

Taxi and Limousine Industry in Canada

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I. Introduction

The taxi and limousine industry is an important form of urban, intercity transportation in Canada providing essential services to segments of the population with modest means. Being a public service, it is not surprising that a limited amount of public regulation is necessary. But these regulations have over time extended from the sphere of safety to economic regulation, having the usual undesirable effect. As Mayor Stephen Goldsmith of the City of Indianapolis provocatively stated “Bad local regulations hinder job creation, stifle healthy neighbourhood development, and chill business expansion. In nearly every survey of local businesses, regulation appears at the top of the list of barriers to growth.”[1]

The purpose of this paper is to examine the taxi and limousine industry in Canada. Section II briefly outlines the structure of this industry. Section III briefly examines the economic regulation of this industry. Section IV reviews the recent regulatory developments of the industry in Canada. Section V reviews the regulatory experience in other countries with arguments for or against deregulation. Finally, a few concluding remarks are made.

II. Structure of the Taxi and Limousine Industry

1) Taxi and Other Transportation Modes

Taxi and limousine transportation plays an important role in the movement of people within a city. In 2004, the total revenue in this industry in Canada was \$1.305 billion. An estimated 35,339 carriers served the industry. Total revenue, total expenses and operating margin (the difference between operating revenue and operating expenses) are shown in table 1 from 1999-2004. Over this period, revenue, expenses, margin and number of carriers changed by 22.4%, 26.4%, -8.9% and 24%. In real terms (or constant 1992 dollars), revenue and expenses increased by 8.5% and 12.14% or 1.7% and 2.43% per year (i.e., over five years). The operating ratio (i.e. total operating expenses divided by total operating

** The views expressed here are those of the authors and are not purported to be those of the Commissioner or the Competition Bureau, Industry Canada.*

from .788 to .838 suggesting that performance in the industry deteriorated over revenue), a commonly used measure of performance of the industry, increased this period. An indication of the contribution of this industry can be obtained by comparing it to other modes of transportation. In 1999 and 2004, revenues from urban transit services were \$17.6 b. and \$23.05 b. whereas for taxis they were \$1.07 b. and \$1.3 b., respectively. Similarly, for the same period, bus/urban transit employed 65,300 and 92,800 individuals whereas taxis employed 11,900 and 14,600 individuals, respectively.

Table 1 - Taxi and Limousine - Operating Revenue, Expenses and Margin (\$ billion)

Canada	1999	2000	2001	2002	2003	2004
Total Revenue*	1.066	1.028	1.038	1.189	1.267	1.305
Total Expenses*	0.855	0.847	0.876	0.981	1.068	1.081
Operating margin	0.224	0.186	0.173	0.214	0.214	0.204
No. of Carriers (Est)	28509	25339	27285	33229	35274	35339

Source: **Statistics Canada**. * The total includes operating and non-operating.

2) Taxi Operations By Province

According to census data, the number of individuals employed in this industry were 37, 990 in 2001. Ontario, Quebec, B.C. and Alberta were the largest employers accounting for 40.54%, 25.07%, 11.46% and 9.9% or a total of 86.99%. Over the fifteen years, 1986-2001, the number employed increased by 26.84% (or 1.79% per year) and for the five year period, 1996-2001, the increase was 7.04% (or 1.4% per year).

The employment by firms in the taxi and limousine industry by province is shown in table 2. According to the survey of employment, payrolls and hours, the employment of individuals in this industry was 14,598 in 2004. Firms in Ontario and B.C. were the largest employers, accounting for 31% and 27% of the total.

Table 2 - Employment in Taxi and Limousine Services 1998-2004

Province	1996	1998	2000	2002	2004
New Brunswick	268	221	229	NA	NA
Quebec	2079	2228	2561	2978	2938
Ontario	4285	4091	4303	4643	4476
Manitoba	558	499	689	NA	NA
B.C.	3498	3485	3683	4191	4017
Nunavut	NA	NA	37	NA	NA
Others	2132	1842	1966	3462	3167
Canada	12819	12426	13468	15274	14598

Source: **Transportation in Canada**, Addendum, Table A2-28.

