

## The Deregulation Dilemma: Insight into Perspectives of the Taxi Industry in Malaysia

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### Abstract

The aims of this research are two-fold, firstly to examine perceptions of the taxi industry in Malaysia, comparing perspectives of conventional taxi providers with ride-sharing service providers Uber and GrabCar, and secondly to understand perceptions of the deregulation/regulation debate facing the industry. The background to this research is one where ride-sharing services provided by Uber and GrabCar have created an environment where consumers are presented with more choice, convenience and value for money but has raised issues concerning whether such providers should be regulated in the same manner as conventional taxis.<sup>1</sup> Following the recent decision to regulate the industry, subjecting ride-sharing services to the same rules as conventional taxi drivers, this research, using 93 responses from an electronic survey, reveals that the majority of consumers welcome the competitive impact of Uber and GrabCar but were less agreeable when it came to deregulating the industry. Respondents were cautious over whether there should be regulation or deregulation specifically around the issue of whether the industry can be controlled to ensure passenger safety without compromising competitive pricing and competition. These initial findings should prove useful to identified stakeholders, namely consumers, taxi providers and legislators.

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1 It was announced by YB Dato' Seri Mohammed Nazri bin Tan Sri Abdul Aziz on October 14, 2016. See "Uber, Grabcar must follow taxi rules" (*The Star Online*, October 14, 2016): [www.thestar.com.my/news/nation/2016/10/14/uber-grabcar-must-follow-taxi-rules-cabinet-decision-is-to-even-out-playing-field-says-nazri/](http://www.thestar.com.my/news/nation/2016/10/14/uber-grabcar-must-follow-taxi-rules-cabinet-decision-is-to-even-out-playing-field-says-nazri/) (accessed November 8, 2016).

## Introduction

Since 2014<sup>2</sup> the taxi industry in Malaysia has made the headlines in the media as a result of Uber's entrance into the market, stimulating debate amongst the public, politicians and regulatory bodies. The emergence of ride-sharing services introduced by Uber and later by GrabCar has arguably upset the previous status quo among the local public transport regulators, taxi operators and taxi drivers in Malaysia and brought competition to the industry and debate over regulation in equal measure.

Uber and GrabCar are not considered transport providers per se, rather as companies acting as an intermediary between the drivers and its passengers.<sup>3</sup> Uber and GrabCar operate a "ride-sharing" service that transports customers to their desired destination for a predetermined fee, charged through the respective application.<sup>4</sup> The services offered by Uber and GrabCar use a digital platform that enables the end-users via a mobile phone or other digital device to arrange and schedule transportation with third party providers under an agreement with the provider.<sup>5</sup> Given the fact that Uber and GrabCar drivers ferry passengers using their personal vehicles, concern has been raised over this arrangement and whether Uber and GrabCar drivers should be obliged to obtain a Public Service Vehicle ("PSV") driving licence. This issue gives rise to the wider question of whether Uber and GrabCar should be regulated under the existing taxi regulations in Malaysia.

Current conventional taxi operators and drivers are required to comply with all regulations established by the federal level<sup>6</sup> regulatory commission namely the Suruhanjaya Pengangkutan Awam Darat ("SPAD") also known as the Land Public Transport Commission ("LPTC").<sup>7</sup> All taxis are required to be registered under PSV category and this requirement is reflected in Land Public Transport Act 2010, Commercial Vehicles Licensing Board Act 1987 and Road Transport Act 1987. Section 1 of the Land Public Transport Act 2010 has defined PSV to include "taxi cab", which means "a motor vehicle having a seating capacity of not more than six persons (including the driver) used for carrying persons on any journey in consideration of a single fare". As a result of this definition, Parliament has attempted to legalise the operations of Uber and GrabCar subjecting them to the same legal requirements as conventional taxi operators.

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2 Uber, "Uber is officially in Kuala Lumpur!" (Uber Newsroom, January 9, 2014): <https://newsroom.uber.com/malaysia/uber-is-officially-in-kuala-lumpur/> (accessed January 7, 2017).

3 Uber, "Terms and Conditions"; <https://www.uber.com/legal/terms/us/> (accessed June 20, 2016); and *Douglas O'Connor v Uber Technologies Inc* 2013 US Dist Lexis 172477.

4 *Vamsi Tadepalli v Uber Technologies* 2016 US Dist Lexis 55014.

5 *Ibid.*

6 Historically, the regulations on the taxi industry were at the state level. See: SPAD, "Taxi Fare Review—Interaction Paper" (Kuala Lumpur: SPAD, 2013), p 8.

7 In the Malay language, "SPAD" stands for Suruhanjaya Pengangkutan Awam Darat, otherwise known as Land Public Transport Commission. It is a statutory body set up to plan for, regulate and enforce rules concerning land-based public and freight transport in Malaysia.

In order to apply for a taxi licence, the taxi drivers are required to submit an application,<sup>8</sup> inter alia but is not limited to a set of requirements pertaining to driver's performance established by the Commission.<sup>9</sup> Such requirements include a functioning ticket machine, the installation of equipment which incorporates the latest technology as well as other features<sup>10</sup> which morph the vehicle from being used as a personal vehicle into being used as taxi.<sup>11</sup> The explanation given for the lengthy list of requirements are to provide a cap on the number of taxis operating in particular areas and to standardise the prices that can be charged by taxi operators.<sup>12</sup> However as Uber and GrabCar are essentially private vehicles licensed to carry fare-paying passengers, should the drivers be subjected to the regulations imposed by the LPTC on conventional taxis? This has created much debate and been a source of frustration amongst conventional taxi drivers in Malaysia as they argued that Uber and GrabCar drivers deprive them of potential income, having an unfair competitive advantage through essentially being an unregulated ride-sharing service.<sup>13</sup>

As a result of calls from conventional taxi operators and taxi drivers to widen the scope of the existing regulations to cover Uber and GrabCar, the authorities decided to impose the same regulatory approach to ride-sharing services, bringing the taxi industry in Malaysia in-line with other countries including China, the UK and US.<sup>14</sup> However, following the decision in November to regulate the industry, this article proposes that deregulation or

8 Land Public Transport Act 2010, s 16 and Commercial Vehicles Licensing Board Act 1987, s 15.

9 Land Public Transport Act 2010, s 23(2)(c).

10 The Land Public Transport Act 2010, s 22(1)(a)(i) allows the Commission to attach conditions to the licence, for example, that the licensed operator shall only use certain type of vehicles. The Land Public Transport Act 2010, s 22(1)(b)(i)–(iv) imposed certain obligations or restrictions as to the extent, hours, frequency, routes to be serviced, the level of services to be provided, the conduct of drivers and the measures to safeguard the safety of the passengers. With regard to renewal of operator's licence, the Land Public Transport Act 2010, s 25(1)(a) and (b) and the Commercial Vehicles Licensing Board Act 1987, s 21A require audited financial statement and a performance report of the previous year to be submitted. There are also statutory conditions attached to a licence as specified under the Commercial Vehicles Licensing Board Act 1987, s 20(1)(a)–(c) whereby the vehicle must be maintained in a fit and serviceable condition as determined by Director General, and the operator must respect limits of speed, weight laden and unladen and the loading of vehicles and keep records, accounts and financial and statistical returns.

11 Commercial Vehicles Licensing Board 1987, s 19(vii).

12 The Commercial Vehicles Licensing Board Act 1987, s 53 states that the Minister shall fix the number of any class of public service vehicles in order to meet the reasonable needs of persons requiring the use of such vehicles.

13 Ruban, A, "Ministry Weighs Rules for Uber and GrabCar amid Calls For Ban" (*The MalayMail Online*, December 17, 2015): [www.themalaymailonline.com/malaysia/article/ministry-weighs-rules-for-uber-grabcar-amid-calls-for-ban](http://www.themalaymailonline.com/malaysia/article/ministry-weighs-rules-for-uber-grabcar-amid-calls-for-ban) (accessed August 8, 2016).

14 Karpal, A, "Uber, Didi Hail China's New Taxi App Rules" (CNBC, July 28, 2016); [www.cnbc.com/2016/07/28/uber-didi-hail-chinas-new-taxi-app-rules.html](http://www.cnbc.com/2016/07/28/uber-didi-hail-chinas-new-taxi-app-rules.html) (accessed February 7, 2017); Toner, JP, "English Experience of Deregulation of the Taxi Industry" (1996) 16(1) *Transport Reviews* 79 at 79; and Golson, J, "Austin Transportation Director Recommends Deregulation of the City's Taxi Industry" (*The Verge*, May 11, 2016); [www.theverge.com/2016/5/11/11657654/austin-taxi-deregulation-proposal-uber-lyft](http://www.theverge.com/2016/5/11/11657654/austin-taxi-deregulation-proposal-uber-lyft) (accessed August 3, 2016).

partial regulation be considered because of the nature of the platform used by ride-sharing services and subtle differences between the taxi providers (conventional vs ride-sharing services). Deregulation is defined as a reduction or the elimination of governmental authority in the regulatory systems pertaining to the taxi industry in order to provide more competition in that industry.<sup>15</sup> The purpose of this article is based on the premise that deregulation would have the effect of promoting better quality and value for money services among providers. In determining whether deregulation is feasible, this article has set out two aims: Firstly, to examine perceptions of the taxi industry in Malaysia, comparing conventional taxis providers with ride-sharing service providers Uber and GrabCar, and secondly, to understand perceptions of the deregulation/regulation debate facing the industry.

