

Review of the Taxi Cab and Hire Car Industries

Final Report

**INDEPENDENT PRICING AND REGULATORY TRIBUNAL
OF NEW SOUTH WALES**

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FOREWORD

Government regulation of taxis and hire cars has a long and complex history. Whilst the regulation of many industries has decreased during the past decade, the regulation of taxis is still strongly supported in many countries. Where full deregulation of taxis and hire cars has taken place, it has been characterised by some successes, but some notable failures.

This report presents the Tribunal's final recommendations to improve the regulation of taxis and hire cars in New South Wales. The final report follows consideration of public submissions made in response to the Tribunal's interim report released on 9 August 1999.

Public submissions and comments on the Tribunal's interim report confirm the level of community concern about the quality and availability of Sydney's taxis. Isolated complaints about poor quality drivers and vehicles, or trip refusals, punctuate the more generalised problem of there being insufficient taxis at peak times, at shift changeover times, and at key locations such as the airport. Concerns about the hire car industry relate mainly to restrictions on entry and on the development of new market opportunities.

The Tribunal is satisfied that regulating the quality of taxi and hire car services benefits passengers and the industries. However, restricting the number of taxi and hire car licences does not appear to generate any significant benefits for passengers, drivers, or anyone working in the industries other than the licence owners.

Increasing the number of taxis in Sydney would help improve the industry by augmenting the supply at peak times. However, to completely remove the current restriction on the number of taxis would involve making significant changes to the industry and its regulation. The Tribunal is also aware of some unsuccessful attempts at deregulation in other jurisdictions. Consequently, the Tribunal has recommended the adoption of a phased approach to increasing the number of taxi licences in Sydney over the next five years.

The Tribunal has also recommended a review of implementation and outcomes in 2003. The purpose of this review will be to evaluate passenger service outcomes and to evaluate the impact of any reforms arising from this review on those working in the industries. As part of this review, an assessment of the rate of issuing new licences should be considered.

Taxi services in rural and regional locations appear to operate relatively free of the problems experienced in Sydney. The nature of the taxi industry and the need for regulation in Sydney differ significantly from the situation in regional and rural NSW. The major issues brought to the Tribunal's attention are the under or over supply of taxis in certain locations, and the imposition of regulations designed primarily for taxis operating in Sydney.

The Tribunal can see no benefits from restricting entry to the hire car industry. The Tribunal has recommended that the number of hire car licences issued in Sydney, Newcastle and Wollongong be unrestricted and subject only to the regulation of driver and vehicle standards. However, hire cars in other rural and regional locations also appear to operate relatively free of the problems experienced in Sydney. Moreover, there is little evidence in submissions to the Tribunal of significant unmet demand for hire cars in most rural and regional locations.

An increase in the number of hire car licences in Sydney and certain other proposed changes to regulations are likely to decrease waiting times during taxi changeover periods, increase transport to and from the airport, offer more transport options to people with disabilities, and provide a flexible transport option for all customers.

To specifically address the lack of taxis at changeover times, the Tribunal has recommended that all new licences require taxis to be available for hire during the weekday afternoon changeover period. The Department of Transport must monitor the availability of these vehicles and take action to enforce this requirement.

The Tribunal's principal findings can be summarised as:

- The number of taxis licences in the Sydney metropolitan area should be increased by 5 per cent per year for the next five years. These licences will be required to be available for hire during the weekday afternoon changeover time, be non-transferable, have a life of six years, and be leased by open tender.
- A review of passenger service outcomes, and an evaluation of the impact of any reforms and measures arising from this review on those working in the industries should be conducted in 2003. As part of that review, an assessment of the rate of issuing new licences should be considered.
- The Department of Transport should produce a report annually, comparing Sydney with other Australian cities. Its purpose would be to determine whether there are sufficient taxi licences to meet passengers' needs. Measures to be applied include: the number of taxis per 1000 population, surveys of waiting times at taxi ranks, pick up times for telephone bookings, and number of hirings per taxi.
- Licence fees for annual hire car licences in Sydney, Newcastle and Wollongong should be reduced to an amount which reflects only the sum of administrative and compliance costs associated with the industry. This will make entry to the industry less restricted, while regulation of operators, drivers and vehicle standards will continue.
- The Department of Transport should, in conjunction with industry and local councils, investigate delegating the regulation of taxis and hire cars in NSW rural and regional areas to local councils. This approach warrants further investigation because it would allow licensing regulations to better reflect market conditions in different regional and rural areas.
- Taxi co-operatives and companies should be subject to benchmark standards for average pick up times, driver and vehicle quality, provision of wheelchair accessible services, complaints handling, and taxi availability at changeover periods. The Department of Transport should produce a public report every six months comparing how each taxi co-operative or company has performed against these standards.
- Maximum taxi fares should continue to be regulated. A minimum fare of \$10 should apply from Sydney airport to give drivers an incentive to accept short trips. By reducing the economic penalty associated with servicing the airport, the incidence of short trip refusal will be reduced.
- The annual licence fee for metropolitan short term licences for wheelchair accessible taxis (WATs) should be reduced to an administration fee of \$1000 and Sydney taxi networks should be required to operate 10 per cent of their fleets as WATs. Licence fees should continue to not be charged for WAT licences in rural and regional areas. The

subsidy paid under the Taxi Transport Subsidy Scheme should be increased by paying a \$5 collection fee to drivers for WAT hirings.

Together, these changes will improve the level of service provided by the taxi and hire car industries in NSW. At the same time, competition will be encouraged.

Thomas G Parry
Chairman
24 November 1999

OVERVIEW AND SUMMARY OF RECOMMENDATIONS

The Tribunal's review of the taxi and hire car industries expresses the NSW Government's commitment to reform all legislation which restricts competition. The terms of reference require the Tribunal to recommend any changes to the regulation of taxis and hire cars which may increase the levels of service and competition in these industries.

The issues raised in submissions in response to the Tribunal's issues paper and interim report are explored here. This report presents the Tribunal's recommendations for improving existing regulation of taxis and hire cars under the *Passenger Transport Act 1990*. These recommendations are designed to improve customer service by helping the industries to better satisfy the demand for transport services.

Role of regulation in the taxi and hire car industries

There is a large amount of theoretical and empirical literature addressing the rationale for and models of the regulation of the taxi industry around the world. There is no doubt some justification can be found for each of the regulations.

There is almost total agreement in the submissions to the Tribunal that a totally deregulated taxi market will not improve and may even lead to a decline in the current performance of the taxi industry. The Tribunal believes that there is a role for government in regulating some aspects of the taxi industry.

However, the Tribunal regards some of the current regulations as unnecessary or counterproductive to passenger service. The question is whether a given regulation results in a better outcome than if the regulation did not exist and/or if an alternative regulation could achieve the same outcome in a more efficient manner. Every regulation must be assessed within the context of the other regulations of the industry.

Justification for regulating the hire car industry is less clear, as all hire car work is telephone based. Hire car passengers have greater ability to distinguish between hire car operators on the basis of price and quality of service. Reasons for regulating taxis are also less clear in rural and regional areas where the rank and street hail markets comprise a much smaller proportion of the taxi market.

Regulation of the NSW taxi and hire car industries

Regulation of the NSW taxi industry has evolved over a long period, as outlined in chapter 3 of this report. Over the years, different rationales have been used to justify specific regulations and the regulatory framework itself. Currently the taxi industry in NSW is regulated by the Department of Transport (DoT) and the Roads and Traffic Authority (RTA).

As the primary regulator, the DoT is responsible for setting maximum fares, setting standards for customer service, issuing taxi licences, setting taxi licence fees, authorising persons to be taxi drivers, accrediting persons to operate taxi businesses, authorising organisations to provide communication and dispatch services, monitoring service delivery, investigating complaints about drivers and operators, and regulating vehicle quality and safety, eg cleanliness, presentation and driver safety. The RTA is responsible for monitoring vehicle safety standards, monitoring authorised taxi inspection stations, issuing driver licences, and registering vehicles.

The introduction of the *Passenger Transport Act 1990* (the Act) was accompanied by increased emphasis on industry co-regulation by the DoT and industry groups. These groups now play important roles in contributing to policy making, handling customer complaints, and in enforcing standards set by the DoT.

The regulatory approach taken in NSW results in a heavily regulated industry and a uniform standard of service. A significant share of taxi fares goes towards the costs of regulation (primarily, maintaining vehicle, driver safety and network performance standards) and paying for the capital value of taxi licences. Enforcing standards also requires significant government resources. However, some enforcement tasks are delegated to industry representative groups. If industry does not enforce these standards, the community holds government accountable. This causes government to become increasingly involved in managing every facet of the industry.

An alternative is for government to regulate only some aspects of the taxi industry, leaving the market to determine other outcomes. On such approach is taken in London, where the quality of drivers and vehicles is subject to strict regulation and few other aspects of the industry (other than fares) are subject to significant regulation. Another jurisdiction in which the taxi industry is only partially regulated is New Zealand where the quality of service provided by taxi companies is regulated and minimal direct regulation is imposed on drivers or taxi business operators. All taxis are required to belong to an authorised taxi company or co-operative which is held accountable for all aspects of service provision.

The hire car industry in NSW is highly regulated, essentially to protect the demarcation between taxi owners and hire car owners. From 1965 to 1998, the number of perpetual, unrestricted licences in the private hire car industry remained static at about 240. A further 20 unrestricted licences were auctioned in 1998. Annual unrestricted licences have been available since 1990, but priced too high to attract significant numbers of new hire car entrants. Hire car licence holders must operate one of a limited category of vehicles and conform to minimum vehicle age requirements. Hire car fares are not regulated by the DoT.

Current taxi passenger service levels

In a survey conducted by the DoT's Transport Data Centre, residents and visitors express a high level of satisfaction with Sydney taxi services. More than half all residents and visitors rate Sydney's taxi industry as equal in quality to taxi services in other Australian cities and superior to those in major overseas cities.

Passengers' main areas of concern are: waiting times at peak periods, at changeover times and at certain locations such as the airport, and drivers' lack of knowledge of areas and of English. Submissions to the Tribunal by taxi drivers argue that inexperienced drivers deliver a significantly lower quality of service than most experienced drivers.

Passengers poorly served by Sydney's taxi service are those who cannot avoid travelling at changeover time, who must get home from the airport at peak times, who are not sufficiently familiar with a locality to direct a driver, or have special needs such as requiring a wheel chair accessible taxi (WAT) or a baby capsule.

Demand for taxis

The number of radio bookings in Sydney increased by an average of 5.3 per cent per annum over the period 1994-98. There was also an increase in passenger volumes at Sydney's domestic and international airports, which are an important source of passengers for the Sydney taxi industry, of around 5.0 and 8.1 per cent respectively.

The Tribunal believes the growth in telephone bookings and passenger movements at the airport indicate that there has been a significant increase in the demand for taxis since 1994. For this reason the Tribunal is of the opinion that the current number of taxi licences in Sydney has fallen behind general growth in demand for taxis services.

The Tribunal also believes that the growth in demand for taxi is likely to continue notwithstanding the opening of the airport rail line in 2000. This belief is based on the expectation of continuing growth in: the radio booking market, passenger movements at Sydney Airport and the number of tourists visiting Sydney.

The Tribunal recognises that demand for taxi services is highly seasonal and varies greatly over the course of each day. This explains, in part, why the taxi industry has difficulty meeting peak demand. A fleet of taxis large enough to meet peak demand would carry significant excess capacity for long periods, making it difficult to recover sufficient fare revenue to meet taxi operating costs while paying a return, or making lease payments on the value of a taxi licence plate.

Taxi availability

No unrestricted taxi licences have been issued since 1990. However, since 1990, 146 new licences have been issued to taxi companies and co-operatives to be used for WATs. During 1998 and 1999, 500 additional licences are due to be issued, 400 for WATs and 100 are for vehicles required to be on the road during the hours of midday and 5 pm to alleviate availability problems during the daytime shift changeover.

The Tribunal believes the current number of taxi licences in Sydney does not meet the demand for taxi services at peak times and at certain locations, and lags general growth in the demand for taxis services. The availability of taxis at night, particularly at weekends, is a commonly cited problem. Data on the percentage of taxis engaged at given times throughout the day indicates that peaks in demand do occur at night on Friday and Saturday nights. The situation is less clear on other nights of the week as the data is contradictory.

Within the current regulatory framework, the two primary ways of better matching taxi availability with demand are to relax entry, or to raise the maximum fare. Raising the maximum fare will improve the availability of taxis provided the increased fare does not simply result in an increase in the value of taxi licences (and hence the lease fees paid by taxi operators), and provided there is existing spare capacity within the current fleet. Entry can be relaxed by issuing more taxi licences and/or reducing the licence lease fees. In such a situation the regulator might have to expend additional resources to ensure vehicle and driver standards are maintained.

Taxi availability and levels of service can also be improved by making fundamental changes to the regulatory framework. The Tribunal sees merit in the Western Australian approach. There the regulator sets clear service quality outcomes it expects from the taxi industry,

leaving taxi companies to determine how to achieve those outcomes. The Tribunal favours a regulatory framework which requires taxi companies and co-operatives to be directly responsible for driver and vehicle standards, while the DoT monitors and enforces service standards maintained by the company or co-operative.

The Sydney taxi industry currently operates in a very restricted environment. Regulation covers all aspects of the industry from drivers' behaviour to the management of taxi companies and the provision of network communications services. Taxi industry participants are closely involved in policy issues, and the DoT is closely involved in decisions which directly affect how operators and taxi companies manage their businesses. The Tribunal is aware that sudden changes may result in adverse outcomes for the industry and the community it serves. The Tribunal wishes to ensure sensible strategies are adopted to relax current restrictions on the number of taxi licences.

In the Tribunal's view, industry participants and the DoT should first operate in a less restrictive environment ahead of the complete removal of restrictions on licence numbers. Accordingly, the Tribunal supports a phased increase in the number of taxi licences while the industry, passengers and the DoT adjust to the open environment.

Accordingly, the Tribunal recommends that the number of taxi licences in Sydney be increased by 5 per cent per annum for the five years from 2000 to 2005. This increase is recommended in the light of the increase in the number of radio bookings of around 5 per cent on average per annum between 1994 and 1998, and the increase in the number of passenger movements at Sydney Airport during this time. Additionally, the Tribunal recommends that hire car licence fees be reduced to effectively open entry to the Sydney hire car industry. This will increase competition in the hire car industry and generate new transport options at the upper end of the transport market.

The Tribunal also recommends that a focused review be conducted in 2003. The purpose of that review will be to evaluate passenger service outcomes in the taxi and hire car industries and the impact on those working in the industries of reforms and measures arising from this review. As part of the next review, an assessment of the rate of issuing new licences should be considered.

Recommendation

The Tribunal recommends that the number of taxi licences in Sydney be increased by 5 per cent per annum between 2000 and 2005, and that in 2003 the Government review outcomes of these and other measures arising from the Tribunal's recommendations.

Recommendation

The Tribunal recommends that any additional licences to be issued be leased via a transparent tendering process.

Recommendation

The Tribunal recommends that all new licences issued in Sydney between 2000 and 2005 be six yearly, non-transferable licences.

Recommendation

The Tribunal recommends that the Department of Transport develop and publish at six monthly intervals the results from the measurement of the demand for and supply of taxi services. These measures should include:

- *waiting times at taxi ranks for passengers and taxis at the head of the queue - measured by surveying ranks at six monthly intervals*
- *average waiting times for radio bookings - measured by comparing audited statistics provided by taxi companies and co-operatives*
- *average numbers of radio bookings per vehicle - measured by comparing audited statistics provided by taxi companies and co-operatives*
- *average number of hirings per vehicle - measured by sample recordings of vehicle movements and hires using GPS tracking.*

The imposition of regulations that are primarily designed for taxi operating in Sydney is regarded as unfair by rural and regional taxi licence owners and operators. The nature of the taxi industry and the need for regulation in Sydney differs significantly from the situation in regional and rural NSW. Wide disparities in the number of taxis per 1000 population suggest there may be too few taxis in some locations and a surplus in others.

In rural and regional areas of South Australia, local councils regulate taxis. This approach has advantages in that it allows for the regulator to be abreast of local requirements, and allows for flexibility across the state.

Recommendation

The Tribunal recommends that the Department of Transport in conjunction with industry and local councils, investigate options for delegating the regulation of taxis in NSW rural and regional areas to local councils.

Maximum fare regulation

Regulating maximum taxi fares has the benefit of guaranteeing passengers a known fare scale and protecting customers from price gouging. However, regulating prices also eliminates one of the key options businesses use to differentiate their services and meet changing demands.

On balance, the Tribunal supports continued regulation of maximum fares. However, in setting fares, the DoT needs to consider the trade off between fares and taxi availability. Passengers' preferences for price versus waiting time should be considered in setting appropriate fares.

The DoT recently announced an increase in maximum fares rates and the introduction of a 20 per cent surcharge on the kilometre rate for travel between 10 pm and 6 am. The Tribunal recommends that service level to passengers, and night-time passengers in particular, be monitored to see if this recent fare increase has improved taxi availability.

Improving the availability of taxis at changeover times

The issue of what to do about the lack of taxis in Sydney at changeover times has been raised in submissions to the Tribunal. In its interim report the Tribunal recommended that peak availability licences be removed as improvements at peak times would best be addressed by increasing the number of taxi licences, improving driver safety, and increasing fares at night. The Tribunal maintains this position with regard to peaks other than changeover times. However, there is some limitations in this approach with regard to changeover times. This is because of the issues that drive the changeover time. The Tribunal understands that

changeover is driven by historical factors, the operational convenience in being able to assemble all vehicles at one location at one time and to ensure parity of driver income between the two shifts.

A range of options was presented to the Tribunal in regard to this problem. These include imposing licence requirement on operators to stagger their changeover times, or to change over at a specified time, which varied across the fleets. Another option is to issue more peak availability licences. Currently, these licences restrict the time at which a taxi may be on the road. The Tribunal recommends that all new licences be issued with the requirement that the taxi is on the road every weekday between 2 and 4 pm. The DoT would be required to monitor and strictly enforce this regulation.