Over the last eight years, 1996-2004, the number increased by 13.88% (or

1.735% per year). It reached a peak in 2002 and then declined.

The operating ratios for Newfoundland, N.S., B.C. Yukon and Nunavut have declined indicating that with the exception of these provinces performance for other provinces and Canada as a whole has deteriorated.

3) Major Operators/Market Share

In British Columbia of the 2,400 taxi cabs in 1999, 47% operate in the Lower Mainland. The major operators in the Lower Mainland in 2001 are: Yellow Cab Company Ltd., Black Top Cabs Ltd., Bonny's Taxi Ltd. and North Shore Taxi (1966) Ltd. Their market shares are 16%, 13%, 7.9% and 6.8% respectively, in other words 43.8% of the total. These market shares understate their true market power eg. in Vancouver 79 %are controlled by two companies.

In Alberta (Edmonton) the two largest companies are Yellow Cab and associates with more than 300 vehicles and Alberta Co-op Taxi with over 500 vehicles. In Calgary, the major companies are the Checker Group (i.e., Checker Cabs Ltd., Red Top Cabs Ltd., Yellow Cabs Ltd., and Ambassador Limousine) with more than 500 cabs.

In Saskatchewan's two major cities, Saskatoon and Regina, 280 taxicabs were licensed, 160 in the former and 120 in the latter. In Saskatoon, United Cabs, Blueline Tax and Prestige Car Service are the major taxi companies with a fleet of 115 (in 2005). In Regina, Regina Cabs is the largest taxi company, with smaller companies such as Premiere Taxi, Discount Taxi, Co-op Taxi and Capital Cabs. The market share of the largest three in Saskatoon is 71.9%.

In Manitoba (Winnipeg), the major operators are Unicity Taxi and Duffy's Taxi. Of the 429 taxicabs (standard and accessible) in 2005, the market share of the former is 50.8% and the market share of the latter is 35.9%, the two accounting for 86.7% of the total.

In Ontario (Toronto) the largest companies are Beck Taxi (1000 taxis), Diamond Taxi Cab (550 cabs); Royal Taxi (400 vehicles), Co-op Cabs and Crown Taxi. In Ottawa (former municipality), the largest company is Blue Line Taxi. With Capital, they account for the 586 permits. For Ottawa and the other municipalities Blue Line has over 60% of the 1001 permits.

In Quebec (Montreal) there are 3935 licences. The largest taxi companies are: Co-op, Taxi Union, NIC Taxi Inc., Taxi Hochelaga, etc. In Quebec City, the major taxi companies are Taxi Coop and Taxi Laurier.

In Nova Scotia (Halifax), the two largest taxi companies are Casino Taxi with 260 GPS equipped cars and Yellow Cab with 250 cars accounting for about 85% of the market. In Prince Edward Island, the largest taxi companies are City Cab Taxi and Cavendish Taxi.

4) Taxi Operations by Segment

The segments of the taxi industry have been divided by Demsey into the following: radio-dispatched cabs/telephone orders business; the cab stand business; cruising cabs business; and public contract services business. A more detailed range of taxi services provided by Trudel are: public transit by taxi; transportation for the disabled; school transportation by taxis; limousine services; sightseeing services; flat-rate rides; medical transportation; transportation for the elderly; group transportation; personalized delivery; parcel deliveries; car return service; and emergency service. In most cities, the telephone order market accounts for 70%-80% of the overall demand for taxi service. Taxicab services typically involves five participants: owner of the plate or taxi licence; designated agent; lessee; driver; and an alternate driver.

In sum, over the period 1999-2004, a few indicators in the industry do not suggest that it did very well. Revenue and expenses increased by 1.7% and 2.43% per year and performance deteriorated over by -1.78 per year. On the other hand, employment increased by 4.54% per year. In large cities, the top four taxi companies account for a major share of the market.

III. Regulations in the Taxi and Limousine Industry in Canada

The first comprehensive legislation regulating taxicabs is considered to be *The London Hackney Carriage Act* of 1831, though licencing of hackneys existed as early as 1600 in London and 1620 in Paris. In North America, comprehensive regulation of taxicabs began in the 1920s though it gained prominence during the Great Depression.

