entry;
2. A decline in operational efficiency and productivity;
3. An increase in highway congestion, energy consumption and environmental pollution;
4. An increase in rates;
5. A decline in driver income;
6. A deterioration in service; and
7. Little or no improvement in administrative costs

(4Dempsey, Op. Lite, p. 102)

Other notable authors having once advocated taxi deregulation by removing the maximum number of cabs authorized to provide service and recognizing a single owner/drivers as a cab company have since changed their minds based on the empirical evidence and the failure of their own recommendations.

7. Deregulation, the final verdict

Deregulation has had to be reversed in many countries.

Both analytically and politically, economic deregulation fared relatively poorly, particularly compared to the expectations of its proponents. The local governments which had adopted the most far-reaching forms of deregulation eventually either completely abandoned this policy or sharply scaled back the most significant features of deregulation. In addition, the only comprehensive empirical study of the deregulation experiences came to the conclusion that the benefits of deregulation were "insubstantial" in most locales (Teal and Berglund, 1987). While some economists continue to argue on theoretical grounds for deregulation, apparently not willing to concede to the empirical evidence (Frankena and Pautler, 1984 is an early example; Travers Morgan, 1988 a more recent example), the political debate appears to be largely over. No large American city has deregulated its taxi industry during the past several years, and the issue has essentially disappeared from the active urban transportation policy agenda

(Teal, Roger F., "An Overview of the American Experience with Taxi Deregulation" Proceeding IATR, Montreal, United States, 1992, p. 123)

Regulations have been implemented as government intervention in the market to ensure efficiency and equity by correcting market failure. Then, as can be seen in the transport industry, excessive regulation causes many side-effects such as inefficiency in its management and unreasonable protection of incumbent operators, which obstruct the industry to respond quickly to the changes in economic structure and social surroundings. In consequence, since 1970s, deregulation and privatisation have occurred in many industries to enlarge freedom of economic activities, and taxi industry has also been involved in that changes in several countries including USA, UK, Sweden, New Zealand and some others.

The deregulatory measures adopted varied in each country based on the different inherent conditions. The results also appeared differently. As a whole, however, the effects of taxi deregulation were not so beneficial to consumers due to increased fares and deteriorated service quality. In addition, the returns to operator as well as drivers also decreased, and there was no significant evidence of innovation in the industry. On the other hand, the structure of industry became to be more fragmentary with increased single operators than taxi leasing.

Proponents of deregulation suggest that taxi deregulation over entry and fares will result in various consumer benefits such as increased availability, lower fares, and improved service. In addition, they argue deregulation will promote innovation within the taxicab industry with provision of various price-service options and new type of services such as shared ride taxis. Whereas, proponents of regulation contend that free entry will lead to excessive supply of taxicabs, which provoke cut-throat competition among operators as well as drivers. As a consequence, reduction of revenue will deteriorate drivers living condition, and will threat

the industry itself. Besides, they argue the fares will increase and service will worsen if the relevant regulation would be removed.

Then, the results of practical experiences in several countries are not completely consistent with any one of the arguments, but agree partly with both arguments at different categories from country to country. Generally speaking, however, the effects of taxi deregulation was not so beneficial to consumers. This is because fares has not fallen significantly in most cases, and quality has not improved so much as expected. The returns to operator as well as drivers also decreased with relatively lower profitability and wages respectively. In addition, there was no significant evidence of innovation in the industry, but the structure of industry became more fragmentary.

Conventionally, taxi regulation has been largely concerned with public order or consumer protection rather than the economics of the industry. There are several traditional objectives of taxi regulation, namely, optimal economic performance of the trade, public safety, consumer protection, availability and quality of service, management of congestion and pollution, etc. According to Toner (1992), public safety involves protecting the consumer and other road users in matters concerning the physical safety and suitability of the vehicle, implying regulation of standards on the vehicle and driver. It also involves requirements for operators insurance coverage for compensating accident victims. Consumer protection is concerned with preventing operators in a strong bargaining position from exploiting weak consumers, applying those appropriate regulatory measures such as Fare setting and taxi meters mandatory, the licensing of drivers and the plating of cabs. As for availability of service, regulations are imposed on taxi operators to ensure provision of service at all times and in all areas such as obligation to provide service whenever required, mandatory belonging to a radio booking center. etc. Regulation for service quality involves monitoring the vehicles quality and the driver's ability such as area knowledge and manners. Congestion and pollution may be mitigated by prohibiting taxis from cruising in a congested town centre and by imposing return to rank rules. This requires a rank designation policy which can cope with the number of cabs and possibly a restriction on the number of licences issued. Economic performance is concerned with the feasible combinations between price and service level, which could be sustained in a given taxi industry. Regulators may want to control maximum fares, cab numbers and taxi ranks in order to be able to push the market towards the best state that market will attain.

