



# PUBLIC TRANSPORT IN MALTA

A vision for Public Transport which fulfils the public interest in the context of environmental sustainability

A document drawn up by the Ministry for Infrastructure, Transport and Communications

October 2008







## INTRODUCTION

“The Government and all the Maltese and Gozitans demand a reform in the Public Transport. It is now the time to take factual action that by 2015 will ensure a public transport system that truly meets our needs.”

I have used these words to introduce the document setting out our considerations for reform in the bus service. I use them again in this document – which now contains our considerations for reform in the taxi service – both because taxis shall be an essential part of the wider public transport strategy, and because no such reform would be complete without the use of taxis becoming an everyday reality.

The greatest condemnation of the taxi system comes from a very simple fact – that we, Maltese and Gozitans, do not use them and do not even think of using them. The reasons are various (we shall go into these reasons in this document), and they led us to be probably the only country whose citizens do not use taxis. Even worse, we do not mind using taxis abroad but then never use them at home.

It cannot be more obvious to all (including both owners and drivers of taxis) that there is something wrong with the system or the mentality, and this has to be redressed.

In truth, we have over the past years seen some progress – good progress in this sector, thanks to initiatives taken by previous Ministers and by the White Taxis Association. Today, we have a modern taxi fleet which compares well to that of any other country, taxi stands have increased, the number of fixed-fare services have increased, taxi booths were successfully introduced, a code of conduct was drawn up and taxi-meters have been introduced.

However, when it comes to patronage by Maltese and

Gozitans, nothing has changed and we still believe that taxis are there for tourists, not for us.

This document is geared at addressing this problem with a single ulterior aim – to design a system whereby the option to use a taxi in certain circumstances could be considered, an option one would consider along with the other options which will be / are available – public bus, ferry boat, tram – because the taxi would have become an essential part of the wider public transport strategy and an important link for Maltese and Gozitans to be less dependent on their own car. We do not expect everyone to start using taxis every day, because out of all options the taxi would still be the most expensive. Yet, for some and in certain circumstances, the taxi would also become a real option.

We are envisaging the taxi as an essential part of an integrated public transport strategy designed to meet the needs of the client and not vice versa (where the client is compelled to adapt to the service operators' needs). For us, this is a fundamental principle and this is why we want to remove the *numerus clausus* on licences and introduce more possibility for competition within the market; because we want to eliminate the cartel mentality we currently have, a mentality that gave place not only to illegal negotiation of licences and the creation of artificial prices, but also to a situation where taxi operators do not even consider the Maltese citizen as a potential client.

We also have to address operation in itself. Taxi-meters were installed, but how frequently are they used? What are we going to do to put an end to overcharging? How available is the information to a client who wishes to report abuse? Do we require a thorough examination for those expecting to obtain a taxi driver's licence? Why should a few rude drivers give a bad name to so many drivers who are nice to their clients? Why does the idea still prevail that

taxi drivers are potentially violent people, unreliable and cheaters?

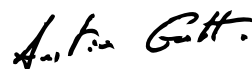
In truth, the taxi reform is not a reform with huge financial implications, but it is a reform that requires a tough cultural and social change and most instances it is this type of reform which presents most difficulty. One should not forget another factor, maybe the most important – taxis are a mode of *personalised* transport, the client experiences a certain personal contact with a taxi driver, which is not found in other modes of transport. When you board a taxi you feel that you are entrusting yourself into someone else's hands. This is why it is absolutely essential to generate a sense of security, so one would not be afraid to alight a Maltese taxi. This is why taxi driver supervision needs to be even stricter than that on others.

These are all difficulties which we cannot not address in this reform – not to point fingers at anyone but to truly have a system worthy of our country: used by Maltese, Gozitans and tourists, and which renders decent profits for its operators competing among themselves for the internal and tourist markets.

I conclude with the same words I used in the preceding document:

“Our mission statement, I believe, should therefore be:

*“To create a public transport service that is sustainable both environmentally and financially, integrated and modern; one designed to serve the needs of those who use it.”*



Austin Gatt



## WHERE WE FAILED

A “taxi” is legally defined as a vehicle that is over 1400cc, capable of carrying 5 passengers besides the driver, painted white with a relative sign on its roof and which is authorised to ply the roads and pick up fare paying passengers from the road. It is the latter which distinguishes them from the other type of “taxi” – the chauffeur driven car which is operated by a garage, usually painted black, is normally contactable telephonically and cannot ply for passengers.

