

*Rehheated*  
*10-1-86*

ON THE DRY SIDE 162 TAXIS John Hyde

Picked up with a blood alcohol only just short of proof spirit behind the wheel of a car during the festive season a reveller tried this defence: "Your honour, I would have gone home by taxi. I wanted to go home by taxi. I got drunk waiting to go home by taxi. It is the government's doing that I didn't go home by taxi. For the government to now punish me for not going home by taxi is not just."

My informant did not record that the defence was successful but the defendant had a point. Taxis are often hard to find; particularly so at Christmas and New Year and it is the various governments which cause them to be hard to find.

It is impossible to say how many drink driving cases come before the courts, how many road deaths are caused, how many aircraft are missed, how many appointments are made late, and how many tourists offended, by government interference with a free market in road transport but we can say with confidence that there are many of each.

Although it adds its two penneth worth to our troubles the industry is not big enough to be justly blamed for much of the state of our economy. The importance of taxis to the debate about living standards is that they provide a simple uncluttered example of the evils of regulation that all but the wilfully blind can see and understand.

The Centre for Independent Studies published a paper by David Williams and Michael Aitken looking at the history of taxi Regulation in Melbourne. (It is one chapter of a collection titled "Occupational Regulation and the Public Interest".)

The first taxi regulation seems to have been in 1848 when the Melbourne City Council (MCC) regulated hackney coaches and other vehicles available for hire. Although the authors of the CIS paper could find no evidence of public demand for the regulation it is possible, as there was no attempt limit entry and the fares specified were maximum fares, that the law was intended to help the customer. Seven years later the MCC set a full schedual of maximum fares.

By 1905 motorised taxi cabs were licenced and in 1911 these were brought under legislation similar to that for horse drawn vehicles. The fares specified were still maximums and barriers to entry were confined to driver and vehicle standards. Taxi meters were made mandatory in 1924.

The big change came shortly thereafter, not from the authorities but from competition in by Yellow Cabs. They charged a set fee, cut prices by abolishing return fares and eliminating extra charges for extra passengers and offering concessions for round trips and Sunday morning trade. In their first year they carried

two million passengers in Melbourne and Sydney together.

To compete with individual owner drivers Red Cabs and Checker Cabs and later Yellow Cabs started hiring their cabs to the drivers and paying on a commission basis. Such was the still minimal level of regulation that during the depression many car owning unemployed were able to earn a living by driving their own cars for hire. Relative to earnings in other industries drivers' earnings fell but the industry prospered because taxis were able to reduce costs. Taxi usage probably benefited from the rising real wages of those who kept their jobs. When deflation occurred at the beginning of the thirties the highly regulated labour market prevented most other industries adjusting as the taxi industry adjusted. This inflexibility was the cause of untold misery.

Until 1932 the taxi industry had been relatively free flexible and efficient. Then the Yellow Cab Company, which had been able to enter the industry because there were no important barriers to entry, was able to induce the State Government and the City Council to limit the number of taxi cabs to 630. The number stayed at 630 until 1936. This was a straight forward attack by the government and city council on the disorganised unemployed. It was made to placate an organised group with votes for sale - the taxi owners and drivers.

In 1937 Yellow Cabs, which had entered the industry by price cutting joined with the union to induce the City Council to make the maximum fare a fixed fare. This time the direct attack was on the customer but ultimately it too must have been detrimental to employment since public demand for taxis would have been affected by the higher fares.

Since 1848 'hire cars', that is carriages and cars which did not ply for hire in the streets, had escaped regulation. As taxis became more regulated these flourished. By 1939 they were charging 6 pence per mile compared with the taxis' 9 pence. Of course hire cars had to be regulated.

After the war 100 new cab licences and 75 new hire care licences were issued by ballot to the queue of applicants. At this point Brisbane boasted more cabs than Melbourne and the MCC was under some public pressure to increase licence numbers but this was stoutly resisted by licence holders.

In 1951 the MCC issued 250 more licences and then the State Government gave taxi control to, you guessed it, a statutory board. The board has rearranged the licences and eliminated the special driving test but the number of vehicles has remained constant to this day.

Would be taxi owners bid up the price until money invested in a taxi returns about the same as in anything else. A taxi plate now costs around \$80,000. Interest on the \$80,000 is built into costs and fares but taxi driving still pays less per hour worked than

most regulated wages. If more plates were issued earnings would not be affected until the value of plates fell to zero. Plate owners would suffer a capital loss. Unfortunately those who once gained from regulation have mostly died or otherwise left the industry.

When deregulating perhaps plate owners should be compensated; perhaps they could be let down quietly by issuing new plates to present owners. However we should bear in mind that they will benefit from the deregulation of other industries and the government did not promise to maintain the inefficient discriminatory legislation for ever.

Taxi regulation is not different in principle from whole milk regulation, sugar, airlines, shipping, protected manufactures and much else that is marked for deregulation. As deregulation proceeds there will be winners and losers in each industry but ultimately all we will all be winners.