In British Columbia, the industry is regulated. Taxicabs are licensed under *the passenger Transportation Act, 2004* (which replaced the *Motor Carrier Act*), the *Passenger Transportation Regulations* and the *National Safety Code* by the BC Motor Carrier Commission. In 1999, three hundred motor carrier authorities were issued to operate 2,400 taxis. The maximum fares are regulated and fare increases have to be approved. Transfer and sale of plates have to be approved but in practice approval is not sought.

In Alberta, the taxi industry is regulated under the *Municipal Government Act*. In Calgary and Edmonton, taxi licencing is regulated by the Edmonton Taxicab Commission and the Calgary Taxi Commission. In Calgary to drive a taxi,

individuals must hold a motor vehicle operator's licence, a taxi driver's licence, a radio licence and a livery licence. In 1986, the Commission froze the number of plate licenses at 1311. In 1993, an amendment prohibited the issuance of new plates. Transfer of licences is permitted and a lottery system was created to distribute revoked or relinquished licences.

In Saskatchewan, the taxi industry is regulated pursuant to the *Urban Municipality Act*. In Saskatoon and Regina, Councils may issue licences for taxicabs through a public tender process. Licences can be sold or transferred.

In Manitoba, the taxi industry is regulated under the *Manitoba Taxicab Act* by the Taxi Board. To ensure taxi service is provided at a reasonable cost, the Board considers applications for more or different classes of licences, fare increases and other proposals. It also establishes, reviews and controls: the limit on the number of taxicab licences, the licence of taxicab business and their transfer, the fare structure and the rates charged, the health and viability of the industry, the safety of vehicles and the standards for operators, the policy of the Board and their input to the government, the liaison with taxicab and other interest groups, etc. In 2005, the Board in Winnipeg issued 537 vehicle licences.

In Ontario, the taxi industry is regulated by their municipalities under their by-laws and the *Municipal Act*. In Toronto "The intention of the By-Law and the objective of the regulation is to serve the interests of the public, while offering a structure that can support the well-being of its participants. The By-law addresses provisions for quality and inspection of vehicles, enforcement, responsibility and accountability of industry participants, and training requirements." In 1963, selling of licences on the open market was permitted and in 1974 leasing of taxicab licences was permitted. The Toronto Licensing Commission controls the number of licence plates issued. In 1997, the number of licence plates in Toronto were 3480.

In Quebec, the taxi industry is regulated by their Department of Transport. It became a provincial responsibility in 1973 and *An Act respecting transportation by taxi* was adopted by the Quebec National Assembly in 1983. The objectives of regulation are: public safety; consumer protection; availability of service; quality of service; profitability of operation; and traffic reduction. The Act gave effect to the plans of government authorities to open new markets in the taxi industry. It also provided for allowance of taxi service contracts, particularly the freedom to set fares other than those prescribed.

In Nova Scotia, the taxi industry is regulated by each municipality under their respective Bylaws pursuant to Chapter 18 of the *Municipal Government Act* and section 305 of their *Motor Vehicle Act*.

In New Brunswick, the taxi industry is regulated by each municipality in the province under their respective Bylaws pursuant to section 275 of their *Motor Vehicle Act*.

In sum, in Canada regulation of taxi supply was imposed in most cities during the 1930s and 1940s (with the exception of Montreal during the World War) and continues to this date. There are two forms of taxi regulation - economic and safety. The first is concerned with: entry/transfer; fares; and service. The second is concerned with safety (i.e., vehicle and mechanical conditions and driver requirements). It is worthwhile noting that though the industry is regulated, the competition law, a law of general application also applies. This is evident from the inquiry began in June 1998, by the Competition Bureau into an alleged conspiracy to restrict the number of taxi licences issued by the City of Toronto. The Bureau discontinued the inquiry in 2001 as it found that the City was authorized to control the number of taxi licences it issued and that there was no evidence to suggest that it had been prevented from effectively exercising its regulatory authority.[2]

IV. Recent Developments in a Few Major Cities in Canada

1) *Halifax*: The taxi industry in Halifax is closed. There are about 600 plates and no plans exist to issue more plates until the number falls below 550. The philosophy on the taxi system there maintains that a licence is not an asset, but rather a licence granted by the city to operate a business. The licence remains the property of the License and Firearms Department and plate holders are not permitted to sell their plate on the open market.