Notwithstanding that no political decision is traceable, it has over the years been established that the number of “white” taxis does not exceed 200 in Malta and 50 in Gozo whilst the “black” taxis are liberalised.

Registering the fact that no formal political decision is traceable is important because over the years, we have seen a rising number of vehicles on our roads and this has influenced the performance and use of public transport services, including taxis.

Persons travelling on business within working hours, people who wish to enjoy a night of entertainment without the need to drive, persons looking at visiting congested urban areas that suffer from lack of parking, persons living in remote areas, persons seeking to travel for particular services (e.g. hospital visits) are typical taxi users in other cities but are unfortunately missing from the client base of taxis in Malta.

The impacts of such inefficiencies are obvious. Our road network suffers greatly from congestion, particularly during peak hours. Private car ownership numbers have increased dramatically over the last decade and our environment has declined due to the rising emissions caused by increasing road traffic.

The local car population has increased by 115 per cent

in the last two decades. This increase is unsustainable particularly for a small island like Malta with limited land and space resources. Public transport use, on the other hand, has continued to decline due to a number of reasons. This section outlines a number of reasons why taxi service, as a mode of public transport, has failed to effectively penetrate the local market and why it is not currently perceived as a viable alternative for travelling.

**The following are some of the reasons why the taxi system has, to date, failed:**

**1. Taxi operators and drivers do not consider the Maltese citizen as a potential client and for them the market is just the tourist market.** We can probably write a book why this is so, but all in all there is one reason – the potential to make good profit from a trip carrying a tourist is much bigger than the potential to make money from a Maltese passenger, therefore it is better to make 5 tourist trips than 10 trips with Maltese passengers. A very obvious consequence of this attitude is that the taxi-meter is not always used, that one can possibly sell other services to the tourist, that with the tourist one would receive a commission but not so with the Maltese.

This attitude is hard to understand when there is a sizeable potential market, in a country where certain areas present serious accessibility and parking difficulties, while the public bus service does not really provide an attractive alternative. The only explanation is: either because the situation has always been like that and so we leave things as they are, or it must be that tourists are generating enough money and so the taxi sector does not need to bother to even think about creating new ideas.

**2. Taxi operators have a bad reputation with the Maltese.** Justified or not, exaggerated or not, many Maltese people regard the taxi sector as people with whom they would

rather have nothing to do, people you would rather avoid than ask to drive you around. Most of the stories you would hear are undoubtedly exaggerated, but it is equally true that there is no smoke without fire. Stories about arguments on the use of taxi-meters, on excessive fares charged, on swearing and foul language remain persistent. Obviously, on top of this, there is the reality that only a few are inclined to take the trouble to file a report. This reputation leads the citizen to act in line with the mentality of the taxi sector (that the Maltese citizen is not a client) and not consider taxis as a viable mode of transport for Maltese people.

**3. The taxi system and operation does not protect the client.** No client in any country would like to have an argument with a taxi driver or to have to file a report, in most instances, clients would rather shut up and suffer the abuse in silence. Due to the fact that this is the reality everywhere, countries aiming for a system respectful of the client build safeguards within the system that tend to supervise in detail the use of taxis and the behaviour of the driver with clients, while creating an administrative structure which protects the client and facilitates the enforcement of regulations against the driver. In Malta, we still have a very long way to go to at least come anywhere close to these systems, as a consequence, the client (especially the Maltese client) feels uncomfortable to take a taxi ride. It is true that the introduction of the Code of Conduct (and respective fines) has opened the way, but it is also true that regular, consistent and serious enforcement is greatly lacking.

Unfortunately there are still some 100 cases reported to the Malta Transport Authority each year relating to the poor conduct of taxi drivers in Malta.

Moreover the training that is given needs to be upgraded substantially to improve delivery of service to patrons



especially in areas such as tourism, geographical knowledge (particularly street information in non-tourist areas), areas of special interest and handling of patrons with special needs.

**4. Many taxis give the impression that they want to operate from taxi stands only.** Have you ever seen a taxi driving around empty, with the top light on, plying for service along the streets? In Malta, taxis work primarily from designated stands and it is very rare that they stop to pick up passengers on the road, contrary to what happens abroad. One thing leads to another and the fact that taxis do not consider Maltese people as their clients and the Maltese do not consider the use of taxis as a viable alternative continues to strengthen this habit.