### Literature review

Regulation and regulatory measures have been described as the “rules prescribed for the management of some matter or regulation of conduct” and to “control, govern or direct by rule or regulation, to subject to guidance or restrictions”.<sup>16</sup> These regulations and regulatory measures could prove an institutional straightjacket restricting industry growth and progress, equally they could positively influence business, society and economic outcomes.<sup>17</sup> With regard to Malaysia, like any country, there are a number of regulatory bodies and levels of regulation, with 24 ministerial departments responsible for the implementation and enforcement of various regulations, processes and procedures.<sup>18</sup> The Ministry of Transportation, which is the focus of this research, is responsible for the regulation of the aviation transport sector, land transport sector and maritime transport sector.<sup>19</sup>

In 2013, the LPTC introduced the “Taxi Industry Transformation” plan, which included a series of enhancements to the existing requirements to which taxi operators and drivers adhered to. The taxi drivers were required to pay a PUSPAKOM<sup>20</sup> fee at least twice a year; to pay an annual renewal fee for the

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- 15 Dempsey, PS, *The Social and Economic Consequences of Deregulation* (Praeger, 1989), pp 1–10.
  - 16 Groenewegen, P, “Deregulation: Some General Reflections” in Head, Brian and McCoy, Elaine (eds), *Deregulation or Better Regulation* (South Melbourne: The MacMillan Co of Australia Pty Ltd, 1991), p 10.
  - 17 Baldwin, Robert, Cave, Martin and Lodge, Martin, *Understanding Regulation*, 2nd edn (New York: Oxford University Press, 2011), p 3; and Black, J, “Critical Reflections on Regulation” (2002) 27 *Australian Journal of Legal Philosophy*, pp 1–95.
  - 18 “Cabinet Members’ (Office of the Prime Minister); <https://www.pmo.gov.my/home.php?menu=cabinet&page=1797> (accessed June 20, 2016).
  - 19 “Division/Unit” (Official Portal Ministry of Transport Malaysia); [www.mot.gov.my/en/about-mot/divisions-units](http://www.mot.gov.my/en/about-mot/divisions-units) (accessed June 20, 2016)
  - 20 PUSPAKOM stands for “Pusat Pemeriksaan Kenderaan Berkomputer” or in English means “Computerized Vehicle Inspection Centre”. PUSPAKOM is the only vehicle inspection company appointed by the Malaysian government to undertake all mandatory inspections for commercial and public vehicles, as well as private vehicles for hire-purchase financing, ownership transfer and insurance purpose. See PUSPAKOM, “Company Profile”; [www.puspakom.com.my/en/about-us/company-profile.html](http://www.puspakom.com.my/en/about-us/company-profile.html) (accessed June 21, 2016).

PSV licence; to undergo an evaluation which will assess their behaviour; to undergo appropriate background checks; to attend English language classes and seminars on customer service; to participate in safety and security courses; and to be knowledgeable on issues pertaining to road and tourist attractions.<sup>21</sup> Despite these requirements, it would appear that they have not resulted in efficiencies across the sector, with taxi drivers in Malaysia crowned the worst in the world.<sup>22</sup> There are numerous examples of unresolved complaints against taxi drivers,<sup>23</sup> which highlight the deficiencies of the current regulations. It would appear that the current regulations have failed to address the concerns of the public, with the added issue of competition being suppressed.<sup>24</sup> In other words despite the regulations, the industry is not necessarily providing a value added service, encouraging competition amongst the conventional taxi drivers.<sup>25</sup> This gives rise to the argument that perhaps the LPTC should consider deregulating, which is argued to improve the end-user experience through increased competition and efficiency.<sup>26</sup>

According to the Transport Minister, Datuk Seri Liow Tiong Lai, there was a need to regulate Uber and GrabCar services,<sup>27</sup> to ensure fixed fare prices, the safety of passengers and to limit the entry of new taxi drivers to the marketplace. However it arguably does not provide a holistic solution, taking into account the particular service offer of Uber and GrabCar, specifically the fact that these providers employ a form of self-regulation using the search pricing algorithm to ensure competitive and transparent pricing. The advent of new technologies has shown that companies can be regulated without structured and periodic regulatory intervention,<sup>28</sup> as illustrated by the deregulatory approach to the

21 SPAD, "Taxi Fare Review—Interaction Paper" (Kuala Lumpur: SPAD, 2013), p 12.

22 The Coverage, "Malaysia is Crowned the Worst Taxi Drivers in the World" (*The Coverage*, November 17, 2015); <http://thecoverage.my/news/malaysia-rank-world-no-1-for-the-worst-taxi-drivers-in-the-world/> (accessed June 21, 2016).

23 Ruban, A, "Taxi Group: 18,000 Cases against Cabbies Show SPAD Can't Police Uber" (April 28, 2016); [www.themalaymailonline.com/malaysia/article/taxi-group-18000-cases-against-cabbies-show-spad-cant-police-uber](http://www.themalaymailonline.com/malaysia/article/taxi-group-18000-cases-against-cabbies-show-spad-cant-police-uber) (accessed July 18, 2016); and Lee, Patrick, "SPAD says Regulating Uber, GrabCar Takes Time" (March 29, 2016); [www.thestar.com.my/news/nation/2016/03/29/spad-says-regulating-uber-grabcar-takes-time/](http://www.thestar.com.my/news/nation/2016/03/29/spad-says-regulating-uber-grabcar-takes-time/) (accessed July 18, 2016).

24 Stiegler, GJ, *The Citizen and the State: Essays on Regulation* (Chicago: Chicago University Press, 1975); and Head, Brian and McCoy, Elaine (eds), *Deregulation or Better Regulation* (South Melbourne: The MacMillan Co of Australia Pty Ltd, 1991), p 14.

25 Chan, A, "Uber and GrabCar Regulations Muddled", *TheStar*, Kuala Lumpur, December 19, 2015, p 10.

26 A similar analogy can be drawn to the deregulation of the electricity industry. See Amin, W, "Deregulation and Managed Competition: Powering Sustainable Future" (Scientiae Juridicae Doctor, University of Wisconsin-Madison, 2013), p 9.

27 Chan, A, *supra*, n 25.

28 Auffret, JP and Matsuura, JH, "Technological Change, Telecommunications Deregulation, Telecommunications Economics and Internet Globalization"; [https://www.isoc.org/inet98/proceedings/5c/5c\\_3.htm](https://www.isoc.org/inet98/proceedings/5c/5c_3.htm) (accessed June 20, 2016); and Institute for Democracy and Economic Affairs, "Uber Benefits Users, Reform Taxi Services Instead"; <https://www.malaysiakini.com/letters/273075> (accessed June 20, 2016).

airline transportation industry. In this industry the government has allowed low-cost carriers (“LCCs”) to enter into the market leading to a positive economic impact with increased air passenger and cargo traffic.<sup>29</sup>

It is acknowledged that the deregulation process can be administratively costly, politically challenging,<sup>30</sup> and considered by some to be “leaping into something that is unknown”.<sup>31</sup> However, the Republic of Ireland has undergone deregulation of the taxi industry since 2000<sup>32</sup> and this has been received positively. When we consider deregulation, we mean “an improvement to the organisation provided that the regulatory objectives on a priori grounds are better achieved by competition”.<sup>33</sup> Essentially it means a reduction in the influence of government to reduce waste and inefficiency<sup>34</sup> and promote growth by allowing competition in the industry. By deregulating the industry, it allows the regulatory management to be replaced with the invisible hand of market forces.<sup>35</sup> This would in turn liberalise the price and investment decisions of providers to better respond to market forces rather than be tightly governed by regulatory bodies.<sup>36</sup>

### *Reasons for regulating the taxi industry*

The overarching logic behind maintaining and widening regulations to cover the practices of Uber and GrabCar is equally as valid as rescinding regulatory measures and adopting deregulation. This next section will investigate the principal arguments for each legal standpoint starting with the current approach, regulation. Regulatory measures in the taxi industry have been in existence prior to 1958<sup>37</sup> and were introduced to ensure systematic licensing and control and to safeguard public order.<sup>38</sup> Since the introduction of Uber and GrabCar into the marketplace, there is arguably a need for a revision of these regulations and the extension of coverage to ensure transparency between

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29 Sinha, D, *Deregulation and Liberalisation of the Airline Industry: Asia, Europe, North America and Oceania* (Farnham: Ashgate Publishing Ltd, 2001).

30 Amin, A, *supra*, n 26, p 2.

31 *Ibid*.

32 D’Arcy, C, “Taxi Drivers Face Multimillion Euro Legal Bill in Deregulation Case” (*The Irish Times*, January 22, 2016); [www.irishtimes.com/news/crime-and-law/courts/high-court/taxi-drivers-face-multimillion-euro-legal-bill-in-deregulation-case-1.2506103](http://www.irishtimes.com/news/crime-and-law/courts/high-court/taxi-drivers-face-multimillion-euro-legal-bill-in-deregulation-case-1.2506103) (accessed February 8, 2017).

33 Head, Brian, *supra*, n 16, p 11.

34 Dempsey, PS, “Taxi Industry, Regulation, Deregulation and Re-regulation: the Paradox of Market Failure” (1996) 24 *Transportation Law Journal* 73 at p 75.

35 Kasserman, DL, Mayo, JW and Pacey, PL, “The Political Economy of Deregulation: The Case of Intrastate Long Distance” (1993) 5 *Journal of Regulatory Economics* 49.

36 *Ibid*.

37 The exact date of the first taxi regulation is unknown. The year 1958 is determined based on the Road Traffic Ordinance 1958.

38 Statement made by Tan Sri Dato’ Napsiah binti Omar, the then Minister of Public Enterprises. See DR 10 Julai 1987, bil.643, p 173 (Hansard).

Uber, GrabCar and conventional taxis<sup>39</sup> in terms of compulsory insurance coverage and safety requirements<sup>40</sup> and to protect users and providers from unscrupulous and unsafe practices. Currently, Uber and GrabCar drivers are operating using private vehicles without having to go through the inspection requirements that conventional taxi drivers are subjected to and without insurance coverage provided to the passengers. If a passenger is injured as a result of an Uber or GrabCar driver's negligence, is Uber or GrabCar vicariously liable for the negligence of its drivers? Currently a passenger in a ride-sharing service vehicle is not covered by the insurance company if that driver did not pay an additional premium to his/her insurance which covers the legal liability to passengers.<sup>41</sup> Currently the law on the application of vicarious liability<sup>42</sup> to a ride-sharing service provider requires more transparency, and it is an area that could potentially be addressed by regulation or partial regulation. It is worth noting that Uber and GrabCar claim that they are not the employers of the drivers but act only as an intermediary between the drivers and their passengers and therefore the responsibility of vehicle insurance and ultimately the health and safety of passengers are the responsibility of the driver. Widening the scope of the current regulations would ensure that the safety of the passengers is protected by requiring all Uber, GrabCar and conventional taxi drivers to undergo compulsory health and criminal background inspection.<sup>43</sup> By regulating the taxi industry, this will ensure that there is fairer competition in the market, or at least a more level playing field.<sup>44</sup>

It is argued that the regulations leverage technology to improve the level of service provided to the consumer,<sup>45</sup> with electronic metered fares ensuring a fair price being charged to taxi passengers. This regulatory measure addressed the numerous instances where a driver charged more in an area where there was limited availability of competing taxis. There were also instances where taxi drivers refused to transport passengers to a particular destination because

39 Ram, BS, "E-hailing Regulations for Taxis Expected to be Concluded by Early 2017, says SPAD" (*New Straits Times*, November 18, 2016); [www.nst.com.my/news/2016/11/189705/e-hailing-regulations-taxis-expected-be-concluded-early-2017-says-spad](http://www.nst.com.my/news/2016/11/189705/e-hailing-regulations-taxis-expected-be-concluded-early-2017-says-spad) (accessed February 3, 2017).

