

Cab Licenses

By Phillip Anderson

Economic rent is the return you get from owning something. One example is a taxi license. They generate pure economic rent, for which there is a mighty vested interest in all states in Australia. They're determined to maintain the status quo and protect the value of that license. Generally most taxi license holders have nothing to do with providing taxis. Instead they rent their rights out to operators who, before recent Victorian government reforms, paid out about \$30,000 a year. The value of licenses continued to soar for the owners.

Traditionally this indicator has followed the real estate cycle closely and one can see a flattening or fall of their price during recessionary periods, (as the graph of Melbourne taxi license values shows). However, under the recent reforms, the Victorian government is now leasing new licenses for \$22,000 a year, set to the CPI and they will no longer restrict how many are sold.

Already, the reforms have had a significant impact on licensing values, which have fallen to \$294,000 as at April 2015.

What the government 'giveth', the government can certainly 'taketh' away. But there is nothing better than a bit of decent competition to kick-start a few reforms.

I spend only a part of each year in Melbourne — the summer. I get to see close up the changes that happen over the course of a year that otherwise may not be so obvious.

And it has amazed me how much more friendly taxi drivers have become, how much cleaner the cabs are, and how much more courteous and observant drivers we have.

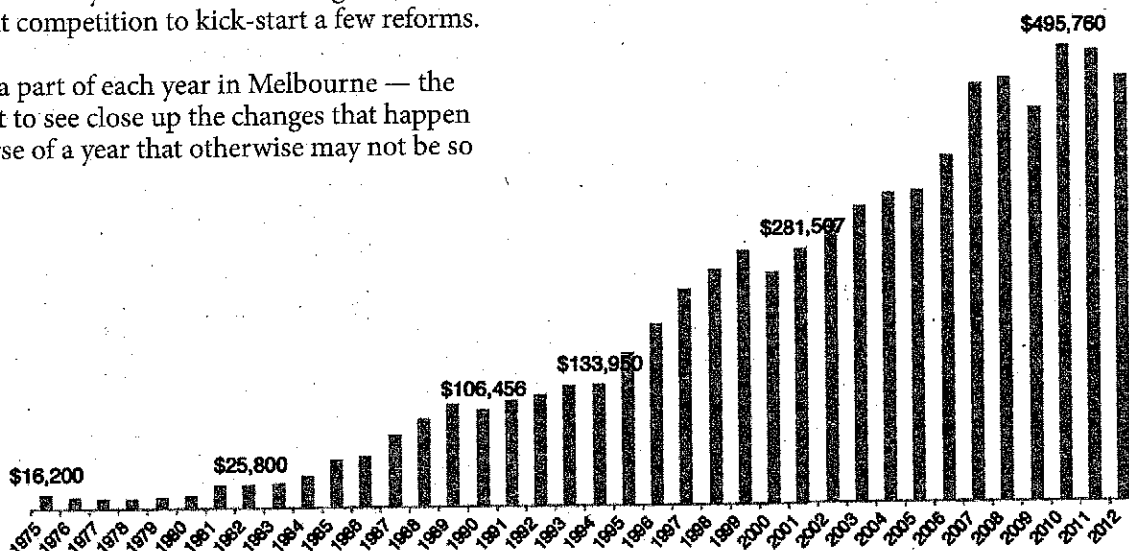
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The French Physiocrats had it about right when they claimed: 'Laissez faire, laissez aller'.

Over the course of modern history, we only ever got to hear the 'laissez faire' bit. That's the bit that we are told by right-wing economist to 'leave it to the market'. The ever-present 'invisible hand', in other words. But in reality, the full phrase is 'Laissez faire, laissez aller'. In English, that's leave it to the market, yes, but at the same time a fair field with no favors.

In other words, no government granted licenses, the largest of which is land value, said the Physiocrats.

And you see what happens when a young upstart company attempts to upset the cosy little system that is the government granted taxi license, otherwise known as the economic rent.



Source: VTD