Taxi operators tend to wait at the designated taxi stands (often for several hours) for potential patrons rather than actively seeking custom through the more effective practice of plying for service along the streets. This results in a taxi service that caters for the needs of some tourists but not the travelling needs of the local population. For example, a tourist could typically wait 15–30 minutes to hail an available taxi passing along Tower Road, Sliema whereas a local would find it virtually impossible to hail a cab from the equally busy, but non touristic area of Valley Road, Birkirkara.

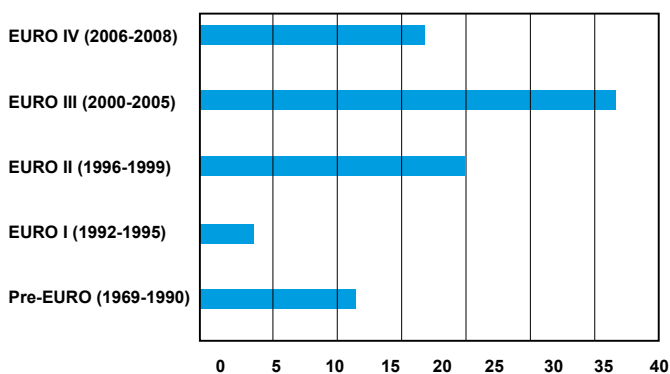
**5. Availability of taxi services away from taxi stands reserved for them is non-existent.** The lack of availability of taxi services at non-tourist transport nodes, such as shopping centres and employment, social services centres means that, unlike other European towns and cities, taxi services in Malta are generally not considered to be a viable alternative to the private

car for local inhabitants. An over-protectionist approach by Government has also prevented taxi services from operating freely between Malta and Gozo.

**6. Quality of vehicles has improved but is not sufficiently regulated to ensure comfort and accessibility for all patrons.** This means that any vehicle could be registered as a taxi, as long as it is right-hand drive, has an engine capacity greater than 1400cc, is equipped with internal lighting and has an adequate luggage boot. There are however, no regulations in place that specify dimensions. Other legal requirements such as the provision of safety glass protecting the driver are generally not adhered to. Even though generally they are high quality vehicles, these do not necessarily accommodate the requirements of all potential patrons, in that:

- a. Luggage space in some taxis is not adequate to transport, for example, patrons from the airport to their hotels;
- b. The use of air conditioning is not obligatory;
- c. Some vehicles are not easily accessible by people with reduced mobility and there are no vehicles that are wheelchair-accessible.
- d. There are no taxis that are environmentally friendly as every taxi operates using diesel fuel and nearly half of the fleet is over 10 years old (See Table A).

**Table A. Percentage of taxi fleet by EURO emission standards and age**



**7. Due to lack of competition, a taxi ride is expensive.** Numbers speak for themselves. The following table compares the trips in Malta to trips in other countries:

**Table 1. Travel charges compared with other European Countries**

Country	Jump in Charge	Charge per km	KM	Traffic	Total	Notes
Malta	3.49	1.40	5	0.15	10.64	Waiting time in traffic 2 mins
Barcelona	1.80	0.82	5	0.99	6.89	Waiting time in traffic 3 mins
London	2.77	1.62	4.7	1.9.3	12.31	€2.77 for first 0.3km; €1.68 waiting time in traffic for 3 mins; env. Charge €0.25
Rome	2.33	0.78	5	0.32	6.55	Waiting time in traffic 0 mins
Prague	1.73	0.82	5	1.12	6.95	Waiting time in traffic 4 mins
Amsterdam	7.50	2.20	3	0.00	14.10	€7.50 for first 2km
Dublin	3.80	0.95	4	0.81	8.41	€3.80 for first 1km; waiting time in traffic 2 mins
Berlin	3.00	1.58	5	1.16	12.06	Waiting time in traffic 2 mins

Source: [www.worldtaximeter.com](http://www.worldtaximeter.com). All prices in euro.

This data shows how Malta's taxi fares are relatively high when compared to other cities. The only cities where the taxi fares are higher according to this table are Amsterdam, London and Berlin where the monthly average household income is obviously much higher than in Malta.

The current fare structure gives no flexibility for taxi operators to work in price competition with one another and prohibits them from branding their service and providing cheaper fares. Positive discrimination in favour of frequent users and socially vulnerable groups is common practice in other cities where initiatives resulted in the introduction of taxi cards or vouchers.

With the relatively high initial fare (jump-in charge) of €3.49, taxis in Malta are not considered to be a viable alternative to using private cars for short shopping or business-related journeys by locals. This results in additional traffic on the roads in already congested urban centres.





