

The Political Economy of Auto-rickshaw Fare-setting in Mumbai



Submitted by:

Aparna Bhat

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Abbreviations

- 1) RTO: Regional Transport Office
- 2) RTA: Regional Transport Authority
- 3) MGP: Mumbai GrahakPanchayat
- 4) NA: Not Applicable
- 5) ACP: Additional Commissioner of Police
- 6) IPT: Intermediate Public Transport

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Abstract

In Mumbai, auto rickshaws are an important mode of transportation as well as a source of livelihood for a large number of people. There is, therefore, a need to ensure that both purposes of the auto rickshaw system are fulfilled effectively. This research paper tries to examine the political economy that determines the functioning of Mumbai’s auto rickshaw system, rather than a regular market economy. It looks at the various involved and interested parties in the system and the current issues faced due to the political economy. The paper also examines the validity of the reasons for imposing the regulations in the auto rickshaw system, and thus for the creation of the political economy.

Introduction

Auto rickshaws are an essential part of urban transport. As Akshay Mani, MadhavPai and Rishi Aggarwal said in their report “Sustainable Urban Transport in India”,

Auto Rickshaws are a form of Intermediate Public Transport (IPT). Intermediate public transport (IPT) refers to modes that fill the gap between private transport and formal public transport modes in cities.

Thus, the citizens of Mumbai are quite dependent on auto rickshaws to go about their daily activities. However, they are also a means of livelihood for a large number of auto rickshaw drivers, thus leading to discontent regarding the fares, the quality of service, and the congestion caused by auto rickshaws. A particular fare structure has been fixed by the government based on a formula. The auto rickshaw unions are not happy with this fare formula, condemn it as not being based on the cost of living and suggest their own formula.¹In order to bring forth their demands, the union calls for strikes and causes temporary disruptions in the transport system.² On the other hand, the consumer forum, i.e. the Mumbai Grahak Panchayat also wants a revision in the fare formula, and has brought up the issue of rising refusals and improper quality of service.³ The permits to operate an auto rickshaw are limited, thus creating the need for illegal agents between those who have a permit and those who want to provide this service.⁴

Whenever there is an auto rickshaw strike, most of the city comes to a halt. The buses and the trains become more crowded than usual. For example, on 16 April 2012, over 20,000 auto rickshaws of the Mumbai Autorickshaw men’s Union went on a one day strike demanding a fare hike in spite of a recent hike in the minimum auto rickshaw fare from Rs11 to Rs 12. Even though a number of auto rickshaws were still functioning, commuters had to wait in long queues at BEST bus stops. Among them, there were also students on way to give their final exams who lost out on studying time.⁵

Over the last two years, strikes and fare revisions demanded by the unions have gone up significantly as the interests of various parties are conflicting.⁶ Hence, research is required into the

¹As per interview with Shashank Rao, Assistant General Secretary, Mumbai Autorickshawmen’s Union

²“Mumbai commuters hit hard by auto strike”. *Hindustan Times*, 16 April 2012

³As per interview with Shirish Deshpande, Chairman, Mumbai Grahak Panchayat

⁴As per interview with multi-purpose auto rickshaw agent

⁵“Mumbai commuters hit hard by auto strike”. *Hindustan Times*, 16 April 2012

⁶Refer Figure 1 “Fare Timeline”

fare determination process so as to ensure all parties are appeased without having to strike and negotiate on a regular basis.

This paper examines the political economy that determines the auto rickshaw fares in Mumbai. It also examines the relationship between regulations and the current issues faced by each party in the fare determination process of the system and evaluates certain solutions. The auto rickshaw system in Mumbai is regulated by price and entry constraints. The price constraints are that the fares are determined by a one man committee called the Hakim Committee.⁷ With this regulation in place, it is very difficult to determine the actual 'price' which commuters will consider as appropriate for such an important means of transport, and auto rickshaw drivers will consider as appropriate to run their household. While the union demands a fare revision, the Mumbai Grahak Panchayat opposes it and has demanded that before any fare hike, there should be a reduction in refusal to ply by auto rickshaw drivers. There are also entry constraints, i.e., the issue of new permits to run an auto rickshaw has been stopped.⁸ According to the Mumbai Autorickshaw men's Union, this is the cause of refusal to ply, as there are very few auto rickshaw drivers to meet the increasing demand.

This paper restricts itself to the fare determination process as influenced by economic and political factors. It does not take a broad perspective regarding the functioning of the auto rickshaw system nor does it comment on any appropriate fare/fare formula.