Recommendation

The Tribunal recommends that all new licences issued between 2000 and 2005 require that the licensed taxi be on the road between 2 and 4 pm each weekday.

Improving taxi services at Sydney Airport

Many passengers travel between terminals at Sydney Airport to connect with flights. Others must travel to locations close to the airport. A taxi driver may have travelled to the airport without a paid fare or may have waited for some time in the holding bay before obtaining a passenger. This leads to the problem of short trip refusals where passengers are left with little alternative means to make their journey. This practice is contrary to the regulation that drivers must not refuse fares except in particular circumstances.

Some overseas cities have introduced minimum charges or surcharges for travel to or from their major airports to help overcome the short trip refusal problem. This approach gives drivers an incentive to accept short trips commencing at airports by reducing the economic penalty associated with servicing short trip passengers at the airport. The Tribunal believes this approach should be adopted at Sydney Airport by setting a minimum fare of \$10 for all trips commencing at the airport.

Recommendation

The Tribunal recommends that the Department of Transport adjust fares from Sydney Airport by setting a minimum fare of \$10.

Improving taxi services for persons with disabilities

The Tribunal believes taxi networks should be held responsible for meeting service standards to passengers with a disability. The Commonwealth "Draft Disability Standards for Accessible Public Transport" while not yet compulsory, requires each State to have wheelchair accessible taxis (WATs) as 10 per cent of their taxi fleets. The Tribunal believes that this obligation should be imposed on all Sydney taxi networks as part of their network standards. An additional 400 WAT licences are due to be issued by December 1999. If all these licences are taken up the total number of WAT licences will increase to 550, that is, 12 per cent of the current taxi fleet.

The DoT has indicated that it intends to issue all future WAT licences to experienced drivers. To ensure that 10 per cent of their fleets are WATs vehicles Sydney networks will have to take initiatives to encourage sufficient drivers to take up these licences. To date, drivers have been reluctant to take up these licences, as they are required to operate the vehicle for a minimum of 18 hours per day. This is not possible without taking on a bailee driver for

some of the shifts, which is difficult for WAT vehicles, given the additional driver training required.

The take up rate of WAT licences may be improved if the mandatory hours of operation are reduced to the maximum possible for only one driver and the current annual lease fee in Sydney of \$6,000 is reduced to \$1,000. In rural and regional areas the current situation in which licences fees are not charged for WATs should continue.

The Tribunal believes an additional collection fee paid to drivers via the Taxi Transport Subsidy Scheme would significantly improve pick-up times for passengers who require a WAT vehicle.

Recommendation

The Tribunal recommends that the Department of Transport amend taxi network standards to require Sydney taxi networks to be responsible for the service standards provided to passengers with disabilities and that the Department of Transport monitor and enforce these standards. Sydney taxi networks should be required to have 10 per cent of their fleets as wheelchair accessible vehicles.

Recommendation

The Tribunal recommends that the annual lease fee for a metropolitan wheelchair accessible taxi licence be reduced to \$1000, the minimum operating hours be reduced to 10 hours per day, and the Taxi Transport Subsidy Scheme be adjusted to pay drivers an additional \$5 collection fee for each hiring.

Public reporting of performance by taxi companies

In the Sydney metropolitan district there are 12 taxi companies or co-operatives. In rural and regional areas there is one co-operative in each city or town. All taxi companies and co-operatives must be accredited as taxi networks and all taxis must belong to an accredited taxi network.

The DoT imposes performance standards on taxi companies and co-operatives. Their aim is to hasten the arrival of a taxi when a customer makes a phone booking. The taxi companies' and co-operatives' quarterly reports to the DoT cover some aspects of the operation of their fleets. Average pick up times in Sydney are less than half the required standard. However, there are some bookings for which a taxi cannot be provided.

This information provides a very useful resource, but it has not been used to evaluate the success of current policy. It appears that the DoT does not audit the quality of the information. Nor does it review the reliability of the information systems which generate it, nor take any enforcement action against non-complying networks.

The Tribunal believes current network standards would be more effective if the DoT produced a public report every six months comparing the performance of each taxi company and co-operative against the network standards. The benchmarking of taxi companies and co-operatives would give them an incentive to improve their performance in the hope of attracting more passengers and taxi operators to their fleets.

Whilst this reform will enhance competition between taxi companies and co-operatives, it may cause some changes in average pick up times until the new system has bedded down. Taxi companies and co-operatives can control the magnitude of any change in average pick

up times by managing the number of bookings they refer to other networks and the timing of these referrals.

Recommendation

The Tribunal recommends that current network performance standards be regarded as benchmarks and that the Department of Transport prepare a public report every six months comparing the performance of each Sydney taxi company and co-operative against these benchmarks.

The Tribunal believes that responsibility for service delivery is fragmented by current regulatory arrangements. Each level of the industry is directly responsible to the DoT. The DoT must regulate appropriate driver behaviour, operators' vehicle standards, and the pick up times of various taxi companies and co-operatives. The resources required to enforce each of these aspects of service delivery are well beyond the DoT's capabilities. In practice, the DoT relies upon taxi companies and co-operatives to enforce many of the driver and operator regulations themselves.

The Tribunal believes regulation of driver and vehicle standards would be more effective if taxi companies and co-operatives were made directly responsible for these aspects of service provision. To do this will require resources to monitor the standard of service provided and enforce regulations relating to these standards. Monitoring could be conducted by the DoT or contracted out. If monitoring was contracted out, the DoT's role would be restricted to enforcing penalties for breaches of service standards.

Recommendation

The Tribunal recommends that taxi companies and co-operatives be made directly responsible for driver performance and vehicle standards.

Other recommendations regarding the taxi industry

Current arrangements for recording and resolving customer complaints are unsatisfactory. The DoT expends only limited resources to record customer complaints. Taxi companies and co-operatives do not keep statistics on customer complaints.

Most passengers apparently feel that registering their complaints is of little value. Those who do register a complaint are rarely satisfied with the result. Mechanisms to resolve complaints will significantly enhance the public perception of the Sydney taxi industry.

Recommendation

The Tribunal supports continued regulation of complaints handling, but recommends that the Department of Transport take a more active role in investigating complaints, taking disciplinary action where warranted, and reporting back to passengers.

Each year, about 60 per cent of the 2000 driver trainees in Sydney graduate and qualify as drivers. However, approximately 75 per cent of new drivers do not renew their licence after the first year. The high turnover rate for drivers is a problem for the industry.

The DoT requires Sydney's two taxi training schools to teach taxi drivers from a syllabus created by the NSW Taxi Council. Covering operational, safety and customer service issues, the syllabus is examined within the training schools. The DoT does not examine applicants on this material.

A separate locality test is administered by the DoT. It is a multiple choice exam which drivers may take a number of times. The taxi training schools have a selection of the questions and answers available for trainees to practise prior to the exam. Submissions to the Tribunal made by taxi drivers argue that some new drivers leave taxi training schools with little practical knowledge of how to successfully operate a taxi service, deliver quality customer service, or navigate around Sydney. The Tribunal considers the DoT should review driver training requirements and the method of testing licence applicants, and audit the quality of training.

Little benefit is gained by restricting the organisations which may train taxi drivers. The DoT should establish criteria for entry to the taxi driving industry, but not restrict the way in which applicants must prepare themselves for these requirements. The current system focuses excessively on procedures the trainee must complete, without sufficient testing for comprehension of the information.

Recommendation

The Tribunal recommends that the Department of Transport review the effectiveness of the current taxi driver training syllabus and testing procedures. The Department of Transport should set the curriculum and examine applicants on the course material. Accreditation with the Department of Transport should not be a pre-requisite for teaching the taxi driving course. Applicants should be permitted to sit the examination after completing a self study course if they choose not to attend a school.

Drivers' experience and perceptions of danger affect whether they are willing to work at night, and prepared to pick up 'dangerous looking' persons or to pick up passengers in known trouble spots. Concern about their safety is an important reason for fewer drivers being willing to work at night. Some passengers experience refusals by a taxi, especially at night.

Recommendation

The Tribunal recommends that driver safety be a key objective of regulating the taxi industry. Enhanced driver safety will directly benefit drivers and passengers as it will improve drivers' working conditions and should increase the availability and quality of taxi services.

All non-owner drivers are required to have workers compensation insurance. In other industries WorkCover premiums have served as an incentive, encouraging better risk management. Established by the DoT to review this issue, the Taxi Insurance Committee identified the need for a higher level of driver training if new and existing drivers are to receive reductions in premiums.

A survey of Victorian taxi drivers notes that only 13 per cent of drivers who were injured reported their injury to WorkCover. Of that group, 46 per cent stated they were unaware they could claim, or that they were not covered. Penalties for non-compliance with WorkCover, and an education campaign to teach operators about their insurance obligations may be warranted to improve driver safety.

Recommendation

The Tribunal recommends that the Department of Transport audit operators' compliance with insurance requirements and educate drivers and operators about Insurance and WorkCover requirements.

All taxis must be less than 6.5 years old. This requirement may not be appropriate for rural and regional taxis, which usually travel shorter total distances each year. Rural and regional taxis in Victoria and Tasmania have a maximum usage age of 7.5 years and 7.0 years respectively. Western Australia allows all taxis to operate until they are 8 years old. Increasing the age restriction to 8 years for NSW rural and regional taxis should lower the costs faced by rural and regional taxi operators.

Recommendation

The Tribunal supports the continued regulation of vehicle standards, but recommends that the maximum age of taxis operating in rural and regional areas be increased to 8 years.

All taxis must be inspected every four months by an authorised taxi inspection station (ATIS) for vehicle safety and for passenger comfort. Taxi companies and co-operatives are responsible for ensuring that taxis under their control are inspected at requisite intervals.

Taxi operators accredited as an ATIS are permitted to inspect their own vehicles. This allows operators running larger fleets to reduce their costs by maintaining and inspecting their own vehicles. This highlights the importance of making the ATIS responsible for the quality of its inspections. The current system contains very little risk to the ATIS if those running it fail to inspect vehicles properly.

Recommendation

The Tribunal recommends that the Department of Transport institute a system to penalise authorised taxi inspection stations if they fail to inspect taxi vehicles properly.

Taxis are generally unrestricted as to where and when they may operate within a district. However, 25 licences in Sydney are limited to working in suburban and city fringe areas. These restrictions are anachronistic, providing no benefit to passengers, and are unlikely to be enforced. They should be removed.

Recommendation

The Tribunal recommends that area-based operating restrictions be removed from the 25 licences in Sydney which are limited to operating in suburban and city fringe areas.

Recommendations regarding the regulation of the NSW hire car industry

Private hire vehicles are high quality chauffeur driven vehicles which provide a passenger service through private arrangements. They differ from taxis in that they are not allowed to obtain passengers from the street or taxi ranks. Justification for regulating the hire car industry is therefore less clear, as all hire car work is telephone based. Although the DoT receives very few complaints about hire cars, reports on the hire car industry published in 1983 and 1996 argue that the constraint on the supply of licences in the hire car industry has stifled innovation and the development of new market opportunities.

The government has pursued deregulation of small specialised transport markets such as tourist vehicles and motor bikes, which do not impact upon taxis or hire cars. The DoT issues short term permits restricting these new entrants to their niche markets.

Opening entry to the general hire car industry would create new business opportunities, particularly for limousine services at the top end of the transport market. Strong demand

for these services is likely to come initially from the airport and hotels. However, in time hire car operators are likely to develop a broader range of transport services.

If hire car operators succeed in establishing themselves in market segments currently serviced by taxis, this will free up capacity within the existing supply of taxis. This should result in a greater availability of taxi and hire car services at peak periods and at locations such as the airport.

The Tribunal sees little benefit in maintaining a distinction between unrestricted (perpetual and annual) hire car licences and restricted annual hire car permits.

Recommendation

The Tribunal recommends that the current restriction on the number of hire car licences be removed. Hire car licences should be issued to any person who can satisfy the quality-based entry requirements. All hire car businesses should operate under the same licence conditions.

The current annual, unrestricted hire car lease fee in Sydney is set by the DoT at \$16,000 pa (\$1330 per month). The perpetual versions of such licences have recorded sales in 1999 averaging \$150,000. Plate owners lease perpetual unrestricted licences for approximately \$1000 per month. The annual licence fee charge by the DoT is not achieving its objective of satisfying temporary, unsatisfied demand. Instead, the fee appears to underwrite unrestricted perpetual plate values.

Representing an unattractive commercial proposition, the annual licence fee requires restructuring. In South Australia metropolitan hire cars which compete directly with taxis are charged an annual fee of \$1000, while traditional hire cars which offer limousine service are charged a fee of \$50 per annum. In Victoria and Tasmania hire cars are charged a licence fee of \$150 and \$5000 per annum respectively. The Tribunal supports a significant reduction in the annual licence fee to enable operators to acquire these licences for a fee determined by the administration and compliance costs associated with issuing and regulating licences.

Recommendation

The Tribunal recommends that hire car licence fees be reduced to an amount which reflects the administrative and compliance costs associated with the industry.

The taxi market in rural and regional areas of NSW differs from that of Sydney and the major cities of Newcastle and Wollongong in that, a much smaller proportion of taxi business is derived from the street hail and rank markets. However, for historical reasons taxis in rural and regional areas have been forced to comply with regulations which are designed primarily for the Sydney taxi market. These regulations impose significant costs on rural and regional taxi operators.

The Country Taxi Owners' Association argues that given the cost of meeting taxi licence requirements, low licence fees on hire cars in rural and regional will result in unfair competition and wipe out the rural and regional taxi industry. The Tribunal believes this argument has some validity as taxis and hire cars in rural and regional locations are in much closer competition than in Sydney and in the major cities of Wollongong and Newcastle.

Recommendation

The Tribunal recommends that the Department of Transport investigate whether hire car regulation should be delegated to local councils in rural and regional areas in conjunction with the regulation of taxis.

Hire car vehicle standards are designed to ensure operators provide a certain minimum standard of vehicle, but they are poorly targeted. By focusing on vehicle makes and ages, they limit the vehicle options an operator may select to target niche markets or minimise vehicle costs. Hire cars currently service the 'top end' of the public transport market. Passengers are well equipped to judge the quality of a vehicle, and should be allowed to decide if they will accept an older, well maintained vehicle or a make of vehicle not currently permitted.

However, the Tribunal believes that there is some benefit in using hire car vehicle standards to maintain some separation between the services offered by hire cars and taxis. Without some separation, open entry to the hire car industry will effectively open entry to the taxi industry. The Tribunal believes that some limited form of hire car regulation should be retained over the next five years to facilitate the orderly development of a hire car industry, while maintaining the taxi industry as the primary means of public transport by private vehicle.

The Tribunal wishes to foster an active and dynamic hire car industry, but to avoid developing a large minicab industry along the lines of that operating in the United Kingdom. However, the option of creating a minicab industry to provide direct competition with taxis for all telephone bookings should be reconsidered after 2003 if the taxi industry is not delivering a sufficient level of service to passengers.

Recommendation

The Tribunal recommends that the current regulation of hire car vehicle standards be maintained.

The prohibition on hire cars cruising streets looking for work is a fundamental part of the distinction between taxis and hire cars. The Tribunal supports retaining this distinction.

Recommendation

The Tribunal recommends that the prohibition preventing hire cars from plying for hire through street hails and at taxi ranks be maintained.

As with taxis, hire car licence conditions allow vehicles to operate within defined local government areas. As Sydney has expanded, these operating areas have not altered to reflect changing travel patterns and expanding residential areas.

Recommendation

The Tribunal recommends that area-based restrictions on hire car licences be removed.

Existing vehicle standards include some generic regulations designed to ensure hire car operators hold third party insurance, have sufficient parking and maintenance facilities, and have business plans for vehicle maintenance, vehicle cleaning and monitoring of driver quality. Although these regulations may generate some public benefit, they appear redundant as broader legislation already governs these areas.

Recommendation

The Tribunal recommends that regulations governing the management of hire car businesses be removed unless necessary to address specific service quality issues.

1 INTRODUCTION

The Premier asked the Independent Pricing and Regulatory Tribunal (the Tribunal) to review the regulation of the taxi and hire car industries under the *Passenger Transport Act 1990* (NSW). The review is part of the NSW Government's commitment to review all legislation restricting competition prior to 2000.¹

The Premier's terms of reference require the Tribunal to recommend any changes to the management of the industries, which might increase the levels of service and competition. In doing this the Tribunal was required to consider restrictions to competition currently imposed by the *Passenger Transport Act 1990* (the Act), Department of Transport (DoT) policies and industry practices. The Tribunal was also required to consider alternative policies that may lead to an improvement in the levels of service and competition in the taxi and hire car industries.

The complete terms of reference for the review are contained in Appendix A of this report.

The Tribunal members who considered this report are:

Dr Thomas Parry, Chairman

Mr James Cox, Full-time Permanent Member

Mr John Ward, Temporary Member

This report explains and addresses issues raised in submissions and presents the Tribunal's recommendations on improving the existing regulation of taxis and hire cars. The recommendations are designed to improve customer service by helping the industries to better satisfy the demand for transport services.

1.1 Investigative process

In conducting a public review, the Tribunal wishes to ensure that all interested parties have adequate opportunity to express their perspective on the relevant issues. Consequently, before finalising its recommendations the Tribunal has undertaken an extensive public consultative process which has involved releasing an issues paper, receiving public submissions on the issues paper, holding public hearings, releasing an interim report, and receiving public submissions on the interim report.