**8. Limiting the number of taxi-operating licences has further strengthened the lack of competition in this sector.** The sorry fact is that no political decision seems to have ever been taken, by anyone at any level, where the number of taxi licences should be limited to 200 in Malta and 50 in Gozo.

The number of taxi licences has not changed for the past 20 years even though population, tourism and demand for mobility have increased significantly. The table below (Table 2) shows the ratio of taxis per 1,000 population in Malta compared to other cities and the potential for growth in the sector especially when you add the tourist population in Malta during particular times of year. Most interesting is the number of taxis in the deregulated cities of Wellington and Dublin where quantity controls were removed in 1989 and 2000 respectively.

The continued practice of controlling the quantity of taxi licences in Malta has meant that access to the market is at a very high premium. The licence itself became a valuable commodity (estimated at €200,000 for a taxi licence and

vehicle in Malta in 2007), which results in a significant entry barrier based on quantity of licences rather than quality of the service provided. In economic terms, a premium value attached to taxi licences resulting from quantity controls is an artificial one, created by constraints on the market caused by the regulated restrictions. The premium value does not relate to any effort of the licence holder to improve service levels and quality and therefore the licence holder has not earned it. In addition, it inflates the prices paid by consumers.

Quantity controls have resulted in long waiting lists of people wishing to set up taxi services. These restrictions serve neither consumers nor potential entrants and in effect only serve present licence holders since it creates a premium for their licence and ensures that there will be no competition in the market. Since the Government's position on liberalisation of the public transport sectors was announced in July 2008, the Malta Transport Authority has already received various requests from persons interested to start operating taxi services.

**9. The structure of taxi ownership acts as a disincentive to the creation of groups committed to competition.**

Taxis in Malta are mainly owner-driven. This situation has limited the development of radio-taxi systems commonly found in other cities, whereby taxis can be centrally deployed through a dispatch centre in a spatially more efficient manner. The introduction of radio-taxi systems would reduce journey distances, waiting times for patrons, travel times for the vehicles and, consequently, lower costs and fares. The current structure of taxi ownership has also led to the creation of an informal cartel and an unwritten agreement that no group is formed to compete against another.

**Table 2. Number of Taxis for every 1,000 persons**

Town	Taxis per 1,000 population
Malta	0.6
Rome, Italy	2.1
London, UK*	2.8
Wellington, New Zealand*	2.4
Dublin, Ireland	5.6

\* cities without restrictions over the number of taxi licences

Taxi services are not allowed by law to brand, promote or advertise their services through printed material or broadcasting means. Although most hotels have informal arrangements with taxi owners, it is an unwritten rule that taxi owners do not form groups to compete against each other. With the high rate of penetration of mobile phones in society today, there is potential for custom if contact information is made available and advertising is permissible, thus allowing the formation of different groups to operate in the sector.

**10. Quantity controls and the restrictions on competition have led to the formation of a cartel.** Whilst the creation of an association of taxi owners/operators is more than legitimate and is an asset when reforms need to be made because the authorities have a natural interlocutor, it is not legitimate to create a cartel. In reality, this is what has happened since the decision not to issue new licences has led to a tacit agreement between owners/operators that the Association not only acts as the “representative body” but also ensures that the market is “controlled”.

Even with the present quantity controls, competition between taxis could be created and it is to some extent, since it is known that some taxi operators favour certain clients (usually large organisations) who use them regularly within a predetermined price. An element of “competition” is therefore tolerated but since it is unofficial it only favours the big organisations that have the purchasing power to “buy” reduced fares. The small businessman, the professional, the man in the street has no way of getting the same preferential treatment.

The situation today, for the Maltese citizen, is that the taxi service is inexistent or exists only for those who can afford to pay. The tourists needs might be met to some extent,

but the system receives so much criticism that it must need a proper overhaul for the client – both Maltese and tourist – to be truly served.

Slowly slowly, a system was created that hardly serves the client, but which protects the service operators well since it has created a capital outlay due to the licence they negotiate illegally and protected them from the concerns of competition.

If, in exchange, our country had a good service it would have mattered less. But, considering that we have no service, one necessarily concludes that it is time for downright reform. It is time to design a reform focused on the legitimate needs of the client, which after all is the aim of the service.

**11. Enforcement of the existing regulations is often weak.** Owing to this issue, a number of taxi drivers who wanted to cheat their customers could do so in the knowledge that they were not going to be caught. It is a fact that the existing regulations are weak, outdated and require a revision, however, had these regulations been enforced more seriously we would not have been in the situation we have today and facing the problems.