40 "The Taxi Industry Will Sink—Taxi Driver Says After Uber and GrabCar Legalisation" (*Malaysian Digest*, September 2, 2016); [www.malaysiandigest.com/frontpage/282-main-tile/630006-the-taxi-industry-will-sink-taxi-driver-says-after-uber-and-grabcar-legalisation.html](http://www.malaysiandigest.com/frontpage/282-main-tile/630006-the-taxi-industry-will-sink-taxi-driver-says-after-uber-and-grabcar-legalisation.html) (accessed January 31, 2017).

41 BNM, "What is the Motor Claims Guide?"; [www.bnm.gov.my/documents/Accident\\_Assist/What%20is%20Motor%20Claim%20Guide%20Combine.pdf](http://www.bnm.gov.my/documents/Accident_Assist/What%20is%20Motor%20Claim%20Guide%20Combine.pdf) (accessed February 7, 2017). See also the Road Transport Act 1987, Part IV.

42 If the act took place in the course of employment, it can bind the employer as well. See *CGU Insurance Bhd v Asean Security Paper Mills Sdn Bhd* [2006] 2 AMR 641 at 694; [2006] 3 MLJ 1 at 39.

43 Daus, MW, "Multi-Faceted Regulatory Challenges that Arise as a Result of App Based Transportation Companies"; [http://tlc-mag.com/dec16\\_in\\_focus.html](http://tlc-mag.com/dec16_in_focus.html) (accessed January 31, 2017).

44 Ram, BS, *supra*, n 39.

45 Daus, MW, *supra*, n 43.

of the traffic congestion. Thus, having the appropriate regulations in place prevents taxi drivers who are in a relatively strong bargaining position, from exploiting consumers in certain circumstances.<sup>46</sup>

Apart from safeguarding the welfare of the taxi passengers, the regulator is also concerned with the interests of the taxi driver. A number of initiatives have been introduced by the regulator to improve the livelihood of the taxi drivers who are competing with Uber and GrabCar drivers. One situation is where taxi fares in Klang Valley and Johor Bahru were recently revised in order to increase driver's income.<sup>47</sup> This illustrates that the regulator may wish to retain the power to control the threshold of "maximum fares" as a direct response to the grievances raised by the taxi drivers. Beesley and Glaister have observed that such regulations have the ability to improve the welfare of both the consumer and the taxi drivers<sup>48</sup> and presents a relatively compelling case for regulation of the industry.

### *Reasons for deregulating the taxi industry*

The regulatory argument centres around the fact that the welfare of the consumer and the taxi drivers are protected, and by welfare we essentially mean safety and fair, transparent pricing. However, allowing unfettered competition in the industry may not conflict with protecting the welfare of consumers and taxi drivers and may in fact enhance it. In the US, the courts rejected the claim from taxi operators that their businesses were negatively impacted by Uber's operation,<sup>49</sup> which indicates that perhaps the argument that Uber and other ride-sharing providers negatively impact on the market is overstated.

In 2013, the LPTC conducted a study to assess the number of taxi licences which had been issued that year and found that there were over 37,000 taxis operating in the area of Klang Valley.<sup>50</sup> Deregulation would arguably increase this number to around 100,000 Uber drivers in Malaysia<sup>51</sup> through the removal of the current taxi licence quotas. However some commentators have argued

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46 Toner, JP, "Regulation in the Taxi Industry" (1992) ITS Working Paper 381, Institute for Transport Studies, University of Leeds, Leeds, p 1.

47 "Old vs New Fares: Fare Comparison for Budget Taxi Trips"; [www.spad.gov.my/land-public-transport/taxis/rationale/old-vs-new-fares](http://www.spad.gov.my/land-public-transport/taxis/rationale/old-vs-new-fares) (accessed February 3, 2017).

48 Beesley ME and Glaister, S, "Information for Regulating: The Case of Taxis" (1983) *The Economic Journal* 594 at pp594-597.

49 *Checker Cab of Philadelphia Inc & Ors v Uber Technologies Inc & Ors* [2016] US App Lexis 4484.

50 Lee, P, "SPAD: Klang Valley has Too Many Taxis" (*The Star Online*, January 22, 2013); [www.thestar.com.my/news/nation/2013/01/22/spad-klang-valley-has-too-many-taxis/](http://www.thestar.com.my/news/nation/2013/01/22/spad-klang-valley-has-too-many-taxis/) (accessed July 23, 2016).

51 Lee, P, "100,000 more Uber Drivers" (*The Star Online*, January 4, 2016); [www.thestar.com.my/news/nation/2016/01/04/100000-more-uber-drivers-company-plans-to-create-new-economic-opportunities-for-msians/](http://www.thestar.com.my/news/nation/2016/01/04/100000-more-uber-drivers-company-plans-to-create-new-economic-opportunities-for-msians/) (accessed July 23, 2016).

that removing the quota may not necessarily result in more taxi passengers<sup>52</sup> as the market would regulate itself perhaps even reducing the number of taxis through demand and supply.<sup>53</sup>

The issue of self-regulation is further observed through Uber's surge-pricing feature, an approach which matches demand to supply, whereby fares increase when taxi demand is higher.<sup>54</sup> This policy has been criticised by the conventional taxi drivers and superficially considered to be in conflict with the "maximum fares" policy of the current regulations; however surge-pricing provides consumers with a choice, where they have the option to accept or reject this higher fare. In other words, the prices are flexible, reflecting demand, prices will rise during peak times but remain in line with competitive forces, exhibiting variability during off-peak times and not fixed unlike the fares charged by conventional taxis.<sup>55</sup>

In the UK, it was considered perfectly fair to use a device for surge-pricing fare calculation<sup>56</sup> allowing the users the ability to compare prices and not be subjected to "cab rank" rules<sup>57</sup> and have the drivers come to the passengers instead of the passengers waiting in line for taxis. The surge-pricing algorithm applied during peak hours is arguably able to reduce customer waiting time<sup>58</sup> (an issue raised by consumers, with end-users willing to pay a higher price in order to eliminate the waiting time period)<sup>59</sup> with 100% success rate of meeting taxi requests.<sup>60</sup> Surge-pricing and the introduction of deregulation would also address a grievance from taxi drivers and provide them with the potential to increase their income, albeit at the cost of their leisure time.<sup>61</sup>

Deregulation would arguably improve industry standards of service, through being more convenient and responsive to the end-user. A study conducted in the US in 1993 demonstrated that the level of service improved marginally following deregulation, but with the caveat that this was mainly for particular

52 Toner, JP, "English Experience of Deregulation of the Taxi Industry" (1996) 16(1) *Transport Reviews* 79 at p 91; and Teal, R and Berglund, M, "The Impacts of Taxicab Deregulation in the United States" (1987) 21(1) *Journal of Transport Economics and Policy* 37 at pp 49–50.

53 *Ibid.*

54 Uber, "Uber Surge Pricing—How the Surge Pricing Works at Uber"; <http://uberestimator.com/uber-surge-pricing> (accessed July 24, 2016).

55 Dempsey, PS, *supra*, n 34, p 108.

56 *Transport for London v Uber London Ltd* [2015] EWHC 2918 at pp 10–11.

57 Dempsey, PS, *supra*, n 34, p 108.

58 *The Economist*, "A Fare Shake" (*The Economist*, May 14, 2016); [www.economist.com/news/finance-and-economics/21698656-jacking-up-prices-may-not-be-only-way-balance-supply-and-demand-taxis](http://www.economist.com/news/finance-and-economics/21698656-jacking-up-prices-may-not-be-only-way-balance-supply-and-demand-taxis) (accessed July 26, 2016).

59 *Ibid.*

60 *Ibid.*

61 Hall, J, Kendrick, C, and Nosko, C, "The Effects of Uber's Surge Pricing: A Case Study"; [http://faculty.chicagobooth.edu/chris.nosko/research/effects\\_of\\_uber\\_s\\_surge\\_pricing.pdf](http://faculty.chicagobooth.edu/chris.nosko/research/effects_of_uber_s_surge_pricing.pdf) (accessed July 26, 2016).

customers that the taxi operators deemed to be a high priority,<sup>62</sup> and there were cases where taxi drivers refused to provide a service in response to telephone-based requests.<sup>63</sup> Under the current regulatory framework, service quality in the industry is not particularly high, with cases of overcharging passengers, use of older vehicles, failing to send vehicles for inspection and a lack of knowledge of the city.<sup>64</sup> Uber would arguably improve the service landscape with a study conducted by Uber Technologies in 2016 revealing that the period between request and allocation of a driver is on average 2.6 minutes<sup>65</sup> with levels of service monitored through real-time feedback.<sup>66</sup> Using the digital platform addresses consumer's preference for convenience<sup>67</sup> providing transparency in terms of promotions, the location of available drivers, estimated waiting times and having the option to make payment either by cash or credit cards.<sup>68</sup> The platform also allows passengers to rate their experience instantaneously, enabling end-users to make an informed decision based on customer reviews and creating a safe environment for both the passengers and drivers.<sup>69</sup> The system operates in a way where it enables potential passengers to view the driver's rating<sup>70</sup> and encourages the drivers to maintain their level of service provision in order to remain competitive.

### *Reduced traffic congestion*

A possible positive by-product from deregulation could be reduced traffic congestion and a smaller carbon footprint. In Malaysia, city centre traffic is characterised by frequent and excessive queueing with congestion in Kuala Lumpur costing the economy up to 2.2% of GDP.<sup>71</sup> Ride-sharing providers such as Uber and GrabCar could potentially assist traffic congestion and the resultant pollution<sup>72</sup> through being a more convenient and cost effective alternative to private car usage, particularly as petrol prices continue to rise. Even though there has not been a specific study conducted in Malaysia on the

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62 Price Waterhouse, *Analysis of Taxicab Deregulation and Re-regulation* (Price Waterhouse, 1993), p 15.

