

THE TAXI INDUSTRY - PRIVATE ENTERPRISE IN PUBLIC TRANSPORT

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Abstract:

The secondary private enterprise operator faces problems, which force him to compete with the primary public transport oriented system, instead of working as a complement to that system.

Outmoded regulations stand in the way of progress, but is deregulation the answer?

World transport systems are changing to accommodate the different needs of the individual. The fuel conscious society is beginning to place more importance on transport alternatives, as private motorists are finding it increasingly difficult to compete with transport systems which are being progressively updated and hence becoming more efficient, as witnessed in the modernisation of the Japanese rail system.

Australia must not and cannot be left behind. It is crucial that we keep pace with the changing world emphasis. To do this, it is necessary to critically analyse existing transport systems. Future recommendations will result as a consequence of this analysis.

INTRODUCTION

The sector of the public transport system which is government-owned and controlled in our society is an enormous structure employing a huge workforce and requiring exorbitant treasury funds to continue its operation, however inefficient that operation may be. This paper will discuss the cause of those inefficiencies, the two main ones being the urban nature of our cities, together with one of the highest private vehicle ownerships per head of population in the world. It will also relate the infrastructure to it, of the taxi industry and also examine positive ways in which it can be more efficient.

The taxi industry forms an integral part of this system, with a major operating difference - it is privately owned and operated. It is primarily a profit-oriented industry and therefore must make a profit in order to survive. This is similar in principle to private bus lines. Although controlled in its physical operation by private businessmen formed together into trading societies for reasons of productivity and efficiency, its regulations (and thus its real "brief" to work) are designed and implemented by government instrumentalities. The very same government that owns and operates the other sector of the public transport system.

Because the taxi industry does not operate at this time on set and planned routes and the taxi vehicle has only a capacity to carry a maximum of five passengers, it is often misconstrued by the most informed transport experts that the taxi industry does not carry a bulk of people and therefore is not an integral part of the public transport system. This could not be further from reality for, in fact, as demonstrated by the following figures, it moves a responsible percentage of the travelling public every day of the year.

Official figures from the Department of Motor Transport, Public Transport Commission, National Roads & Motorists' Association, and the Urban Transport Study Group (N.S.W.) in January 1980, reveal that taxis carry 7.75% of the total number of persons carried per day in the Sydney metropolitan area, compared with a bus total of 9.05% and a train total of 8.28%.

Interestingly enough, at this time taxis carried 468,000 passengers per day, compared with buses which were carrying a total of 546,591 while the trains' daily passenger total was 500,052. Buses and trains operate on subsidised fares and can subsequently afford to carry people at a fraction of the cost that a private operator can, whilst the taxi industry is presently committed to the "user pays all" principle. It must also be remembered that because of the unique and individual passenger needs, the taxi industry provides a 24 hours a day service, seven days a week - the

only transport system to do so. Furthermore, it is the only transport mode which has the flexibility to change direction mid-way through a journey, with neither passenger nor operator being inconvenienced in so doing.

In analysing the problems which face a secondary public industry in today's primary public oriented system, it will be necessary to look at all areas affecting the industry. This will determine how the problems facing the taxi industry have come about and in so doing will allow for recommendations to be put forward concerning the future survival of the taxi industry.

THE FARE ART OF SURVIVAL

The Taxi Industry's Competition

The public transport system in every large city is becoming a monolith that soaks up a government's revenue. In real terms, the number of passengers carried per year remains static, whilst the escalation of operating costs has exploded and will continue to soar with the cost of energy and manpower; the massive amounts of capital funds also needed to replace and update to meet the transport needs of the 1980's really shows the prohibitive future the system is committed to in its present mode of operation.

The taxi industry's competition is then this very public transport system, comprising buses, trains and ferries, which travel between specifically designated routes, leaving a "cross country" route option, together with the capacity to satisfy the unique needs of the individual open to the taxi industry.

Until the recent restructuring of the Public Transport Commission in New South Wales into the Urban Transit Authority and the State Rail Authority (which pervade comment at this stage, being too soon to gauge their effectiveness), the public transport system has always run at an enormous deficit, needing to be heavily subsidised by the government of the time, in order to continue operating. All residents of the State contribute to the subsidising of this loss, regardless of whether or not they take advantage of patronising the public transport system.

In the 1978/79 financial year, the Public Transport Commission of New South Wales ran at a loss in excess of \$450M. On urban passenger services alone, the income derived was \$105,292,000 as opposed to an expenditure of \$365,013,000. This loss of some \$259,721,000 had to be met by the New South Wales Government and the contribution by the State Government to the Public Transport Commission was a devastating \$194,334,000 for metropolitan passenger services, whilst a further amount of \$103,567,000 was contributed to the operation of country and interstate

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services (1). It is significant also to note that promises to upgrade the public transport system have, in the past, been very successful in winning elections for governments, and will continue to do so because of the above massive expenditure.