## WHERE WE WANT TO BE

The ultimate aim of the taxi reform is to bring about higher levels of taxi use, both by tourists and above all by the Maltese. Our expectations for increased taxi use alone will not by itself make the reform work. Such increase would only happen if the fare is more affordable for the client and if the system infrastructure is set to integrate the taxi in the wider public transport strategy.

To achieve these goals, we can no longer limit our viewpoint to the interests of taxi owners and drivers. The system has to be built to meet the interests of the client. That is the only way of putting an end to the prejudice which the client has against taxi people. We appreciate that this will not be easy. When someone has been working in a certain way for so many years, change is a real challenge. This is why the change is more of a cultural one than a financial one. Yet, we all need to understand that the world has changed and Malta is no exception, we cannot hold on to a system which was designed in the previous century.

The reforms we want to look at may be divided into two – the structural and the organisational. The true challenge is the structural one, because it is only by means of a new consideration of how to introduce competition in a would-be liberalised market that we may have lower prices and thus more frequent usage of taxis. We shall be going into this in the following section - in the present section, we point out the Government's considerations for reforms in the organisation of the system itself which we believe should not be particularly controversial, or so we hope.

**1. The definition of a 'taxi' and the respective minimum conditions shall be amended so as to have:**

- a. A 'taxi' will be defined as a car that may carry a maximum of eight passengers in addition to the driver;
- b. All taxis shall have air conditioning installed within a year, and the air conditioner shall be running whenever a passenger is on board;
- c. A taxi must be bought brand new and cannot operate for more than 10 years. There shall be a period of two years for everyone to adhere to this condition;
- d. All taxis shall have a specified minimum boot capacity and this shall be applicable to new taxis;

**2. The usage of a taxi and its taxi-meter shall be remotely monitored by means of technological systems.** It shall be the obligation of every taxi owner to make sure their taxi is fitted with electronic equipment that enables ADT to verify from its offices when the taxi is being used, when the taxi-meter is activated and the amount registered by the taxi-meter for each trip. This applies

simultaneously with the obligation to issue an electronic fiscal receipt for each trip, and it shall also be remotely monitored.

**3. There shall be the possibility of contact between ADT and the taxi driver.** In order to overcome the problem that ADT is not in a position to intervene with a taxi driver should this be necessary when the taxi is in use, a two-way radio system (jointly financed by ADT and taxi operators) shall be introduced. This system may be additionally used by the same taxi operators to distribute their work.

**4. Passengers shall be provided with more information regarding their rights.** The passengers need to be well aware of their rights, to know whether they are being hard done-by and if so, what they can do about it. For this purpose, the following is being proposed:

- a. A tariff which is by law supposedly displayed in the taxi will be published by ADT and will be affixed permanently and prominently in the taxi and





will also be visible from the outside to facilitate enforcement.

- b. The tariff shall also include information of how the passenger could make contact with the ADT or the Police if required;
- c. A plate showing the taxi licence number, the name of the driver and his/her photo shall be permanently fixed in the taxi.

#### **5. Passengers shall be provided with more security.**

To put an end to the existing feeling of distrust towards taxi drivers, it is being proposed that in all taxis:

- a. An emergency button monitored by both ADT and the Police shall be fitted for passenger use. In the eventuality that this button is used, both ADT and the Police may immediately intervene by means of the radio while the location of the taxi is also indicated to them electronically;
- b. A CCTV camera shall also be fitted in all taxis. In the eventuality of a suspected impropriety or breach of one of the conditions, the camera may be used for the purposes of investigation and law enforcement. All measures will be taken to safeguard passenger privacy.

#### **6. Criteria (similar to those already in effect with regard to owners of minivans, coaches etc.) determining who may be the owner of a taxi shall be introduced.**

The aim shall be that a taxi owner – as a responsible person, both if that person is the driver or not – shall be a person who carries certain responsibilities both his own actions and for the actions of the persons he employs. The owner also has financial responsibilities and consequently it is not permissible that a taxi owner does not offer society a certain financial guarantee with respect to proper behaviour.