63 Ibid.

64 Ibid and Dempsey, PS, *supra*, n 34, pp 108–113.

65 Hall, J, Kendrick, C, and Nosko, C, *supra*, n 61.

66 Uber, "Feedback is a Two-Way Street" (Uber Newsroom, April 23, 2014); <https://newsroom.uber.com/feedback-is-a-2-way-street/> (accessed July 25, 2016).

67 Graham, J, "Talking Tech: Taxi Alternatives are on the Move" (*USA Today*, June 26, 2013); [www.usatoday.com/story/tech/columnist/talkingtech/2013/06/26/taxi-alternatives-uber-lyft-sidecar/2453967/](http://www.usatoday.com/story/tech/columnist/talkingtech/2013/06/26/taxi-alternatives-uber-lyft-sidecar/2453967/) (accessed July 23, 2016).

68 Uber, "Kuala Lumpur Welcomes Cash Payments on Uber!"; <https://newsroom.uber.com/malaysia/klcashlaunch/> (accessed July 24, 2016).

69 Uber, "Feedback is a Two-Way Street" (Uber Newsroom, April 23, 2014); <https://newsroom.uber.com/feedback-is-a-2-way-street/> (accessed July 25, 2016).

70 Ibid.

71 Howard, E, "Will Uber and Grab Help or Hinder Malaysia's Congestion Crisis?" (*The Guardian*, June 22, 2016); <https://www.theguardian.com/sustainable-business/2016/jun/22/uber-grab-malaysia-kuala-lumpur-congestion-crisis-car-sharing> (accessed July 24, 2016).

72 Stead, JG and Stead, WE, "The Coevolution of Sustainable Strategic Management in the Global Marketplace" (2013) 26 *Organization and Environment* 162 at pp 162–183.

relationship between ride-sharing services and carbon monoxide emissions, a comparison can be made to the research conducted in Sweden. That analysis illustrated that ride-sharing increases car occupancy, lowers the total numbers of active cars whilst lessening the emission of carbon monoxide.<sup>73</sup> In other words deregulation or partial regulation has the potential to reduce the traffic congestion and carbon emissions.

### *Partial regulation*

The opening up of the taxi market would undeniably affect conventional taxi drivers, particularly if they fail to adopt the use of technology as this is something which appeals to users and differentiates Uber and GrabCar from the competition. By removing restrictions, it allows more applicants to apply to become Uber drivers, easing the registration process and making licences more readily available.<sup>74</sup> This of course has the potential to allow “anyone” to be a taxi driver so perhaps in this instance rather than leaving the industry to self-regulate, partial regulation could be considered where Uber, GrabCar and conventional taxi drivers undergo PUSPAKOM vehicle inspection. In doing so, it would ensure that the vehicle standards are appropriate for the transporting of passengers and allow Uber, GrabCar and other ride-sharing services to continue to innovate whilst providing an opportunity for LPTC to monitor the condition of taxi vehicles.

The partial regulations could include having bi-annual inspections, to bring Uber and GrabCar more in line with conventional taxis and prompt them to provide insurance coverage for the their passengers,<sup>75</sup> clarifying the issue of vicarious liability.<sup>76</sup> With regard the safety of the passengers, LPTC could conduct an annual background check on all conventional taxis, Uber and GrabCar drivers, rather than just upon application.<sup>77</sup> In doing so, LPTC would be able to monitor the performance of the taxi industry, complementing the current driver feedback and review approach by Uber and GrabCar, protecting passengers from dangerous drivers.<sup>78</sup>

73 Stefansson, A Danielsson, CvU, Nielson, CK and Sunesen, ER, *Economic benefits of Peer-to-Peer Transport Services* (Stockholm: Copenhagen Economics, 2015), p 4.

74 Murnane, M and Pender, W, ‘The Deregulation and the Dublin Taxi Industry’; <https://www.tcd.ie/Economics/assets/pdf/SER/2001/The%20Deregulation%20and%20the%20Dublin%20Taxi%20Industry%20By%20Mark%20Murnane%20&%20Wendy%20Pender.pdf> (accessed July 23, 2016).

75 Posen, HA, ‘Ridesharing in the Sharing Economy: Should Regulators Impose Uber Regulations on Uber?’; (2015) 101(1) *Iowa Law Review* 405 at 431.

76 In the UK, the court has ruled that Uber drivers are employees and not contractors. This means that Uber could be made liable for the negligence caused by its drivers. However, in Malaysia, it is still unclear if Uber and GrabCar drivers are the employees of Uber and GrabCar. See Kerr, D, ‘UK Court Rules Uber Drivers are Employees and Not Contractors’ (CNET, October 29, 2016); <https://www.cnet.com/au/news/uber-uk-court-ruling-drivers-employees-not-contractors/> (accessed February 7, 2017).

77 Posen, HA, *supra*, n 75, p 431.

78 *Ibid*, pp 431–432.

In circumstances where there are vehicle inspections and background checks attached to becoming an Uber or GrabCar driver, the number of drivers could be controlled with safety better monitored through the filtering out of “anyone” applying and being accepted to be a taxi driver. Balancing appropriate vetting with convenience<sup>79</sup> gives support to the argument of partial regulation, it would encourage Uber, GrabCar and conventional taxi drivers to maintain, and as a competitive advantage, improve their quality standards but it requires appropriate management and measured design with respect the regulatory framework. The partial regulation argument also has a precedent, with New Zealand operating the open entry approach to the taxi industry, proving successful with quality standards improving post deregulation.<sup>80</sup>

### *Encouraging repeat patronage*

Whether the industry is regulated, deregulated or even partially regulated, it is important that it is customer centred. The recent decision to regulate the industry should encourage and hopefully not discourage consumers receiving a competitively priced added value service which in turn can encourage users to repeat their purchase behaviour. It is the repetition of this purchase behaviour which, combined with a high relative attitude, increases the likelihood for customer loyalty.<sup>81</sup> In a competitive marketplace, users can appear loyal to providers, but this loyalty could be merely a reflection of repeat purchasing<sup>82</sup> which can be superficial and temporary because of specific circumstances. The literature argues that loyalty could be because users have no real choice (monopoly); where users remain with a provider because of habit (inertia); where users’ loyalty is influenced by location (convenience); where users are influenced by the lowest priced provider (price); where users’ loyalty is related to rewards and benefits received from schemes and programmes (incentivised); and where users are influenced by the brand which is arguably

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79 Botsman, R and Rogers, R, *What’s Mine is Yours: The Rise of Collaborative Consumption* (New York: HarperBusiness, 2010), pp 9–10.

80 Faber, O, “Review of the Taxi and Hackney Carriage Service in the Dublin Area: Final Report” (1998); [www.taxi-library.org/dublin02.htm](http://www.taxi-library.org/dublin02.htm) (accessed July 23, 2016).

81 Rowley, J, “Building Brand Webs: Customer Relationship Management through the Tesco Clubcard Loyalty Scheme” (2005a) 33(3) *International Journal of Retail & Distribution Management*, pp 194–206; Rowley, J, “The four Cs of Customer Loyalty” (2005b) 23(6) *Marketing Intelligence & Planning*, pp 574–581; Zins, AH, “Relative Attitudes and Commitment in Customer Loyalty Models: Some Experiences in the Commercial Airline Industry” (2001) 12(3) *International Journal of Service*, pp 269–284; Rowley, J and Dawes, J, “Disloyalty: A Closer Look at Non-loyals” (2000) 17(6) *Journal of Consumer Marketing*, pp 538–549; Dick, AS and Basu, K, “Customer Loyalty: Towards an Integrated Conceptual Framework” (1994) 22(2) *Journal of the Academy of Marketing Science*, pp 99–113.

82 Gilbert, D, “Airlines” in Buttle, F (ed), *Relationship Marketing: Theory and Practice* (London: Chapman Publishing, 1996); Gilbert, DC, “Relationship Marketing and Airline Loyalty Schemes” (1996) 17(8) *Tourism Management*, pp 575–582.

a more emotive form of loyalty.<sup>83</sup> With the exception of emotional loyalty<sup>84</sup> none of these types of loyalty are particularly emotive, rather they are more short-term and susceptible to competitor offers and users switching provider.<sup>85</sup> What providers need to engender is customer satisfaction, defined as “the outcomes of the subjective evaluation that the chosen alternative (the store) meets or exceeds expectations”.<sup>86</sup> However, satisfied customers can still leave an organisation so a provider needs to address the gap between customer expectations and perceptions<sup>87</sup> to build trust and levels of commitment.<sup>88</sup> Trust and commitment are considered intertwined, where levels of trust and commitment rise in parallel leading to improved levels of customer involvement and ultimately loyalty.<sup>89</sup>

While achieving loyalty is perhaps more of a long-term goal for taxi providers, in such a competitive market taxis have to provide an offer which is reliable, convenient, affordable and efficient<sup>90</sup> in order to satisfy customers and retain their business. This research analyses customer perceptions of conventional and ride-sharing taxi services following the decision to regulate the industry and thus addresses a gap in the literature. A second area where this research contributes to existing research is in the analysis of customer relationships with taxi providers within the context of use and usefulness and repeat patronage, contributing to the discussion on whether the industry requires less or more regulation.

## Methodology

The research used a self-completed questionnaire, constructed with Google form and distributed via social media. The questionnaire took no more than 10 minutes to answer and was completed by 93 respondents. The research used convenience sampling as this approach allowed for access to a wide range of respondents who are broadly representative of the population the research

83 Sopanen, S, “Customer Loyalty Schemes: The Bottom Line” (1996) *European Retail Digest* 12 at pp 12–19; Sopanen, B, “Enhancing Customer Loyalty” (1996) *Retail Week*, December, pp 21–24.

84 Ibid.

85 Findlay, A and Sparks, L, “Switched”: Store-switching Behaviours” (2008) 36(5) *International Journal of Retail & Distribution Management*, pp 375–386; Aydin, S and Ozer, G, “The Analysis of Antecedents of Customer Loyalty in the Turkish Mobile Telecommunication Market” (2005) 39(7/8) *European Journal of Marketing*, pp 910–925.

86 Engel, JF et al, *Consumer Behavior*, 6th edn (Chicago: Dryden Press, 1990).

87 Anderson, EW et al, “Customer Satisfaction, Market Share, and Profitability: Findings from Sweden” (1994) 58(3) *Journal of Marketing*, pp 53–66.