In October 1998 the Tribunal released an issues paper to: explain the process of the review, provide background to the industry, highlight the issues to be covered in the review, and invite submissions from interested persons. Public hearings were held on 25 and 26 November 1998 at the Tribunal's offices, Level 2, 44 Market Street, Sydney. The interim

¹ In April 1995 all Australian Governments signed a package of three agreements committing them to implement a microeconomic reform agenda and establish common competition laws. The reforms are generally referred to as the National Competition Policy. The *Competition Principles Agreement* established the microeconomic reform agenda, the *Conduct Code Agreement* established a co-operative legal scheme which extends Part IV (the competition provisions) of the Commonwealth *Trade Practices Act 1974* to State, Territory and local government businesses, and the *Agreement to Implement the National Competition Policy and Related Reforms* established three tranches of payments by the Commonwealth to the States and Territories conditional upon implementation of the National Competition Policy.

report was released on August 9 and the Tribunal invited interested parties to make submission on this report by 17 September 1999.

Table 1.1 Review process

Step	Time frame
Release of issues paper	October 1998
Submissions due	13 November 1998
Public hearings	25 & 26 November 1998
Interim report	9 August 1999
Submissions due on interim report	17 September 1999
Final report	24 November 1999

Submissions received are listed in Appendix B. The issues paper, a transcript of the hearing, the interim report, submissions to the issues paper and the interim report, and this final report may be viewed on the Tribunal's website *www.ipart.nsw.gov.au* or at the Tribunal's office.

1.2 Competition policy reviews of legislation

At a meeting of the Council of Australian Governments in April 1995, the Heads of Government signed an agreement to implement the National Competition Policy reform package. The purpose of the reforms was to remove unnecessary barriers to trade and encourage greater competition within Australia.

Governments restrict competition and regulate markets for a variety of social, economic and political reasons. These restrictions may result in improvements to economic development and the use and allocation of the community's resources. They also may result in the community's resources being poorly allocated and hinder economic development.

The National Competition Policy reform package includes a commitment from all the Australian Governments to review and reform any legislation which might restrict competition and which is not in the public interest. This commitment is a belief that at least some of the original objectives have become obsolete and are no longer justified. Core objectives may be achieved in a way which allows more competition and lessens the costs imposed on the community.

Changes in industry structures may cause previously beneficial restrictions to become counter productive. Industry participants may exploit the restrictions to achieve market power. Broader competition legislation, such as the *Trade Practices Act 1974* (Commonwealth) or the *Fair Trading Amendment Act 1998* (NSW) may now achieve some of the objectives, rendering specific restrictions redundant.

All the Australian Governments have agreed to review and reform their legislation in accordance with the general principle that legislation should not restrict competition unless it can be demonstrated that the benefits of the restriction outweigh the costs to the

community as a whole,² and the objectives of the legislation can be achieved only by restricting competition.³

National Competition Policy reviews are based on the belief that well functioning markets provide the best way of organising the production and sale of goods and services. If an industry is to be regulated, it must be demonstrated that there is some failure in the market which can be improved only by regulating the industry. One aspect of the Tribunal's review is to identify the market failures, if any, that may necessitate continued regulation of the taxis and hire car industries. The Tribunal will examine which parts of the industries, if any, should be subject to regulation and the form this should take.

The *Competition Principles Agreement* requires that the review should:

- a) clarify the objectives of the legislation;
- b) identify the nature of the restriction on competition;
- c) analyse the likely effect of the restriction on competition and on the economy in general;
- d) assess and balance the costs and benefits of the restriction; and
- e) consider alternative means for achieving the same result including non-legislative approaches.

1.3 *Passenger Transport Act 1990*

The *Passenger Transport Act 1990* limits the number of taxis and hire cars, and allows the DoT to prescribe the quality of drivers, vehicles and service delivery to passengers, set maximum fares and licence fees. The Tribunal's review considers each of these aspects of regulation.

The onus is on the NSW Government to justify retention of restrictions by demonstrating that they provide a net benefit to the community and that there is no other, less restrictive way of achieving the objectives of the legislation. For example, whilst there are benefits in regulating the quality of service by taxis, this is accomplished by setting minimum quality standards and controlling the number of taxis. The Government must demonstrate that it is not possible to achieve satisfactory service quality without the disadvantaging the community by reducing the supply of taxis.

A restriction may achieve a benefit, but at an unjustifiable cost if it reduces incentives for businesses to improve their performance, innovate, or respond to changing circumstances. For example, current regulations place primary responsibility for service and vehicle quality with taxi business operators. Advancements in communication technology used to convey telephone bookings to taxis may allow some aspects of service quality to be regulated by setting standards for taxi companies and co-operatives rather than for individual operators. This may allow the industry greater flexibility and opportunity to innovate, while still meeting minimum quality standards. Innovation in meeting standards may not be possible for operators who run much smaller fleets.

² Clause 1 (3) of the *Competition Principles Agreement* requires that in comparing the benefits and costs of a restriction, the matters considered include, where relevant: government legislation and policies relating to ecologically sustainable development; social welfare and equity considerations, including community service obligations; government legislation and policies relating to matters such as occupational health and safety, industrial relations and access and equity; economic and regional development, including employment and investment; the interests of consumers generally or of a class of consumers; the competitiveness of Australian businesses; and the efficient allocation of resources.

³ *Competition Principles Agreement*, April 1995, Clause 5 (1).

The Government must also demonstrate that the benefits of maintaining quality standards are greater than the administrative costs of setting and monitoring compliance with those standards.

2 THE ROLE OF REGULATION IN THE TAXI AND HIRE CAR INDUSTRIES

Taxis are a common carrier form of public transport required to provide a universally available service across their area of operation. They are obliged, subject to safety, to accept all hirings and may obtain hirings from telephone bookings, ranks or street hails. By contrast, hire cars belong to a demand responsive service industry which is not obliged to accept hirings and is limited to obtaining hirings from telephone bookings.⁴ This distinction between the nature of the taxi and hire cars markets gives rise to differing needs for regulation of the respective industries.

Taxi industries worldwide have a long history of regulation with many different approaches being used. Aspects of the taxi industry that are often subject to regulation include: fares, numbers of taxis, and driver and vehicle standards.

There is ongoing theoretical debate over the extent of and need for regulation in the taxi industry. This debate is not about whether the taxi industry should be 'regulated' or 'deregulated'. It is almost universally accepted that some form of regulation of the taxi industry is required, given the nature of the market. Rather, the debate is about what aspects of the industry should be regulated, and to what extent they should be regulated.

Aspects of the taxi industry which are often subject to regulation include: market entry (or licence numbers), fares and driver and vehicle quality standards. Each of these aspects can be regulated to different degrees. For example, entry to the taxi market can be extremely restricted under a regulatory regime. For example, a predetermined ceiling on licence numbers or a high licence fee may be imposed. Alternatively regulation may be minimal. For instance, no restrictions may be placed on licence numbers with licences being issued subject to minimum driver and vehicle standards.

Regulation of hire car industries is less universal. Some jurisdictions, including some Australian cities, have strict controls on hire cars paralleling the regulation of taxis. However, many overseas cities, such as London and New York, have thriving hire car industries with little or no regulatory control.

Some insight into the effects of the changes to taxi regulation may be gained from jurisdictions in Australia, the United States,⁵ the United Kingdom⁶ and New Zealand⁷ which have relaxed controls over their taxi industries in recent years but in some cases, have reintroduced regulation of some aspects of the industry.

⁴ Some jurisdictions make an exception to this rule by allowing hire cars to stand at ranks and accept hirings, usually at taxi tariff rates.

⁵ See R F Teal and M Berglund, *The Impacts of Taxicab Deregulation in the USA*, Journal of Transport Economics and Policy, January 1987 and Price Waterhouse, *Analysis of Taxicab Deregulation and Re-regulation*, study prepared for the International Taxicab Foundation, 1993.

⁶ J Toner, "English Experience of Deregulation of the Taxi Industry", *Transport Reviews*, 1995 Vol. 16, No. 1, pp 79-94.

⁷ See C Gaunt, "Taxicab Deregulation in New Zealand", *Journal of Transport Economics and Policy*, 1996 Vol. 30, No.1, pp 103-106 and P S Morrison, "Restructuring effects of deregulation: the case of the New Zealand taxi industry", *Environment and Planning*, Vol. 29, pp 913-928.

The purpose of this review is to assess the nature and regulatory structure of the NSW taxi and hire car industries, to decide whether there is a need to regulate various aspects of the industries, and if so, to determine what form of regulation should be imposed.

The remainder of this chapter reviews features of the markets for taxi and hire car services which are used to justify the regulation of these industries, and the regulatory tools available to address these features.

2.1 Difficulties with competitive shopping

The hail and rank segment of the taxi market differs from many markets in that the opportunity for the customer to engage in competitive shopping, that is, to 'shop around' is limited. In the rank market the practice of passengers taking the 'first cab off the rank'⁸ restricts the passenger's ability to choose a particular taxi from those queuing along a rank. Passengers in the street hail market are also limited in their ability to pick and choose between taxis.

This means that taxis offering high quality service may not be able to charge correspondingly higher prices as taxis offering lower quality service at lower prices will tend to push them out of the rank and hail market. This process will result in taxi services to the rank and hail markets being substandard.

Experience in US cities which fully deregulated entry into, and fares in the taxi industry in the 1970s and 1980s appears to confirm this problem. New entrants were small, independent operators predominantly serving ranks. With deregulation, each US city experienced increased fares and lower quality of service. Aggressive solicitation of passengers and conflict between drivers also occurred.⁹ Drivers charged very high fares when few other vehicles were available (price gouging). On the other hand, taxis were more readily available.

Even when there is no 'first cab off the rank' rule, shopping along a rank can be difficult, especially if there is limited time permitted to load a passenger. The ranks operated by Sydney Airports Corporation at Sydney Airport aim to load one passenger per minute.¹⁰ Busy ranks such as these appear unsuited to active competition.

In May 1996, seven years after the introduction of open entry to the New Zealand taxi industry, the Wellington Airport Authority limited the number of taxis which could service the airport. Airport permits were issued to only 1000 taxis. Prior to this, long queues at airport taxi ranks caused drivers to refuse short fares. Fights between drivers arose due to traffic congestion and competition for passengers.¹¹

Although other ranks may be less hectic, the time taken by each customer to inspect and negotiate with taxis is a cost in waiting time to other passengers in the queue and to the

⁸ In fact, passengers are permitted to take any taxi on the rank and the taxi cannot refuse the hiring.

⁹ Price Waterhouse, op cit, p 15.

¹⁰ The rank at the international terminal is operated by Sydney Airports Corporation. The two ranks at the domestic terminal are operated by Qantas and Ansett. Sydney Airports Corporation has role in managing traffic and passenger flows at ranks in conjunction with officers from the NSW Taxi Council. Personal communication with Sydney Airports Corporation.

¹¹ P S Morrison, op cit, pp 919 and 924.

waiting taxis. This problem is particularly significant when the decision to take a taxi rather than some other mode of transport is based on time, urgency, and convenience.

Time is also at the root of the difficulties associated with achieving effective competition in the street hail market. Passengers are often in a hurry and will accept the first passing taxi. Even for passengers not in a hurry, time spent waiting for a taxi is costly. Naturally, they would prefer to take a taxi sooner rather than later and may not pass up a taxi if they are uncertain when another will pass by.

Experience in US cities suggests that individual taxis serving only the street hail market are unlikely to offer a better or cheaper service in the hope of attracting more custom. They know that passengers have difficulty checking the quality and price of cruising taxis.

2.2 Imperfect information

Another problem associated with taking a taxi is that potential passengers cannot determine the quality of the service until they have travelled in that taxi. Customer service problems are difficult to predict merely by inspecting a taxi, as many problems are due to drivers not knowing their way, taking longer routes, or behaving in inappropriate ways.

Limited choices at ranks and when hailing a taxi put all customers at a disadvantage in judging quality and value for money.

2.3 Externalities

An externality exists where a transaction has a positive or negative effect on a person who is not party to the transaction. Pollution is the most commonly acknowledged example of an externality caused by taxis, hire cars and other traffic. Some cities in the UK have experienced problems with increased traffic congestion and requirements for rank space following deregulation of their taxi industries.¹² However, traffic congestion and scarcity of kerb space in cities are problems which are not limited to the taxi industry.

Another issue is the impact of the taxi industry on a city's tourist industry and business community. Taxis are one of the first and last experiences tourists have in a city. The impression they have of the city will be profoundly influenced by the price, quality and availability of that service. That impression will form a key part of the city's reputation as a tourist destination and business location. Consequently, there is benefit in regulating service quality if the level of service quality that would otherwise prevail would not satisfy tourists' expectations.

In its submission to the Tribunal, the NSW Taxi Industry's Association noted that operators impose a negative externality on other operators by putting a taxi on the road as this increases the average vacancy time of the remainder of the fleet. Conversely, Findlay and Round¹³ argue that a passengers will benefit through operators putting an additional cab on the road because average waiting times will fall.

¹² J Toner, "English Experience of Deregulation of the Taxi Industry", *Transport Reviews*, Vol. 16, No. 1, pp 79-94.

¹³ C Findlay and D Round, "Open Streets or Taken for a Ride? Reforming Australia's Taxi Market", *Agenda*, Vol 2, No 1, pp 63-72.

2.4 Economies of scale and scope

In the absence of regulation, the costs of entering the street hail and rank taxi markets are very low. Provided a driver has a licence, access to a (perhaps leased) vehicle and fuel, he/she can seek hirings on the streets and wait at ranks. The telephone market is more efficiently served by a larger fleet of vehicles because the costs of advertising and booking/dispatch technology are shared by more vehicles.

The response time between telephone call and taxi pick-up decreases as fleets become larger. Having more vehicles increases the chance that the company rung will have a vacant taxi close to the pick-up point. This is of considerable advantage in Sydney, where traffic congestion can severely limit taxis' ability to navigate across the city in peak traffic times or poor weather.

The tendency for a small number of networks to control radio bookings may result in a lack of competition among fleet operators and may necessitate government regulation of networks and operators.

2.5 Public good provision

Taxis provide a universal service. They are required to accept hirings within the area they service. By providing transport to places or at times when other public transport modes are not available, taxis serve as a transport safety net. Taxis provide feeder services from train and bus stations, 24 hour services, and security from potential risks posed by fellow passengers on public transport.

Government intervention in the taxi market may be necessary to ensure that access to taxi is available to all or most members of the community, including those who are physically, socially, or economically disadvantaged.

2.6 Regulatory models

Numerous regulatory models may be applied to the taxi industry in order to overcome the limitations and problems that may be encountered with the taxi market. These models differ in the form and number of restrictions applied to the taxi industry.

In NSW, some other Australian states, and many North American cities, the model used involves regulating most aspects of the taxi industry with restrictions on the number of taxis, fares and quality standards. The number of hire car licences is also often regulated. Quality is regulated by governments setting and monitoring standards for customer service, drivers, vehicles, taxi business operators, taxi companies and co-operatives, and taxi booking networks.

This approach has some problems. Setting fares, quality standards and taxi numbers involves difficult judgements and can result in resources being poorly allocated. Restricting the number of licences that are issued results in taxi licences (or 'plates') becoming scarce commodities and thus of value to the holders. The scarcity value attached to a licence depends on the net returns that can be made from operating a taxi. This is, in turn, determined by operating revenues, and hence the regulated fare structure and costs, which are in part determined by quality standards. If, for historical reasons, the combination of

restrictions on taxi numbers, maximum fares and quality standards is such that a significant value is attached to a licence, the regulator will have difficulty altering any regulation which results in a significant decrease in the value of the licence. New licence holders may have paid an amount that reflects the scarcity value of the plate under the previous regulation. They will naturally object to any changes in regulations which reduce the value of the licence.

This approach results in a heavily regulated industry and a uniform standard of service. A significant part of taxi fares goes towards the costs of regulation (primarily vehicle, driver safety and network performance standards) and the taxi licence. The enforcement of standards requires significant government resources, although some tasks can be delegated to industry representative groups. If industry does not meet these standards, the community holds government accountable. This causes the government to become increasingly involved in managing every facet of the industry.

An alternative to this approach is for government to partially regulate the taxi industry leaving the market to determine other outcomes. In London the quality of drivers and vehicles is subject to strict regulation but few other aspects of the industry, except from fares, are subject to significant regulation. The strictness of the regulations essentially limits the supply of taxis and has created a high quality, high cost taxi industry. The major items being recovered in taxi fares are the costs of driver training, vehicle quality and taxi vacancy time. A deregulated, low cost hire car (or 'minicab') industry also operate in the London area, providing customers who book with an alternative to a taxi.

Thus London has a two-tiered system. The taxi industry provides a high cost, uniform standard of service to hail and rank, business and tourism passengers who are travelling short distances in the central London area. Government regulates and enforces passenger safety, driver competency and vehicle quality as part of its broader road policing activities. It is on these more limited grounds only, that the government takes responsibility for the industry's performance.

The minicab industry provides London residents with a much wider choice of price and quality travel options. As passengers must book minicabs, they can negotiate the price and service quality they will accept from a minicab company. Regulation is limited to passenger safety (insurance and criminal checks on drivers) and hence does not add significantly to costs. There are sufficient minicab companies to allow passengers to discriminate against those not providing satisfactory service.

Another jurisdiction in which the taxi industry is only partially regulated is New Zealand. There, the quality of service provided by taxi companies is regulated and there is minimal direct regulation of drivers or taxi business operators. All taxis are required to belong to an authorised taxi company or co-operative which is then held accountable for all aspects of service provision.

Essential features of the New Zealand approach are no restrictions on the number of taxi licences, and allowing taxi companies to set their own fares, vehicle standards and average pick up times. These freedoms allow taxi companies to compete with each other on price, quality, and waiting time. Government does not manage these aspects of service quality, relying on passengers to favour better performing taxi companies. Active competition between a large number of taxi companies and a strong passenger preference for telephone booking over street hails appears to be essential to the success of this model.

