

Taxi Deregulation in Sweden, July 1, 1990

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In 1988, the Swedish Riksdag (Parliament) passed a Government Bill on continued deregulation of transport. In regard to taxi traffic, the removal of regulations takes place through a number of simplifications of the legislation. In certain respects, however, some requirements taxi operators have to meet have been tightened up. The substance of the Riksdag resolution is summarized below.

1. Examination of Demand Abolished

The earlier examination of demand meant that the State's county administration decided on the number of taxi licenses that would be issued in a given traffic area. Deregulation means that this examination of demand is abolished and that the number of taxis is determined by the taxi operators themselves. The reason for the deregulation was that the demand for taxi licenses was impossible to determine objectively.

2. The "Traffic Area" Concept Is Dropped

Under earlier rules, the taxi owner was allowed to operate in a certain traffic area, usually the local municipality. Furthermore, in certain cases and especially in rural areas, the taxi license specified an obligatory taxi rank for the vehicle. On July 1, 1990, the rules relating to definite traffic areas and taxi ranks for the vehicles were abolished. This allows the taxi owner to operate anywhere in Sweden.

3. Decisions on the Number of Taxis in Service and the Obligation To Be on Duty

Previously, the taxi operator associations drew up plans for the number of vehicles in service at any given time. These plans were examined and sanctioned by the county administrations. The idea was to ensure that a suitable number of taxis would be in service in the traffic area round the clock. The license specified how many vehicles the taxi owner was allowed to have in service. In this connection, he was under an obligation to be on duty, which meant that "the license-holder is obliged, under the conditions which apply to taxi traffic, to transport persons and luggage".

Decision-making by the county administrations concerning the number of taxis in service was abolished in connection with the deregulation. Instead, the taxi owner can decide for himself how many vehicles he wishes to have in service. In practice, however, the dispatching central, mostly owned by the taxi owners, determines the number of taxis that should be in service at a given time. The previously obligation to be on duty was abolished on July 1, 1990.

4. Free Establishment of Dispatching Centers

A licensed taxi operator previously had to be connected to the traffic area's common order center. Deregulation means free establishment of dispatching centers, and there is no longer any need to be connected to a particular dispatching center. Accordingly, the taxi owner can choose to receive orders via his own mobile or home telephone or apply for connection to a suitable dispatching center of his own choosing. The dispatching center chooses the carrier.

5. Free Setting of Taxi Fares

Previously, the State reviewed and determined through the Transport Board of Sweden the maximum fares applicable to taxis for which taximeters were obligatory. Deregulation means that the setting of taxi fares is completely free. However, the taxi operator is obliged to inform passengers of the rate in advance, and the rate must not be changed en route. In certain respects, the requirements taxi operators have to meet are more stringent. The most important requirements are as follows.

6. Stricter Suitability Tests

Previously, the county administration carried out a simple suitability test of persons applying for a license to operate a taxi business. On January 1, 1989, the requirements that persons applying for a license have to meet were tightened up. If the business is carried on in the form of a limited company or the like, then the circle of persons whose suitability is tested will also be larger than was previously the case. The factors examined include occupational experience, financial situation, law-abidingness, and disposition towards fulfilling obligations to the State. In addition, county administrations shall continuously supervise license-holders to ensure that they carry on their activities in accordance with the regulations currently in force. As a result of the stricter requirements, courses for would-be taxi operators have been extended from five to eight days.

7. Taxis Must Display a Commercial Traffic Sticker on the Windscreen

Previously, there were no general rules governing the way in which a taxi should be marked. From July 1, 1990 all taxis must display a "commercial traffic" sticker on the windscreen. This sticker is issued by the National Road Administration after checking that the vehicle is taxed, insured, etc. and that the owner is in possession of a valid commercial traffic license. The sticker is changed every year. The rules are the same for buses, taxis, and lorries.

8. Taxis Must Carry a Special Number Plate

All taxis in the country must carry a special number plate with a black border and black numerals and letters on a yellow background.

9. Receipt-printing Taximeter Obligatory

Previously, a taximeter had to be sealed and of approved type. The Riksdag resolution means that the requirements for taximeters have been sharpened. Receipt printing and recording taximeters are obligatory from January 1, 1991. The detailed receipt printed by the taximeter should enable the passenger to compare price with performance, such as the distance and duration of the journey.

10. Requirements in Respect of Taxi Vehicles

To be considered suitable as a taxi, a motor vehicle must have more than two doors for boarding and alighting. A taxi must also be equipped with a protective device behind the driver's seat.

