

TAXIS AND HIRE CARS WITH DRIVER IN SMALL TOWNS & RURAL AREAS

Research issues for the March 29th Workshop

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Introduction

1. Regulating taxis is a complex task. Indeed, the regulator has to ensure a satisfactory service to customers in terms of price and quantity, while also ensuring profitability for the service providers and stability of the supply.
2. The difficulty lies in the fact that taxis operate on three, possibly five distinct markets, each of which poses specific problems of matching supply to demand: (i) the street hail market, (ii) the market of the rides taken from taxi ranks and from airports or major train stations and (iii) the market of the rides booked on the phone, occasionally or through contracts.
3. Many studies have compared the different systems existing in the countries of Europe and how the regulator allocates these different markets between taxis and other hire cars with drivers. But these studies on the consequences of different regulatory systems on supply and demand were focused on large cities. We know little about what is happening in small towns, in rural areas, and more generally, in low-density areas.
4. Yet, depending on the country, these areas account for 30-70% of the national taxi business in terms of turnover. These areas also pose specific regulation problems. Indeed, the street hail market is non-existent, and most of the trips booked by telephone are carried out through contracts with public bodies, local authorities and social services.
5. Under the combined effect of an aging population, urban sprawl and growing environmental concerns, the demand for private transport of people is expected to grow faster in these low-density areas than in the big cities. The development of these markets could therefore attract new players who, if necessary, could exert pressure to shape to their benefit the regulatory framework governing the supply of transport services in these areas.
6. In the case of France, subsidized transport services (medical, school, handicapped and elderly, and public transport complement) account for the largest share of the rural taxis' turnover as seen in the table below.

Table 1 – French taxis’ turnover depending on location

	Rural	Towns	Suburbs	Large cities
Subsidized medical trips	80-90%	10-40%	10-40%	5%
School transport	10-15%	10%	10%	0%
Handicapped and elderly	5%	?	5%	?
Public transport complement		?	10%	?
Taxi (telephone & ranks)	5%	50-90%	50-90%	90%

7. Although less recent, similar figures were collected in Sweden and in the Netherlands (see tables 2 & 3 below).

Table 2 – Proportion of taxi trips by type of market segment in Sweden and share of subsidized trips.

	Stockholm	Large cities	Medium cities	Rural areas	Sweden
Telephone booking segment	70%	68%	79%	82%	N/A
Other (street work)	30%	32%	21%	18%	N/A
Subsidized taxi transport (estimates)	15-20%			> 90%	56%
Companies contracts					23%
Private riders					21%

Sources: SOU 1999:60 and Laitila et al, 1995

Table 3 – Market segments in monetary terms in the Netherlands in 2002

	Streetwork	Booking	Contract
The Netherlands	21%	20%	59%
Rural areas	9%	15%	76%
Urban areas	22%	25%	53%
4 largest cities	55%	24%	21%

Source: Bekken, Jon-Terje and Frode Longva (2003) Impact of taxi market regulation - an international comparison, Rapport nr: 658/2003, Institute of Transport Economics (TØI) Oslo, Norway, 99 p., www.toi.no

8. Although mobility problems in rural areas and small towns are posed in similar terms all over Europe, the countries of northern Europe show a wide range of systems for regulating the supply of taxis in these areas. It is interesting to see how these different regulatory frameworks have shaped the sector's industrial structure, more or less deliberately, and their impact on cost and quality of services offered to the public.

Research Objectives

9. The purpose of this research is to describe and analyze the situation of the taxi industry and of its competitors in the rural areas of a sample of countries exhibiting differentiated models of regulation, and to draw lessons on the possible evolution of the situation in countries where dramatic changes may be expected with the introduction of the European regulation on tendering.

Research method

10. Participants to the workshop will come from a sample of countries with contrasting patterns in the industrial structure of the taxi sector and with different regulation systems. The choice of countries is of course conditioned by the quality of the contacts that can be established and by the availability of data.

11. From each country, participants will first expose the national regulatory framework and its recent history. Ideally one or two rural areas should be selected in each country to analyze

further how the taxi industry and its competitors have adapted to the regulation, and the resulting problems (unfair competition, management of cross-jurisdiction trips, etc.).

12. Particular attention will be given to how governments and social services contract taxis to provide mobility services to certain categories of the population. We will assess the share of these markets in total turnover of the taxis and will explore how taxis may organize to respond to calls for bids.

13. We also hope that participants will be able to collect data on the taxi business in terms of vehicle-km per year, rates of empty miles, length of the work week, etc.

14. The Excel table attached presents a state of the art of the data already collected in various countries. Potential participants are welcome to add or correct information in the table.