2.7 Summary

Difficulties with competition in the market for taxis services appear to be most pronounced for hirings initiated from taxi ranks or by street hails.¹⁴ The Tribunal's issues paper cites survey information which indicates that 30 per cent of hirings in Sydney begin with the hailing of a taxi on the street and a further 25 to 30 per cent commence from taxi ranks.¹⁵ In a deregulated market, conditions in the rank and hail markets make it difficult for passengers to favour higher quality or cheaper taxis. This allows poor quality or expensive taxis to remain in business. Maintaining minimum standards and some control over fares is of direct benefit to passengers and indirectly benefits Sydney's tourist industry and business community.

It is likely that the significant rank and hail markets in Sydney would provide sufficient market share for small independent taxis to survive, even if they provided poor quality, expensive services. However, US experience suggests that allowing unrestricted entry to this market alone has a negative impact on passengers and the industry.

The Tribunal considers that regulation of the taxi industry is justified. However, it also acknowledges that many regulatory approaches can be taken, all of which will have costs and benefits to the different sectors of this industry.

Justification for regulating the hire car industry is less clear, as all hire car work is telephone based. Reasons for regulating taxis are also less clear in rural and regional areas, where the rank and hail market is a much smaller proportion of the taxi market and competition appears to operate more effectively.

The Premier's terms of reference require the Tribunal to review current regulation of taxis and hire cars under the Act. In so doing, the Tribunal must examine how effectively the Act implements the existing regulatory model. The Tribunal must also consider the costs and benefits of adopting a different regulatory model.

Chapter 3 reviews the current regulation and structure of the NSW taxi and hire car industries. A discussion of the issues raised in submissions to the Tribunal and issues of importance to the performance of the NSW taxi and hire car industries is presented in Chapter 4. These two chapters establish the regulatory framework in place in NSW and industry participants' opinions concerning the cost and benefits of these regulations.

In chapters 5 to 10 specific aspects of the taxis and hire car industries in NSW are examined in the context of the various participants in the industry. The objectives of these chapters are: to identify the costs and benefits of the various elements which comprise the regulatory structure of the NSW taxi and hire car industries, to examine whether these regulations are warranted, and to compare them with other regulatory approaches. As there are many forms taxi regulation can take, the Tribunal has primarily used two models as the basis of comparison, which are referred to as the New Zealand and London models. In the New Zealand model the quality of service provided by taxi companies is regulated and there is minimal direct regulation imposed on drivers or taxi business operators. In the London

¹⁴ Some of the arguments in this section are sourced from Paul Dempsey, *Taxi Industry Regulation, Deregulation and Reregulation: the paradox of market failure*, Transportation Law Journal, vol 24, number 1, 1996. See also R F Teal and M Berglund, *op cit.* and Price Waterhouse, *op cit.*

¹⁵ IPART, *Review of Taxi Cab and Hire Car Industries: issues paper*, October 1998, p 7.

model the quality of drivers and vehicles is subject to strict regulation with few other aspects of the industry, except fares, being subject to significant regulation.

3 REGULATION AND STRUCTURE OF THE NSW TAXI AND HIRE CAR INDUSTRIES

3.1 Government agencies

The taxi and hire car industries in NSW are regulated by the Department of Transport (DoT) and the Roads and Traffic Authority (RTA). As the primary regulator, the DoT is responsible for:

- setting maximum fares
- setting standards for customer service
- issuing taxi licences
- authorising persons to be taxi drivers
- accrediting persons to operate taxi businesses
- authorising organisations to provide communication and dispatch services
- monitoring service delivery
- investigating complaints about drivers and operators
- regulating vehicle quality and safety, eg cleanliness, presentation and driver safety.

The RTA is responsible for:

- monitoring vehicle safety standards
- monitoring authorised taxi inspection stations
- issuing driver licences and registering vehicles.

The introduction of the *Passenger Transport Act 1990* (the Act) was accompanied by an increased emphasis on industry co-regulation by the DoT and industry groups. These groups now play important roles in contributing to policy making, customer complaints handling, and the enforcing standards set by the DoT.

3.2 The NSW taxis industry

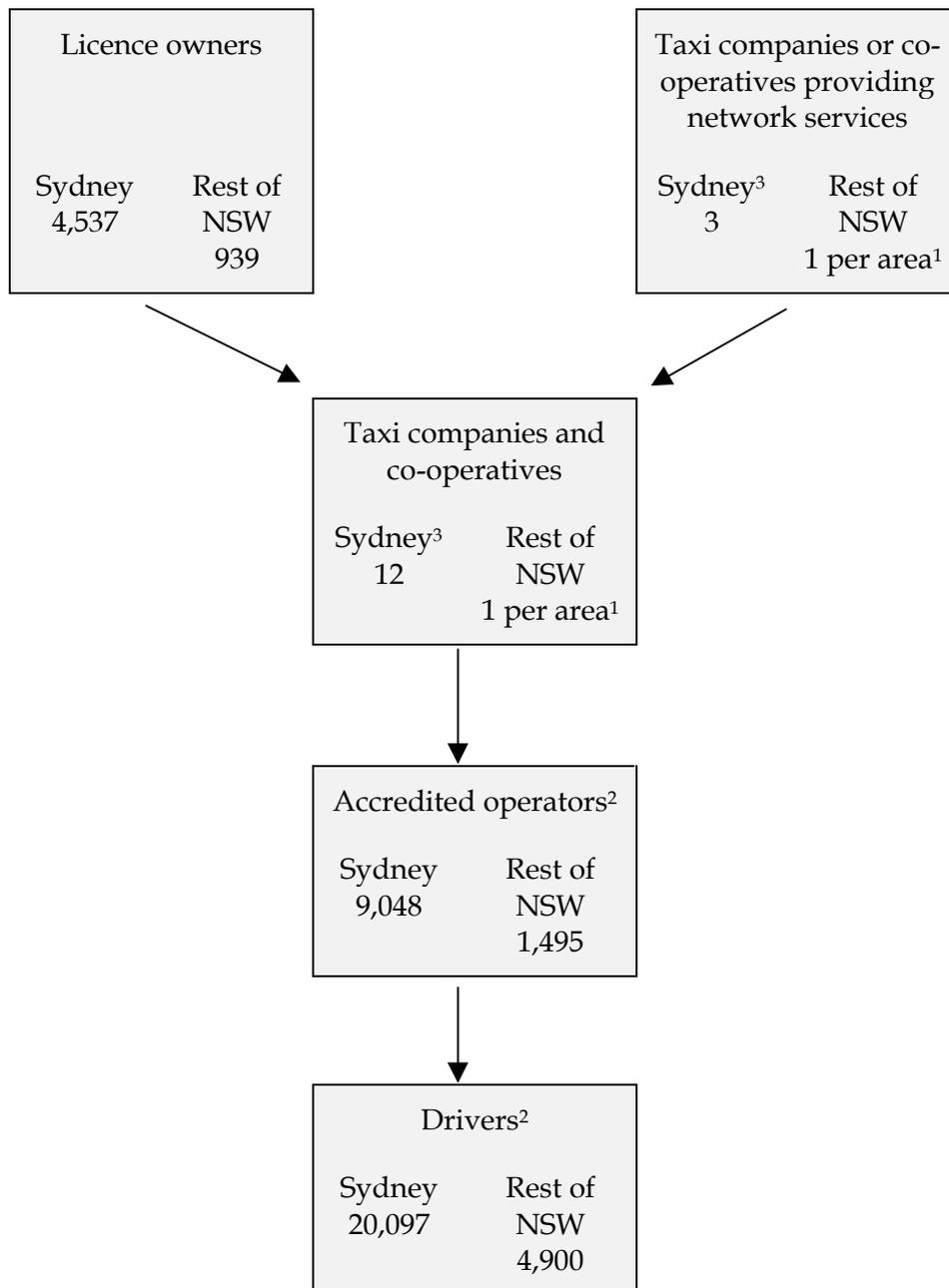
3.2.1 Industry structure

The taxi industry has five main industry participants:

1. *Licence owners*: approximately half are owner drivers. The other half lease their plates to operators of taxi businesses. Whilst conditions attach to all licences, licence holders are subject to few obligations.
2. *Taxi companies and co-operatives*: these groups of taxi operators sell bundled services (such as insurance, repairs and car detailing) to other operators. They may also manage licence plates, operate taxi businesses and provide network services. All taxi companies and co-operatives must be authorised by the DoT to provide network services and hence must meet taxi network performance standards. Some are also accredited by the DoT to operate taxi businesses.

3. *Taxi networks*: these taxi companies or co-operatives provide telephone booking, dispatch and safety services (GPS and M13 emergency silent alarms) directly to their members or by contracting another taxi company to provide these services. Networks are subject to performance standards (principally telephone answering time and pick up times for taxi bookings) imposed as conditions of their authorisation by the DoT. The taxi companies and co-operatives monitor their own performance against the standards and report to the DoT. There are no penalties for failure to meet these standards other than the threat of removal of authorisation.
4. *Operators*: these managers of taxi businesses co-ordinate licences, cars, drivers and purchase of network services. Operators are the primary focus of industry regulation imposed by the DoT as the conditions of operators' authorisation.
5. *Drivers*: they drive their own vehicles or contract their services to operators. Drivers are licensed by the DoT and subject to a series of rules governing their behaviour in taxis and at ranks.

Figure 3.1 NSW taxi industry structure



Source : NSW Department of Transport.

Notes:

1. An "area" may be an operating district (such as Central Coast, Newcastle or Wollongong), a city, a town or group of small towns, or a local government area.
2. A significant, but unknown portion of these operators and drivers are not active in the industry.
3. Three taxi companies or co-operatives in Sydney actually operate communications networks. The other nine contract one of the three networks to provide these services on behalf of their member taxis.

The DoT does not keep separate records of operators who are not currently in business. Hence, the number of accredited operators is substantially more than the number of licences.

3.2.2 History of regulation

The history of regulation within the NSW taxi industry is summarised in Table 3.1.

Table 3.1 History of the regulation of the NSW taxi industry

Prior to 1930	Creation of transport districts of Sydney, Newcastle, Wollongong and Country Districts.
1930 – 1945	Legislation provides for taxi licences and establishes operating conditions for the licence. Area restrictions are applied to locate available taxis at transport nodes such as railway stations. A small number of taxis may operate in all areas.
1945	New licences issued to returned servicemen by ballot. Ownership restricted to one licence per person with no further company ownership of licences. Licence conditions set to require owners to drive and manage taxi business as their sole or principal means of employment. Licences may only be transferred after 10 years or due to ill health or death.
1968	New licences issued by a ballot system to drivers on a seniority list following 10 years' full-time continuous service, but restricted to suburban areas. Owners must still be driver and manager of the taxi business as their sole or principal means of employment and must live within 2 km of their operating area. Licences may be transferred after two years, but a transfer tax of 2.5 per cent of licence value is charged.
1980 – 1990	Seniority system phased out in 1986. New licences auctioned in 1988 and 1989. Area restrictions lifted, and multiple licence ownership by individuals or companies allowed. Ownership may be separated from management and driving.
1990 –	Introduction of <i>Passenger Transport Act 1990</i> . Responsibilities imposed on industry through driver authorisation, operator accreditation, network authorisation, and accreditation of taxi inspection stations. Small numbers of new licences issued to taxi companies and co-operatives since 1990 for wheelchair accessible taxis.

Source: NSW DoT

Over the years, different rationales have been used to justify the regulation of taxis. The earliest regulation was based on the view that taxis, like all other public transport, should be controlled and managed to ensure a stable supply of taxis to all locations at a guaranteed fare. Regulatory policy from the 1940s to early 1980s was based on encouraging long term owner drivers and attaching each taxi to a limited operating zone. Owner drivers were believed to provide better quality service. Area restrictions were believed to even out the supply of taxis, ensuring the provision of service to all areas.

The last major review of the taxi and hire car industry in 1984¹⁶ recommended dropping the owner driver policy in favour of directly regulating driver and vehicle quality. The report found that owner drivers operated their taxis for shorter shifts, reducing taxi availability. It also found that the policy was undermined over time as owner drivers died or left the industry and were replaced by persons who wished to lease the licence.

¹⁶ Dr D. Linklater, *Review of Policies and Practices in Regulating the Taxi and Hire Car Industries in New South Wales*, 1984.

The 1984 report also recommended relaxing area restrictions in favour of requiring all taxis to be members of a radio network which had to provide taxi booking and dispatch services 24 hours a day, seven days a week to all areas. However, based on the experience of deregulation in US cities, the report recommended the retention of fare regulation and a continued limit on the number of taxi licences.

3.2.3 Restrictions on competition

The mechanisms used by the DoT to realise its objectives in the taxi and hire car industry have created a range of rules and restrictions on competition. Table 3.2 summarises the restrictions on competition in the taxi industry.

Table 3.2 Elements of taxi regulation

Regulation		Features
Market entry controls	Quantity controls	Number of taxi licence plates controlled. Metropolitan and regional operating areas defined.
	Quality controls	Licence owners must be of good repute and cannot be bankrupt. Operators, whether licence owners or lessees, must be accredited. Accreditation is determined by the financial standing of the applicant and the ability to meet safety and vehicle standards. Persons must also be of good repute. Driver authorisation is granted to applicants with no criminal record and acceptable driving history, English language skills and completion of a taxi driving course including a written examination. Persons must be of good repute. Training schools must be accredited by the DoT.
Price controls	Maximum fares Additional tariffs	Set by the DoT.
	Maximum pay-ins or share of takings per shift paid by drivers to rent a taxi.	Set by Industrial Commission.
Performance standards	Licence conditions	Some licences have minimum operating hours and requirements to provide wheelchair accessible services.
	Network standards	Average response time to answer calls for bookings. Average response time for arrival of taxi.
	Vehicle standards	Passenger comfort and taxi presentation/cleanliness. Age and maintenance of vehicle. Connection to radio network. Advertising on limited area of taxi only.
	Customer service	Regulation of driver behaviour in taxi and at rank. Driver uniform. Passenger rights and obligations displayed in cabin. Complaints handled by taxi companies and co-operatives.
	Driver safety	Driver protection screen or surveillance camera in place. M13 silent alarm. GPS location systems in metropolitan area.
Compliance	Compliance systems Auditing	Authorised taxi inspection stations. DoT officers carry out this function.

3.3 The NSW private hire car industry

Private hire cars are luxury chauffeur driven vehicles which provide a passenger service through private arrangements. They differ from taxis in that they are unable to obtain hirings from the street or to wait at taxi ranks. Private hire cars are not obliged to accept a booking. Taxis must accept all hirings except in certain prescribed circumstances.¹⁷

The private hire car industry serves a diverse range of markets which are peripheral to core public transport service delivery. Many provide specialised services which are allied to other industries and events such as tourism, conference organisation, weddings, school formals, funerals, and other niche markets. These specialised service providers are regulated separately by the DoT.

Under the Act, private hire car licences may be perpetual or annual unrestricted licences which permit all types of hire car work, or annual restricted licences which may conduct only certain classes of work, such as wedding, funeral and tourist services.

The industry's two main groups are the perpetual unrestricted licence owners and the 400 short term licensees who are restricted to servicing specific markets such as wedding services. Some groups, such as the Motor Traders Association – Hire Car Division, Vintage & Classic Car Hirers Association, and Chauffeured Limousine Association of NSW represent the interests of licence holders, operators and drivers.

3.3.1 History of regulation

Table 3.3 summarises the history of the regulation of the NSW private hire car industry.

Table 3.3 History of regulation of the NSW private hire car industry

1930 – 1965	Legislation provides for hire car licences and sets operating conditions. Hire cars permitted to stand at ranks at train stations. 430 licences issued without charge. Mourning coaches allowed to carry passengers without holding a hire car licence.
1965 to 1976	200 licences converted from hire cars to taxis, reducing the number of hire car licences to 230. Hire cars not allowed to stand at taxi ranks.
1970 – 1980	Existing hire cars unable to meet demand for wedding cars. Additional wedding cars permitted to operate provided they are booked through existing licence owners.
1980 to 1990	Annual permits issued allowing wedding cars to operate without booking through existing licence owners. Several hundred permits issued annually.
1989	Mourning coaches exempted from requirement for a short term licence, provided they are owned and operated by a bona fide funeral director.
1990	Annual wedding car permits converted to short term licences and extended to permit vintage cars. Short term licences using vintage cars permitted to take 10 non-wedding hirings per year.
1990	Additional 10 restricted licences converted to perpetual, unrestricted licences.
1998	20 new unrestricted licences auctioned.

¹⁷ Circumstances in which drivers may legally refuse a hiring generally relate to drunk or disorderly passengers or threats to safety, Passenger Transport Regulation No.399 of 1995, clauses 41.44 and 45.

From 1965 to 1998, the number of perpetual, unrestricted licences in the private hire car industry remained static at about 240. This is despite growth in population and the development of small specialised transport markets. In response to this demand, the DoT issues short term licences restricted to the most readily identifiable niche markets.

When an additional 20 unrestricted licences were auctioned in 1998, the first five licences auctioned sold for between \$142,000 and \$152,000. Recent auction results value the current stock of perpetual licences at approximately \$39 million in total.

Regulation of hire cars appears to be a by-product of the regulation of taxis. Restricting hire car numbers limits the extent of competition with taxis for telephone booking work. The owner driver policy for taxis was enforced in part by requiring taxi licence holders to drive a taxi as their principal means of employment. However, hire car licences were issued initially to persons in rural and regional areas wishing to provide part-time transport services.

3.3.2 Restrictions on competition

Table 3.4 summarises restrictions on competition in the hire car industry.

Table 3.4 Elements of hire car regulation

Regulation		Features
Market entry controls	Quantity controls	Number of perpetual hire car licence plates controlled. Number of annual licences restricted indirectly by charging an annual licence fee tied to the value of a perpetual hire car licence plate. Metropolitan and regional operating areas defined. Vintage cars older than 25 years may conduct only 10 non-wedding journeys per year.
	Quality controls	Licence owners must be of good repute and cannot be bankrupt. Operators, whether licence owners or lessees, must be accredited. Accreditation determined by the financial standing of the applicant. Persons must also be of good repute. Driver authorisation is granted to applicants with no criminal record and acceptable driving history.
Price controls	Unregulated	Fares negotiated with passengers.
Performance standards	Vehicle standards	Hire car operators may use only certain types of vehicle.
Compliance	Auditing	DoT officers carry out this function.