However, despite all election promises, the fact remains that the government of the day is responsible for carrying the deficit of the public transport system and in a recent comment to the Press, Mr. David Hill, the newly appointed head of the State Rail Authority, said that although the current public transport deficit was "high and rising, there is little the Government can do. At best, it can only be hoped to adopt measures which will ease it. Whatever that deficit may be, the Government's ultimate responsibility is to the people and a service must be provided as efficiently as possible at whatever the cost."

It is therefore obvious that public funded transport modes are dependant on subsidy and preferential treatment by that government in power for their continued survival. This is achieved through the heavy injection of public funds but is also achieved in more subtle ways by means of "sheltering" legislation in their favour.

It is in this sphere that the taxi industry is possibly most disadvantaged, because although it is a public transport industry, it is operated by individual owners and therefore is private enterprise and totally dependant upon its own expertise for economic survival. This necessarily prevents it from being sheltered under the "Big Brother" umbrella of governmental regulation.

Because of the New South Wales Traffic Authority's decision to change many routes in the Sydney area, it has implemented new lane designations on many existing traffic routes. One of these has been the instigation of a "Buses Only Lane" and the appropriate signs were designed and posted. This meant, as the name implies, that only buses could travel in this lane during peak times. However, the written Regulation 54(6)(z) of the Motor Traffic Act states very clearly that "taxi cabs and private hire cars" are permitted to use bus lanes.

In the period of time since this regulation has been in force, there have been numerous bookings of taxi operators by members of the Police Force, who perhaps were not fully conversant with the regulation. This industry is obviously concerned at the lack of communication which exists between government instrumentalities, who are the responsible regulatory authorities.

(1). Annual Report, 1979; Public Transport Commission of N.S.W.

In a professional attempt to remedy the situation, the simple solution was suggested by this Council that the word "Taxi" be included on "Buses Only" signs. The official reply was that "In the light of the provisions of the regulations, it is not considered necessary to include the word "Taxi" on all bus lane indicators." Therefore, because of a provision in the regulations, of which all regulatory authorities are not immediately aware, the taxi operator is placed in a disadvantageous position, which can result in a loss of man-hours, ultimately affecting his profitability.

There are many such documented cases to therefore prove that the industry is tolerated by governments but would never be heir to the fortunes of the subsidy needed to operate the public-funded transport system.

The future needs of large cities are going to demand the restructuring of current transport facilities whether they be public or private. For instance, where a transport system cannot economically meet the needs it is designed to meet, then there has to be assistance from other forms of transport. For example, where a bus is servicing a route at off-peak times and it carries no more than a handful of passengers for the duration of the journey, then that service could only be regarded as uneconomical for the reasons stated above.

It is reasonable to suggest that the economy is rapidly becoming unable to absorb such an expense, so that a system, such as described here, may have to be replaced by a more cost efficient service. Whilst it is not always possible to discontinue services, it is however more practical to restructure existing facilities and logical in such instances to consider the services which the taxi industry is capable of providing. In this way, the industry would complement the transport system and could assist it to be more efficient. However, if the adoption of this rationale is to be achieved, there has to be a change in attitudes which will involve realistic conciliation between all sectors of the transport industry. One of the most important being the Public Vehicles Regulations which, in the past, have completely "favoured" the competition.

The Fare Structure

The present tariff system is theoretically designed so that the flag fall, meter computations and radio hiring charges cover all costs and still enable the taxi operator to make a realistic operational profit. However, the degree of effectiveness of this structure is debatable.

It is argued that because each tariff increase is not structured in accordance with increases in the C.P.I., each fare rise becomes either obsolete or fails to represent a realistic gauge to operational costs. An example of this

is evident when in Sydney, in July 1979, a fare increase application was submitted to the Department of Motor Transport for approval. The application was structured to take into account the C.P.I. increases since the previous application was sought, twelve months prior to that date. The problem arose, of course, when the application was not approved until late December 1979, failing to take heed of the C.P.I. increases between July and December, which had a significant bearing on the effectiveness of the untimely increase.