88 Alexander, N and Colgate, M, “The Evolution of Retailer, Banker and Customer Relationships: A Conceptual Framework” (1998) 26(6) *International Journal of Retail & Distribution Management*, pp 225–236.

89 Delgado-Ballester, E and Munuera-Aleman, JL, “Brand Trust in the Context of Consumer Loyalty” (2001) 35(11/12) *European Journal of Marketing*, pp 1238–1258.

90 Dillon, DS, “Efficiency, Reliability, Affordability and Convenience will Prevail” (*New Straits Times*, August 15, 2016); [www.nst.com.my/news/2016/08/165612/efficiency-reliability-affordability-and-convenience-will-prevail](http://www.nst.com.my/news/2016/08/165612/efficiency-reliability-affordability-and-convenience-will-prevail) (accessed January 2, 2017).

wished to investigate, i.e. consumers of taxi services.<sup>91</sup> It is acknowledged however that the approach only questioned those able or willing to complete the survey during the two-week period<sup>92</sup> and carries the limitation that a number of respondents indicated that they either rarely or never used a taxi service. However as this was an exploratory study allied to the fact that this is probably an accurate depiction of the population, i.e. not everyone uses taxis, this was not considered a significant limitation. A further limitation of this research was the sample size, which although appropriate for exploratory research would benefit from being larger and complemented by additional qualitative research.

To ensure the research was valid, a pilot study was conducted with 10 respondents which tested the questionnaire for clarity in terms of the wording of questions, structure and sequence as well as identifying any missing questions or duplication. The respondents thought that the questionnaire was clear and concise with the only suggested amendments being the addition of the response option “never” to the questions “How often do you use taxis in Malaysia?”, “At what times of day do you usually use a taxi in Malaysia?”, “At what times of day do you usually use Uber in Malaysia?”, “At what times of day do you usually use Grab in Malaysia?”. To measure the internal consistency of the survey, a Cronbach’s Alpha coefficient was used, revealing a figure of 0.895, which represents a good scale and valid test model.<sup>93</sup>

The research design of the survey was divided into four sections. Section A included questions relating to respondents’ demographic information. Section B included questions relating to respondents’ use of conventional taxis. Section C included questions relating to respondents’ perceptions of Uber, Section D included questions relating to respondents’ perceptions of GrabCar and Section E included questions related to the deregulation of taxis in Malaysia.

## **Analysis and discussion**

In terms of respondent demographics, 31.2% were male and 68.8% were female with 41.9% aged 16-24, 44.1% aged 25-34, 10.8% aged 35-44, 2.2% aged 45-54 and 1.1% aged 55 and above. Regarding respondent’s use of taxis, the majority (65.6%) rarely used taxis, with 18.3% never using taxis, 10.8% used taxis between two and three times per week, 4.3% using taxis once a week, 2.2% using taxis once a fortnight and 1.1% using taxis daily. It is perhaps

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91 Easterby-Smith, M, Thorpe, R and Jackson, PR, *Management Research*, 3rd edn (London: SAGE, 2010).

92 Collis, J and Hussey, R, *Business Research: A Practical Guide for Undergraduate and Postgraduate Students*, 4th edn (New York: Palgrave, 2014).

93 Malhotra, KN and Birks, FD, *Marketing Research an Applied Approach*, 2nd edn (Harlow: Pearson Education Ltd, 2003).

unsurprising that when asked at what times respondents used taxis 23.7% of respondents indicated never, broadly corresponding to the 18.3% who indicated that they never used taxis. With regard to the remaining responses, 19.4% indicated morning, afternoon and evening, 16.1% indicated afternoon and evening, 12.9% indicated morning and afternoon and 12.9% indicated morning and evening, 8.6% indicated afternoon only, 4.3% indicated morning only and 3.2% indicated evening only. When asked to state the main reason for using a taxi, of those who provided a response, the majority (30%) indicated a lack of transport or transportation options, with the second most popular reason being convenience (13%). The other main reason given by respondents for their use of taxis was to travel to and from the airport (7%). Four respondents indicated that they never used a taxi. Such results are logical in that individuals would require a taxi if they had limited alternatives, needed convenience and rather than leaving their vehicle at the airport, would probably prefer a taxi.

Although 18.3% of respondents indicated that they never used a taxi, this did not impact on the responses to subsequent questions on perceptions of conventional taxis, Uber and GrabCar; all respondents provided a perspective. However, it should be noted that the level of neutrality is relatively high for all questions as a result of those respondents who never used and some who rarely used taxi services providing a neutral response. The research presumes that because those respondents did not use the service they felt that a lack of prior knowledge impacted on their ability to provide comment beyond neutrality.

### *Perceptions of conventional taxis*

In order to understand if there is a gap in expectations between the service that respondents desired from a taxi service and the service they receive, respondents were asked what they expected from a taxi service. In this question, respondents were permitted to provide more than one reason, hence the research cites number of responses and not percentage of responses. The most popular expectation from a taxi service (61 responses) was convenience which links to the earlier theme why respondents use taxis in the first place. The other priorities for respondents choosing conventional taxis were safety (43 responses), reliability (39 responses), price (37 responses), comfort (21 responses) and habit (8 responses). To gain further insight into the "service gap", respondents were asked which words best described their experiences of conventional taxi services in Malaysia. Similarly to the earlier question, respondents were permitted to provide more than one reason hence the research cites number of responses and not percentage of responses. The most popular responses were that conventional taxis were overpriced (54 responses), were of poor quality (49 responses) and unreliable (47 responses). A less popular response was ineffective cited by 22 respondents and impractical cited by 11 respondents. The remaining comments were single digit responses

and more positive in nature, specifically useful (nine responses), reliable (six responses), value for money (four responses) and unique (one response). What these responses reveal is that respondents desire convenience, safety, and consider price and comfort important factors in their expectations from a taxi service, however what they receive from conventional taxis is an overpriced, poor quality and unreliable service.<sup>94</sup> In other words, there appears to be a gap in expectations with regard to conventional taxis which has in part no doubt contributed to the rise in competing alternatives,<sup>95</sup> specifically the providers, GrabCar and Uber.

### *Perceptions of Uber*

To investigate perceptions of the Uber taxi service, respondents were asked how often they used Uber in Malaysia. The majority rarely (39.8%) or never (24.7%) used the service which is in line with earlier comments relating to conventional taxi use or rather lack of use. Of those who did use Uber, 17.2% used Uber two to three times a week, 15.1% used Uber once a fortnight, 6.5% used Uber once a week and 1.1% used the service every day. In terms of the time of day the respondents used Uber, the majority (34.4%) used the service in the morning, afternoon and evening, the second most popular option was never, selected by 25.8% of respondents. The remaining responses relating to time of day the service was used were spread across afternoon and evening (12.9%), morning and evening (8.6%), afternoon only (6.5%), morning and afternoon (5.4%) and morning only (5.4%) and evening only (3.2%). The frequency and timing of use is broadly similar to conventional taxis which indicates a consistency in respondent responses.

### *The reasons for customers' use of Uber*

Respondents were asked to indicate their levels of agreement to questions relating to use of Uber. As it can be seen from Table 1, convenience, price and value for money were the main motivating factors for their use of Uber, with respondents less likely to use Uber because of habit. Of the variables age, gender, frequency of patronage and preferred provider, which were tested for significance using multiple regression, age and frequency of use proved significant.

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94 The Coverage, "Malaysia is Crowned The Worst Taxi Drivers in the World" (*The Coverage*, November 17, 2015); <http://thecoverage.my/news/malaysia-rank-world-no-1-for-the-worst-taxi-drivers-in-the-world/> (accessed June 21, 2016).

95 Dillon, DS, *supra*, n 90; and Nair, Y, "Time to Liberalise the Taxi Industry" (*Malaymail*, August 9, 2016); [www.themalaymailonline.com/print/what-you-think/time-to-liberalise-the-taxi-industry-yohannan-nair](http://www.themalaymailonline.com/print/what-you-think/time-to-liberalise-the-taxi-industry-yohannan-nair) (accessed January 2, 2017).

**Table 1: Statistics relating to reasons for using Uber**

Question	Percentage of those of Strongly agreed/agreed	Percentage of those who were neutral	Percentage of those who Strongly disagreed/disagreed	Significant variables
I use Uber because of price	72.6%	23.1%	4.3%	None
I use Uber because of convenience	82.2%	17.8%	0%	None
I use Uber because of safety	63.3%	33.3%	3.4%	Age $p < .001$
I use Uber because of habit	37.7%	48.9%	13.4%	Age $p < .001$ Frequency of use $p < .001$
I use Uber because of reliability	68.2%	29.7%	2.1%	None
I use Uber because of value for money	72.6%	26.4%	1%	None
I use Uber because I feel safe with the drivers	60.5%	37.4%	2.1%	None
I use Uber because of the reduced waiting time compared to other service providers	62.7%	33%	4.3%	Frequency of use $p < .003$

It would appear that respondents preferred to use Uber as a taxi service because of convenience (82.2% agreeing or strongly agreeing), price (72.6% agreeing or strongly agreeing) and value for money (72.6% agreeing or strongly agreeing). There were relatively high levels of neutrality which can be explained by the numbers of respondents who never or rarely used taxi services, i.e. respondents who never used and some of those who rarely used taxi services provided a neutral response as they did not use the service and therefore probably felt that they could not comment because of a lack of prior knowledge. Respondents did not use Uber because of habit (only 37.7% agreed or strongly agreed), and

did not consider safety, either in terms of Uber (63.3% agreeing or strongly agreeing) or Uber drivers (60.5% agreeing or strongly agreeing) as the most important factors influencing their decisions, although it should be noted that these factors did receive relatively high levels of agreement. Other factors considered influential in the decision for preferring Uber were reliability (68.2% agreeing or strongly agreeing) and reduced waiting time (62.7% agreeing or strongly agreeing). What these results reveal is that respondents appear to welcome ride-sharing providers, perceiving them positively in comparison to conventional taxi providers, a positive addition to the competitive mix of the industry.<sup>96</sup> Respondents patronise Uber principally because of convenience, price and value for money which has implications for loyalty as this type of repeat patronage behaviour is arguably more occasional and susceptible to competitor activity and switching behaviour.<sup>97</sup>

In terms of negative concerns associated with using Uber, respondents were permitted to provide more than one response hence the research cites number of responses and not percentage of responses. Thirty-nine respondents indicated a lack of driver's knowledge of the route, 27 stated safety concerns, which conflicts slightly with earlier comments that safety was a reason for many respondents choosing Uber. Twenty-six respondents stated waiting times was a negative concern with Uber, with 17 indicating prices, despite reasonable prices being one of the reasons respondents chose Uber. Other concerns were friendliness of the staff (five responses) and the condition of the vehicles (six responses). Such results differ to those for conventional taxis where the negative concerns centred on price, quality and reliability which partially explains why respondents would choose Uber, i.e. Uber presented respondents with a more competitively priced and reliable offer.