4 KEY ISSUES RAISED IN SUBMISSIONS

The Tribunal received 76 submissions in response to the issues paper and 61 in response to the interim report. Submissions were made by all parts of the industry and a number of interest groups and individuals. Table 4.1 lists the groups who made submissions.

Table 4.1 Summary of submissions received

Group	Number of submissions in response to:	
	Issues Paper	Interim Report
Taxi drivers (bailees and owner drivers)	20	14
Taxi networks/companies/co-operatives	10	2
Taxis industry representative groups	7	5
Passenger and special interest groups	12	6
Government agencies	4	1
Other taxi related submissions	6	7
Hire car and/or wedding car operators	13	23
Hire car industry representative groups	4	3
Total	76	61

A full list of submissions is contained in Appendix B.

4.1 Taxi drivers

Submissions from taxi drivers in response to the Tribunal's issues paper¹⁸ generally support continued regulation, particularly of driver and passenger safety. Taxi drivers argue that the best way to improve service quality is to encourage experienced drivers to stay in the industry by such means as improving driver safety, increasing drivers' earnings, encouraging owner drivers, and educating passengers to avoid unreasonable behaviour in taxis.¹⁹ For example, one taxi driver argues:

From long experience the primary complaints of customers are largely related to issues of drivers who don't know the destinations, who don't know their way, who detour the long way, who won't or cannot consult their street directories, who don't know how to avoid traffic jams, who miscalculate and are late arriving for pick up, who charge extras incorrectly, who are inarticulate, uncommunicative, who are rude, who are not prepared to do short trips, or long trips, etc. These and many others are fundamental service problems, the result of inexperienced drivers, as customers often remark.

After Taxi Training it takes some two years for a taxi driver to become experienced, to reasonably thoroughly get to know Sydney in a way that enables an informed efficient service to be usually provided to most customers under most circumstances. Even then an experienced driver will often have to rely on his/her wits to deal effectively with many unexpected problems. It is only when a pool of experienced, and therefore stable, drivers is established that the service to customers will improve and complaints reduce significantly.²⁰

¹⁸ IPART, *Review of the Taxi Cab and Hire Car Industries: Issues Paper*, October 1998, p 7.

¹⁹ Submission by David Lipski.

²⁰ Submission by taxi driver, Anonymous S2968, p 5.

Submissions by drivers in response to the interim report argue against increasing the number of taxi licences. One submission claims that shortages of taxis at the airport were already being addressed with improved traffic management.²¹ Another argues that the Tribunal should review mechanisms such as transit lanes and traffic priority to improve the efficiency of the current taxi fleet before increasing the size of the fleet.²²

If more licences are to be issued, drivers suggest they should be issued directly to drivers on a seniority system to encourage experienced drivers to remain in the industry.²³ Some taxi driver submissions²⁴ complain that the interim report does not recommend that service levels would improve if drivers' industrial conditions and remuneration are better enforced by the DoT and the Department of Industrial Relations.

4.2 Taxi business operators

A key issue raised by taxi operators is the escalating costs of running a taxi business.²⁵ The largest increases have been in the cost of insurance (third party and vehicle) and additional costs required by regulation (driver safety screens and global positioning system [GPS] vehicle tracking). Many also cite difficulty in attracting reliable bailee drivers with sufficient experience to limit damage to their vehicle.

A submission from a Sydney owner driver²⁶ highlights problems associated with operating peak availability licence plates²⁷ which do not allow the taxi to be on the road in the morning from Monday to Saturday. The restriction means the operator cannot generate revenue during morning peak periods, yet he is usually charged the regular communication network fee and is faced with full comprehensive and third party personal injury insurance. The submission suggests that removing the restriction will help overcome the shortage of taxis at Sydney Airport during the busy morning peak period. Currently 272 peak availability taxis are in operation.

Submissions by taxi operators from rural and regional areas argue that Government should implement measures to deal with the over or under supply of taxis in different regional locations. Other submissions focus on the requirement to belong to a communication network, which in regional areas is operated by the monopoly taxi co-operative. Some operators have been expelled from a co-operative, leaving them unable to fulfil the requirements of operator accreditation. Other operators have wanted to leave a monopoly network because they considered the charges to be excessive.

4.3 Taxi companies, co-operatives and networks

Submissions received from Sydney taxi companies and co-operatives in response to the issues paper support the existing regulations. Submissions from taxi co-operatives in rural and regional areas in response to the issues paper identify key issues for the review as:

²¹ Submission by B Stewart, p 1.

²² Submission by Don Morison, p 2.

²³ Submissions by David Dickie, p 2 and Anonymous S3591, p 3.

²⁴ Submission by taxi driver, Anonymous S3591, p 1 & 2.

²⁵ Supplementary submission by Premier Cabs, 15 January 1999.

²⁶ Submission by Andrew Koh.

²⁷ T9200 and T9500 restricted licences were issued between 1985 and 1991 and were originally allowed to operate only from 2pm to 6am Monday to Saturday and all day Sunday. In 1998, the licence conditions were altered to align them with the new peak availability taxis that may operate only between the hours of midday and 5am the following morning.

- reputedly high levels of service due to the retention of experienced drivers and a higher proportion of owner drivers
- competition from unregulated transport services such as courtesy buses provided by hotels, nursing homes and hospitals
- under or over supply of taxis in particular locations.

Submissions from taxi networks in response to the interim report support many of the recommendations, but urge a more cautious approach to any changes in current regulations. Premier Cabs, for example, support an initial increase in taxi numbers, but an early review of the impact on service quality and the industry.²⁸ Taxi networks are concerned that more open entry to the hire car industry will detrimentally affect the taxi industry.²⁹ Doubts are expressed about the capacity of the DoT to monitor, enforce and publicly report on service quality.³⁰

4.4 Taxi industry representative groups

Stating that the industry is performing well, the NSW Taxi Industry Association's first submission in response to the issues paper supports continued regulation of the number of taxi licences, and the standard of vehicles, drivers and operators. Problems identified in the industry are attributed to shortcomings in the performance of the DoT in its role as regulator of the industry.³¹

The NSW Taxi Industry Association's second submission is very critical of the interim report, disagreeing with most aspects of the Tribunal's findings and recommendations. The specific matters raised are addressed throughout this final report where relevant.

The first submission by the Country Taxi Operators Association of NSW states that taxi industries in rural and regional areas are performing well, but that regulation should be tailored to reflect key differences from the Sydney industry. Differences identified are that in rural and regional areas:

- the proportion of owner-operators is higher
- the average number of shifts per week is higher
- most bailee drivers take a percentage of shift revenue and the owner meets all operating costs from the remaining percentage of the shift takings
- drivers and passengers are more likely to have repeat business and know each other outside work
- a far greater proportion of work is telephone bookings or from ranks.³²

The Association's second submission is broadly supportive of many of the Tribunal's recommendations, but strongly opposes opening entry to the hire car market. It also opposes the Tribunal's recommendation that government not act to reduce the number of taxis in locations regarded by the industry as having an over supply.³³

²⁸ Submission by Premier Cabs, p 1.

²⁹ Submissions by Premier Cabs, p1 and Tweed Heads Coolangatta Taxi Service, p1.

³⁰ Submissions by Premier Cabs, p 5. See also the submission by the Disability Council of NSW, p 3,

³¹ See also the submission by Premier Cabs, p 15.

³² Submission by North Coast Taxi Council, number 2, p 3.

³³ Submission by Country Taxi Operators' Association of NSW, p 2 - 9.

4.5 The NSW Department of Transport

The DoT's submission in response to the issues paper is generally supportive of continued regulation as a means of enforcing service and quality standards in the industry. The DoT recognises that "the licence system has developed inconsistently and has reflected the government of the day's policy objectives".³⁴ This has resulted in two categories of licence, perpetual and short term, with 15 different types of licence condition.

The DoT has not made a submission in response to the interim report and has not made a public statement on the Tribunal's recommendations.

4.6 Passengers and special interest groups

The issues paper³⁵ mentions concerns about the quality of taxi services for persons with disabilities. Problems include:

- waiting times for WATs are, on average, longer than for other taxis
- the lack of a standardised call back service from the taxi companies and co-operatives informing the customer when the taxi is approaching
- the need for a taxi fare meter system which announces fares, thus assisting people who are blind or vision impaired
- the need for a specialised level of assistance to be provided to people with a disability
- disability groups want to be consulted as to the type of vehicle to be used for WATs.

The Tribunal received eight submissions in response to the issue paper from individuals or groups representing the interests of people with disabilities. These groups strongly agree that some taxis provide very poor quality of service to passengers with disabilities. Typical problems noted are: longer than average pick up times, exceptionally long delays at peak times and weekends, and design problems with some taxis, which hinder easy access.

The NSW Disability Discrimination Legal Centre raises the question of who is accountable for the provision of services to people with disabilities. It suggests that the current structure of the industry makes it unclear "what responsibilities vest with the drivers and each of the other aspects of the industry".³⁶

Sydney Airport Corporation (SAC) describes itself as the largest customer of taxi services in Sydney. It complains that the industry suffers from a chronic under supply of taxis and poor customer service by some drivers, eg trip refusals. SAC suggests increasing the supply of taxis, perhaps by creating a new category of licence restricted to servicing the airport.

Tourism NSW notes that "the lack of publicly available information about the performance of the taxi and hire car industries makes it difficult to formulate recommendations".³⁷ It suggests that a desirable system of regulation would provide the "appropriate economic incentives for owners and drivers to offer [a] higher level of service, including adequate

³⁴ Submission by NSW Department of Transport, p 1.

³⁵ IPART, *op cit.*, p 8, citing concerns raised in Disability Council of NSW, *Taxis and People with a Disability: issues for government and industry*, 1998.

³⁶ Submission by NSW Disability Discrimination Legal Centre, p 3.

³⁷ Submission by Tourism NSW, p 1.

attention to the needs of customers who want to make short trips”.³⁸ The tourist sector considers that the retention of regulation is necessary as tourists lack familiarity with surroundings or knowledge of fares and other transport options. They also seek information about sights, events, and accommodation.

The Tourism Task Force is disappointed that the interim report did not accept their suggestion that taxi licence categories be divided into A and B class licences with differential quality and fare regulation.³⁹

In responding to the interim report, the Disability Council of NSW supports the Tribunal’s recommendations to increase the number of taxi licences and monitor, enforce and report on taxi service quality, provided emphasis is placed on meeting the needs of persons requiring wheelchair accessible taxis. The Tribunal’s specific recommendations regarding wheelchair accessible taxis receive more qualified support. Disability groups have a preference for detailed and prescriptive regulation of taxi services.⁴⁰ The Tribunal favours reducing regulations where possible and using economic incentives to encourage better service provision for persons requiring wheelchair accessible taxis.

4.7 The hire car industry

Submissions in response to the issues paper by those in the Sydney hire car industry are clearly divided. Submissions from existing perpetual licence holders⁴¹ support current regulations, arguing that restricted entry has created a stable industry free of complaints. By contrast, submissions from those wishing to enter the industry⁴² in Sydney argue that restricted entry hampers the development of the hire car industry, unnecessarily increasing operating costs for lessee operators, and reducing employment and business opportunities.

Submissions from hire car operators in rural and regional areas seek the easing of regulations, in particular, removing vehicle age restrictions⁴³ and allowing hire cars to operate from certain ranks to compete with taxis.⁴⁴

Hire car industry participants are similarly polarised in their response to the interim report. Those operators currently operating wedding or vintage car hire businesses, or leasing general hire car licences are keen to have affordable entry to the broader hire car market. Submissions from these groups strongly support the Tribunal’s recommendation that short term hire car licence fees be reduced to a charge sufficient to cover the administration and regulation of the industry.

³⁸ Submission by Tourism NSW, refer Executive Summary.

³⁹ Submission by Tourism Task Force.

⁴⁰ See submissions by Australian Quadriplegic Association, pp 1& 2 arguing for differential licence lease fees depending on compliance with draft universal taxi guidelines. See also the submission by the Disability Council of NSW, p 4 arguing against the \$5 additional fee to WAT drivers under the Taxi Transport Subsidy Scheme.

⁴¹ See for example, submissions by First National Limousines and the Motor Traders Association of NSW.

⁴² See for example, submissions by Australia in Style, CD Limousines, Chauffeured Limousine Association of NSW, International Hire Cars (Sydney) and Wild Weddings.

⁴³ See submissions by Shoalhaven Limousine Services and Sapphire Limousine Services that argue that current vehicle age restrictions prevent operators from using high quality, but older vehicles that are otherwise acceptable to passengers.

⁴⁴ Submission by Ballina Lennox Head Hire Car Service which argues that hire cars should be able to pick up at ranks at Airports, resorts, clubs, casinos and hotels.

Contrary arguments are put by those owning unrestricted, tradeable hire car licences. They argue that current regulations have created a trouble free industry providing a high level of service. They urge the Tribunal not to 'fix' what isn't 'broken'.

4.8 Summary

There is almost universal agreement among the various participants in the taxi industry that a totally deregulated taxi market will not result in an improvement in the current performance of the taxi industry. The Tribunal concurs with this view as it believes that individual drivers/operators are unlikely to bear the cost of producing a poor standard of service in the Sydney taxi market in which a significant proportion of trips are from hail and rank customers. The Tribunal agrees that there is a role for government in regulating some aspects of the taxi industry. However, this is not to say that the Tribunal does not see some of the current regulations as unnecessary or counterproductive in terms of passenger service.

5 CUSTOMER SERVICE

The primary justification for regulating the taxi industry is that in an unregulated environment quality standards will fall and the cost of such a deterioration will be borne by hail and rank customers who have little ability to pick and choose between taxis.

In regulating the taxi industry, a trade off must be made between price, quality and waiting times, all of which relate to the service received by the customer. A regulator must choose one of two approaches: to regulate all or most facets of the industry in order to influence price, quality and waiting times, or to try and influence particular outcomes while leaving the market to determine the others.

5.1 Summary of regulations

The principal regulations designed to enhance customer service are:

- setting maximum fares
- monitoring driver training
- requiring driver uniforms
- inspecting vehicle quality and appearance
- requiring passenger rights to be displayed in vehicles
- running the DoT complaints hotline
- requiring taxi companies and co-operatives to investigate complaints referred by the DoT
- setting performance standards for the prompt collection of passengers who have placed telephone bookings.

5.2 Overall service quality

In March 1998, the DoT commissioned a report on taxi usage and the level of satisfaction of taxi users with taxi services in Sydney⁴⁵. Findings from this report were reported extensively in the interim report of this review. In a submission to the Tribunal, the NSW Taxi Industry Association notes its reservations regarding drawing conclusions from the survey due to the methodology employed and the size of the survey sample. Due to the lack of alternative data, the Tribunal believes that a discussion of the survey data is useful in obtaining an indication of taxi passengers usage patterns and attitudes towards service quality. However, it recognises the validity of the NSW Taxi Industry Association's reservations and urges caution in extrapolating the data across the taxi industry.

The report includes a telephone survey of Sydney residents who had used taxi services over the previous 12 months and an airport intercept survey of visitors at the domestic and international terminals. The survey results confirm that the reasons people use taxi services vary greatly and range from work travel to social/recreational travel. Table 5.1 lists the reasons for the most recent taxi trip taken by the respondents to the survey.

⁴⁵ NSW Dept of Transport - Transport Data Centre, *Sydney Taxi Customer Survey*, Report No 98/4, April 1998.

Table 5.1 Purposes of taxi journeys – most recent trip

Purpose of journey	Residents (%)	Visitors (%)
Go to airport/home/accommodation	35.1	43.5
Go to work	7.8	1.0
Other business/work related	12.0	18.6
Visit friends/relatives	4.8	10.2
Social/recreation	22.7	7.2
General holiday travel	4.2	14.0
Shopping	4.1	1.2
Medical	3.8	1.4
Other or don't recall	5.5	3.0
Total	100.0	100.0

Source : Transport Data Centre Sydney Taxi Customer Survey Report No 98/4.
Total number of taxi users in survey:1003 residents and 501 visitors.

The survey revealed that 40 per cent of residents and 10 per cent of visitors had used taxi services more than ten times in the past 12 months.

The methods used by passengers to obtain a taxi for their most recent trip are listed in Table 5.2.

Table 5.2 How taxi was obtained – most recent trip

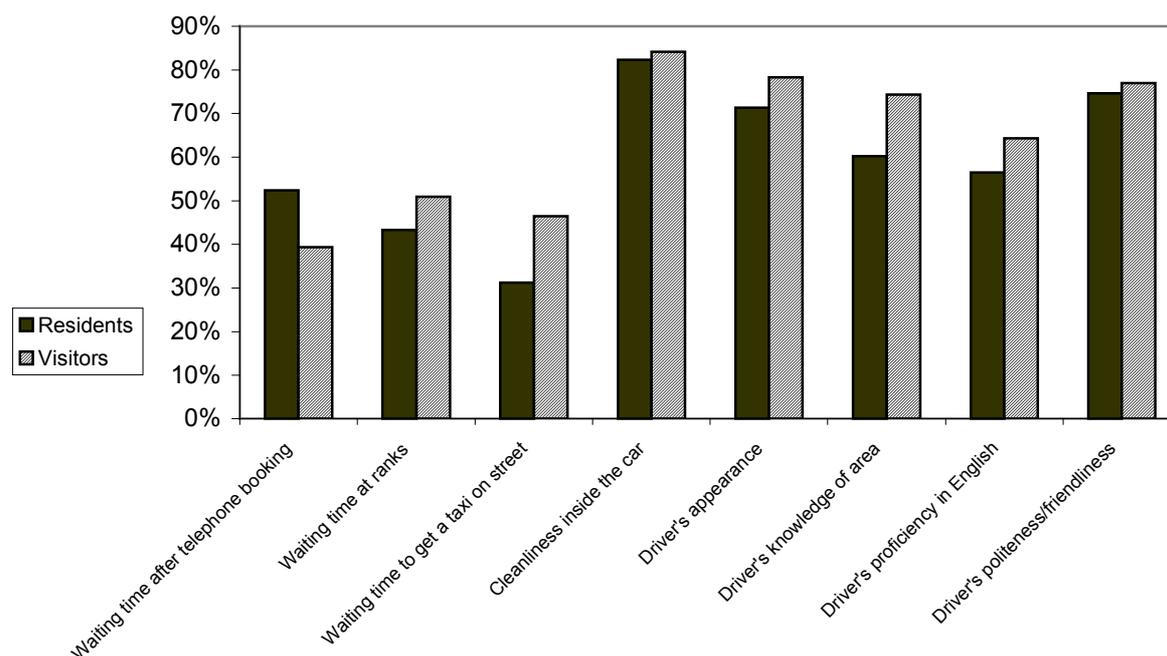
How taxi was obtained	Residents (%)	Visitors (%)
Telephone booking	44.2	32.3
Taxi rank	25.9	29.5
Hailed	29.4	33.5
Other	0.1	4.6
Don't recall	0.4	0.0
Total	100.0	100.0

Source : Transport Data Centre Sydney Taxi Customer Survey Report No 98/4.
Total number of taxi users in survey:1003 residents and 501 visitors.