The focus of reforms in Halifax is to improve customer service through a two-tiered taxi system instituted in 1995. There is no difference in the fares charged by either tier. Those taxicabs who satisfy the Hotel Standards program are permitted to service lucrative taxi stands at the hotels and those who do not satisfy the program are excluded. So far, 250 of the total plate holders are certified under the program. All new drivers are required to become Hotel Standards certified. To promote quality through this service, a decal is required to be carried by these Hotel Standard certified drivers, a special Hotel Taxi Standards Committee is appointed to hear complaints on them and a re-training course is available to them.

2) *Montreal*: After World War II, complaints about the shortage of taxis led to the elimination on the limit of licences. This led to the rapid growth in the number of taxis from 765 in 1946 to 4,978 in 1952. Since then, "all studies on the taxi situation in Montreal have blamed the excessive number of vehicles for all of the industry's economic problems. When the government of Quebec

proposed *An Act respecting transportation by taxi* in 1982, all public- and private sector players in the Montreal region unanimously asked for a plan to reduce the number of taxi licenses.”[3]

A voluntary buy back plan of licences was instituted in the mid 1980s whereby the City of Montreal sought to improve the profitability and effectiveness of the taxi industry. The plan was given effect through *An Act respecting transportation by taxi* which was adopted by the Quebec National Assembly in 1983. Between 1985 and 1990, 1,287 licences were repurchased reducing the total number of taxis in Montreal by 25%. The repurchase at a cost of \$21 million was paid for entirely by taxi licence holders. They benefitted from increased profitability of their operations through reduced competition and increased market value of their licences. The Act also permitted freedom to set fares other than those prescribed. This led to the development of a wide range of services.[4]

In 1994, a mandatory driver training program of approximately 60 hours in major urban Quebec centres was adopted. One review states “Perhaps the aspect of the Quebec taxi industry that has garnered the most attention of late has been the introduction of professional development program entitled Taxi Ambassador to the Montreal industry.”[5] The Taxi Ambassador ‘skills-upgrading’ program was launched in May 1995 and drivers with a Taxi Ambassador permit carries a significant distinction as only such drivers can serve the Montreal Airport and the Montreal Casino. Two other courses that the Quebec Department of Transportation developed were: Taxi Aid and Taxi transportation for the disabled. Their Act was recently amended providing them with authority to prescribe mandatory training courses prior to taxi driver licence renewals through regulations. “In sum, the professional training initiatives in operation in Quebec are seen to have been a resounding success.”[6]

3) *Vancouver*: In Vancouver, the overall supply of taxicabs is limited through regulation. The number of taxi plates is related to the size of the population it serves i.e., 1.2 per 1000 people. Plates may be transferred on the open market and leasing is also permitted. Beginning in 1995, the tourism industry examined ways to improve the deteriorating quality of service and launched a voluntary program called *TaxiHost*. In June 1996, the city’s Standing Committee on Planning and the Environment pointed that lack of universal, comprehensive driver education was the cause of lack of service quality and mandated that all drivers complete level one of the *TaxiHost* program in 1997. “By all accounts, *TaxiHost* has been a unqualified success.”[7]

In December 1998, the Ministry of Transportation and Highways commissioned a study to examine the current state of the taxi industry in British Columbia. The

study (Lanyon Report) indicated that innovation is essential to the continued economic viability of the taxi industry and to its potential role in public transportation. Improvements must take place in the form of additional services offered (eg. shared ride services such as shuttles, min-vans, min-buses and taxi pools), additional types of fees charged (individual fares, flat fares and charter fares), driver training and the safety of both drivers and vehicles. In addition, there must be improved relations between the participants in this industry (i.e., regulators, industry, municipal and regional governments and consumer groups). Some of the recommendations have been adopted.