11. The Taxi Market

The public sector is a big taxi customer. As an average for the country, this sector buys more than 50 percent of the transport operations. In rural areas, 80-90 percent of taxi earnings come from the municipalities and the county councils. For Sweden as a whole the shares are:

40 percent "färdtjänst": transport of the elderly and disabled (incl. hospitals),

10 percent school transports and

50 percent private.

12. Results of the Deregulation

Deregulation was applied on the 1st of July 1990, so it is a little early to have an opinion on the new product, but here are some basic data. On the whole, the abolition of needs assessment has had the intended result as regards the availability of taxi services. Supply has increased heavily, especially in big-city regions. The number of taxis has doubled in the Stockholm area. Customers' waiting times when phoning for taxis have generally diminished, as has the time spent waiting for the car to arrive. The shortages feared in sparsely populated communities appear on the whole not to have materialized, due partly to stipulations made by municipal and county councils concerning transport availability, such as when purchasing school transport and transport assistance for the disabled. Taking the country as a whole, something of an equilibrium now seems to have been attained between supply and demand for taxi services as reflected by the number of vehicles in service.

In localities where there is genuine competition, price levels have also changed in the consumers' favor. There is now keen competition between a number of dispatching centers, specially in the big cities. A system of fixed prices is being used in many cities. The fare from the center of Stockholm to Arlanda Airport, for instance, is 250 SEK compared with about 450 SEK before the deregulation.

Figure 1 shows the movements of taxi fares (private journeys) and the Consumer Price Index (CPI) between July 1990 and February 1993. The prices increased immediately after the deregulation and increased even more after 25 percent VAT was imposed on taxi journeys at the end of 1990. The movement of CPI must therefore be compared with taxi fares exclusive of VAT. There is now little difference between fares and CPI.

Considering that the tipping was regulated before the end of 1990 to eight to 10 percent in bigger cities and to two to six percent in the other parts of Sweden, taxi fares are now, at least in bigger cities, about five percent *below* CPI as a general rule.

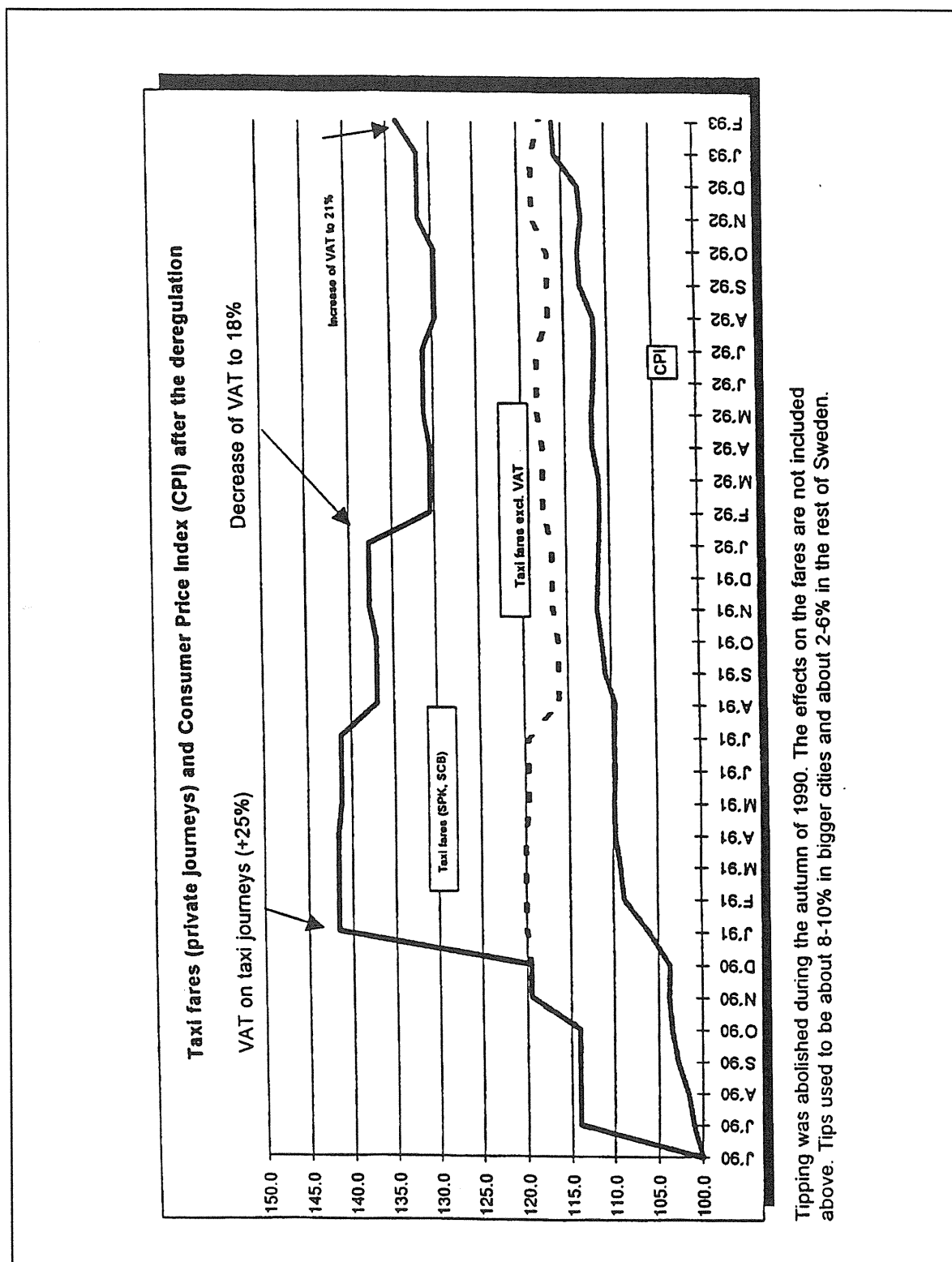
As no less than 50 percent of the money spent on taxi services in Sweden is paid by the public sector, it is of interest to investigate purchasing taxi services in a system of competition between a number of taxi operators. (This has been investigated by the Department of Human and Economic Geography, Göteborg University, 1991 - Lars Gunnar Krantz: *Avregleringen av taxi i Sverige*.) These possibilities depend on many factors such as the purchasing skill of the municipal management, the area of the municipality, distances between the dispatching centers, and the existence of monopoly among the taxi operators.