Table 5.2 shows that about 55 to 60 per cent of hirings are *not* obtained through the taxi radio networks. However, this ratio varies considerably within Sydney, based on the likelihood of a taxi's passing through a locality. In rural and regional centres a far greater proportion of trips originate from telephone bookings.

The overall level of satisfaction with taxi services for residents and visitors was high. Figure 5.1, taken from the survey report, shows the proportion of residents and visitors who rated Sydney taxis 'good' or 'very good'.

Figure 5.1 Percentage of taxi users rating taxi quality 'good' or 'very good'



5.3 Maximum taxi fares

Approximately 70 per cent of visitors think Sydney taxi fares are reasonable. Sydney residents are more equivocal. While 53 per cent say fares are reasonable, 46 per cent think they are too high.

Table 5.3 shows that day time taxis fares in most Australian cities are similar, but that higher rates are charged at night in Sydney, Melbourne, Brisbane, Adelaide, Hobart and Darwin. The DoT introduced a 20 per cent surcharge on the kilometre rate for travel between 10pm and 6am in Sydney recently effective from late November 1999.

Table 5.3 Fares for standard daytime hirings in Australian cities

City	Day flag fall (\$)	Day distance rate (\$/km)	Night flag fall (\$)	Night distance rate (\$/km)
Sydney	2.20	1.22	-	1.46
Melbourne	2.60	0.96	3.60	-
Brisbane	1.90	0.99	3.00	-
Adelaide	2.10	0.97	4.00	1.04
Hobart	2.40	0.96	-	1.16
Perth	2.50	1.00	-	-
Darwin	2.20	1.00	2.90 ¹	1.20

Note: 1 Actual night flag fall in Darwin is \$2.45 from 6pm to midnight and \$3.35 from midnight to 6am.

Figures 5.2 and 5.3 compare Sydney taxi fares with fares in overseas cities. In Figure 5.2 fares have been converted to an equivalent Australian dollar value (May 1999). Figure 5.3 relates fares to average weekly earnings (AWE) in the relevant city.

Figure 5.2 Comparison of taxi fares in selected cities (\$AUS) 1998

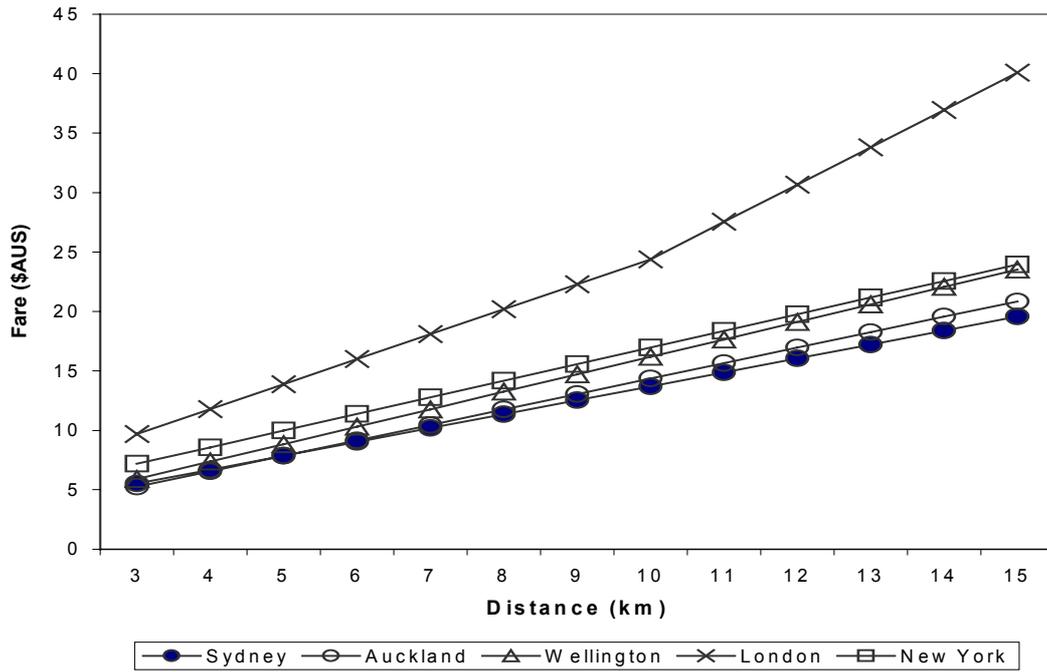
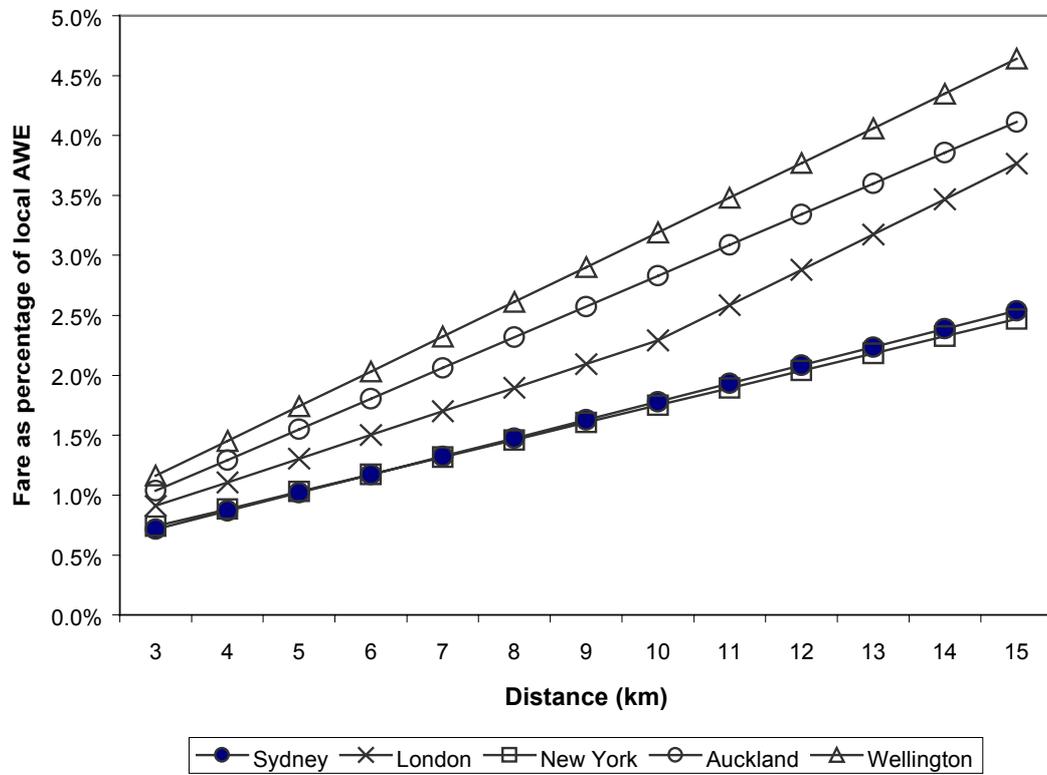


Figure 5.3 Comparison of taxi fares in selected cities 1998



5.4 Problems and complaints

Passengers' main areas of concern are with waiting times, driver knowledge of the area, and driver proficiency in English. Ratings of 'poor' or 'very poor' totalled over 10 per cent for these aspects of service quality. This is consistent with submissions to the Tribunal by taxi drivers stating that inexperienced drivers deliver a significantly lower quality of service than most experienced drivers.

The survey also examined whether service quality was improving or deteriorating. The majority of respondents indicate little change in the past twelve months. Those persons who note change had seen improvement in cleanliness inside vehicles, driver appearance and driver politeness/friendliness.

More than 10 per cent of respondents noted increases in waiting times for telephone bookings and waiting times in getting taxis on the street, and deteriorations in drivers' knowledge of the area and drivers' proficiency in English. Approximately half Sydney's residents and a third of Sydney's visitors said they had at least one experience in the preceding 12 months of a worrying incident in relation to a taxi in Sydney. The majority of these incidents involved either being driven by an indirect route or dangerous driving.⁴⁶

Less than 10 per cent of incidents were reported to authorities. The main reasons for not reporting incidents were that they were regarded as minor matters, the passenger could not be bothered, or the passenger was not aware of the DoT hotline.

Of those who did report incidents, 65 per cent of residents and 50 per cent of visitors were not satisfied with the outcome, mainly due to a lack of any follow up or action. This is consistent with records kept by the DoT and industry representatives which indicate that less than 0.01 per cent of hirings results in a written complaint. The DoT's complaints line records an average of 4000 complaints a year from an estimated 27 million passenger journeys.⁴⁷ Premier Cabs' submission states that it receives an average of one written complaint a week while taking over 3 million telephone bookings.⁴⁸

The types of complaints reported to the DoT are consistent with the passenger survey. Table 5.4 summarises the most common types of complaint registered with the DoT.

⁴⁶ Transport Data Centre, op cit. Tables 91 - 9b, p 15.

⁴⁷ This figure has been estimated using information on the numbers of telephone bookings made through Sydney taxi companies in 1998, and a passenger survey in 1998 which estimates that telephone bookings constitute just under half of all taxi hirings. See NSW Dept of Transport - Transport Data Centre, *Sydney Taxi Customer Survey Report No 98/4*, April 1998.

⁴⁸ Submission by Premier Cabs Pty Ltd, p 2.

Table 5.4 Summary of complaints registered with the DoT

Category of complaint	1996	1997	1998
Assault, abuse and dangerous driving	1576	1246	1100
Trip refusals, no shows and lateness	771	762	714
Poor knowledge, dress and service standards	1175	583	704
Technical infringements	317	211	284
Incorrect fare, start/stop meter	276	208	201
Poor vehicle cleanliness and safety	177	148	190
Total	4292	3158	3193

Source: Department of Transport.

Approximately 20 per cent of residents state that they had been refused a taxi in the preceding 12 months.⁴⁹ As shown in Table 5.5, almost three quarters of those refusals were because the driver perceived the hire as unprofitable or unsuitable.

Table 5.5 Reasons for trip refusal

Reason for refusal	Per cent refused
Driver did not want to drive where I wanted to go	51.7
Driver said the trip was too short	11.3
Changeover or end of shift	10.3
Don't know	7.4
Driver did not like the look of me/the people I was with	3.8
I needed a baby capsule for my child	3.0
I had too much luggage	0.5
Other reasons	12.0

*Source : Transport Data Centre Sydney Taxi Customer Survey Report No 98/4.
Total number of taxi users in survey:1003 residents and 501 visitors.*

The survey also asked respondents to compare Sydney's taxi service with other Australian and overseas cities. Sydney's taxis performed well, with more than half all residents and visitors rating Sydney's taxi industry the same quality as those in other Australian cities and better than those in major overseas cities.⁵⁰ This suggests customer services problems in Sydney are not unique.

New York City has implemented a system to facilitate the reporting of passenger complaints. All New York taxi meters must issue a receipt for each fare. The receipt must include:

- the driver and vehicle identification numbers
- the starting time and location of the hire
- the finishing time and location of the hire
- the date

⁴⁹ Transport Data Centre, op cit. Tables 9a - 9b, p 15.

⁵⁰ Transport Data Centre, op cit. Table 4, p 12.

- the telephone number of the complaints line.

Since its introduction, the receipt system has increased the proportion of passenger complaints which are reported and provided the taxi regulator with sufficient information to investigate the complaints.

The costs of introducing such a system in Sydney would be \$660 per vehicle if new meters were fitted immediately, or \$160 per vehicle if meters were upgraded as they reached the end of their normal life. The Tribunal understands most operators replace their meters when they replace their taxi vehicle every six years. The receipt information would be of benefit in a highly regulated system since the regulator takes responsibility for setting service standards.

5.5 Passenger demand (Sydney)

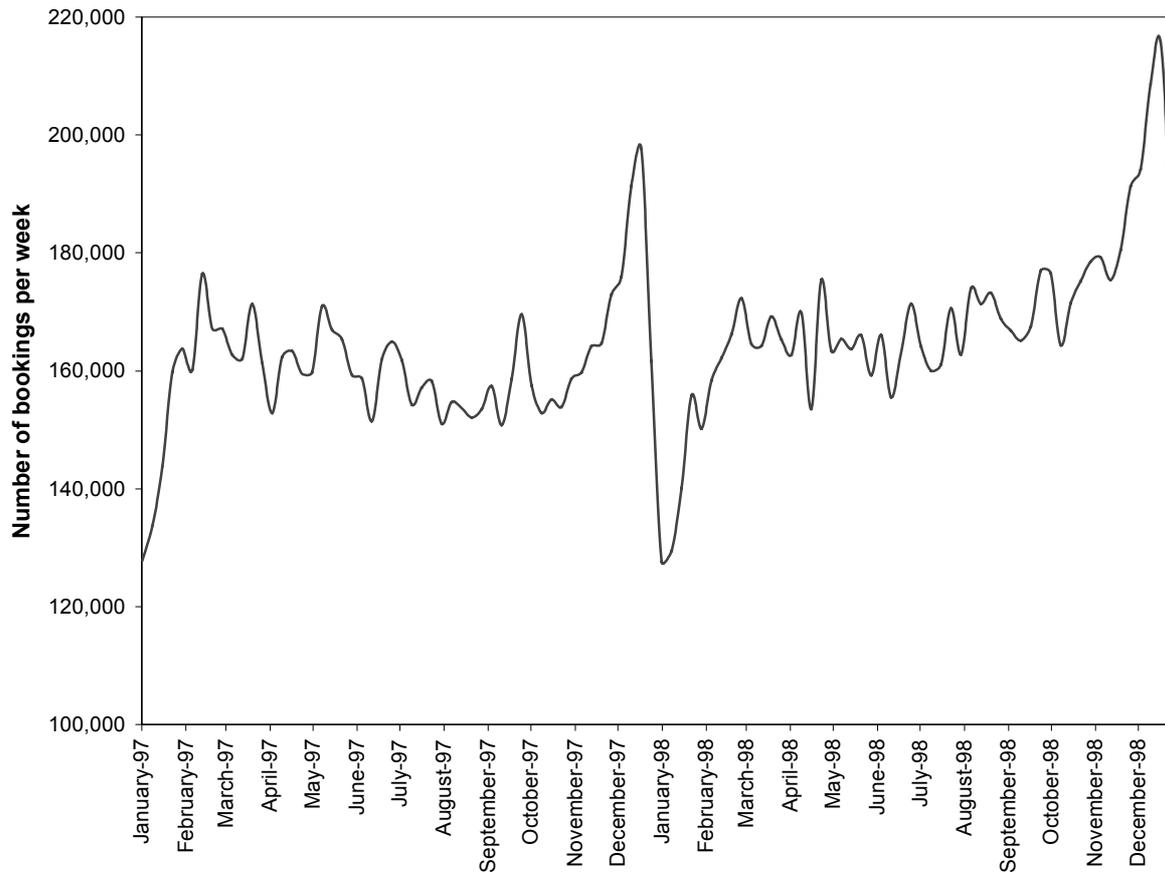
In this section two aspects of the demand for taxis in Sydney are addressed: short term variations in the demand for taxi services over a day, week and a year, and the long term demand trend for taxi services.

5.5.1 Short term variations in demand (Sydney)

Information available on the demand for taxi services from street hails and rank hires is limited to the DoT survey information. More extensive information from the two largest taxi networks reveal the demand for radio bookings. This information can be used to estimate the total demand for hirings from telephone, street hails and ranks and how this varies over time. However, it is likely that there is some discrepancy between the pattern of street hails and telephone bookings over each day as traffic conditions and travel patterns cause passengers to favour one form of hiring over another.

Weekly telephone booking demand for taxi services is highly variable. Figure 5.4 shows the pattern of total weekly demand for radio bookings over the Taxis Combined Services (TCS) network during 1997 and 1998. The data shows a growth in demand between the years. The variability over each year is similar to previous years.