#### **7. We shall ensure that taxi drivers are more reliable.**

Today we have 507 persons who hold a licence to drive the 250 taxis we have in Malta and Gozo. There is no doubt whatsoever that these are the weakest link in the trust chain which is so instrumental for the increase of taxi usage. To this end, it is being proposed that:

- a. The present requirement that a taxi driver submits his/her conduct shall be amended to a requirement to submit a criminal record and this shall also apply to drivers who already hold a licence;
- b. The present criteria about suspension of licences (if a person has been convicted, during the previous five years, of a crime liable to a term of imprisonment of three months or more or a fine of at least €465.87, or has been convicted during the previous two years, of offences related to traffic or road transport regulations) shall be amended so that the time period of 5 years is increased while the amount of the fine is less than what it is currently.
- c. No person shall be licensed as a taxi driver unless that person has successfully completed a course of instruction designed to test that person's knowledge of Maltese geography, streets, key places, history and tourism. The applicants shall also be tested for their behaviour, their knowledge of the law and their driving skills. To this end, new courses of instruction shall be designed by ADT following consultation with the Association of taxi owners. Drivers currently holding a licence shall also sit for this exam, in order to renew their licence;
- d. All licence holders shall attend an annual refresher course designed by ADT following consultation with

the Association of taxi owners, and shall pass the respective examination;

- e. ADT shall on serious grounds have the right to suspend a driver's licence with immediate effect. The driver shall have a right of appeal before an independent tribunal;
- f. The penalties for breach of Regulations or of the Code of Conduct will be hardened.

**8. Taxi stands shall be increased, with an emphasis on non-touristic places.** If our aim is to facilitate use of taxis by the Maltese people, access to taxis is to be provided not only in places where tourists are but also where the Maltese are. We probably need to add a number of stands in some touristic zones, but there are surely several non-touristic zones that would require taxi stands once we change the system. These include super markets, the new bus terminals, the Hospital, city centres, etc.

**9. The prohibition that no advertisement may be displayed on a taxi shall be removed.** We had probably copied this prohibition from the English, but when the English removed it we did not follow suit. There is no reason for such prohibition. It rather works against the branding initiative, that is essential for competition within the market. We shall find a way for taxis to still be visually identifiable with ease as taxis. Once we manage to do that, there is no logical reason to prohibit a taxi owner from using the taxi to make money from advertising.

**10. Alternative taxis shall be introduced.** A plan will be drawn up whereby taxis will have tangible systems to assist disabled patrons using their services. Taxi operators should also be encouraged (through incentives) to provide vehicles that are accessible, particularly for wheelchairs,





within their fleets of vehicles. Table 3 below shows various cities around the world and the percentage provision of wheelchair accessible taxis (WATs).

The number of wheelchair accessible taxis in Malta will be established on the basis of research taking into consideration population and area covered. Consultation will involve the National Commission for Persons with Disability. Registration tax incentives will be provided to any taxi operator prepared to invest in wheelchair accessible vehicles.

Registration tax incentives would also be applied to vehicles operating on alternative fuels, such as LPG or hybrid, thus encouraging green mobility.

There are also opportunities for the investment in different types of taxis which would cater for different types of trips. In this regard, there is the intention to replicate the successful example of the electric minicabs in Valletta which would cater for short distances in other areas.

**Table 3. Percentage of taxis which are wheelchair accessible taxis (WATs) in foreign cities**

Location	WATs as % of total
Newcastle-Upon-Tyne	50
Exeter	60
Western Australia	8
Llandrindod	9
Sydney	8
London	100

**11. The code of conduct will become part of the qualitative controls, and hence part of the enforcement.**

The code will need to be revised to provide for harsher penalties but it is also necessary to introduce a penalty point system with a limit on penalties after which the licence to operate a taxi service could be suspended or revoked.

**12. Information related to taxi services (including those with disabled access) will be made more readily available.**

Particularly with information about telephone and online pre-booking and rates. Operators should make use of technology (fax, email and SMS) to facilitate booking and attract clients whilst advertising campaigns to encourage Maltese to use the reformed taxi service could be co-financed between ADT and the Taxis Association.







## INTRODUCING THE POSSIBILITY OF COMPETITION

So far, in Malta we have used the traditional concept in the taxi market – namely, tariffs established by the Authority that are worked out for the client by means of a taxi-meter, and so it does not make a difference whether the ride is with any particular driver because for the same trip one “should” pay the same fare.

“Should” – both because the taxi-meter is often not used, and also because certain taxi owners make informal arrangements with some companies and individuals who use them regularly to the effect that a lower fare than that shown on the taxi-meter is charged. This is all illegitimate, but the market rules and it is difficult to go against the market.