However, it should be noted that with the formation of the Urban Transit Authority, steps have been taken to have the fare structure aligned to the C.P.I. increases and to be implemented at the same time as other public transport increases. This is vital if the taxi industry is to be economically viable. Also it will necessarily reduce the incidence of passenger (buying) resistance which has been evident in all past fare increases. For example, the fare increase of 1978 was the first in over twenty months prior to that date and the industry suffered because of the attempt to backdate the increase, which from the public's viewpoint they had been paying a fare structure for a period of time and were suddenly faced with an increase of approximately 23%. If the public transport fares were ever increased "seemingly overnight" in one hike, the commuter reaction would create an atmosphere of economic suicide. Obviously, therefore, the public transport fare structure is not aligned to costs and subsequent profit as much as an alignment to political (i.e. public) approval.

As the urban area expands and commuters travel longer distances, the need for more "favourable" fare structures will become greater. At the same time, the paradox of the need for more efficiency will be enormous as well.

Subsidised Costs

The taxi industry is favoured with no form of direct Federal or State Government subsidies. In our two largest cost centres which are fuel and vehicles, where subsidies could be most effective, there is no assistance at all. It is significant to note here that the Government could enhance energy conservation by encouraging private motorists to use public transport instead of their own vehicles by making fuel available at a cheaper rate for industry use. The tri-level pricing system for liquid petroleum gas, recently announced by the Federal Government, is an appropriate example of a subsidy form given to an industry, in relation to its needs.

The only relief available to the taxi operator today is in the form of a fleet owner's discount offered by the dealers on new vehicles purchased. This is, therefore, a private enterprise discount and the only reason why it is

afforded to the taxi owner is from a public relations viewpoint, to increase dealer profits. It is important, therefore, that this should not be regarded as a direct subsidy. It is also interesting to note that over the last five years, annual purchases of new vehicles in all States for use as taxis have dropped from approximately 4,000 per annum to 1,000 per annum. This is indicative of the fact that, in all cities, taxi operators are purchasing good quality second-hand vehicles for use as taxis, because taxi operators are being priced out of the new car market.

Assistance in some form is necessary if the industry is going to survive into the 80's and beyond. In order to be more productive, there must also be a more realistic approach to taxi regulations.

RULES, REGULATIONS, REASONS

It is evident upon examining the current Public Vehicles Regulations that they have not been specifically designed for today's industry in the 80's. In fact, most regulations are carry-overs and updated amendments from the horse and buggy days, when there certainly wasn't the competition from the State public transport system. They were originally designed primarily for safety and health reasons, relative to that era. It is apparent that rules were developed to meet the situations and circumstances which evolved, for example the introduction of meters, regulated fares, radios and roof signs, etc. and later to protect the public transport system.

Historically what has happened has been that when regulations have not been adhered to, new ones have been implemented without necessarily investigating why they were broken. It would be reasonable to suggest that many current regulations are standing in the way of progress.

One example of the many ironies that taxi operators face is where taxi regulations state that a driver is responsible for assisting his passengers whenever possible. This, of course, means that he is obliged to help disabled people in and out of his vehicle, as well as the loading and removing of luggage or goods from his taxi-cab, etc. In some instances, this "responsibility" has been found to be contradictory to the Motor Traffic Act. For example, a taxi operator was recently fined for stopping his vehicle in a "No Standing Zone" for a few minutes at Sydney Airport, whilst he fulfilled his obligation to aid a disabled woman with her luggage into the terminal. Obviously the woman was unable to carry the luggage and hence the taxi operator was responsible for assisting her. However, in so doing, he was in breach of the Motor Traffic Act and was subsequently fined. The driver lost the case on appeal and was forced to pay the penalty. Where there is no leniency shown by the law in cases such as reported here, the outcome in the long-run can only be negative for this industry and the service it provides.

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It is all very well to peruse certain recommendations put forward by various groups, demonstrating ways and means of increasing efficiency and profitability but all is fruitless unless such recommendations can be adopted into the regulations. One might very well ask why changes in regulations are slow and often cumbersome, or are often radically different to what was initially recommended.

In attempting to critically analyse the reasons why, one must not lose sight of the fact that the Government is responsible for all transport regulations. The Government involved is itself operating a public transport enterprise, which is essentially a very heavily subsidised commercial undertaking. It is therefore not feasible to expect a government to legislate in ways which are being contradictory to its own interests.

The Taxi operator recognises the need to be adequately responsive to the changing market needs on a profitable basis, hence this industry's awareness of the new types of services which are believed to be more effective as well as enhancing the quality of the conventional service. A common policy is subsequently needed which will effectively give a common direction for all sectors within the public transport system. The restructuring of the Public Transport Commission into the Urban Transit Authority and the State Rail Authority is the beginning of such an association from the taxi industry viewpoint and it is hoped that this will prove to be an effective tool in the achievement of these goals.