If the authorities want to have full control on the taxi industry then maybe they should buy back the plates and put all the drivers on their payroll. And can direct us to do any job anywhere & keep the proceeds, as most of transactions are electronic.

8. Grass roots issues within the Taxi Industry – a further discussion

Taxi plates do generate an income stream by leasing taxi plates, unless a taxi plate is fully paid and the driver not financially incumbent. Thus all income generated by taxi plate goes into interest & repayment of the mortgage which is taken to buy a taxi plate. ERA did not mention this in their report

Leasing a taxi plate is very similar to renting a house. If you don't buy a house and keep renting your whole life, when you retire you become homeless.

On the other hand government lease plates are only cheaper by 420 dollars but the taxi owner who drive it do not accumulate any wealth or capital gain while they driving as taxi driver - they is self-employed so do not have a superannuation . Thus drivers always want to own a plate and drive as it help them keep their head above water when they retire. Or there family do not face any hardship in case of unfortunate accident as they are self-employed they do not have income protection do not receive any compensation in the event of a major accident. They cannot afford any benefits, which a normal working person enjoys as the part of incentive with his minimum pay.

We agree that lease rate for peak period is \$71.50 but that rate is well below of the cost of running a taxi thus peak period owners drive taxi themselves. If you add weekly car repayments, car registration, taxi rank fees, insurance, maintained, etc. this cost will be well above the cost which cannot be recovered by peak period plate owner unless they are driving themselves. That why most of peak period driver drive taxis by themself as they have full time job in other fields taxi driving is part time job for them.

On ERA report page 243 it states that plate scarcity appears to be appropriated solely by plate owners but it also help drivers as they are earning reasonably. If there is no regulation the market will be flooded then these drivers will be earning not even \$ 50 in a day as we have seen in Darwin, Ireland, Singapore, Auckland etc. Plate owner only enjoy the income derived from taxi plate if that plate is paid off. Most of taxi plate owners are still paying interest plus principal on the taxi plate. Loan on taxi plates can only be obtained when you have equity and you put your house on mortgage.

There is strong evidence that since deregulation there has been a significant reduction in income experienced by many in the industry, particularly drivers. So era assessment that deregulation will improve the driver income by 150 dollar a week approx. as the study shows that driver income will fall to a level that they will quit the industry they won't be able to make sustainable living out of taxi industry.

supply in Perth is between \$7.1 million and \$9.0 million per annum.