Research papers regarding the taxicab system in the United States were studied to understand the fare determination processes in some cities there and to view their comments about regulation. Parallels were drawn to the auto rickshaw sector in Mumbai. Research papers from India were studied to understand the auto rickshaw set up⁹ and specifically the rules governing the permits for auto rickshaws in Mumbai.¹⁰

In order to study the history of the fare determination process in Mumbai, a number of newspaper articles were viewed. With effect from 21 June 2010, the minimum auto rickshaw fares for 1.6km was raised from Rs 9 to Rs11 and the fare for every subsequent km was raised from Rs5 to Rs 6.50. This decision was taken after flash strikes by thousands of auto rickshaw drivers crippled the city. Even after the fare revision, the Mumbai Autorickshawmen's Union's Assistant General Secretary

⁷As per interview with ShirishDeshpande, Chairman, Mumbai GrahakPanchayat

⁸As per interview with ShashankRao, Assistant General Secretary, Mumbai Autorickshawmen's Union

⁹Mani Akshay, PaiMadhav, Aggarwal Rishi. "Sustainable Urban Transport in India"

¹⁰"Rules and regulations governing the city permits of auto rickshaw in Mumbai"

Shashank Rao said that this is just an interim hike as they have demanded a hike to Rs15 at the base level.¹¹

Complaining about issues such as fake meter cards and refusal to ply by auto rickshaw drivers, commuters decided to fight back and a signature campaign was launched by India Against Corruption (IAC) in Mira Road in September 2011. In just five days, they were able to collect around 17,000 signatures, a copy of which would be sent to the Regional Transport Office (RTO) and government officials.¹²

RTOs across the city then started a clamp-down against auto rickshaw drivers using tampered meters, after giving them a grace period of 10 days.¹³ In response to the clamp-down by the RTO, the leader of the Mumbai Autorickshaw men's Union, Sharad Rao, suggested the removal of the tampered meters and an increase in share auto rickshaws across the city. This was rubbished by the officials as a stunt as share rickshaws can only be introduced on specific routes.¹⁴ The flash strikes by auto rickshaw drivers caused issues to escalate to such an extent that the then Chief Minister Prithviraj Chavan stepped in and called a meeting with the leaders of the auto unions to sort things out.¹⁵

The fares were subsequently hiked with effect from 17 October 2011 by 50 paise for every additional km, though the minimum fare for 1.6km was left unchanged. Sharad Rao once again declared this as unacceptable and pushed for fares to be calculated as per the Patankar Committee's formula which also takes the social costs into consideration.¹⁶ At that point, Thampy Kurian, of the Mumbai Rickshaw men's Union stood against Sharad Rao, stating that his demand of Rs19 as the minimum fare would ruin the auto rickshaw business.¹⁷

In April 2012, the Transport Department once again raised the auto rickshaw minimum fare with effect from 20 April 2012 to Rs12 for 1.6km. While Sharad Rao condemned this hike as insulting, Thampy Kurian said that it was a temporary relief.¹⁸

¹¹"Auto fares hiked after flash strike in Mumbai". Deccan Herald, 22 June 2010

¹²Naik, Pooja. "17,000 in Mira Road join campaign against auto drivers". Mumbai Mirror, 25 September 2011

¹³Singh, Virat A. "You've got 10 days to set your meters right". Mumbai Mirror, 24 September 2011

¹⁴Singh, Virat A. "Sharad's (really bad) idea to end meter rows". Mumbai Mirror, 28 September 2011

¹⁵Nair, Binoo. "CM steps in to defuse auto crisis. Mumbai Mirror, 8 October 2011

¹⁶ Committee constituted under Dr. P. G Patankar which gave the formula in 1993. This information was obtained from the Union's letter to PMA Hakim

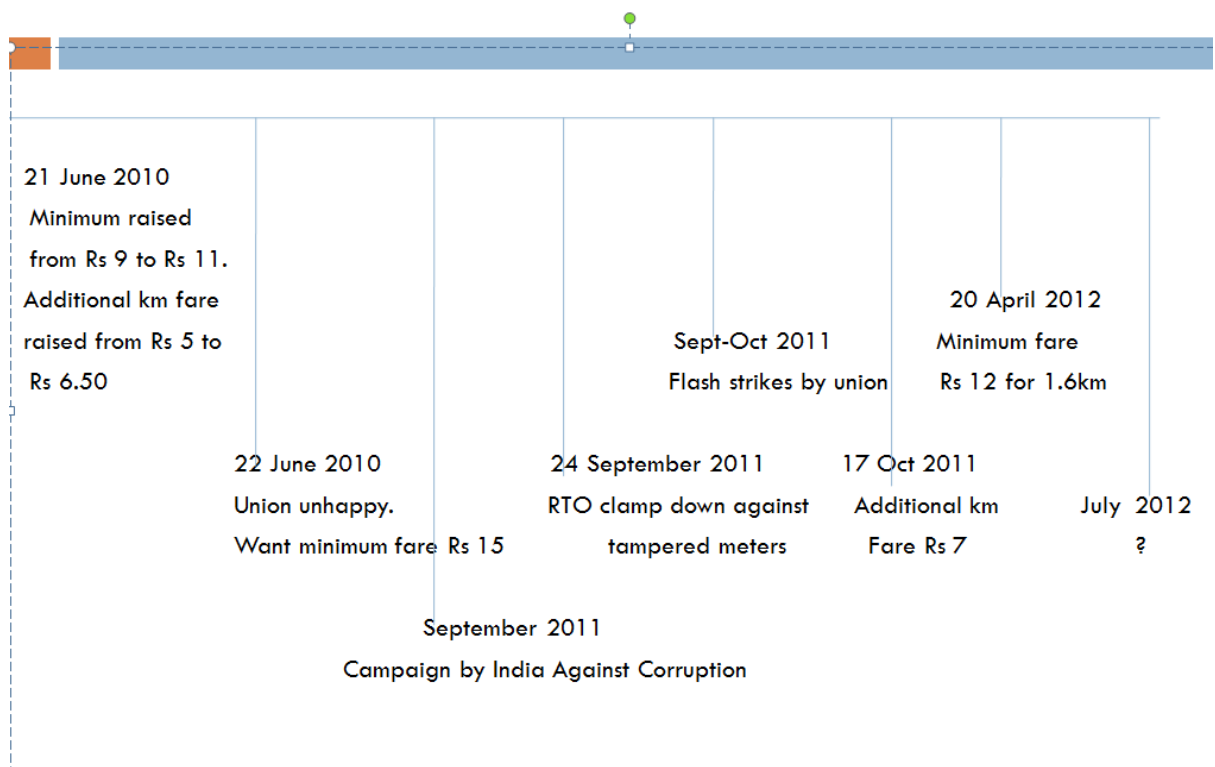
¹⁷Singh, Virat A. "Autos are pawns in the game played by Rao, Transport Dept". Mumbai Mirror, 13 October 2011