In the first year after taxi deregulation, 22 percent of the municipalities obtained tenders for all their transport. There was competitive tendering for parts of the transport requirement in 47 percent of the municipalities and no competition at all in 31 percent of them.

Figure 2 describes price changes for special transport for the elderly and disabled. The variation in changes is large, from a 20 percent reduction to a 43 percent increase. But almost half of the municipalities come in the interval where prices increased by less than 15 percent.

The changes in school transport prices are even more concentrated to the interval of less than 15 percent

Figure 1: Taxi Fares (Private Journeys) and the Consumer Price Index after Deregulation



(Figure 3). More than 60 percent of the municipalities come in this interval. Price changes vary between a 27 percent decrease and a 20 percent increase.

Figure 4 describes the price changes in relation to the extent of competition between taxi operators. In municipalities with competitive tendering for all kinds of transport, the price rise was small. Only 15 percent of such municipalities had an increase of more than 15 percent, prices decreased in 25 percent, and prices were unchanged for the same proportion.

The trend is that as the municipalities get better skilled in purchasing taxi services in a system of competitive tendering, they get lower prices.

During the period observed, a VAT of 25 percent was introduced. Many of price increases have been due to this introduction.

13. Stricter Requirements for Taxi Enterprises and Taxi Drivers

In its 1993 Budget Bill, the Government declares that the effects of deregulation are predominantly positive, and the policy of deregulation is, therefore, reaffirmed.