The research on why respondents use Uber reveals the importance of price which is supported by the literature<sup>98</sup> and the taxi fare structures<sup>99</sup> of conventional and Uber taxis outlined in Tables 2 and 3. As it can be observed, Uber's base fare is cheaper than conventional taxi; one must take into account

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96 Anon, "Proof that Uber Costs Less than Black Cabs" (*The Telegraph*, September 30, 2015); [www.telegraph.co.uk/technology/uber/11902613/Proof-that-Uber-costs-less-than-black-cabs.html](http://www.telegraph.co.uk/technology/uber/11902613/Proof-that-Uber-costs-less-than-black-cabs.html) (accessed January 2, 2017); Cooper, M, "Is Uber Actually Cheaper than Other Taxi Firms in Manchester?" (*Manchester Evening News*, December 21, 2016); [www.manchestereveningnews.co.uk/news/greater-manchester-news/cheapest-taxi-firm-in-manchester-11695111](http://www.manchestereveningnews.co.uk/news/greater-manchester-news/cheapest-taxi-firm-in-manchester-11695111) (accessed January 2, 2017); and Dillon, DS, *supra*, n 90.

97 Sapanen, S, "Customer Loyalty Schemes: The Bottom Line" (1996) *European Retail Digest*, pp 12–19; Sapanen, B, "Enhancing Customer Loyalty" (1996) *Retail Week*, December 21–24; Findlay, A and Sparks, L, "'Switched': Store-Switching Behaviours" (2008) 36(5) *International Journal of Retail & Distribution Management* 375–386; and Aydin, S and Ozer, G, "The Analysis of Antecedents of Customer Loyalty in the Turkish Mobile Telecommunication Market" (2005) 39(7/8) *European Journal of Marketing*, pp 910–925.

98 Anon, *supra*, n 96 and Cooper, M, *supra*, n 96.

99 SPAD, "New Taxi Rates and Fares" [www.spad.gov.my/land-public-transport/taxis/rationale/new-taxi-rates-fares](http://www.spad.gov.my/land-public-transport/taxis/rationale/new-taxi-rates-fares) (accessed July 21, 2016).

however the issue of “surge pricing”<sup>100</sup> which could make the prices of Uber and conventional taxis more comparable. It should also be noted that no respondent mentioned “surge pricing” rather they found Uber’s strategy of offering cheaper fare prices more accessible and convenient.<sup>101</sup> Respondents in this research use Uber because of price, convenience, value for money and to a lesser extent reliability, safety and comfort, acknowledging that driver’s knowledge, safety, waiting times and prices were areas for improvement. The extent to which respondents’ preferences towards Uber constituted a form of relationship will be investigated in the next section.

**Table 2: Taxi fare structures according to region and type of licence<sup>102</sup>**

<b>Licence</b>	<b>Locations</b>	<b>Fare Structures</b>
<b>Taxi Budget</b>	Penang	<p><b>Distance</b> RM4 / first 1 km or first 3 minutes 30 cents / next 200 m</p> <p><b>Time</b> 30 cents / next 36 seconds</p>
	Klang Valley, Johor Bahru, Kuala Terengganu, Melaka	<p><b>Distance</b> RM3 / first 1 km or first 3 minutes 25 cents / next 200 m</p> <p><b>Time</b> 25 cents / next 36 seconds</p> <p><b>Additional</b> 50% surcharge after midnight RM2 telephone booking charge</p>
<b>Executive</b>	Klang Valley, Johor Bahru, Kuala Terengganu, Melaka	<p><b>Distance</b> RM6 / first 1 km or first 3 minutes 20 cents / next 100 m</p> <p><b>Time</b> 20 cents / next 21 seconds</p> <p><b>Additional</b> 50% surcharge after midnight RM2 telephone booking charge</p>

100 Cooper, M, supra, n 96; and Hall, J, Kendrick, C and Nosko, C, “The Effects of Uber’s Surge Pricing: A Case Study”; [http://faculty.chicagobooth.edu/chris.nosko/research/effects\\_of\\_uber's\\_surge\\_pricing.pdf](http://faculty.chicagobooth.edu/chris.nosko/research/effects_of_uber's_surge_pricing.pdf) (accessed July 26, 2016).

101 Anon, supra, n 96; Cooper, M, supra, n 96; Dillon, D S, supra, n 90; and Uber, “UberX just got even cheaper!” <https://newsroom.uber.com/malaysia/uberx-just-got-even-cheaper/> (accessed July 23, 2016).

102 SPAD, “New Taxi Rates and Fares”; [www.spad.gov.my/land-public-transport/taxis/rationale/new-taxi-rates-fares](http://www.spad.gov.my/land-public-transport/taxis/rationale/new-taxi-rates-fares) (accessed July 21, 2016).

Licence	Locations	Fare Structures
TEKS1M	Klang Valley	<p><b>Distance</b> RM4 / first 1 km or first 3 minutes 30 cents / next 200 m</p> <p><b>Time</b> 30 cents / next 36 seconds</p> <p><b>Additional</b> 50% surcharge after midnight RM3 telephone booking charge</p>
<b>Airport Taxi</b>	KLIA, LCCT	Zone based charges

**Table 3: Uber fare structures in Kuala Lumpur<sup>103</sup>**

UberX	UberXL	UberBLACK
Base fare: RM0.95	Base fare: RM2.5	Base fare: RM3.00
Cost per minute: RM0.25	Cost per minute: RM0.40	Cost per minute: RM0.50
Cost per km: RM0.60	Cost per km: RM0.75	Cost per km: RM1.4
Service fee: RM0.00	Service fee: RM0.00	Service fee: RM0.00
Cancellation fee: RM5.00	Cancellation fee: RM5.00	Cancellation fee: RM5.00

### *Customer relationships with Uber*

To assess customer relationships with Uber, respondents were asked if they who always used the provider, were satisfied, trusted and would recommend Uber. In terms of always using Uber, it is perhaps unsurprising that 30.7% of respondents were either neutral or disagreed/strongly disagreed that they always used Uber given the number of respondents who earlier indicated that did not use taxis and the competition that exists in the industry. It would appear however that respondents are particularly satisfied, with 75.9% agreeing or strongly agreeing, trusting with 72.6% agreeing or strongly agreeing and would recommend Uber to others with 80.3% agreeing or strongly agreeing (see Table 4), results which are supported by the literature.<sup>104</sup> Of the variables

103 Uber, "Uber Kuala Lumpur Prices"; <http://uberestimator.com/cities/kuala-lumpur> (accessed July 21, 2016).

104 Koch, R, "How Uber Used a Simplified Business Model to Disrupt the Taxi Industry" (*Entrepreneur*, January 3, 2017); <https://www.entrepreneur.com/amphtml/286683> (accessed January 4, 2017).

age, gender, frequency of patronage and preferred provider, which were tested for significance using multiple regression, gender proved significant. The particularly low levels of disagreement and strong disagreement to questions relating to respondents' relationship with Uber as a service provider imply that Uber has a positive role to play in the industry with users exhibiting a degree of loyalty,<sup>105</sup> satisfied with the use (transparent pricing and simplified payment process) and usefulness (convenient, trackable and rateable)<sup>106</sup> of the service.<sup>107</sup> This finding has implications for the second aim of this research, to understand perceptions of the deregulation/regulation debate facing the industry, as respondents have positive relationships with Uber, viewing the competition to conventional taxis as a positive for the industry presenting customers with competitive prices, convenience and value for money.

**Table 4: Statistics relating to respondent relationships with Uber**

Question	Percentage of those of Strongly agreed/agreed	Percentage of those who were neutral	Percentage of those who Strongly disagreed/disagreed	Significant variables
I always use Uber	69.3%	23.1%	7.6%	None
I am satisfied with Uber	75.9%	22%	2.1%	None
I trust Uber	72.6%	25.3%	2.1%	Gender $p < .001$
I would recommend Uber to others	80.3%	18.7%	1%	None

### *Perceptions of GrabCar*

In order to fully understand perceptions of the taxi industry in Malaysia, comparing perspectives of conventional taxi providers with ride-sharing

105 Engel, JF et al, *Consumer Behavior*, 6th edn (Chicago: Dryden Press, 1990); Anderson, EW et al, "Customer Satisfaction, Market Share, and Profitability: Findings from Sweden" (1994) 58(3) *Journal of Marketing*, pp 53–66; Alexander, N and Colgate, M, "The Evolution of Retailer, Banker and Customer Relationships: A Conceptual Framework" (1998) 26(6) *International Journal of Retail & Distribution Management*, pp 225–236; and Delgado-Ballester, E and Munuera-Aleman, JL, "Brand Trust in the Context of Consumer Loyalty" (2001) 35(11/12) *European Journal of Marketing*, pp 1238–1258.

106 Uber, "Feedback is a Two-Way Street" (Uber Newsroom, April 23, 2014); <https://newsroom.uber.com/feedback-is-a-2-way-street/> (accessed July 25, 2016).

107 Koch, R, *supra*, n 104.

services, it is important to examine not only Uber but also GrabCar. Respondents were asked how often they used GrabCar in Malaysia. The majority rarely (35.5%) or never (31.2%) used the service. Of those who did, 17.2% used GrabCar two to three times a week, the same percentage as those who used Uber. The remaining responses were lower when compared to Uber which implies, at least superficially, that Uber was used marginally more than GrabCar. The number of respondents who used GrabCar once a fortnight was 9.7%, 7.5% used GrabCar once a week and 1.1% used the service every day. In terms of the time of day respondents used GrabCar, the majority (32.3%) never used the service, the second most popular option was in the morning, afternoon and evening, selected by 24.7% of respondents. The remaining time were spread across morning and afternoon (10.8%), morning and evening (9.7%), afternoon and evening (9.7%), afternoon only (8.6%), morning only (5.4%) and evening only (3.2%), observing a similar usage pattern to Uber. Overall, in terms of the frequency and timing of use, the figures are broadly similar to those mentioned with regards conventional taxis and Uber which indicates a consistency in respondent responses.