¹⁸"State Transport Dept hikes auto fares by Re 1". Mumbai Mirror, 14 April 2012

Figure 1: The revision in fares over the last two years

Charges	Amount
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Fare Timeline



Thus, the current fares are at Rs 12 for 1.6 km being the minimum, and Rs 7 for every additional km. The Hakim Committee is under the process of devising a new fare formula for auto rickshaws. It is expected to be declared by the end of July 2012.

Minimum fare (for 1.6 km)	Rs 12
Post minimum fare (every 1 km)	Rs 7
Waiting charges (per hour with minimum of 15 minutes)	Rs 25
Night charges (midnight to 5 am)	25%
Variance – Moderate traffic	5%
Variance – Heavy traffic	10%
Share auto rickshaw premium	33.33%

Table 1: The current fare structure¹⁹

From the above literature, the functioning of the political economy in the taxicab system in the United States and the auto rickshaw system in Mumbai comes forth.²⁰ The term political economy can be used to analyze how countries are managed in a system where both economic and political factors are at work (Economy Watch). Thus, in the auto rickshaw system in Mumbai, each party tries to maximize its own benefit, while the regulatory authority faces the issue of having to appease both and face negotiations and strikes from those who believe they haven't received as much benefit as possible.

¹⁹Taxi-Auto Fare, 2010-2012

²⁰The term 'political economy' is derived from the combinations of the Greek words "polis" (city or state) and "oikonomos" (one who manages the household) (Economy Watch)

Method

This research studies the political economy which determines fares so as to find out the relationship between regulations and the current issues faced by each stakeholder. To this effect, the fare determination process and the issues of each stakeholder were studied from the following sources:

Primary Data

Interviews were conducted with

- a) Shirish Deshpande, Chairman, Mumbai Grahak Panchayat
- b) Shashank Rao, Assistant General Secretary, Mumbai Autorickshaw men's Union
- c) Nandkumar Mistry, Additional Commissioner of Police, Traffic
- d) Multi-purpose auto rickshaw agent

Survey

An online survey was also conducted among a random sample of 30 commuters (Annexure 1). Three kinds of questions were asked:

- a) Auto rickshaw usage pattern - to understand the commuter
- b) Auto rickshaw commute quality - to understand how many have issues and what kind
- c) Opinion regarding share rickshaws – to understand whether the share auto rickshaw system is and will be used.
- d) Opinion regarding certain measures of deregulation – to examine the attitude towards deregulation and the validity of the arguments of those against it.

Documents

- 1) Fare calculation formula proposed by Mumbai Autorickshaw men's Union
- 2) Mumbai Autorickshaw men's Union's letter indicating demands from the Hakim Committee

Secondary Data

Newspaper articles

Websites of the Regional Transport Office and private auto rickshaw fleets

Research Papers Indian research papers regarding the auto rickshaw system and American research papers regarding the taxicab system. The American research papers were studied so as to compare the auto rickshaw system in Mumbai with the taxicab system in certain cities of the United States and to see their comments on deregulation.

The stakeholders in the political economy

The stakeholders of the auto rickshaw system in Mumbai are:

- The Hakim Committee²¹
- The auto rickshaw drivers and their representative unions
- The commuters and their representative Mumbai Grahak Panchayat
- Regional Transport Office
- Multi-purpose auto rickshaw agents

Table 2: The stakeholders in the political economy

Stakeholders	Issues	Objectives	Incentives
The Hakim Committee	NA	Fixing fares based on the taxi formula	NA
Mumbai Autorickshaw men's Union	1)Formula used does not reflect cost of living 2)Expenditure on idle run	Fighting for the rights of the auto rickshaw drivers	a) Maximize earnings through -use of Patankar Committee's formula -a minimum fare of Rs 20 for 2 km. -35.33% social cost. - Share rickshaw premium increased from 33.33% to 50% -increase in share rickshaw stands b) Reduce expenditure on idle run by increasing number of stands c) Reduce expenditure on illegal permit transfer through issue of new permits,