So there is some tendency towards competition between the different owners, but this is hidden competition because it cannot be externalised since advertising is prohibited. Thus, this is competition which only favours the owners that have good connections and those privileged clients who have a certain volume of workload. It certainly does not favour the man in the street.

However, there is also a tendency totally against competition, which comes from the fact that absolutely all the owners have joined in an association that is not only an organisation meant to represent them but which also developed into a commercial cartel. Now, while one appreciates the need of a representative association, it is counterproductive for the client that the Association further developed into a commercial organisation bringing together all the owners and that these owners distribute certain work between them while preventing others from undertaking such work as they want the number of licensed taxis to stay as it is.

There is obviously nothing wrong with having commercial organisations or cooperatives between taxi owners. What is wrong is that there be only one such body. When this happens there would be a cartel, and where there is a cartel the client suffers. This factor in itself stifled the possibility for competition, but when coupled with the other factor that there is a *numerus clausus* on taxis we realise to what extent the present state of affairs works against the client.

Wherever the market is artificially regulated with quantity controls and a barrier is created for potential new entrants into the market, common problems persist, namely the lack of availability of taxi services, the lack of choice for consumers, the lack of quality services and an overall disincentive for operators to improve.

On the other hand, with liberalisation there is a greater opportunity for increasing demand through the availability of taxis and choice of services, and to reduce waiting times for patrons wishing to use the service and increase safety throughout the service through the replacement of quantity controls with quality controls.

In the UK, local authorities without quantity controls have on average of 30 per cent more taxis per head of population than those with quantity controls. Since the lifting of quantity controls on taxis in Wellington, New Zealand the growth in taxis have outpaced population growth, leading the numbers to increase from 1.49 to 2.43 taxi per 1,000 persons. This was also achieved through market innovation with many new specialised taxi type services being provided, new taxi charge credit systems and more advertising. Between 1989 and 1995 taxi fares were also reduced by 10 per cent with many operators setting higher standards for operation through their Taxi Federation.

Despite the fact that some European cities, including Malta and Gozo operate under fixed prices (mandatory tariffs), there would seem to be a strong argument in favour of applying variable prices or maximum levels of fares, in order to protect the interests of consumers. In applying a maximum fare, taxi drivers would be allowed to charge lower fares and consumers would have a greater choice of taxi operators on the basis of price. In the more competitive environment that would result from the lifting of quantity controls, there would be pressure on taxi operators to reduce, rather than increase fares, in order to gain market share. Thus brand naming could play an important role in the development of a range of fares in Malta as has been the positive experience of cities in New Zealand and the UK where deregulation has occurred.

Uniform taxis have the advantage of being easily detected amongst traffic. In the UK for example, only Hackney cabs are allowed to stand at taxi ranks and ply for service in the streets. Minicabs are regulated separately and cannot ply for service. In Malta, the situation is quite similar with white taxis being allowed to ply for services and other (black) chauffeur driven vehicles only being allowed to operate as pre-booked taxis.

Having a distinct uniform taxi fleet has its advantages, however, as previously argued the restrictions imposed on advertising and sub-branding has had some negative effects on the end product being delivered to the customer. In the case of vehicles that are accessible for wheelchairs, there is a strong case for sub-branding since it would make it easier for disabled passengers to identify such a taxi and be able to call one easier, when necessary.

Sub-branding can also be conducive to the setting up of taxi companies (e.g. radio-taxi) which could brand their



vehicles in a unique manner to stand out more. This could also reflect a higher quality vehicle for example, or a cheaper fare, should this apply.

Research carried out comparing authorities with and without quantity controls, show evidence of quantity controls being detrimental to consumers. In another study, a comparison is drawn up between various countries (Table 4) and the impact of various aspects of deregulation. Gwilliam (2005) concludes that part deregulation is advisable where entry into the market is not controlled by quantity restrictions and fares are regulated by a maximum. A balance between supply of taxis, fares and quality is achieved.

A reform in itself will necessitate change. Current operations will require change to cater for the projected demand for public transport, as well as the demand created by both disincentives for car use and new public transport modes.

This change will also have to include a re-organisation of the taxi stands to better cater for the general public. New locations will have to be identified near shopping centres, tourist centres and, employment centres. New fixed-fare booth locations will also be created by the different competing companies that will be formed. This will be necessary if we are to expect a reduction in waiting times and availability of services in all areas around the islands.