In September 1999, the Motor Carrier Commission (MCC) held a public hearing on the issue of supply of taxis in the BC Lower Mainland but the moratorium on taxicabs continued. In March 2001, the MCC notified the industry that it would undertake consultations on the issue of supply of taxis and commissioned consultation in May 2001. The consultations addressed issues that the Lanyon report refrained from making recommendations on: taxi supply and territorial boundaries.

4) *Toronto:* In April 1998, the Council of the City of Toronto established a Task Force to Review the Taxi Industry in recognition of the growing frustration within the taxicab industry and the public. The Task Force published its report in October 1998. It came to the conclusion that “over the past 30 years, the Toronto taxicab industry has suffered a gradual decline in service quality. The reasons for this trend are attributed to the structure of the industry and the regulations that govern it.”[8] It made over fifty recommendations that address the introduction of a Taxicab Passenger’s Bill of Rights, improved training, better vehicles, Ambassador Class Taxicabs, and better enforcement. “These solutions will, over time, adjust the structure and culture of the industry and introduce changes that will almost immediately, substantially improve the quality of Toronto’s taxicab fleet. This action will greatly diminish the risk of any taxicab serving the public and tourists, while in dangerous and unsafe condition.”[9]

The City of Toronto made changes to improve the quality of vehicles and drivers such as age limits on vehicles and mandatory driver’s training for new licensees. The most important recommendation that it adopted was with regard to a new class of licences known as ‘Ambassador’ taxis. Its current by-law permits it to issue up to 100 Ambassador licences each year, in addition to the granting of accessible licences. Further studies are being undertaken to establish criteria to be used in determining supply of taxis.

5) *Ottawa:* To evaluate the quality of taxicab service within a newly

amalgamated City of Ottawa, the Taxi Project Team was established. The Team published its report (Haydon Report) on September 11, 2000. It came to the conclusion that the taxi industry within the new City of Ottawa is not adequate and its quality is continuing to erode. It therefore made a number of recommendations on: regulatory reform and enhanced standards. The former were on: creating a Taxi Commission; creating a visible and accessible complaint mechanism; merging all existing zones into one; and limiting licencing requirements for limousines. The latter were on high standards for new and old drivers; higher vehicle standards; more effective enforcement of taxi regulations; better meter operations; and new taxicabs to be yellow. It considered open entry (controlled through high standards) the best and most feasible opportunity to improve customer service. No compensation was to be offered to existing licences for opening entry.

Given the strong negative industry reaction to: open entry, an independent Taxi Commission and one zone, the city commissioned a study by KPMG. The study found that there was no evidence that removing all limits on the number of cabs in service will result in improved service. It therefore recommended control of taxi supply with growth restricted to one per 668 residents. It also rejected the proposal of creating an independent Taxi Commission but proposed retaining the current Council, creating a Licensing Tribunal and establishing a Departmental Consultative Group. However, it recommended that the City should adopt a new by-law that establishes a single zone. It made numerous other recommendations with regard to: vehicle standards, driver standards, accessible cabs, driver safety and enforcement.

The City of Ottawa adopted many of the recommendations of the KPMG report including retaining control of supply of taxis but easing entry of new licensees through the Ambassador system implemented in Toronto. It also accepted phasing in of the boundary elimination that would ultimately have the effect of being one zone.

In sum, there have been a number of major regulatory developments in large cities across Canada. These regulators have to-date shied away from abandoning control over supply. They have concentrated their efforts on increasing the range of services, improving the quality of vehicles and enhancing the training of taxi drivers.

V. Regulatory Experience and Developments in Other Countries

1) Regulatory Experience in the United States

United States began to deregulate the taxi industry in the 1970s, half a

century after it began regulating. The findings of two empirical studies - Professor Roger Teal and Price Waterhouse - will be briefly described.