²¹One man committee which fixes auto rickshaw fares using the taxi fare formula

			continuing the current one man-one permit policy
Commuters and the Mumbai GrahakPanchayat	<ul style="list-style-type: none"> - Refusal to ply (76.7%) - Tampering of meters (66.7%) - Lack of electronic meters (56.7%) 	<ul style="list-style-type: none"> - Minimum Rs 8 for 1 km - Improving the quality of service -Reducing refusal to ply - Electronic Meters 	<ul style="list-style-type: none"> a) Reduce expenditure <ul style="list-style-type: none"> -by making minimum Rs 8 for 1 km -by reducing overcharging due to use of mechanical meters - by reducing auto rickshaw rent burden b) Ensure good service <ul style="list-style-type: none"> -by putting a condition that fares should not be increased till quality improves -by reducing refusal to ply
Regional Transport Office	NA	<ul style="list-style-type: none"> 1)Conducting surveys for fare revision 2)Issuing permits, licenses and badges 3)Managing complaint mechanism 	NA
Multi-purpose auto rickshaw agents	NA	<ul style="list-style-type: none"> 1)Transferring permits 2)Getting Insurance passing done 	Rs 1,000-2,000 commission on each deal of Rs 75,000

		3)Getting loans	
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The Hakim Committee

This one member committee of PMA Hakim fixes the fares of auto rickshaws after conducting surveys and interacting with the auto rickshaw unions and the consumer activists. This committee was constituted in 1996, and is reconstituted during every fare revision. As mentioned before, he has been using the taxi fare formula till date to fix the fares. PMA Hakim is currently under the process of devising a new fare formula for auto rickshaws, expected by the end of July 2012.

The Auto rickshaw drivers and the representative Unions²²

According to an RTO survey, there are currently around 1,50,000 auto rickshaws catering to a population of 12.5 million. These drivers are represented by a number of unions, such as the Rickshaw ChalakMalakSena of the Shiv Sena, the Mumbai Autorickshawmen’s Union of Sharad Rao, and the Mumbai Rickshawmen’s Union ofThampyKurian. The oldest of these are the Rickshaw ChalakMalakSena which has around 3,000-4,000 members, and the Mumbai Autorickshaw men’s Union, with around 30,000 members.

The Mumbai Autorickshawmen’s Union has demanded that the fares should be calculated as per the Patankar Committee’s formula, as they believe the Hakim Committee’s formula does not take into account the increase in cost of living.²³ They have demanded that the minimum auto rickshaw fare should be Rs 20 for 2 km, as the 2 km pattern is followed in most other cities of India such as Delhi and Bangalore. As one of the reasons for this hike in fares, they have cited the significant expenditure incurred by drivers on idle run looking for passengers and they have therefore demanded normal and share auto rickshaw stands across the city.²⁴

²²As per interview with ShashankRao, Assistant General Secretary, Mumbai Autorickshawmen’s Union

²³Committee constituted under Dr.P.GPatankar which gave the formula in 1993. Obtained from the Union’s letter to PMA Hakim

²⁴Share auto rickshaw is a journey fixed between two points with a fixed fare. Fare is fixed at 33.33% above normal fare and is divided among three passengers. Hence, both the driver and the commuters benefit

Commuters

A survey conducted among 30 commuters revealed the following results:

Figure 2: Commuting experience

Horrible	Quite bad	Okay	Quite good	Great
0.0% (0)	30% (9)	56.7% (17)	10% (3)	3.3% (1)

Figure 3: Issues faced by commuters

Problem	Response %	Response count
Tampering of meters	66.70%	20
Fake Rate Card	36.70%	11
Refusal to ply	76.70%	23
Improper driving	33.30%	10
No electronic meters	56.70%	17
Don't stop long enough to ask the destination	46.70%	14
Cheat foreigners/tourists	13.30%	4
Lack of knowledge of traffic rules	16.70%	5
Rude/improper behaviour	40.00%	12

Commuters are also fed up of the rude behaviour of the auto rickshaw drivers. Most of them expressed willingness to continue to travel by this mode of transport if there were small fare hikes, such as 10% or 15-20%. However, if the percentage hike was beyond that, the percentage of commuters willing to travel reduced. Other complaints were regarding the auto rickshaw drivers acting friendlier than appropriate, singing weird songs and not tendering change.

The Mumbai Grahak Panchayat(MGP)²⁵

Taking forward the issue of refusal to ply and other quality related issues raised by the commuters, their representative, the Mumbai Grahak Panchayat has asked that a fare hike should be matched by an improvement in the quality of services. The MGP says that it is not about the unavailability of auto rickshaws, it is just that the driver is not willing to go to certain destinations. Andheri (E), Goregaon (E), Borivli, Jogeshwari, Bandra, Kandivli, Mulund, Ghatkopar, Chembur and Kurla are the areas where this issue is most prevalent. Even when the auto rickshaw drivers are on duty and thus legally bound to not refuse passengers, they often do not stop at all, especially for women, children and senior citizens. Even when they do stop, they often refuse if the destination is not convenient to them. Such issues escalate during the monsoons.²⁶ The MGP has demanded that the minimum distance should be changed to 1 km, with a simultaneous reduction in fares to Rs 8.