Figure 2: Changes in Fares for the Elderly and Disabled

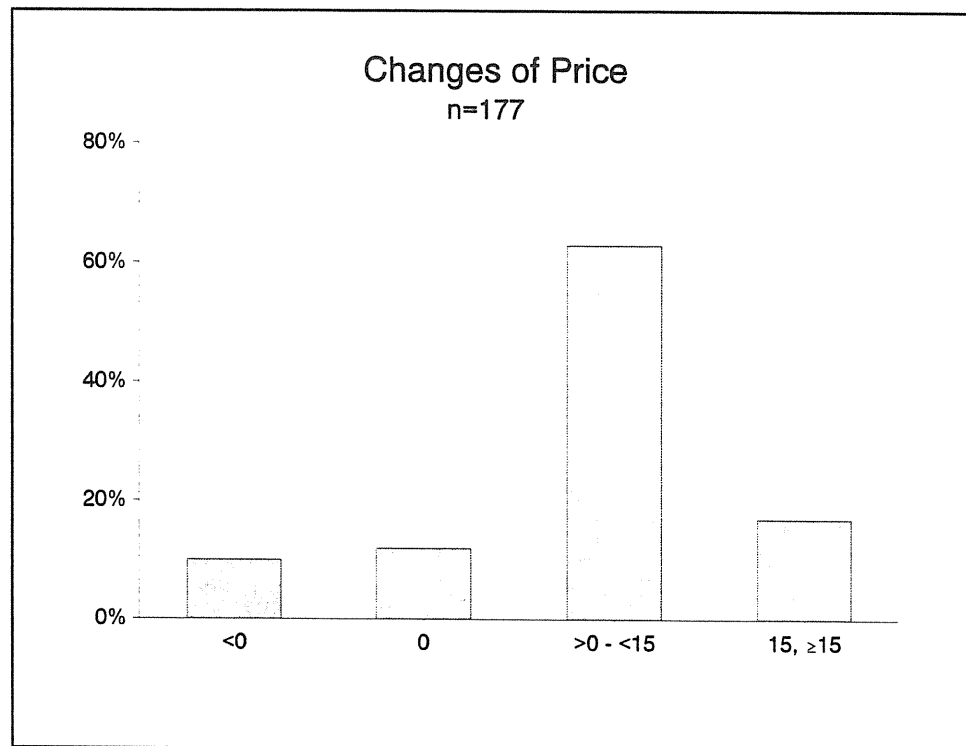
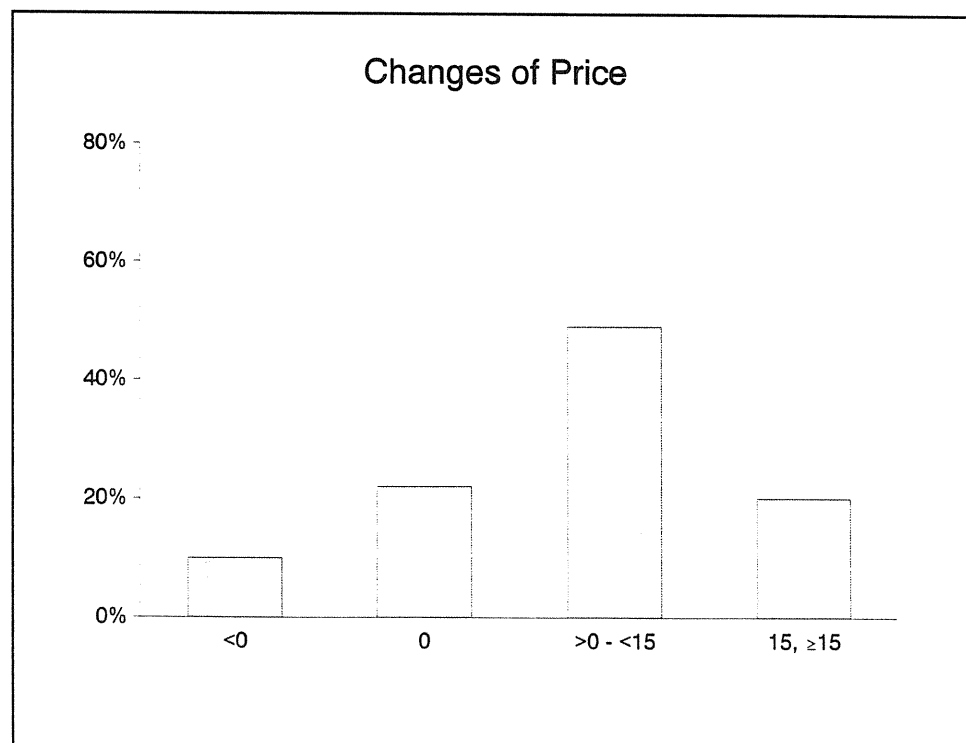


Figure 3: Changes in School Transport Prices



It is also a fact, however, that deregulation has created various adjustment problems for the previously established taxi enterprises. This is a consequence of the trade having been regulated in detail for such a long time previously. Nor have newly established taxi proprietors invariably been accustomed to the service standards, which ought to be insisted on.