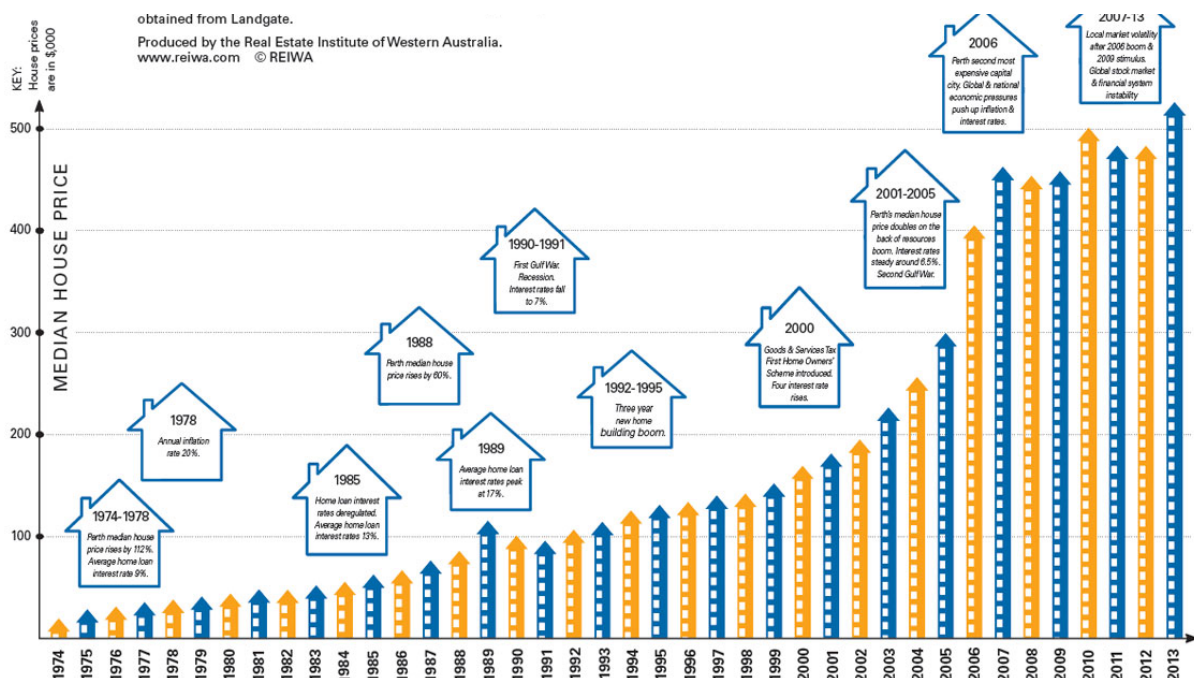
Table 30 Costs and benefits of regulating the supply of taxis in Perth

		Lower Bound	Upper Bound
Benefit to Plate Holders		\$27.7 million	\$27.7 million
Benefit to Taxi Drivers ⁵⁴⁰		\$4.4 million	\$4.4 million
Cost to Passengers	Price	-\$32.7 million	-\$33.7 million
	Waiting Time	-\$6.5 million	-\$7.4 million
Net Cost		-\$7.1 million	-\$9.0 million

7.2.3.6 Reform options

Having established the magnitude of the costs caused by the restriction of the supply of taxis in Perth, the ERA considers that there is a strong case for removing supply restrictions. The next step is to establish how deregulation should proceed. The ERA has identified

As the above chart reflects that the total cost related the plate ownership is 7.1 million for 13million jobs per year. Hence which only work at approximately \$1.83 per job irrespective of the number of passenger in the taxi.



The above chart should have been a better had the comparison between real estate market and taxi plate price instead of All Ordinaries index in the ERA page 242.

9. Key Recommendations & Conclusion

It is surprising to note that ERA has conducted such an expensive study based on erroneous figures such as taxi prices, All Ord prices, lease rate etc. thus making whole report null and void.

The PTG is of strong opinion that no one in taxi industry believes in deregulation. It will not deliver quality service and safety of vulnerable passengers especially at nighttime. There are several examples of countries that had to retract from deregulation.

The Taxi industry has existed in Perth for nearly a century and has never been threatened by deregulation as much as now. As in current report one wonders is this due to change in demographics of taxi plate ownership?

PTG strongly recommend the following:

Contrary to your tendency of quantitative restriction on the number of taxis in the Perth taxi industry the minister of transport should seriously consider privatising the government leased plates to the lease holder drivers who have successfully served and completed the contractual obligation of 8years.

It has been a practice of over a long period of time by previous regulatory bodies such as TCB, DOT, and DPI, police department to systematically release the taxi plate for ownership on seniority and quality service basis.

As admitted in the ERA report the industry standards will improve considerably when the drivers are also owners of the taxi plates. It is a proven fact that owner-drivers take more pride in their profession when they have financial interest in the industry. This has been highlighted by most of the minister in the transport portfolio in past.

In this down turn release of extra plate in form of purpose build taxi (PBT) have already effected the drivers income so much some government leased holder are considering returning the government plate.

The credit rating of WA is dropped from AAA to AA the WA government can easily raise millions of dollars by proceed of privatizing taxi plates which will benefit WA community at large.

In addition - with the announcement of the previous Liberal Transport Minister Simon O'Brien that the privatisation of the 6000 series plates, will the sold back to the lease drivers was simply an election agenda and remains unfulfilled. It is our recommendation that those 6000 series should be sold to those that have completed their contractual obligations.

All the above facts point against the deregulation, which proves a disaster for taxi industry and taxi users