Due to the use of the old mechanical meter, commuters end up paying more for the same distance as they can be easily tampered. Electronic meters should therefore be installed in all auto rickshaws. A measure has also been imposed by the RTO that the manufacturers of the electronic meters install a system in the meter wherein an ERROR message will appear if it has been tampered. They have also demanded that the fare structure be modified slightly, that the metered increment after the minimum 1.6 km should be 0.1 km as opposed to 0.2 km. This is because commuters are charged for every 200 meters before the actual distance is travelled. As soon as the minimum 1.6 km is crossed, the meter drops and the fare payable is Rs13.50, which is actually for a distance of 1.8 km. Even if the commuter travels only 1.61 km, he ends up paying the fare of 1.8 km.²⁷

Another issue that the MGP has raised with the current fares is that 75% of the auto rickshaw drivers rent their vehicles at Rs 200 per shift, a cost which is passed on to the commuters. Even if

²⁵As per interview with ShirishDeshpande, Chairman, Mumbai GrahakPanchayat

²⁶SenSomit. "Auto rickshaw refusals rise along with intensity of rains". *Mumbai Mirror*, 14 July 2012

²⁷SenSomit. "Activists seek Rs 8 per km as minimum auto fare". *Times of India*, 12 June 2012

there is a fare hike, the driver will not end up earning much more, it is the owner who gets a high return on investment.

Regional Transport Office (RTO)

There are three RTOs in Mumbai which are responsible for issuing licenses,²⁸ badges,²⁹ permits,³⁰ and certificates of fitness³¹ to auto rickshaw drivers. The RTO is also responsible for conducting surveys before a fare hike. The latest RTO survey was done over three days examining the eight hour shift with five auto rickshaws. The researching team also consisted of PMA Hakim, a representative from the MGP and one from the auto rickshaw union. The earnings and expenditures of the drivers were studied, along with the expenditure on idle run. This survey was done so that the Hakim Committee can come up with a revised fare formula, expected by the end of July 2012. The RTO has also established a complaint helpline. However, the Mumbai Grahak Panchayat said that its functioning is very poor. Usage of this complaint system by commuters is also limited.³²

Multi-purpose auto rickshaw agents³³

There are a number of agents in Mumbai who are like a one stop shop for all issues to do with auto rickshaws. The particular agent that I spoke to sells auto rickshaw spare parts, helps in getting loans, getting insurance, and most importantly in buying and selling auto rickshaw permits.

The permit buying and selling is done through acquaintances and anyone who knows a seller and a buyer can become the agent. The value of the permit varies as per the demand and supply, with the usual rate currently at Rs75,000 for three years. He earns a commission of around Rs 1,000-2,000 on each deal. This illegal market created due to the issue of permits being stopped is a significant cost that has to be borne by the auto rickshaw driver/owner, thus influencing their demands for a fare hike.

²⁸ Issued to auto rickshaw drivers based on a driving test (As per interview with Nandkumar Mistry, ACP Traffic)

²⁹ The RTO issues badges to drivers of Public Service Vehicles such as auto rickshaws and taxis (Motor Vehicles Department, 2008). In Mumbai, these badges are issued to drivers with a domicile of 15 years (As per interview with Shashank Rao, Assistant General Secretary, Mumbai Autorickshawmen's Union)

³⁰ One needs a permit to ply regularly in the district for offering auto rickshaw on hire or rewards permit in the form 'PCOP' which is valid for five years. ("Rules and regulations governing the city permits of auto rickshaws in Mumbai". Accessed on 26 June 2012.)

³¹ Issued to verify fitness of the vehicle to be plied

³² As per informal survey conducted among commuters

³³ As per interview with multi-purpose auto rickshaw agent

Nowhere in the agreement between the buyer and seller is it written that the permit is being 'sold' for the stipulated amount. It is just written that as the permit owner can't ride an auto rickshaw, he/she is giving it to this other driver to run on his behalf for a certain period. If the agreement mentions 'sold', then insurance on the auto rickshaw does not get passed.

Traffic Police

The traffic police have the power to fine and arrest the auto rickshaw drivers in case of violation of the Motor Vehicles Act, a power which the RTO does not have. There is a prosecution cell in the Traffic Control Branch to handle these violations.³⁴

³⁴As per interview with Nandkumar Mistry, Additional Commissioner of Police, Traffic

Why deregulate?

Thus, every stakeholder has raised issues from its own point of view regarding the current fare structure. The Hakim Committee, while having the power to decide the fares, faces the pressure of the political economy when taking this decision. This setup with entry and price regulations can't hope to fulfil most of the demands without hurting other parties. Deciding the right fares so as to please all parties, and at the same time ensuring a high quality of service is not a task the political economy is handling effectively. The new fare formula expected by the end of July 2012 may please the auto union if it represents the cost of living adequately. However, as the existing complaint mechanism is ineffective at reducing cases of refusal to ply, this bone of contention will continue to exist.

An ideal situation would be to deregulate the market, with demand and supply taking care of all issues. Aiming towards this situation, certain measures of partial deregulation could be examined and implemented.

Measures of partial deregulation

a) Issue of new permits³⁵

Currently in Mumbai, new permits are not being issued. There is thus a situation where around 70% of the permit holders don't drive an auto rickshaw; instead they rent it out for three year periods at around Rs80, 000. Due to the limited number of auto rickshaws catering to a large population, the problem of refusal is significant. The auto rickshaw union has suggested issue of new permits to deal with this problem.³⁶ However, deciding the appropriate number of permits to be issued is also going to be a problem, as there is no scientific basis for this decision. An alternative to this would be periodic issue of a certain number of new permits in order to meet the increasing demand.