The first 1987 study concluded that:

“Taxicab deregulation cannot be demonstrated to have produced, in most cases, the benefits its proponents expected. Prices do not usually fall, improvements in service are difficult to detect, and new price-service combinations have not been developed. There is little evidence that either consumers or producers are better off. The one important exception is new entrants to the industry, who now have an opportunity to serve a market to which they were previously denied access. Even on them, however, deregulation is a mixed blessing. Many have been unable to survive in the more competitive unregulated environment, and those who have survived are apparently obtaining low earnings.” [10]

The second 1993 study, after a review of twenty-one cities in the United States, found that only four small cities continued to employ a fully deregulated system. It found that: although the supply of taxi services expanded dramatically, only marginal service improvements were experienced by consumers; prices rose in every instance; and service quality declined. The study stated:

“In retrospect, the effects of taxi deregulation have ranged from benign to adverse, depending on local conditions and markets. There appears to be scant evidence that deregulation fully achieved the goals on which its implementation was premised, though some goals clearly were achieved (e.g. more taxis, less regulatory involvement by government). Market imperfections peculiar to the taxi industry, including unusual product supply (e.g. first in, first out queues at cabstands) and consumers’ lack of knowledge of taxi price and quality, tend to negate the improvement in price and performance associated with deregulation in other industries.” [11]

The Report of the Taxi Reform in the Greater Toronto Area (GTA) presented a more favourable review on the effects of deregulation in the US. The study stated:

“U.S. experiences in taxicab deregulation show that cities with open entry have more than three times the number of cabs per capita than regulated cities. And supply helps to control cost to the customer. ... An average four-mile fare in a licensed New York City cab costs approximately US\$5.70. In Washington, D.C., where there is unrestricted market entry and approximately 13 taxicabs per 1,000 residents (the highest ratio in the country), the average four-mile fare costs approximately US\$3.30[12]

The study also indicated that in U.S. cities that have deregulated the taxicab industry to allow open entry, the size of the industry has grown between 18 and 22 per cent and the turnover among companies is inversely related to size. In reviewing the 1994 deregulation experience in the City of Indianapolis, it stated that the number of taxi companies has doubled from 28 to 52, fares have dropped nearly 7 per cent and waiting times have fallen dramatically. It further stated that

where open entry has not resulted in improved service and lower fares (or increases in line with the Consumer Price Index), the culprit is often a dependence on first in, first out taxi stands and airport queues by new drivers and owners without radios.

Dempsey reviewing the matter stated that despite the passionate and powerful political-economic ideological movement, one mode of transportation has come full circle from regulation through deregulation and returning to regulation, with the conclusion that taxicab deregulation was so profoundly unsatisfactory that virtually every city that embraced it has since jettisoned it in favour of resumed economic regulation. He accordingly, concluded that

“The fundamental question is not whether taxis should be regulated, but how they might best be regulated. That requires careful oversight by the regulatory body to assure the appropriate ratio of taxis to passengers to ensure prompt, safe and reasonably priced service for the public, while allowing efficient and well managed firms to earn a reasonable return on investment.” [13]

2) Regulatory Developments in United Kingdom

In November 23, 2003, the Office of Fair Trading (i.e., OFT) published its study on *The regulation of licensed taxi and PHV services in the UK*. In the UK, the licenced taxi and PHV (private hire vehicles) market is highly regulated. Local Authorities (LA) are largely responsible for these regulations and they fall into three broad categories: quantity regulation; fare regulation; and quality and safety regulation.

The study indicated that the overall quality of taxi services could be enhanced by reforming elements of the regulatory framework. “While some aspects of regulation are entirely sound, other aspects can be improved, and in particular quantity regulations should be removed.”[14] On the three broad categories it recommended:

- quantity regulation - limiting the number of taxis reduces availability and lowers the quality of service to the public. These restrictions should therefore be lifted
- quality and service regulation - there are compelling reasons to regulate to safeguard driver and vehicle standards. But there are questions about whether quality regulation always achieves its goals proportionately
- fare regulation - there are sound reasons to regulate taxi fares, for example, to protect consumers in vulnerable situations. But there could be greater freedom for beneficial price competition below regulated fare caps.” [15]

In sum, if the recommendations are acted on, consumers will benefit in several ways: taxis on the road would increase by 30%; journeys would become safer reducing the 1.8 million illegal taxi rides; passenger waiting times would be reduced resulting in a 2.5 million hours saved; peoples’ transport choice would

increase; consumer and industry needs are advanced by promoting best practices; and people are protected by preventing overcharging and promoting fare competition.