*The reasons for customers' use of GrabCar*

Respondents were asked to indicate which factors were influential in their use of GrabCar. As it can be seen from Table 5, convenience, price, reliability, safety, value for money and waiting time were the main motivating factors for their use of GrabCar, with respondents less likely to use the provider because of habit. Of the variables age, gender, frequency of patronage and preferred provider, which were tested for significance using multiple regressions, age and gender proved significant.

**Table 5: Statistics relating to reasons for using GrabCar**

Question	Percentage of those of Strongly agreed/ agreed	Percentage of those who were neutral	Percentage of those who Strongly disagreed/ disagreed	Significant variables
I use GrabCar because of price	53.9%	41.8%	4.3%	Gender $p < .001$
I use GrabCar because of convenience	60.5%	38.5%	1%	None
I use GrabCar because of safety	50.6%	47.3%	2.1%	None

Question	Percentage of those of Strongly agreed/ agreed	Percentage of those who were neutral	Percentage of those who Strongly disagreed/ disagreed	Significant variables
I use GrabCar because of habit	30.8%	59.3%	9.9%	Age $p < .001$ Frequency of use $p < .001$ Gender $p < .001$
I use GrabCar because of reliability	53.3%	44.4%	2.3%	Gender $p < .001$
I use GrabCar because of value for money	50.6%	45.1%	4.3%	None
I use GrabCar because I feel safe with GrabCar drivers	47.7%	52.2%	0.1%	None
I use GrabCar because of the reduced waiting time compared to other service providers	49.5%	48.4%	2.1%	None

Similarly to responses for Uber, respondents preferred to use GrabCar as a taxi provider because of convenience (60.5% agreeing or strongly agreeing), with habit viewed as less important with only 30.8% agreeing or strongly agreeing. There were also relatively high levels of neutrality which can be explained by the numbers of respondents who never or rarely used taxi services. However in contrast to Uber, rather than three clear reasons for use of GrabCar, there were seven reasons; in order of preference, convenience (60.5% agreeing or strongly agreeing), price (53.9% agreeing or strongly agreeing), reliability (53.3% agreeing or strongly agreeing), safety in terms of the experience (50.6% agreeing or strongly agreeing), the driver (47.7% agreeing or strongly agreeing), value for money (50.6% agreeing or strongly agreeing), and waiting time (49.5% agreeing or strongly agreeing). The results reveal that respondents patronise GrabCar for a number of reasons but principally because of convenience, price and reliability, which has implications for loyalty

as this type of repeat patronage behaviour is arguably more occasional and susceptible to competitor activity and switching behaviour.<sup>108</sup> The results also reveal that Uber is perceived in a more favourable light than GrabCar but respondents perceive them both as a positive addition to the taxi industry, by bringing convenience, affordability and reliability.<sup>109</sup>

In terms of negative concerns associated to using GrabCar, respondents were permitted to provide more than one response, hence the research cites number of responses and not percentage of responses. Twenty-one respondents indicated safety concerns, 16 selected prices, 16 selected lack of knowledge, 16 selected waiting time, 12 selected conditions of the vehicle and nine indicated friendliness of the driver. Such concerns are similar to those expressed for Uber but differ from conventional taxis where the negative concerns centred on price, quality and reliability which partially explains why respondents would choose GrabCar and Uber, i.e. competitors to conventional taxis presented respondents with a more competitively priced, quality enhanced and reliable service.<sup>110</sup> The research on why respondents use ride-sharing services reveals the importance of price which is supported by the literature<sup>111</sup> and the taxi fare structures of conventional and GrabCar taxis<sup>112</sup> in Tables 2 and 6. What these results indicate is that respondents choose alternatives to conventional taxis predominantly for the same reasons, specifically convenience and price and to a lesser extent reliability, safety and comfort, and acknowledge similar gaps in the service, driver's knowledge, safety, waiting times and prices. There would appear to be demand for these alternative taxi services with customers welcoming the competitive offerings of GrabCar and Uber, seeing them as able to address the negative issues surrounding conventional taxi services. The extent to which these preferences towards GrabCar constitute a relationship will be investigated in the next section.

**Table 6: GrabCar fare structures in Kuala Lumpur<sup>113</sup>**

	Fare Structure
<b>Base Fare</b>	RM1
<b>Per KM</b>	RM1.10/KM
<b>Per Minute</b>	–
<b>Minimum Fare</b>	–

108 Sopenan, S, supra, n 97, pp 12–19; Sopenan, B, supra, n 97, pp 21–24; Findlay, A and Sparks, L, supra, n 97, pp 375–386; and Aydin, S and Ozer, G, supra, n 97, pp 910–925.

109 Dillon, D S, supra, n 90.

110 Dillon, D S, supra, n 90; Anon, supra, n 96; Cooper, M, supra, n 96; and Uber, “UberX Just Got Even Cheaper!”; <https://newsroom.uber.com/malaysia/uberx-just-got-even-cheaper/> (accessed July 23, 2016).

111 Anon, supra, n 96 and Cooper, M, supra, n 96.

112 SPAD, “New Taxi Rates and Fares” [www.spad.gov.my/land-public-transport/taxis/rationale/new-taxi-rates-fares/](http://www.spad.gov.my/land-public-transport/taxis/rationale/new-taxi-rates-fares/) (accessed July 21, 2016).

113 Grab, “New Fixed Fares. Lowest in Town!”; <https://www.grab.com/my/blog/new-fixed-fares-lowest-in-town/> (accessed February 3, 2017).

### *Customer relationships with GrabCar*

To assess customer relationships with GrabCar, respondents were asked if they were satisfied, trusted and would recommend GrabCar. In terms of always using GrabCar, it is perhaps unsurprising that 44% of respondents were either neutral or disagreed/strongly disagreed that they always used GrabCar given the number of respondents who earlier indicated that they either rarely used or did not use taxis. Despite not always using GrabCar, it would appear that when respondents did use the service they were generally satisfied, with 60% agreeing or strongly agreeing, trusting with 52.8% agreeing or strongly agreeing and would recommend GrabCar to others with 64% agreeing or strongly agreeing (see Table 7). Of the variables age, gender, frequency of patronage and preferred provider, which were tested for significance using multiple regression, gender proved significant.

**Table 7: Statistics relating to respondents relationships with GrabCar**

Question	Percentage of those of Strongly agreed/ agreed	Percentage of those who were neutral	Percentage of those who Strongly disagreed/ disagreed	Significant variables
<b>I always use GrabCar</b>	48.4%	44%	7.6%	None
<b>I am satisfied with GrabCar</b>	60%	38.9%	1.1%	None
<b>I trust GrabCar</b>	52.8%	46.2%	1%	Gender $p < .001$
<b>I would recommend GrabCar to others</b>	64%	32.6%	3.4%	None

The results indicate that users, although exhibiting a degree of satisfaction with GrabCar, had a more superficial form of loyalty towards the car-sharing provider.<sup>114</sup> In contrast to Uber, there was a higher degree of neutrality across all questions which can be partially explained by the numbers of respondents who never or rarely used taxi services, but when combined with the lower levels of agreement and strong agreement to other questions relating to preference it can be argued that respondents did not have as strong a relationship with

<sup>114</sup> Engel, JF, *supra*, n 105; Anderson, EW et al, *supra*, n 105, pp 53–66; Alexander, N and Colgate, M, *supra*, n 105, pp 225–236; and Delgado-Ballester, E and Munuera-Aleman, JL, *supra*, n 105, pp 1238–1258.

GrabCar as they did with Uber. Taking the results collectively, it would appear that respondents perceive GrabCar and Uber as playing a positive role in the industry,<sup>115</sup> the next section will examine whether these positive sentiments towards competition are reflected in the regulation/deregulated debate, with respondents favouring deregulation as a means to encourage further competition among taxi services and drive down prices and improve convenience, ultimately providing the customer with better value for money.

### *Deregulation or regulation*

Prior to examining the issue of deregulation further perceptions of the impact of Uber and GrabCar on the industry were explored. In the first instance respondents were asked whether the increased competition in the industry had a positive impact on traffic congestion. The majority (59.1%) agreed or strongly agreed, 33.3% were neutral and only 7.5% disagreed; no one strongly disagreed. In the second instance and following on from the main theme to emerge from this research, that Uber and GrabCar were seen to have a positive competitive influence on the industry, respondents were asked whether competition should be allowed between the taxis in Malaysia. The majority (83.9%) agreed or strongly agreed, with 9.7% neutral and only 6.4% disagreed; again, no one strongly disagreed. However, when respondents were asked in the third instance if they felt the LPTC should consider deregulating the taxi industry, opinion was decidedly mixed with only 50.6% of respondents agreeing or strongly agreeing that deregulation should be considered. Of the remaining respondents, 30.1% were neutral and 19.3% disagreeing or strongly disagreeing. In other words, respondents welcomed competition and were of the opinion that providers like Uber and GrabCar provided value for money, convenience and competitive prices. They felt this competition improved traffic congestion but were less agreeable to the issue of deregulation although the majority did agree that the authorities should consider deregulation. The reasons respondents gave in response to the question "Why do you think there should be regulation or deregulation?" can be grouped into three categories, those who favoured regulation, those who favoured partial regulation and those who favoured no regulatory measures. When analysing the responses using content analysis, the research observes a slight tendency among respondents to favour some form of regulation, principally to protect users and ensure fairness across the industry.

A minority of respondents were unsure whether the industry would be better with regulation or deregulation citing two main reasons: the first surrounds the enforcement of any regulatory measure with a typical response being "What is sorely lacking is the lack of enforcement?" and second, the issue of what is actually being regulated, with a typical response being "Depends on what you are regulating. Need more context on which regulation are you

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115 Dillon, DS, supra, n 90; Anon, supra, n 96; and Cooper, M, supra, n 96.

referring to". Such perspectives raise important issues on the regulation or deregulation of the taxi industry, specifically the scope of the regulatory measures implemented by the authorities and the effectiveness of these measures to ensure transparency across the sector and how the law will be policed and enforced. In August 2016, Parliament gave its approval to introduce new regulations to regulate ride-sharing services such as Uber and GrabCar. The proposed new set of regulations was supposed to be tabled in a Parliamentary meeting in November 2016 but as of the time of writing has not yet been realised.