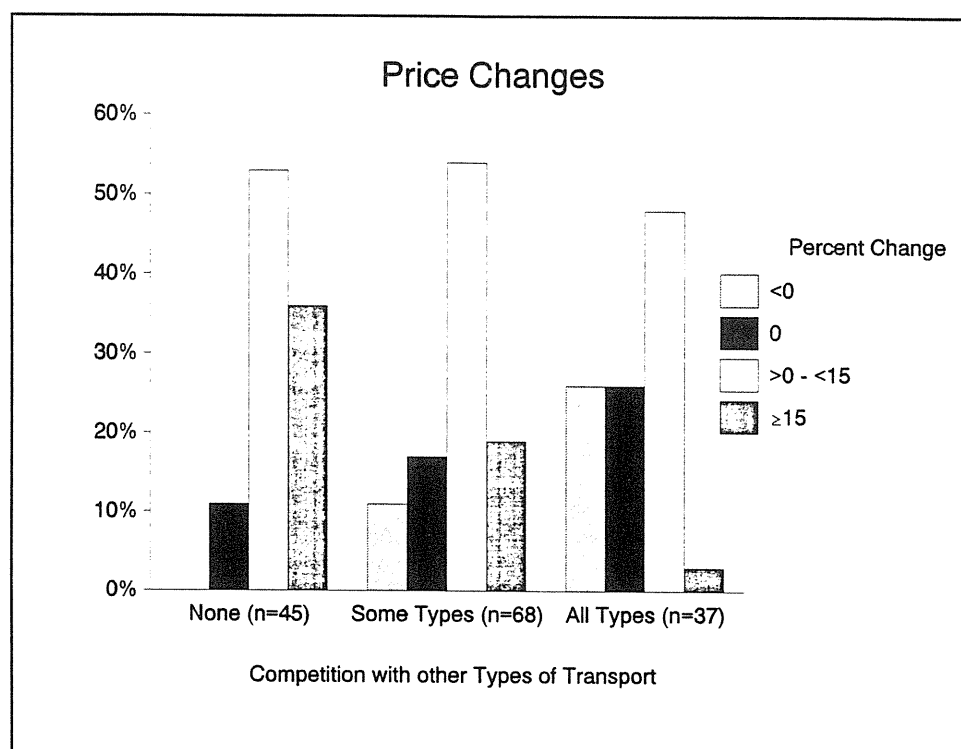
At its meeting of December 10, 1992, the Government decided on the following measures to rectify a number of abuses in the taxi trade.

Under an amendment to the Commercial Transport Ordinance, taxi drivers will have to pass a test. Their professional skill is to be documented by means of a personal license which is to be kept where it can easily be seen by the passenger. The second amendment is aimed at improving the legal connection between the commercial driving license, the license-holder, the vehicle registered, and the registration plate to be fitted if the license refers to taxi services.

The following measures are proposed in the Government Bill:

- The county administrations, the National Road Administration, the Civil Aviation Administration and the National Board for Consumer Policies should make stricter stipulations concerning the price information to be furnished by taxi enterprises and should themselves supply information on relevant points.
- The county administrations should issue by-laws requiring holders of taxi licenses to display, on their taxis, the charges applied in keeping with the agreement existing between the National Board for Consumer Policies and the Swedish Taxi Owners' Association.
- Taxi receipts are to contain better information concerning the basis of the fares charged (e.g. the length of time, for payment by the hour, and the distance travelled, if the fare is per kilometer). The receipt must show the vehicle registration number.
- Taximeters are to be sealed without exception and not only "as necessary".
- Existing permits for sealing taximeters are to be withdrawn at the earliest possible opportunity.

Figure 4: Price Changes in Relation to the Extent of Competition between the Taxi Owners



- A high standard of professional skill should be stipulated for sealing taximeters. This will restrict the number of accredited workshops, thereby reducing the risk of taximeters being tampered with.
- Existing exemptions from the sealing of taximeters will be canceled.
- Approval of sealing workshops is to be entrusted to the National Board for Technical Accreditation.
- The approved workshop is to inspect the seal annually and calibrate the taximeter, e.g. for the ratio between kilometers paid for and kilometers driven.
- Mileage and seal will be subject to roadside inspections, which can also take place on taxi ranks.
- A broken seal will as a rule entail the withdrawal of the commercial license and render the driver - and in certain cases the license holder as well - liable to fines.
- The cumulative clocks in the taximeter must be sealed in the vehicle itself. Resetting of the clocks must not be possible.
- The type and serial number of the taximeter are to be registered in the vehicle register for each individual taxi.
- The National Road Administration will be empowered to issue statutory instruments of the use of taximeters, e.g. to the effect that a receipt is to be made out at the end of *every* fare, and that the taximeter is to record the particulars on the receipt after *every* fare. It is also to apply to fixed-rate fares.
- The National Road Administration, as the central authority for commercial transport questions, should specifically follow up the effects of the stipulations, resolved on by the Government, concerning the professional skills of taxi drivers.
- The annual report to be compiled by the National Road Administration on the state of commercial transport should reach the Government not later than 15th September every year.
- The National Road Administration should observe international developments in the matter of vehicle equipment and in this connection encourage greater standardization of taximeters.
- The Riksdag passed the Bill in mid-April, approving all the Government's proposals but emphasizing the importance of still more suitable testing of persons applying for taxi licenses.