For example, in Indianapolis, United States, the entry into the taxicab market was liberalized after conducting research in 1994. Restrictions on the number of taxicabs on the street were removed. Other restrictions to do with vehicle standards were also removed but minimum safety standards were still retained. (Harris, Lee, Taxicab Economics: The Freedom to Contract for a Ride, July 2, 2010.)

b) Differential pricing

Differential pricing can be of various types. Two ways of implementing differential pricing are:

- i) **Based on distance travelled:** A high fare structure may be fixed for long distances, while a low fare system may be fixed for short distances. If the destination at a long distance is far from where the driver has to go at the end of his shift, he may not want to go as he may or may not get a return passenger. Thus, long trips have higher costs for an auto rickshaw driver and having a higher fare structure for such trips is like an incentive. However, this system has its own pitfalls. First of all, fixing a "high" fare structure and a "low" fare structure again falls into the hands of a regulatory body, leading to similar issues as we are currently facing. Secondly, commuters will not agree to a higher fare for certain trips, it will be viewed upon as unfair. (Harris, Lee, Taxicab Economics: The Freedom to Contract for a Ride, July 2, 2010.)
- ii) **Three different fare structures:** Three different meter fares may be set. An auto rickshaw driver could decide say, at the beginning of the month, which fare structure he wants to adopt and the meter could be set accordingly. The driver would then prominently indicate

³⁵The pros and cons of this measure are discussed in the next section

³⁶As per interview with ShashankRao, Assistant General Secretary, Mumbai Autorickshawmen's Union

the fare structure that he is using. For example, 1 could mean the highest fares, 2 could indicate medium fares, and 3 could indicate low fares. Once a passenger flags down the auto rickshaw, he/she can look at the fare structure adopted by the driver and decide whether to travel or not. Those who are in a hurry may be willing to pay the higher fare. Those who can wait may let go of a higher fare auto rickshaw and wait for a middle or lower fare one. (Hardaway, Robert, Taxi and Limousines: The Last Bastion of Economic Regulation, October 22, 2010). However, this system would also have the issue of the basis for fixing the three different price structures by the regulatory authority.

Both these methods, while effective in the US, may not work in Mumbai. As Shirish Deshpande, Chairman of the Mumbai Grahak Panchayat pointed out, if the fares are hiked by a large extent to achieve differential pricing of any kind, commuters would just prefer the luxury of taxis.

c) Price ceiling

Another way of partial deregulation would be to establish a price ceiling and let the fares vary below it according to the demand and supply. For example, in Indianapolis in the United States, a fare ceiling on taxicabs was fixed in 1994, while allowing the drivers to engage in on-the-spot pricing at all levels below that. (Harris, Lee, Taxicab Economics: The Freedom to Contract for a Ride, July 2, 2010).

d) Zone based pricing

The city of Mumbai could be divided into zones, with fares being determined by the number of zones crossed. A flat price could be fixed for trips within a zone. A similar system was established in Washington, District of Columbia, United States along with removal of all barriers to entry except those to do with minimum safety standards. (Harris, Lee, Taxicab Economics: The Freedom to Contract for a Ride, July 2, 2010).

e) Private auto rickshaw fleets

Another means of partial deregulation is allowing private auto rickshaw fleets to operate and compete to offer better services at lower prices. This could be an important solution to the issue of quality of service, such as driving skills, rude behaviour of the driver, and refusal. Under a fleet owner system with one man-multiple permit owner policy, the fleet owner will take ex ante measures to improve the service and is not dependent on any ex post mechanism such as the RTO's complaint system. In order to establish product differentiation, the private fleet owner will be incentivised to improve the service. Some private auto rickshaw fleets have been established in India.

Table 4: Some examples of private auto rickshaw fleets in India

Company Details	Radio TukTuk ³⁷	Autowale. in ³⁸	Rickshawale ³⁹
City	Gurgaon	Pune	Mumbai
Fare	Rs 50 for first 3 km, Rs 8 for additional km	As per RTA fare card + Rs 15 convenience charge	As per RTO's fare card + Rs 20 convenience charge. (Rs 10 for senior citizens, disabled citizens and expecting mothers)
Call centre	Yes	Yes	Yes
Vehicle tracking	Yes	Yes	Yes
SMS confirmation	Yes	Yes	Yes
24 hour service	Yes	Yes	Yes
Online booking	No	No	Yes
Feedback taken	Yes	Yes	Yes
Other remarks	Panic button for safety of women, children and senior citizens	<ul style="list-style-type: none"> a. Minimum distance 6 km b. advance booking for airport and railway station commutes c. monthly billing facility d. booking for 	<ul style="list-style-type: none"> a. Checking of meters for tampering b. Sale of SIM cards

³⁷Radio TukTuk, 2011

³⁸Autowale.in, 2012

³⁹Rickshawale, 2011

		recurring trips e. Training to already existing auto rickshaw drivers	
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Rickshawale, Mumbai