Many respondents felt there should be no regulatory measures, i.e. deregulation, with the predominant theme to emerge, and which was an underlying theme throughout this research, being that by having no regulatory measures competition would be encouraged to flourish. A typical response was "less competition is more competition". A number of respondents expanded upon this theme noting that the increased competition could improve quality of service with a typical response being "deregulating the taxi industry would allow the industry to compete with other taxi service providers in the free market and this would encourage competition, which in turn would increase the quality of the services and bring about modifications to the services that would suit the consumers' preferences". Those respondents who favour no regulatory measures are consistent in their perspectives through this research, welcoming the competitive pricing, value for money and reliable service Uber and to a lesser extent GrabCar bring to the market, addressing a deficiency in the service provided by conventional taxi services.<sup>116</sup> It should be noted however that increased competition does not necessarily mean an improvement in service with only a marginal improvement in service observed in the US following deregulation.<sup>117</sup>

The majority of respondents felt there should be some form of regulatory structure or control but with the caveat that this control should not be at the expense of a competitive industry. As argued in the literature,<sup>118</sup> it is understandable that those respondents are cautious towards the role of regulations, fearing the effects on the competitive nature of the market which was an important theme to emerge from this research among all respondents whether they desired regulation or deregulation. Such caution is underlined by some respondents who argue "control should be there to encourage healthy competition and improve quality", in other words, any regulatory measure(s) should be to encourage and not discourage competition. For those respondents

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116 The Coverage, "Malaysia is Crowned the Worst Taxi Drivers in the World" (*The Coverage*, November 17, 2015); <http://thecoverage.my/news/malaysia-rank-world-no-1-for-the-worst-taxi-drivers-in-the-world/> (accessed June 21, 2016).

117 Price Waterhouse, *Analysis of Taxicab Deregulation and Re-regulation* (Price Waterhouse, 1993), p 15; Dempsey, P S, *supra*, n 34, pp 1–10.

118 Stiegler, GJ, *supra*, n 24 and Head, B, *supra*, n 24, p 14.

who thought there should be regulations, responses were grouped evenly across the regulations ability to make competition fair, standardise pricing and to ensure passenger safety. In terms of fair competition a typical response was “competition needs to be fair [and regulated]. Right now it is not”. With regard to standardising pricing a typical response was “I believe [the] taxi industry should be [subject to] regulation to have standard price control, ensure reliability and safe[ty] for users”. It is with regard to the linkage to safety where many respondents identified the need for regulatory measures to benefit the industry and consumers, with a typical response being “regulations would ensure safety standards are met”. These comments in relation to the need for regulations link to the earlier findings and are supported by the literature<sup>119</sup> that respondents consider pricing, safety and reliability as the main reasons for using taxis. However it should be noted that regulating the industry may not address one of the negative issues raised by respondents with regard to Uber and GrabCar that of a lack of drivers’ knowledge.

This exploratory research has revealed that many of the respondents rarely or never use taxis in Malaysia which means that the introduction of Uber and GrabCar may not necessarily address the issue of traffic congestion.<sup>120</sup> Those respondents who used taxis felt that conventional taxis were overpriced, of poor quality and unreliable, thus contributing to respondents’ positive perceptions of GrabCar and particularly of Uber who presented a more competitively priced, convenient, value for money taxi service which is supported by the literature.<sup>121</sup> Respondents valued the introduction of competition in the taxi industry and were satisfied with, trusted and would recommend Uber and to a lesser degree were satisfied with and would recommend GrabCar. The positive sentiments towards Uber and GrabCar may result in an increased use of taxis and improved levels of service across the sector. It was this competitive theme which continued to be prominent in discussions relating to deregulation, where the majority of respondents agreed that competition should be allowed in the industry although respondents were less agreeable when it came to deregulating the industry. As reflected in the literature,<sup>122</sup> respondents were cautious over whether there should be regulation or deregulation specifically around the issue of competition and whether the

119 Dillon, DS, supra, n 90; Anon, supra, n 96; M Cooper, supra, n 96; and Uber, “UberX Just Got Even Cheaper!”; <https://newsroom.uber.com/malaysia/uberx-just-got-even-cheaper/> (accessed July 23, 2016).

120 Howard, E, “Will Uber and Grab Help or Hinder Malaysia’s Congestion Crisis?” (*The Guardian*, June 22, 2016); <https://www.theguardian.com/sustainable-business/2016/jun/22/uber-grab-malaysia-kuala-lumpur-congestion-crisis-car-sharing> (accessed July 24, 2016).

121 SPAD, *Taxi Fare Review – Interaction Paper* (Kuala Lumpur: SPAD, 2013), p 12; The Coverage, “Malaysia is Crowned The Worst Taxi Drivers in the World” (*The Coverage*, November 17, 2015); <http://thecoverage.my/news/malaysia-rank-world-no-1-for-the-worst-taxi-drivers-in-the-world/> (accessed June 21, 2016); Dempsey, PS, supra, n 34, p 113; and Price Waterhouse, supra, n 117, p 15.

122 Kasserman, DL, Mayo, JW and Pacey, PL, “The Political Economy of Deregulation: The Case of Intrastate Long Distance” (1993) 5 *Journal of Regulatory Economics* 49.

industry can be controlled to ensure passenger's safety without compromising competitive pricing and competition.

### Conclusion and further recommendations

The context to the LPTC's decision to regulate the taxi industry in Malaysia is one of the concerns surrounding the questionable tactics and practices of taxi drivers<sup>123</sup> and the apparent need for more transparency and consistency across the industry. It is understandable that the LPTC has made this decision as a means to control fares and ensure passenger's security and safety. Putting the safety of passengers and improving the quality of these services<sup>124</sup> are meritable and are reflected in the current detailed application process for taxi licences covering licensing procedures, vehicles inspection and the setting of fares<sup>125</sup> and thorough background checks on drivers and insurance coverage.<sup>126</sup> However, the decision to regulate the industry has to ensure that competition is encouraged, with customers receiving a choice of appropriately priced and relevant services. Relevance is essential to today's consumers, who rely heavily on technology<sup>127</sup> for connectivity and consuming services, and how they engage with taxi services is no different. The use (transparent pricing and simplified payment process) and usefulness (convenient, trackable and rateable)<sup>128</sup> of the service<sup>129</sup> is underpinned by the technology, allowing the customer to have personal connections with Uber, creating trust in riding Uber vehicles.<sup>130</sup> This research has revealed that consumers prioritise convenience, price, value for money and reliability when it comes to choosing a "ride-sharing" service,<sup>131</sup> with respondents satisfied and willing to recommend both Uber and GrabCar. The relationship providers have with users is susceptible to switching behaviour but in the context of regulatory measures being imposed upon the industry, loyalty to a provider may increase as prices become more consistent and transparent. With regard to the regulation/deregulation debate

123 Cooper, J Mundy, M and Nelson, J, *Taxi! Urban Economies and the Social and Transport Impacts on the Taxicab* (London: Routledge, 2010), p 16.

124 SPAD, "Overview"; [www.spad.gov.my/about-spad/overview](http://www.spad.gov.my/about-spad/overview) (accessed July 23, 2016).

125 Gilbert, G and Samuels, RE, *The Taxicab: An Urban Transportation Survivor*, 1st edn (Chapel Hill, NC: The University of North Carolina Press, 2011), p 143.

126 Bernama, "Uber's Service Affecting Income of KL Cab Drivers, Taxi Association Claims" (*Malay Mail online*, August 24, 2014); [www.themalaymailonline.com/malaysia/article/ubers-service-affecting-income-of-kl-cab-drivers-taxi-association-claims](http://www.themalaymailonline.com/malaysia/article/ubers-service-affecting-income-of-kl-cab-drivers-taxi-association-claims) (accessed July 21, 2016).

127 Posen, HA, *supra*, n 75, p 413.

128 Uber, "Feedback is a Two-Way Street" (Uber Newsroom, April 23, 2014); <https://newsroom.uber.com/feedback-is-a-2-way-street/> (accessed July 25, 2016).

129 Koch, R, *supra*, n 104.

130 Gardner, J, "What is the New Sharing Economy?" *Forbes* (USA, July 30, 2013); [www.forbes.com/sites/emc/2013/07/30/what-is-the-new-sharing-economy/#256b8da1443b](http://www.forbes.com/sites/emc/2013/07/30/what-is-the-new-sharing-economy/#256b8da1443b) (accessed July 23, 2016).

131 Ride-sharing companies provide taxi-like services by connecting passengers to drivers via a smart phone app. Rides can be arranged in advance or on short notice. See Insurance Information Institute, "Ride-Sharing and Insurance: Q&A"; [www.iii.org/article/ride-sharing-and-insurance-qa](http://www.iii.org/article/ride-sharing-and-insurance-qa) (accessed July 23, 2016).

the majority of respondents agreed that there should be regulatory measures imposed on the industry but with the caveat that this should not dampen competition, in other words reduce the very elements respondents desire from a taxi provider, namely being competitively priced and convenient. These results may point to a partial deregulation as the way forward, similar to the approach used in New Zealand.

Future research is required to confirm the findings of this research and assess, using the perspectives of other stakeholders (including the variants of drivers, conventional taxi drivers, Uber and GrabCar drivers and GrabHitch drivers), whether deregulation is having a positive effect on the industry encouraging a culture of competitive fares, reduced waiting time and service innovation.<sup>132</sup> A further area for future research is to investigate the role technology plays in a consumer's preference for taxi provider in an attempt to get a more comprehensive understanding of customer relationships with a ride-sharing services.

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132 Graham, J, "Talking Tech: Taxi Alternatives Are on the Move" *USA Today* (USA, June 26, 2013); [www.usatoday.com/story/tech/columnist/talkingtech/2013/06/26/taxi-alternatives-uber-lyft-sidecar/2453967/](http://www.usatoday.com/story/tech/columnist/talkingtech/2013/06/26/taxi-alternatives-uber-lyft-sidecar/2453967/) (accessed July 23, 2016); and Downes, L, "Lessons from Uber: Why Innovation and Regulation Don't Mix", *Forbes* (USA, February 6, 2013); [www.forbes.com/sites/larrydownes/2013/02/06/lessons-from-uber-why-innovation-and-regulation-dont-mix/#4656680d31fd](http://www.forbes.com/sites/larrydownes/2013/02/06/lessons-from-uber-why-innovation-and-regulation-dont-mix/#4656680d31fd) (accessed July 23, 2016).