

# **Speech**

**by President of IRU Working Group  
“Taxis and Hire Cars with Driver”**

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**on the occasion of the European Taxi Fair on  
8 November 2008**

**Not to be released before:  
8 November 2008 4 pm**

**The spoken version is the valid text.**

# The Political Situation of the Taxi and Hire Car Trade in Europe and the World

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Final Assembly at the 2008 Taxi Forum of the IRU in Partnership with the BZP

- We, the taxi trade, participate in the working group "Taxis and Hire Cars with Driver" within the International Road Transport Union (IRU). Although there is little international legislation for our trade, it is very important to have this international body.
- We exchange news and surveys of the market situation, receive information about new legislative development – especially EU legislation – from the IRU secretariat, we exchange views and knowledge, produce initiatives which we can pass on to our members, and help them in their activities and in representing their interests in their own member states.
- The global trend to market liberalisation and market deregulation  
There is a worldwide trend towards market liberalisation. Or should I rather say this in the past tense: THERE WAS, and is this trend now weaker or has it even ended? I do not know how the financial crisis will affect political views of how a market should work and the issue of whether governments should play an increased or a decreased role. However, I suspect that in the short term public service markets will not be further liberalised, but will become more regulated, as can be observed in the current banking policy of the EU and its member states. Whether this will also apply to regulations on the taxi market is something that I cannot predict, as some member states from Scandinavia are by no means dissatisfied with liberalisation. There liberalisation does mean freedom from state supervision of tariffs and licensing, but on the other hand the very strong legal position of the taxi control centres results in very strict supervision of service quality and professional knowledge for individual taxi companies. To this extent liberalisation is only a transfer of the regulatory function. And if monopoly and competition law does not permit this transfer, as here in Germany, unrestrained liberalisation can mean the end of service quality in the taxi trade.

One very important argument in the political discussion about the possible liberalisation of the taxi market is that the effects are not those that politicians expect: the result can in fact be higher prices, less service and lower quality. In one way or another, the taxi market needs regulation. In all countries in which deregulation has taken place, efforts are still going on to find a new, definitive policy. Perhaps this new equilibrium has been found in

some cities in the USA, and in Sweden and New Zealand. Above all, there is a clear need to set rules that demand a high standard for entering the taxi trade. Initiatives from the trade itself can help to lay down a package of rules that guarantees service quality. Voluntary quality schemes can be useful, but they will not deter companies with bad intentions from occupying a place at the lower end of the price and service category.

In the Netherlands the deregulation of the taxi market has taken the form of a complete removal of local and regional capacity restrictions and centralisation of all regulation at national level. Unsurprisingly, we are now realising that we need local influence and local legislative authority in relation to taxi quality. Taxis are a local business and need a local system of control. A national centralised control system does not work. Our experience has also been that a government body cannot penalise customer service that is poor but not illegal. If an independent driver works completely alone and is not connected to a taxi call centre, the customer does not even know where to turn to for making a complaint. The end result is that we lose these customers. They take a taxi only when they absolutely need one. Economists have taught us the term “reputation mechanism”. This means that the wish to have a good reputation ensures that service providers keep their quality high without being required to do this by the state. The case of the Netherlands makes it clear that some form of reputation mechanism is necessary in a free market, but can only operate when this is truly understood by all participants in the market: for our business this means owners and drivers. At present we have unfortunately not reached this position in the Netherlands, and I know from what my German colleagues report that this is also the case in Germany.

- Current initiatives of the organised taxi trade in Europe for improving image and service quality:
  - We are calling on the authorities to introduce a universal obligation to wear a seat belt – for drivers, too.
  - In the context of the IRU taxi group we have formulated guidelines for taxi owners and drivers for improving the accessibility of taxi services for persons with handicaps. By means of these guidelines we hope to pre-empt new legislative stipulations in this field.
  - We have also produced safety instructions for owners and drivers which have met with excellent acceptance throughout Europe.
  
- Future challenges for the taxi trade:
  - We demand fair treatment of taxis in relation to the introduction of zones of low exhaust emission in towns and other systems of raising charges for road traffic. Governments must realise and recognise that

heavier use of taxis can help to reduce the ownership of cars in densely populated urban areas.

- We promote the exchange of know-how and best practice in order to master technological developments and to create larger markets for suppliers. And also to meet the challenge of legislation at national level more effectively. The introduction of obligatory on-board data collection in the Netherlands and our cooperation with Belgium in this field is an extremely important current example. In terms of a government requirement to install such devices – in Germany cash-register taximeters are under discussion – in our view the following points must be ensured:
  1. No specific device and no specific software should be stipulated. Otherwise there is a danger that taxi owners will have obsolete equipment in their vehicles before the ink on the legislative text is dry. The state should only lay down functional specifications and then let the taxi operators decide how they put these requirements into practice.
  2. Before the introduction of such a regulation a new policy of monitoring and penalties should be established. In our experience the authorities are confronted with too many details, which overburdens the responsible public servants. It must be clear in advance that not every mistake, however small, on the part of the taxi operator or driver should immediately result in a fine.
  3. It is also of great importance that the taxi company either receives a subsidy for its investment or that a long transitional period is agreed.
- To return to our basic point of view for the future of the taxi trade: taxis are a local business, which means that we want to have no EU regulations, or very few, for taxis.
- More taxis should be involved in the public or collective chain of transport. In areas with low population density, taxis can provide public transport much more efficiently than the standard public buses – outside the peak period, at least.
- New technologies – for example positioning systems – have favourable effects for taxis.
  - Identification of position and automatic or online ordering will create a stimulus for public transport on demand, and thus expand the taxi market.
  - In the near future we may see companies which carry out a much broader spectrum of services for passengers in their daily journeys. One example is that a potential passenger puts his diary

planning online for the taxi company, which in return offers a door-to-door service with taxis, trains and flights.

As you see, many of your problems are also the main problems of your colleagues in other countries. Rest assured that the IRU taxi group, as the BZP for Europe and the world, is looking after your interests.

Thank you for listening!