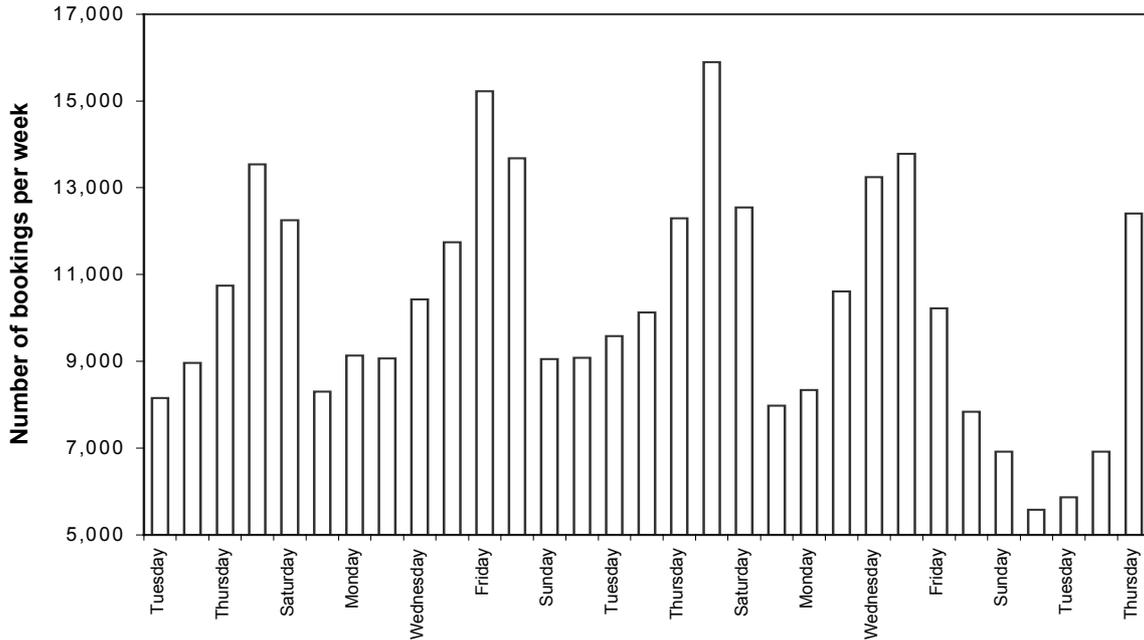
Figure 5.4 Trend in weekly demand for telephone bookings in Sydney



Source : Taxi Combined Services Pty Ltd.

The busiest months are November and December in the lead up to Christmas. Demand drops off dramatically in January. Other factors influencing demand include: school holidays, public holidays, major events, disturbances to other forms of public transport, and poor weather. Based on data from the smaller Premier Cabs network, Figure 5.5 shows how daily demand peaks over the latter part of the week.

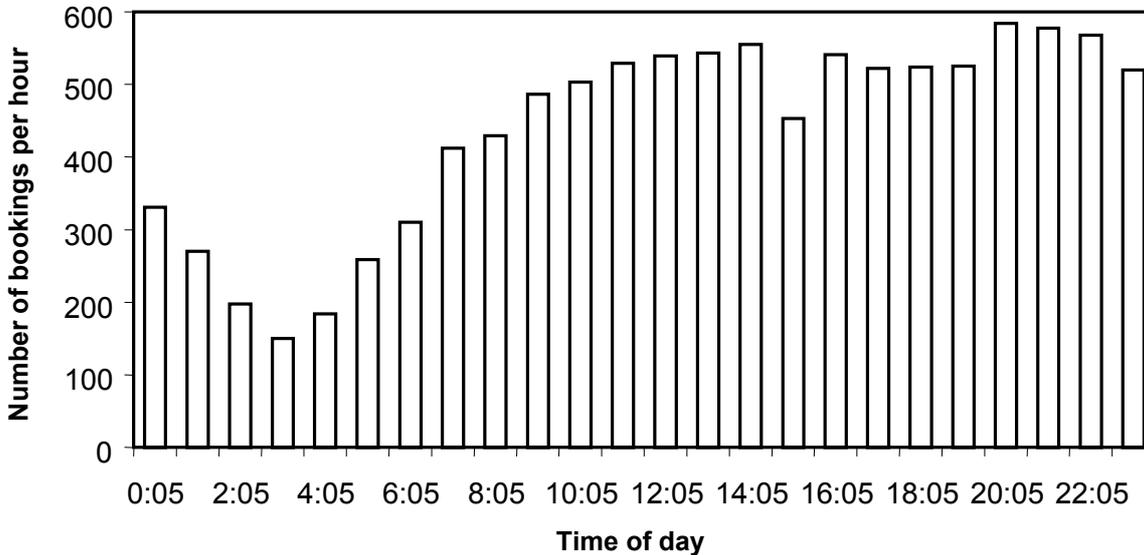
Figure 5.5 Daily totals of taxi telephone bookings (November 1998)



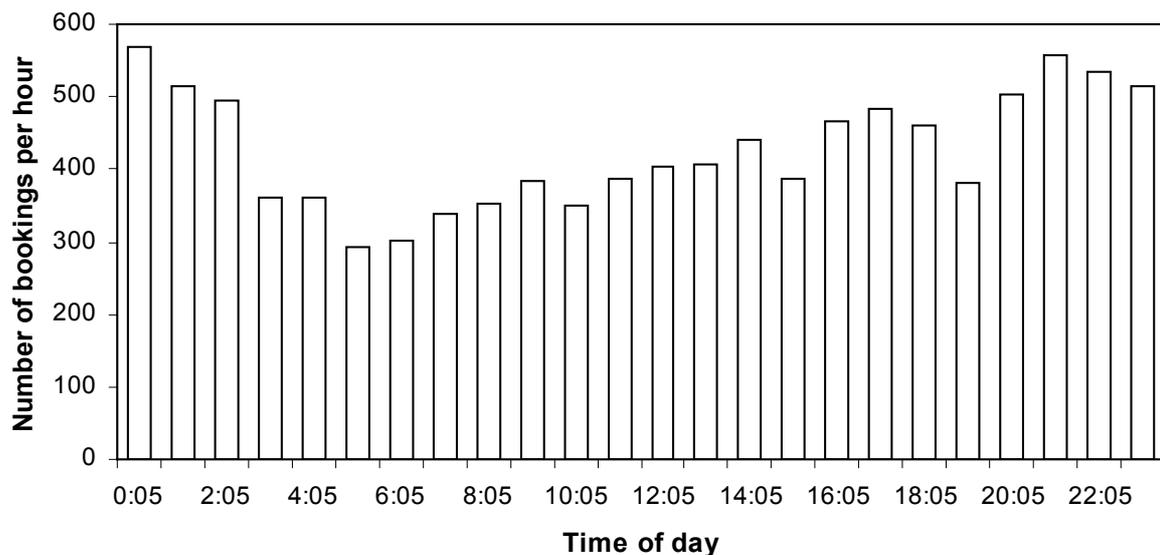
Source: Premier Cabs Pty Ltd.

Figures 5.6 and 5.7, also based on data from the Premier Cabs network, show how hourly demand varies over a 'typical' weekday and weekend day.

Figure 5.6 Hourly totals of taxi telephone bookings on 'typical' weekday



Source: Premier Cabs Pty Ltd.

Figure 5.7 Hourly totals of taxi telephone bookings on 'typical' weekend day

Source: Premier Cabs Pty Ltd.

On weekdays, hourly demand is highest during the day and in the evening prior to midnight. On weekends, hourly demand is slower during the day when many persons use their own vehicles. Demand grows gradually over the course of the day and into the evening with people using taxis to go out and return home.

This picture of highly seasonal and variable demand for taxi services provides some insights into why the taxi industry has difficulty meeting peak demand and why part time drivers are an important part of the industry. A fleet of taxis large enough to meet peak demand will carry significant excess capacity for long periods of time, making it difficult to recover sufficient fare revenue to meet taxi operating costs and pay a return or to make lease payments on a taxi licence plate.

5.5.2 Long term trends in passenger demand (Sydney)

In the interim report the Tribunal presents a range of indicators of taxi demand during the past decade. From these figures (Table 5.6) it can be seen that radio bookings increased by around 5.3 per cent per annum over the period 1994-98. There was also an increase in passenger numbers at the domestic and international airports of around 5.0 and 8.1 per cent per annum respectively over this period. It has been estimated that around 27 and 33 per cent of travellers use taxis to commute to and from the domestic and international airports terminals respectively. On the basis of these estimates, the number of taxi bookings and trips from the airport was around 16,500 in 1994, rising to around 20,200 in 1998, an increase of around 5.2 per cent per annum. If these trends continue, it would be expected the number of taxi bookings and trips from the airport will increase to around 23,200 by 2001.

However, taxis are just one transport option. Demand will also be influenced by developments such as changes in the cost of owning a private car, the opening of new train lines and bus services and changes to taxi usage patterns. In submissions the Tribunal's

interim report has been criticised for its lack of consideration of the airport rail link that is to be opened in 2000.⁵¹

Estimates of diversion rates of airport passengers from taxis to the rail link have since been obtained from the Kinhill Environmental Impact Statement on the New Southern Railway. This publication contains estimates of airport passenger movements, current modes of transport and expected rates of diversion from other transport modes to the rail link. These estimates expect diversions from taxis to the rail link to be around 20 per cent of current airport taxi passengers. On the basis of this figure and estimates of passenger movements at the airport, the number of trips taken by airport customers in 2001 it is expected to be similar to that for 1996. However, if radio bookings continue to grow at the same level as occurred between 1994 and 1998, the radio booking and airport taxi passenger market in 2001 will be still some 32 per cent above that for 1994. It is estimated that the increase would have been around 41 per cent in the absence of the airport rail link.

The Tribunal believes the growth in telephone bookings and passenger movements at the airport indicate that there has been a significant increase in the demand for taxis since 1994. For this reason the Tribunal is of the opinion that the current number of taxi licences in Sydney has fallen behind general growth in demand for taxis services.

The Tribunal also believes that the growth in demand for taxi is likely to continue notwithstanding the opening of the airport rail line. This belief is based on the expectation of continuing growth in: the radio booking market, passenger movements at Sydney Airport and the number of tourist visiting Sydney. Random breath testing is also likely to continue to influence demand for taxis.

Table 5.6 Indicators of growth in demand for taxi services (Sydney)

Indicator	1990	1991	1992	1993	1994	1995	1996	1997	1998
Domestic airport passengers ('000)	5,973	8,215	10,646	10,839	11,631	12,740	13,684	13,940	14,132
Percentage change (%)		37.53	29.59	1.81	7.31	9.54	7.41	1.87	1.37
International airport passengers ('000)	4,135	4,146	4,424	4,648	5,019	5,603	6,195	6,698	6,843
Percentage change (%)		0.27	6.70	5.05	7.99	11.64	10.56	8.13	2.17
Radio bookings ('000)					11,306	11,083	12,451	12,792	13,703
Percentage change (%)						-1.97	12.35	2.74	7.12

5.6 Taxi availability (Sydney)

No unrestricted licences have been issued since 1990. Since 1990, 146 new licences have been issued to taxi companies and co-operatives and are required to be used for WATs. During 1998 and 1999, 500 additional licences are due to be issued:

- 400 are for WATs to be issued at the rate of 20 per month from August 1998.
- 100 are to be used to operate vehicles required to be on the road during the hours of midday and 5pm in an attempt to alleviate availability problems during the daytime shift changeover. These licences were issued in 1998.

⁵¹ Submission by NSW Taxi Industry's Association.

The number of taxi per 1000 population has been in the range of 1.06 to 1.12 throughout the 1990s.

Table 5.7 Sydney taxi licences per 1000 population

Indicator	1990	1991	1992	1993	1994	1995	1996	1997	1998
Number of taxi licences	4,249	4,267	4,286	4,304	4,322	4,340	4,359	4,377	4,395
Percentage Change		0.43	0.43	0.43	0.42	0.42	0.42	0.42	0.42
Taxis per 1,000 population	1.13	1.12	1.11	1.10	1.09	1.08	1.06	1.08	1.12

Note: The introduction of WAT licences have been averaged over the 8 years. 500 new WAT licences are due to be issued in 1998 and 1999 - some of these have been incorporated in the 1998 figure.

The availability of taxis is partly determined by the overall size of the fleet. Taxi companies and co-operatives are required to meet minimum waiting times set as a condition of their authorisation (as discussed in Chapter 8). However, taxi companies and co-operatives cannot force a taxi to be on the road if the driver perceives there to be insufficient work available. Each taxi must be signed on to a network whenever it is working, but each driver sets the hours he/she is willing to work.

Drivers consider a number of factors in deciding the hours they will work. These are considered in chapter 6. However, a key determinant is the level of work available and, by implication, the revenue they expect to earn from the regulated fares.

In Figures 5.8 and 5.9 the number of taxis (measured on the left axis) signed on to the Premier Cabs network and the percentage of taxis engaged on a typical weekday and weekend day are reported. The line graph shows the proportion of taxis signed on which are engaged by a passenger, expressed as a percentage on the right axis. Figure 5.10 reports the percentage of taxis engaged on a weekday and a weekend day with the TCS network.

In preparing the interim report the Tribunal had access to the data provided by Premier Cabs only. From this data it appeared that the number of taxis willing to work adjusts to fit the pattern of demand so that the proportion of taxis engaged never falls below 60 per cent. Below this level, there is likely to be insufficient work available to sustain more taxis while allowing most taxis to cover their costs.

Figure 5.8 Number of taxis connected to the Premier Cab network and % engaged (weekday)

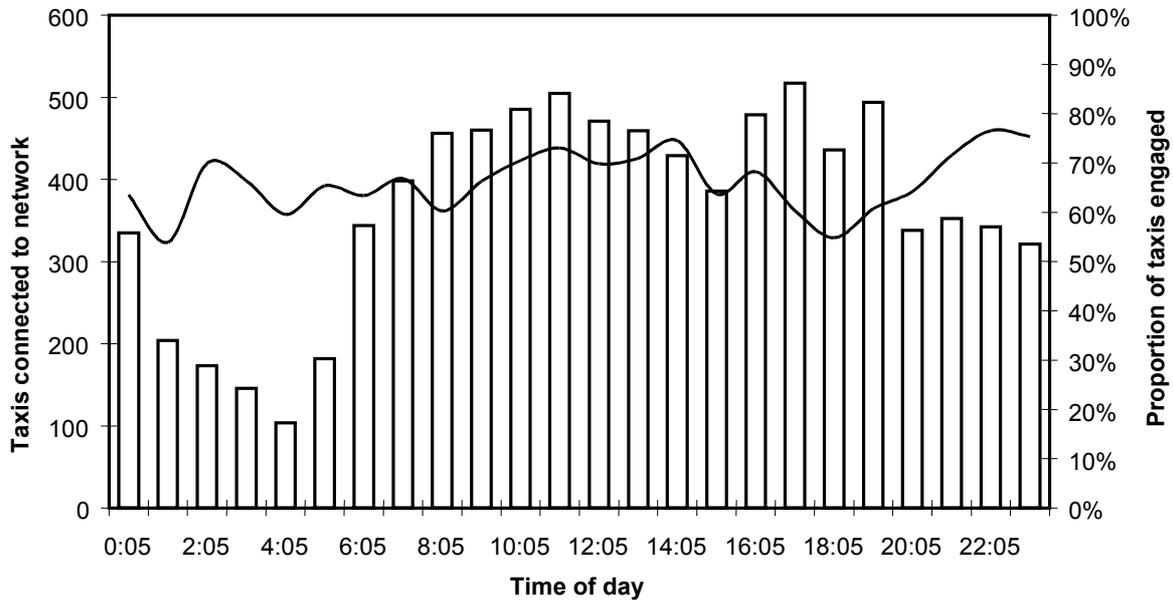
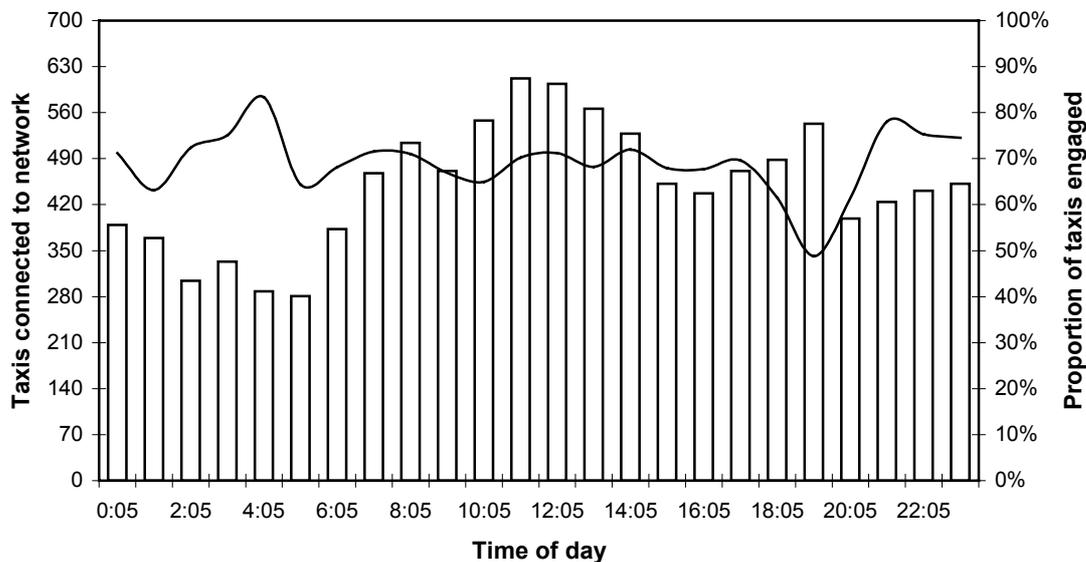
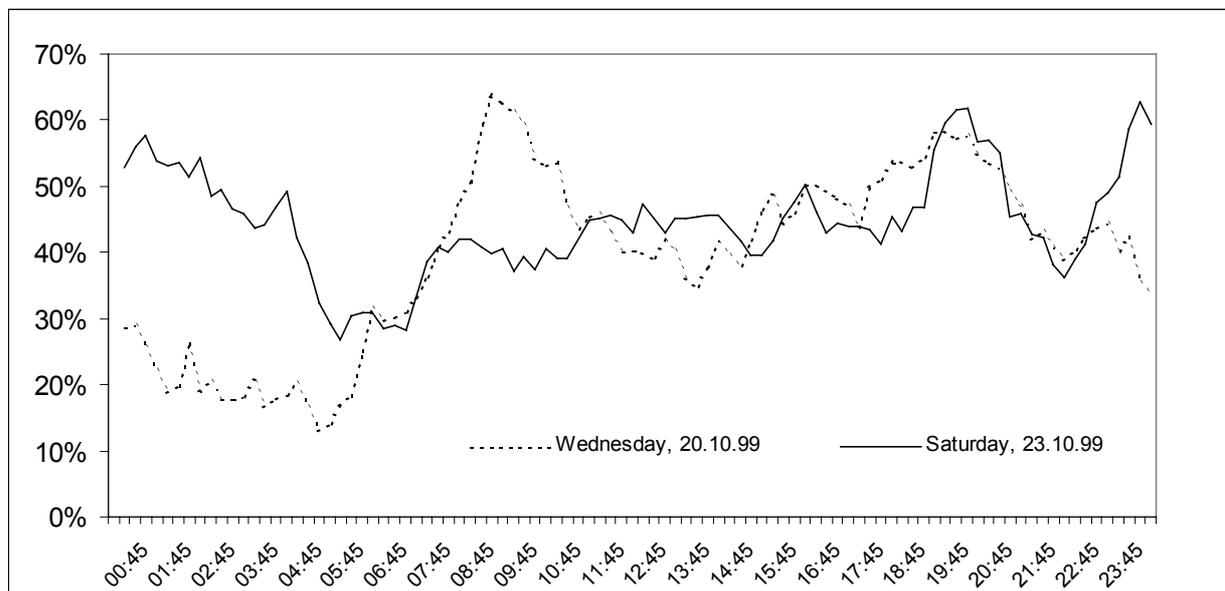


Figure 5.9 Number of taxis connected to the Premier Cab network and % engaged (weekend)



In the NSW Taxi Industry Association’s response to the Tribunal’s interim report these conclusions were disputed and additional data provided (Figure 5.10). The TCS data indicates that the percentage of taxis engaged of the TCS network fluctuates between 30 and 60 per cent for much of the day and falls to as low as 15 per cent in the early hours of the morning on weekdays. This data contradicts the conclusion drawn from the Premier Cab data that the number of cabs throughout the day adjusts to a strong degree to the proportion of the fleet that is engaged. It also indicates that the engagement rate for the TCS network is lower than that for Premier Cabs’ network.