On March 18, 2004, the UK Government responded to the report. It accepted the OFT's recommendation on quality, safety regulation and maximum fares, and agreed with the OFT that consumers should enjoy the benefits of competition in the taxi market. It was of the opinion that LA's are best placed to determine local transport needs and encourages these authorities to remove restrictions unless they deliver benefits and to publish justification for their reasons.

3) Regulatory Experience and Developments in Other Countries

New Zealand: Taxi fares were deregulated in New Zealand in 1989. Fares in larger cities have fallen in real terms by 15 to 25 percent while fare changes in smaller towns have been ambiguous. Maximum fares must be registered with the Secretary of Transport and calibrated on the compulsory taxi meter. Fares below the maximum can be charged and must be displayed on the inside or outside of the vehicle. In Auckland, the number of companies increased to 28 in 1999 from 9 in 1989.

Sweden: Taxi fares were deregulated in Sweden in 1990. Fares initially increased in real terms but have increased thereafter with inflation. The initial increase has been attributed to the introduction of a value added tax which coincided with deregulation. Fare increases have been the smallest in large cities and the largest in rural areas which has been attributed to the lack of competition in the latter area. Deregulation has also been accompanied with strict rules regarding display of information on fares.

The Netherlands: In 2000, regulated fares were set at the maximum in the Netherlands. The initial result was an increase in fares, however, this has been attributed to an increase in the maximum fares. Nevertheless, there has been some evidence of price competition based on reports that taxis are charging less than the maximum fares.

Norway: In Norway, taxi fares have been deregulated in some larger cities without any accompanying removal of entry controls. Where fares were deregulated they have increased.

Australia: In the eight jurisdictions of Australia, regulation of the industry took two basic forms: quality and entry. Following various reviews, Western Australia and the Northern Territories have deregulated supply of taxicabs in their regions. In both regions, compensation equal to the full market value of

existing licences was offered to owners at the time of deregulation. In all the other six jurisdictions, excluding South Australia, reviews have recognized the problems caused by entry restrictions and have recommended significant overhauls. Victoria, New South Wales and ACT have recommended elimination of all entry controls whereas Tasmania and Queensland have recommended loosening restrictions on entry.

OECD: On April 14/15, 2005, the OECD Joint Transport Research Centre held a Round Table (133) on the subject of *(De)-Regulation of the Taxi Industry*. Regarding supply of taxis, questions were raised whether regulation is indispensable or not and whether the market is not itself better placed to adapt supply to demand. Regarding pricing, recognition was given to the possibility that the characteristics of the industry may be incompatible with the introduction of a totally free market. However, deregulation may provide advantages in the context of capacity supply. The Round Table indicated that:

“A more important contribution to mobility needs should be sought for the taxi sector, particularly in cities, by improving the interaction between public transport and taxis. Deregulation may help, by providing the impetus for organisational advances; but the final results cannot be guaranteed by deregulation alone.”[16]

4) Should the Industry in Canada be Deregulated?

The case for or against deregulating an industry is usually charged with a great deal of passion between those who uphold deregulation on grounds of economic theory and ideology and those who oppose deregulation on grounds that the empirical reality does not support it.

Arguments For - A number of arguments have been advanced in support of regulation.[17]. These are:

- preventing street congestion (historical argument)
- preventing supply for demand that does not exist
- maintaining the quality of service
- ensuring an adequate supply of service at peaks and off-peaks
- preventing drivers working longer hours
- preventing overcrowding at ranks [waiting at cab stands]
- protecting licence shortage premiums to prevent inequity

Arguments Against - A number of arguments have been advanced against regulation. The removal of economic regulation (based on the producer protection hypothesis) with the appropriate safeguards would result in:

- lower prices from an increase in supply of taxicabs
- better service from an increase in supply of taxicabs
- wider variety of services through development of new services

- lower discrimination against segments of the population
- greater efficiencies
- better allocation of resources (prices nearer marginal costs)
- greater compatible of economic ideology and liberty with current acceptable views.[18]

In sum, a review of the empirical evidence from a number of countries indicates that on balance deregulation has not worked. However, there is general agreement that there is need for regulation to protect the interest of the travelling public so as to ensure the quality of service and choice of available services. At the same time, there is need to promote fare competition.[19] That being said, it is also noted that the theoretical arguments on balance continue to favour the adoption of deregulation to achieve competition and that, if deregulation or open entry has not succeeded in improving service and lowering fares, it is because of certain prevailing practices and lack of regulations on minimum standards.