The private sector of public transport has historically been at a serious disadvantage within the overall policy-making and legislative framework. It is justifiable to argue that private enterprise is unable to influence politicians in the same way that the Departments running the government services are. It is debatable that insufficient recognition is given to the needs of private enterprise by the departmental officers who essentially form the recommending body for the implementation of regulation and legislation. However, whilst criticism can be levelled at the policy-making level of the government sector, much of the blame must be due to insufficient pressure brought to bear on the governments by this industry when policy is handed down which may be contradictory to industry interests. Industry representation is growing stronger, gaining influence in all governmental regulating spheres and has progressed to the point where the industry is now represented on the Board of the Urban Transit Authority, with the appointment of a senior industry executive as part-time member of that authority.

In the past, governments have been able to maintain a policy of restricting fare levels, at the expense of providing an efficient service. It appears that the public will accept any conditions which may prevail, provided that

the individual cost to them is minimal. Therefore, one way in which the private sector can react to the pressures that are placed on the public transport system as a whole is to respond in terms of improved quality of service and equipment. The taxi industry is continually seeking new types of services which can be more effective, both from the point of view of the convenience of the public and of their own viability. The services, although diverse in nature, are generally designed to fill the gap between higher priced, higher quality, exclusive ride taxi service on the one hand and lower priced, no frill, mass transportation, such as is offered by the government on the other.

Taxi operators everywhere are becoming increasingly aware that new markets can be created by the introduction of paratransit services which can effectively and positively interact with the existing mass transit and fixed line systems, which, if introduced, would assist in containing the public transport costs.

It is obvious that in order to introduce many of these innovations, old rules and regulations need to be updated and new and more applicable rules and regulations considered. The old style of vehicles-type regulations need to be replaced with standards allowing for new concepts in design for vehicles and equipment, which would be flexible enough to provide for existing or new carriers to operate multiple services using flexible fleets. New services must receive formal legal recognition so that carriers and potential carriers can know to what, if any, regulations they must adhere.

It is important that regulations have the scope to permit the same vehicle fleet to be used for different services over the span of a single day and also have the flexibility to provide multiple demand responsive services to different market needs.

The implementation of a hybrid service organised to meet specific and particular needs would surely be a major step into the future direction, which will necessarily be to lure people out of private automobiles into the use of conventional public transport and paratransit services.

Whilst it is necessary to theorise about future needs, these will no doubt be watered down by prevailing conditions of the day, if history is to repeat itself. Probably more realistically it is argued that senior departmental officers have the responsibility for ensuring that the Government's own services do not pale by comparison with those offered by the private sector. Obviously, they pose a real problem because any disadvantage to government services which comes about as a result of a quality comparison may well mean the further depletion of the patronage of government services.

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Worthy of mention here also is the fact that there has in the past tended to be very little statistical data made available to governments in relation to the taxi industry and its subsequent needs. Therefore, this has led to situations where the government has had to employ its own staff to provide such information. (It is important to note that this does not solely apply to the taxi industry.) Often problems have arisen, when in putting recommendations forward as a result of their findings, researchers have tended to criticise the Government's regulation and legislation too little. The obvious reason for this being due to the fact that the researchers are employed by the government in question and hence their means of economic survival. Why would they stand to criticise "the hand that feeds them"?

Furthermore, departmental officers and regulatory bodies do not have sufficient insight into the intricacies of the taxi industry to always accurately analyse policy recommendations put forward by the industry and hence they may get "shelved" as a result. Hopefully, such problems will be overcome as the newly formed Urban Transit Authority becomes fully operational, when it is expected that this industry will have a more direct say in the implementation of policy affecting it. At best, we can only look forward to a more positive and responsible approach to the formulation of regulations and legislation, which is vital for the efficient operation of this industry in the future.

DRIVE A CAR? CATCH A BUS? HAIL A TAXI?

Sydney is one of the most cosmopolitan cities in the world. Kings Cross, for example, has one of the highest population densities per square mile in the western world. As Sydney becomes even more cosmopolitan, traffic problems and needs increase and the energy crisis becomes greater. It is becoming more obvious all the time that in the near future, people's travelling habits are going to have to be drastically altered, with the subsequent effect that people will drive less distances.

To achieve this, there will necessarily need to be changes in the urban transit system, but the problem, however, is that this will be unable to be achieved without a great deal of expenditure. An example of this would be the prohibitive cost involved in a conversion from the conventional rail system to the magnetic field rail system such as in Japan.