This scheme was launched on October 13 and received an average of 350 customers each day at that time. It started with 300 auto rickshaw drivers, which increased to 400 in four days. However, four days after its launch, it ran into trouble with the RTO due to the convenience charge. Legally, there is no provision by which this extra fee can be charged, and neither had the co-founder, Hemant Jain, secured adequate permission from the Regional Transport Authority (RTA).⁴⁰

Rickshawale checks the meters of all its auto rickshaws, and ensures that they have not been tampered. Thus, the commuters do not get fleeced. The flip side of this is that the auto rickshaw drivers earn only around Rs 200 per day, i.e. Rs 6,000 per month.⁴¹ In order to meet their cost of living, the drivers tried to think of different products to sell which are required by commuters. They have now started selling SIM cards to commuters and have been promised Rs 250 by the company per activation.⁴²

⁴⁰“Dial an auto scheme hits road block four days after launch”. *Hindustan Times*, 18 October 2011

⁴¹Singh, Virat A. “Honest auto drivers’ first day in office, as SIM card salesmen”. *Mumbai Mirror*, 24 March 2012

⁴²“Honest autowallahs double up as SIM card salesmen”. *Mumbai Mirror*, 23 March 2012

Some arguments against deregulation and their validity

a) Permit deregulation will lead to congestion

According to the Mumbai Grahak Panchayat (MGP), the commuters and the ACP traffic,⁴³ issue of new permits will lead to increased congestion on the already congested roads in Mumbai. Though both the MGP and the commuters feel that this measure is necessary to meet the increased demand for auto rickshaws, they agree that it will add to the problem of traffic.⁴⁴

However, it may not necessarily be that when the barriers to entry are reduced, the number of auto rickshaw drivers will continuously increase. In the auto rickshaw market, when number of permits is increased, the price to the commuters will reduce due to the increased supply. Some existing drivers may even go out of business. They will be replaced by new entrants who can offer the same or better service at the reduced price, and yet make a profit. Only a certain number of drivers will continue to make a profit, and the rest will go out of business. New drivers will only enter the market if there is a perceived demand gap. For example, when the taxicab permits were deregulated in Indianapolis in the United States, the following pattern was observed: two years after the deregulation, there was an increase in the number of taxicabs from 392 to 460. However, after two more years, this number decreased to 372. Other cities in the United States which have tried this model revealed similar results: the number of taxicabs first increased, then reduced and stabilized. (Harris, Lee, Taxicab Economics: The Freedom to Contract for a Ride, July 2, 2010). Thus, the congestion argument pro regulation is not necessarily true.

However, it is still a matter to think about whether the roads in Mumbai can bear that temporary jump in the number of auto rickshaws, even though in the long run it is beneficial to all parties involved.

Another point against this argument is that putting a cap on the number of auto rickshaws on the road will hardly prevent congestion, as people are still allowed to freely purchase as many personal vehicles as they want. This restriction on permits is also economically regressive as it gives the relatively rich people with personal vehicles the freedom to use as much space on the road as they

⁴³As per interview conducted with Nandkumar Mistry, Additional Commissioner of Police (ACP), Traffic

⁴⁴As per interview conducted with Shirish Deshpande, Chairman, Mumbai Grahak Panchayat and as per survey conducted among 30 commuters

want, but restricts the relatively poor auto rickshaw drivers giving the reason that this must be done to reduce congestion.

b) Deregulation will affect the auto rickshaw drivers

The Auto rickshaw union argues that if price and entry regulations are removed, the competition will force auto rickshaw drivers to cut the prices. This will reduce their earnings and thus not let them earn a decent livelihood. However, restrictions of entry have raised the cost of running an auto rickshaw to obscene levels. Most auto rickshaw drivers are not owners, and neither do they have permits.⁴⁵ Thus, they have to pay a rent per shift to the auto rickshaw owner and also pay a lump sum amount to the permit holder to secure the permit. The driver is pushed to work hard and long hours to meet the permit and the rent expenses. If the auto rickshaw sector is deregulated, these costs will be reduced. For example, in New York, the number of taxicabs medallions is fixed at 12,187. Thus, the price of the medallion is pushed up to between US\$150,000 and US\$250,000 due to the scarcity. (Harris, Lee, Taxicab Economics: The Freedom to Contract for a Ride, July 2, 2010).

c) Increase in bad transport service providers on the road⁴⁶

The ACP traffic argues that the auto rickshaw drivers do not drive properly due to the lack of training and education. He says that if the entry restrictions are removed, it will lead to an increase in the number of bad drivers on the road. The MGP has also brought the issue of quality of service to the fore. Under the current regulated mechanism, even with the RTO's complaint mechanism and the vigilance of the traffic police, the quality continues to be poor, and a cause of problems to the commuters. Economic regulations ensure that the auto rickshaw driver has little incentive to attempt differentiation. The commuters are not given any choice between different qualities of services offered at different prices. (Hardaway, Robert, Taxi and Limousines: The Last Bastion of Economic Regulation, October 22, 2010).

Thus, the establishment of more private auto rickshaw fleets will actually lead to an improvement in the driving and the general quality of the service. In order to attract customers, these fleets will provide proper training to their drivers and may even upgrade the vehicles. Moreover, with the effort and money spent on implementing price and entry regulations reduced or eliminated, the RTO can concentrate on the implementation of quality and safety standards, thus doubly re-enforcing the improvement in quality.