VI. Concluding Remarks

Over the period 1999-2004, some indicators reveal that the taxi and limousine industry in Canada did not perform very well. Revenue increased by only 1.7% per year and margins deteriorated by -1.78% together with the operating ratio. This does not compare very favourably to the initial performance of regulated industries that were deregulated.

Regulations in Canada on supply of taxicabs were imposed in most cities during the 1930s and 1940s and continue to exist in most large cities to date. There are two forms of taxi regulation - economic and safety. The first is concerned with: entry/transfer; fares; and service; and the second with safety and driver standards.

The appropriateness of these regulations continues to be challenged and regulatory reforms in the major cities in Canada have concentrated their efforts on increasing the range of services, improving the quality of vehicles and enhancing the training of taxi drivers. One of the biggest obstacles to changing the status quo has been the problem of compensation to plate owners to ensure equity.

A review of the theoretical arguments continues to support deregulation but the empirical evidence from a number of countries indicates that on balance deregulation has not worked with regard to all aspects of performance as predicted by advocates of deregulation.

Nevertheless, there is need to protect the interest of the travelling public so as to

ensure that the quality of services and the choice of available services are improved and that inefficiency is eliminated and competition in fare is increased. Perhaps, the initial experiments partially failed because of practices in the industries and the absence of safeguards to ensure that standards of service and safety would be maintained. There will hardly be any disagreement with Dempsey's conclusion that 'the fundamental question is not whether taxis should be regulated but how they might best be regulated.' However, his views of the need to control supply and indirectly prices and reasonable return on investment will continue to raise concern.

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8. *An Examination of the Taxi Supply in the Lower Mainland*, October 2001, pp.1-79.
9. *Taxi Industry Reform Report in the City of Ottawa*, December 5, 2000, pp. 1-27.

Endnotes

- [1] Proposal 72 Would Free the Cabs, Help the City (Indianapolis Business Journal, April 18-24, 1994).
- [2] Commissioner's Annual Report 2001, Competition Bureau, p. 39.
- [3] Trudel, Michel, p. 6. Reference 5 in Bibliography.
- [4] Such as: public transit by taxi, transportation for the disabled, school transportation, limousine services, sightseeing, flat-rate rides, medical transportation, transportation for the elderly, group transportation, personalized delivery, parcel deliveries, car return service, and emergency service.
- [5] *Toronto Task Force to Review the Taxi Industry*, Report, October 1998, p. 34.
- [6] Id. p. 35.
- [7] See *Toronto Task Force to Review the Taxi Industry*, Report, October 1998, p. 32.
- [8] *Report to Review the Toronto Taxi Industry*, October 1998, p. 53.
- [9] Id.
- [10] See Demsey, Paul Stephen, p. 115. Reference 1 in Bibliography.
- [11] *A Study of the Taxi Industry in British Columbia*, June 15, 1999.
- [12] *Taxicab Reform in the Greater Toronto Area*, p. 9.
- [13] See Demsey, Paul Stephen, p. 117. Reference 1 in Bibliography.
- [14] Office of Fair Trading, 2003, p. 2. Reference 4 in Bibliography.
- [15] Id., p. 3.
- [16] *ECMT Newsletter*, Issue No. 19, September 2005, p. 6.
- [17] See *The regulation of licensed taxi and PHV services in the UK*, pp. 36-44.
- [18] See Demsey, Paul Stephen, p. 101. Reference 1 in Bibliography.
- [19] Benoit-Mario Papillion points out that most regulation governing the taxicab industry 'pushes up the cost of taxi service in Canadian cities [studied] by 30 to 50 per cent.' See Reference 9 in Bibliography.