The quality of the services will have to improve. There is no doubt that if a taxi service is required to support a journey, whether for leisure or for work, then the service quality provided must attain that and reflect the fare paid. New quality incentives will be necessary for the drivers, as well as for the vehicles. There could be options for incentivising newer, cleaner and more accessible vehicles. Drivers will need to improve in their service delivery and therefore a higher level of training needs to be introduced.

Reform	Country	Effect of Change (5 high positive effect - no effect) n/a - no data available		
		Supply	Fares	Quality
All deregulated	Switzerland	5	1-0	1
	New Zealand	4	1	2
	Stati Uniti (partijiet)	5	2	0
No quantity controls	Irlanda	3	n/a	2
	Olanda	2	1-0	2
	Renju Unit	1	n/a	1
	Stati Uniti (partijiet)	2	2	0
Fares regulated Quantity controls	Norvegja	0	1-0	2
	Stati Uniti (partijiet)	0	2	0
Fares Regulated	Kanada	0	2	2
All Regulated	Stati Uniti	0	0	n/a

**Table 4** *The Effects of Regulatory Change. Adapted from: World Bank Transport Notes. Urban Transport Thematic Group. Regulation of Taxi Markets in Developing Countries: Issues and Options by Kenneth M. Gwilliam (2005)*

The impacts of the reform will have financial but also service quality repercussions. The various options presented in this section point towards a taxi service that can support a growing public transport population.

The Government's objective is to achieve a sustainable modal shift, primarily by getting people out of their cars for certain journeys and making use of public transport. This includes the taxi sector as it potentially plays an important role in moving tourists and locals to and from their destinations. Future policy should move away from imposing quantitative controls on the number of licences in this sector and move towards the introduction of qualitative controls on the taxi operator and on existing operators in this sector.

The specific reform that we propose to introduce will therefore be:

**1. The review and reorganisation of laws and policies** to harmonise the regulations and enforcement in this sector and base them on the principle of a liberalised and better regulated taxi market;

**2. Liberalise access to the taxi sector.** Quantity controls which currently act as a barrier to new entrants in this sector shall be removed and replaced by quality controls on vehicles, owners and drivers. This will ensure higher quality of services and cheaper prices, through competition. The Government will set up a Board to assess claims for compensation by current operators;

**3. Encourage branding of different taxi operations and assist the setting up of different taxi companies.** This will be essential to create a competitive environment;

**4. Allow advertising** both on the vehicles themselves as

well as through other media in order to put taxi operators in a position where they can emphasise their unique services as well as to ensure that customers are aware of the different services being offered;

**5. Allow electric mini cabs to operate anywhere** – the success that has been achieved in Valletta with the operation of electric mini cabs (a complimentary taxi service that is not really in competition with normal taxis) should be emulated in any other locality of Malta and Gozo where commercial operators believe they can profitably operate the service. A licensing regime (rather than a tendering process for restrictive or exclusive concessions as has been the practice so far) similar to normal taxis will be developed by the Authority;

**6. Permit inter-island operability.** There will be no distinction between taxis registered in Malta and Gozo and all geographic barriers will be lifted with taxis being allowed to operate freely on both Malta and Gozo and between the two islands.

**7. Apply a maximum fare to taxi services but allow up-front discounts.** This will allow operators to offer cheaper rates, brand their services and introduce fare structures and discount systems within the maximum levels which positively discriminate in favour of individuals or user groups such as frequent travellers, students, pensioners and disabled persons.

**8. The Authority will coordinate taxi services in line with an overall strategy to encourage modal shift** and ensure availability and efficiency of services offered. This will include an upgrade of the existing and potential taxi stands which would make taxi services more available in presently under-served areas and the provision of



information about taxi stands and services which are easily accessible by potential users. Taxis are therefore seen as a key player in the nation's need for mobility.





## CONCLUSION

This reform is part of the wider public transport strategy, one in which the population is provided with a choice of modes to undertake journeys from home to work, to schools, to shops and so on. In order to achieve this, public transport must incorporate services such as taxis. The idea of using public transport and taxis when time constraints are an issue should become affordable. Research shows that where consumers are not able to get a taxi, they will not switch to public transport but would tend to use their car. This is not an option anymore with our increasing congestion and pollution.

Our invitation is simple – let us together undertake those changes that are absolutely necessary if we want to change our way of life.

The public is invited to send their views, comments and suggestions on this subject to the Ministry for Infrastructure, Transport and Communications on [www.mitc.gov.mt](http://www.mitc.gov.mt) or at 168, Strait Street, Valletta.

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