However, it is important to retain sight of the fact that whatever the changes may be to the public funded transport system, there will always be a need for taxis to link the private with public transport modes. This is however not to suggest that the taxi industry, in its present form, escapes any need for change. In fact, to remain viable in the 80's, this industry is going to have to accommodate changes such as a different mode of vehicle. This could,

for example, very well be an extended taxi capable of carrying five or more people on a specifically designated route. The individual passenger's fare could be subsidised, so as to be competitive with existing bus services, and to enable the taxi operator to continue to operate as if he were providing a normal taxi-type service. It is feasible to argue that this service could be introduced immediately in off-peak periods and it would undoubtedly prove more cost efficient by significantly reducing the deficit of urban passenger transport. As previously stated, the public rail and bus system is currently and has been running at an enormous loss, severely draining public money and furthering the need for the government to consistently increase taxes.

Until the current problematic situation is resolved in relation to taxis replacing buses in situations where they prove to be more economically viable, the taxpayer will be expected to continue subsidising the huge loss in running costs of the public passenger transport sector through direct tax levies. Surely the time has come for rational discussions to take place and policies formulated, so that an active attempt may be made to ease the situation and to enable a successful transport compromise to be reached. In achieving this, full utilisation of manpower must be recognised and there must therefore be complete consultation with the appropriate trade unions involved.

In addition to this, thought could also be given to the concept of extending the "multiple hiring" principle. To elaborate on this, on a fifteen mile journey, the cab fare would be approximately \$10, which would be almost prohibitive for many people. If, however, the taxi cab was operating on a "shared ride" type basis and could pick up to about five passengers along the way, with each passenger paying a fraction of the normal fare, the trip would ultimately prove marginally cheaper for each passenger as well as being more profitable for the taxi operator.

In view of the energy situation, it is unreasonable to suggest that people drive their private cars as an alternative to catching public transport. Current statistics reveal that a greater number of people are disposing of their private vehicles in favour of using public transport facilities. However, if public transport is to continue to attract an increased ridership, then it will certainly have to adopt similar measures to those already described above. It is impractical to attempt to consider the different modes of bus and taxi travel and make a decision between the two, because of the fact that they are both used for basically different purposes and hence they should ideally operate to complement each other, rather than compete with each other.

The sooner it is realised that the two spheres of passenger transport can promote each other, then the sooner

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this city will have an efficiently operating public transport system, which will be economically viable and able to attract increased patronage well into the 80's.

CONCLUSION

If the taxi industry is to remain a viable transport mode in the future, there is necessarily going to be a need for changes to be made in its existing structure. Transport planning therefore will need to be more people/fuel efficient, with more provision and flexibility given to the private enterprise operator.

The question of "whether deregulating is the answer" is often asked. Many people hold firm in their belief that there should be open entry into the taxi industry, such as in London. Whilst the taxi industry in London may appear to be deregulated, there is however one major hurdle to overcome in order to gain entry into the industry. That is in obtaining a licence to operate, which takes a minimum of two years to obtain, together with the appropriate capital needed to begin operation. This in itself is a regulatory measure and it could well be argued that it is a more effective regulatory measure than is evident in Australia at present.

More realistically, it is appropriate to suggest that there is a need to change or restructure existing regulations or conditions to bring them into line with the current transport environment. Of consequence, these would be expected to offer direction for the future.

It is imperative that the fare structure be aligned to the C.P.I. and also, all fare increases will need to be cleverly marketed in order to reduce passenger resistance. This will necessarily involve the need for professional expertise to be responsible for the administration of the industry.

Further to the professional requirements of the industry, the concept of driver training will need to be expanded to the point where it is compulsory for every taxi driver to undergo an extensive training programme, before being eligible for entry into the industry. The New South Wales taxi industry has already been involved with the development of a formal driver training course, which is being recognised throughout Australia. This course-type, which is currently conducted by the New South Wales Road Transport Industry Training Committee (and involves senior industry personnel) will continually be analysed to meet future needs.

Vehicle design will need to be able to accommodate changes in regulations affecting the carriage of people. Design regulations will also need to provide for the multi-purpose operations of taxi-cabs, such as the transportation

of the disabled, etc. Also, designers will be looking at the most fuel-efficient vehicle possible, which will adequately meet the needs of the travelling public.

Regulatory bodies will need to include industry officials in all negotiations affecting the industry. This will come about, once it is realised that there is a need to conciliate more and arbitrate less.

In the transport sphere, if Australia is going to progress with the rest of the world into the 80's and beyond, then it will first be essential to take a serious look at the current transport problems. It will be necessary to analyse how and why these problems have evolved and most importantly, transport planners will be forced to be aware of and act upon recommendations put forward by the private sector of the nation's transport industry.

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