⁴⁵70-75% of drivers are not owners. As per interviews with the union and the Mumbai GrahakPanchayat

⁴⁶As per interview with ACP, Traffic

Share auto rickshaws

With all the contradicting viewpoints of the auto rickshaw union, the Mumbai GrahakPanchayat, and the traffic police, the one thing they seemed to agree upon was the establishment of share auto rickshaw stands all across Mumbai, and not limiting them to just the railway stations. The share rickshaw stands benefit the auto rickshaw driver as he is allowed to earn a premium on the journey. It benefits the commuter as he has to pay less for the same journey. Commuters are also willing to travel by share rickshaw in commutes other than to and from railway stations.⁴⁷ It benefits the traffic police as the congestion on the road reduces. The concept of share auto rickshaws is also beneficial to the society at large as it reduces environmental pollution. Thus, this is a win-win situation for all and should be implemented. However, the lack of space in the city is a big issue.

There are share rickshaw stands at every railway station in Mumbai. However, due to the tiny roads that lead up to these stations, the stands cause a lot of congestion and virtually end up blocking the entire road. A solution to this issue could be to shift the stand under the skywalks, also now located at every station. The space wasted beneath the pillars of the skywalks could instead serve as auto rickshaw stands. If there are say four popular destinations from a particular station, pillar number one could have auto rickshaws willing to go to destination A, pillar number two to destination B, and so on. As a limited number of auto rickshaws can be parked between two pillars, this order could be repeated. A board at the railway station could indicate what pillars the commuter has to go to so as to get an auto rickshaw to reach his desired destination. The same board could also indicate the fixed fare.

While establishing share auto rickshaw stands across the city, the lack of space is again a problem. A solution to this could be to utilise the space underneath the flyovers wherever possible. This space is currently just going to waste in most areas of Mumbai.⁴⁸

⁴⁷ As per survey conducted among 30 commuters

⁴⁸ Based on personal experiences and observations

Conclusion

The way forward for the auto rickshaw sector in Mumbai is to conduct further research into and implement the measures of partial deregulation. Each of these measures have their own pitfalls, which also require due consideration. However, this paper proves the issues created due to the regulation in the economy, and thus necessitates further research into the measures of deregulation.

Encouraging the establishment of private auto rickshaw fleets is an achievable and beneficial measure, and so steps must be taken in this regard. This is an important market based solution which will ensure healthy competition to provide quality services at lesser prices. The idea of selling SIM cards to commuters innovated by drivers at the private auto rickshaw fleet “Rickshawale” is a significant success of market solutions. As opposed going on strike to demand a fare hike, these private auto rickshaw drivers themselves corrected the problem.

An idealistic measure would be to replace the existing three-seater auto rickshaws with larger ones which can promote shared travelling. This would ensure a further reduction in the fares to each individual commuter, while also not adding to the problem of congestion on the roads.

Another measure which enjoys a consensus and which can be made a reality is the share auto rickshaw stands across the city. Hence, effective steps should be taken in this direction so as to slowly but surely move away from the pitfalls of the political economy. Shankar Salvi, an auto rickshaw union leader, had proposed more than 450 routes for share auto rickshaws in the suburbs. However, only 80 have so far been approved, with only 40 being actually run.⁴⁹ Undoubtedly, providing space for share and other auto rickshaw stands is a problem in as congested a city as Mumbai, but measures to solve this such as those suggested in the paper must be innovated.

⁴⁹Singh, Virat A. “Sharad’s (really bad) idea to end meter rows”. *Mumbai Mirror*, 28 September 2011

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Annexure 1: Questionnaire used for commuters' survey

Auto Rickshaws in Mumbai

Exit this survey

1. What is your occupation and age?

What is your occupation and age?

2. What distances do you travel by auto rickshaw?

- What distances do you travel by auto rickshaw? Short distance –Less than 2 km (Minimum fare)
- Long distance – More than 2 km

3. How often do you use auto rickshaws?

- How often do you use auto rickshaws? Frequently - More than twice everyday
- Regularly - Twice everyday
- Once everyday
- 3-4 times a week
- Rarely

**4. Rate your auto rickshaw commuting experience on a scale of 1-5
(1-horrible, 5-great)**

IF YOUR ANSWER WAS OPTIONS 1,2,3 ANSWER QUESTION 5, ELSE
SKIP TO QUESTION 6

**5. What kind of issues have you had in your auto experience? (Check
all that apply)**

- Tampering of meter
- Fake Rate Card
- Refusal to ply
- Improper driving
- No electronic meters
- Don't stop long enough to ask the destination
- Cheat foreigners/tourists
- Lack of knowledge of traffic rules
- Rude/improper behaviour

Other (please specify)

6. Would you still use auto-rickshaws, if there is (Answer yes or no)

10% hike in auto-fares

15-20% hike in auto fares

25-30% hike in auto fares

30-35% hike in auto fares

Beyond 35% hike in auto fares

7. Do you use share rickshaws?

- Yes
- No

8. Would you be willing to use share rickshaws for more than just railway station related commutes?

- Yes
- No

9. What do you think of each of these and why?

Issuing permits to increase the number of auto rickshaws

Introducing private auto fleets like private cab services

Fares not being fixed by the RTO and being left to demand and supply forces