**Figure 5.10 Percentage of engaged taxis connected to the TCS network
(weekday v weekend day)**



The difference between the two data sets arises from differences in the operations of the companies. Premier has smaller fleets and more owner-operators, hence Premier's fleet tends to work peaks more and flatten out the engaged rate. Premier also has contract work, which keeps the demand for work up in the early morning. TCS has many more drivers who just work the streets. This is revealed by the engaged rate in their data set because it records all meter swings while the Premier data records only vacant or engaged taxis that are logged on to the network. Premier also records all taxis that are 'not for hire' as engaged, whereas TCS records taxis as engaged only once a passenger is picked up. Thus, TCS excludes time on jobs between when they are accepted and the pick up.

The Tribunal's interim report postulates that a higher flag fall at night should increase the number of available taxis and improve service levels, given the relationship between fares and taxi availability indicated by the data from Premier Cabs. However, the TCS data provides contradictory evidence indicating that on weekday nights the percentage of taxis engaged is low. This data weakens the argument that an increase in night-time taxi fares will increase the number of available taxis and improve service levels on weekdays at night.

A submission by a taxi owner operator⁵² argues that more than enough taxis are currently available between 10pm and 5 am Sunday to Thursday. The TCS network data supports this proposition although it is contradicted by the data supplied from Premier Cabs. However, the recommendation in the interim report for a higher flag fall at night was supported by Premier Cabs and the NSW Taxi Industry Association on the grounds that it would improve night-time service for passengers. However, both parties, indicate a preference for an increase in the kilometre rate at night rather than an increase in the flag fall.

⁵² Submission by B. Stewart, p.1

The Department of Transport recently announced the introduction of a 20 per cent surcharge on the kilometre rate for travel between 10pm and 6am.⁵³ The Tribunal recommends that service levels at night-time be monitored to see if the fare increase improves taxi availability.

5.7 Monitoring taxi demand and availability

In determining the number of licences to be issued, the regulator must have access to reliable data on the availability of taxis. The Tribunal acknowledges that the data cited above, and used to assess the demand and availability of taxis is limited. The conclusions drawn may be disputed. If the number of taxi licenses continues to be restricted, the DoT must monitor the situation and publish a comprehensive range of demand and availability indicators. This list of indicators should include:

1. waiting times at ranks for passengers
2. waiting time at ranks for the taxi at the head of the queue
3. average waiting time for radio bookings
4. average number of radio bookings per vehicle
5. average number of hirings per vehicle.

Benchmark surveys providing these measures for Adelaide's taxi industry were completed in 1996 and 1998. The methodologies used to complete the Adelaide studies could readily be applied to Sydney.

Recommendation 1

The Tribunal recommends that the Department of Transport develop and publish at six monthly intervals the results from the measurement of the demand for and supply of taxi services. These measures should include:

- *waiting times at taxi ranks for passengers and taxis at the head of the queue - measured by surveying ranks at six monthly intervals*
- *average waiting times for radio bookings - measured by comparing audited statistics provided by taxi companies and co-operatives*
- *average numbers of radio bookings per vehicle - measured by comparing audited statistics provided by taxi companies and co-operatives*
- *average number of hirings per vehicle - measured by sample recordings of vehicle movements and hires using GPS tracking.*

⁵³ Daily Telegraph, 3rd November 1999

5.8 Sydney Airport

In 1998 approximately 21 million passengers passed through Sydney Airport. Table 5.8 shows the means used to transport those passengers to and from the airport.

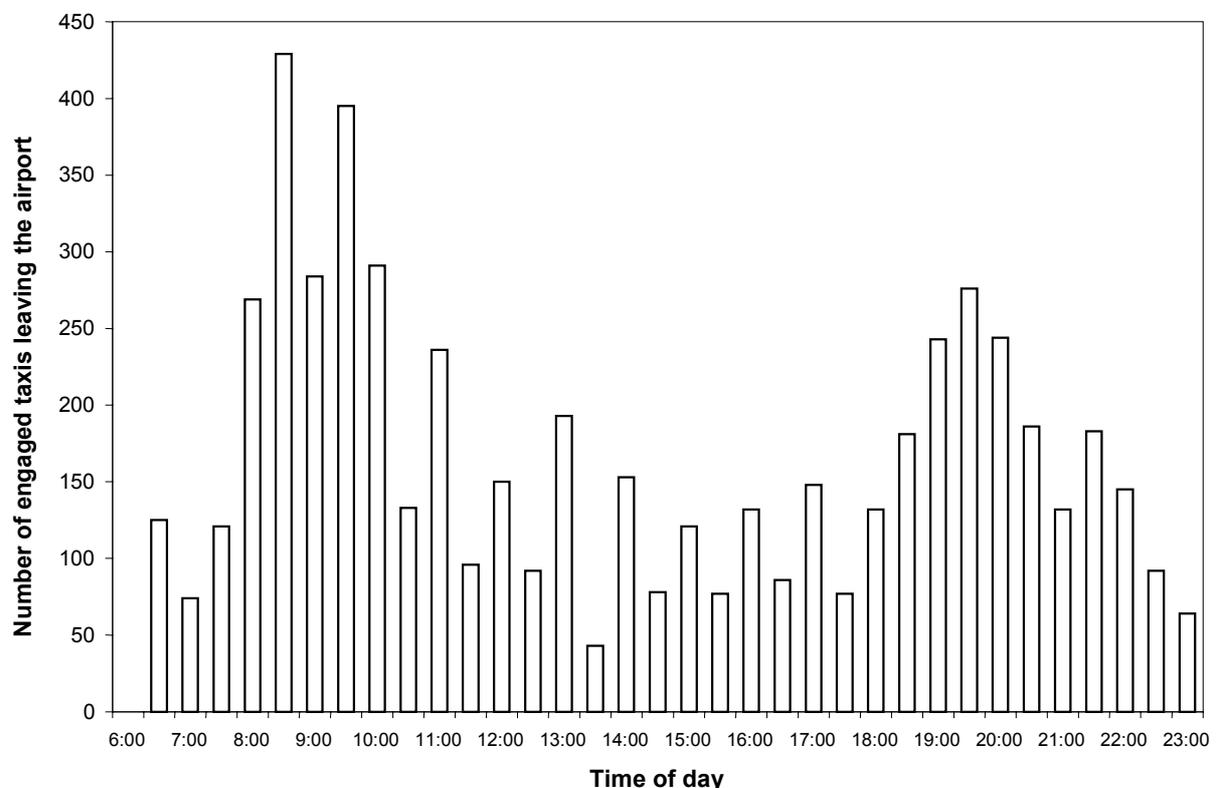
Table 5.8 Transport modes used to travel to and from Sydney Airport

Means of Transport	International terminal (%)	Domestic terminal (%)
Car	45	42
Taxi	29	33
Hire Car	2	3
Tourist Coach	4	4
Route Bus/Shuttle Bus	20	18
Total	100	100

Source: Sydney Airport Corporation.

The primary source of public transport for passengers at Sydney Airport, taxis account for about 6.7 million trips per annum or 25 per cent of all taxi trips in Sydney. The number of engaged taxis leaving Sydney Airport each half hour on 12 April 1999 is shown in Figure 5.11

Figure 5.11 Hourly totals of engaged taxis leaving Sydney Airport



Sydney Airport Corporation (SAC) states that the “single issue that causes the most frequent and severest complaints is the long passenger delays experienced at peak times, when insufficient numbers of taxis attend the airport to meet demand”.⁵⁴

The availability of taxis at the airport is also determined by the relative demand for taxi services elsewhere in Sydney. Many taxis service the airport in the early morning when curfew restrictions are lifted and demand is low in the city and suburbs. On leaving the airport and reaching their destination in the city and suburbs, there is usually sufficient work for them to continue working in those areas. This often creates a shortage of taxis at the airport from 9am through to about 10am. A similar scenario occurs between 6.30pm and 9.00pm when taxis are busy in the city and suburban districts taking people home from work or out to various venues.

5.8.1 Domestic terminals

Traffic management is a particular problem at Sydney Airport. The two ranks at the domestic terminals are owned by Ansett and Qantas respectively. These ranks are designed to cater for a linear feed of persons and taxis. This limits the speed at which vehicles can be loaded.

Many of the functions of taxi traffic management have been contracted to CHUBB Security by the SAC. During times of excess taxi supply, taxis wait in a holding bay near the entrance to the domestic terminals. When appropriate, to proceed they are directed by CHUBB to either the Ansett or Qantas terminal. From the holding bay, drivers cannot see the passenger queues at the ranks.

Having two ranks operating close to each other creates further difficulties in obtaining the required number of taxis from the holding bay, and in relaying requests to mobile drivers over the communications network. The redevelopment of the domestic terminals exacerbated the problem, particularly since the location and condition of temporary terminal in operation at Ansett change daily.

A certain amount of distrust has developed between the taxi drivers and CHUBB Security due to poor communication. Some drivers complain that they are fined by CHUBB Security or the DoT enforcement officers for relatively minor offences. Some drivers who deliver passengers to the departure area attempt to jump the queue at the arrivals rank rather than proceeding to the holding bay.

At peak times, Taxi Council officers supervise the management of the taxi ranks at the airport. These officers are usually ex-taxi drivers. However, at non-peak times this task is carried out by CHUBB Security guards. High staff turnover among temporary security workers means inexperienced staff are employed. Along with higher levels of enforcement activity by the DoT, this situation “literally scares away many drivers, [thereby] worsening the supply problem”.⁵⁵

⁵⁴ Submission by Sydney Airports Corporation, p 2.

⁵⁵ Submission by Sydney Airports Corporation, p 3.

SAC has preliminary plans to combine the two domestic terminal ranks and centralise these on the ground floor of the existing carpark between the Ansett and Qantas terminals.⁵⁶ This will provide a single rank designed specifically to enhance traffic flow and under the direct control of SAC. Ans

5.8.2 International terminal

The taxi rank at the international terminal appears to be more efficiently designed as it allows several taxis to be loaded simultaneously. It also allows drivers waiting in the holding queue to see the rank and monitor the flow of taxis and passengers. Self management by taxi drivers seems to work well with this rank design.

5.8.3 General issues at the domestic and international terminals

Many passengers need to travel between terminals to connect with flights or require travel to locations close to the airport for business or for accommodation at the airport hotels. Drivers may have travelled to Sydney Airport without a paid fare or may have waited for some time in the holding bay to obtain a passenger. They are reluctant to accept a passenger making a short trip. This leads to the problem of short trip refusals where passengers are left with little alternative means to make their journey.

The opening of the new airport rail link will reduce the number of passengers travelling between terminals by taxi, but the problem will persist for customers travelling to locations just outside the airport.

To overcome the short trip refusal problem some overseas cities have introduced minimum charges or surcharges for travel to or from their major airports. Indianapolis has a minimum US\$6.50 fare (AUD\$10.20) from the airport and JFK International Airport has a flat fare to Manhattan of US\$30 (AUD\$46.90). Trips from New York City to Newark Airport attract an additional surcharge of US\$10 (AUD\$15.60).

Wellington Airport charges every vehicle accessing the airport NZ\$3 (AUD\$2.40). In the case of taxis, this charge is passed on to the passengers. The airport retains \$1 to spend on improvements to traffic infrastructure and \$2 goes to the taxi driver as an incentive to service the airport.

In the interim report the Tribunal suggested that the issue of short trip refusal at Sydney was best addressed by imposing a minimum fare of \$10 for all trips commencing from the airport. Several other options were canvassed in submissions including a “go back to the start of the queue” system for short trips, the introduction of destination ranks, and the introduction of multihiring.

The Tribunal sees merit in investigating the introduction of a multihiring system at the airport as proposed by Galisbrook and Associates⁵⁷. However, the Tribunal remains of the view that the most practical way of reducing the incidence of short trip refusal at Sydney Airport is to impose a minimum fare of \$10 for all trips commencing at the airport.

⁵⁶ A submission by Ansett noted that it was not known if the SAC intend to proceed with this plan.

⁵⁷ Submission by Galzebrook and Associates

Recommendation 2

The Tribunal recommends that the Department of Transport adjust fares from Sydney Airport by setting a minimum fare of \$10.

The effective deregulation of hire cars in Victoria has meant that there are greater numbers of hire cars competing with taxis to obtain business from passengers at the airport. This has led to hire car drivers touting for customers inside the terminals. In an attempt to overcome this, Melbourne Airport requires all hire car operators to wear a photo ID card while at the airport, and to sign an agreement which covers a code of conduct. Violation of the code of conduct results in removal of the driver's authorisation to operate at the airport.

Melbourne Airport has also introduced measures to control fare refusal, queue jumping, and abusive language by taxi drivers. Depending on the level of seriousness, drivers are usually given one warning and thereafter are banned from attending the airport for one month.

SAC has approached the DoT about establishing "specific licences requiring taxis to provide services to Sydney Airport at certain peak times, or requiring a minimum number of trips to/from Sydney Airport each week ...". However, the DoT has stated that "such licences are not economically viable and are difficult to enforce".⁵⁸

Some airports, particularly in the United States, have contracted airport taxi services to one or a limited number of taxi companies as a way of ensuring better quality service. In May 1996, the Wellington Airport Corporation issued 1000 special licences allowing only those licensees to collect passengers at the airport. These approaches to achieving better quality service seem to be a practical option in cities where full deregulation has occurred.

However, these restrictive arrangements can lead to inefficient use of taxi services as non-licensed taxis return from the airport without a passenger. People wanting to go to the airport will experience more trip refusals and the issuing of a special licence or contract will not address Sydney Airport's main problem, which is generally one of under supply of taxis.

5.9 Wheelchair accessible taxi services

The provision of taxi services is particularly important for people with a disability who often rely on taxis as their principal means of transportation.

The majority of wheelchair accessible taxis (WATs) are obtained through a centralised booking service run by Taxi Combined Services which covers all the taxis operating as members of taxi companies and co-operatives in Sydney. The usual booking fee for this service is \$1. Many people make private arrangements with WAT drivers for their regular transport needs. These may include daily trips for children to and from schools, and regular visits to the shops. These bookings are usually organised through informal mobile phone networks and are therefore not recorded by the centralised booking service.

In a report released recently by the Disability Council of NSW, recommendations for improving taxi services for people with a disability include:

- releasing 500 new WAT licences immediately to cover the current under supply
- gradually introducing a universal taxi vehicle which is wheelchair accessible

⁵⁸ Submission by Sydney Airports Corporation, p 4.

- requiring taxi companies and co-operatives to ensure response time parity between WATs and conventional taxis through a performance contract with the regulator
- specifying a quota of a certain number of wheelchair fares over a given period
- introducing a taxi fare meter which has the capacity to announce fares.⁵⁹

The Council notes that the “booking system cannot compel drivers to respond within a certain time.”⁶⁰ Some taxi companies pay travelling time for drivers willing to accept a WAT booking which has been waiting more than 20 minutes. However, this encourages drivers to wait for the offer of 'paid running' and may increase the average waiting time experienced by all WAT users.

The setting of a job quota would be difficult to enforce as many WAT journeys are obtained through private arrangements via mobile phone bookings.

5.9.1 Current NSW Government policy

The DoT has stated that “people with disabilities have not been receiving the taxi service that they require with waiting times for passengers who need wheelchair accessible taxis being unacceptably long”.⁶¹ Section 4.6 notes the other difficulties people with a disability experience with taxi services.

The Commonwealth’s Draft Disability Standards for Accessible Public Transport is not yet compulsory. It requires each state to have WATs as 10 per cent of their taxi fleets. Prior to August 1998, there were approximately 150 WAT vehicles in Sydney representing 4 per cent of the taxi fleet. The Government is committed to releasing an additional 400 WAT licences in Sydney at the rate of 20 per month from August 1998. If all these licences are taken up, the total number of WAT licences will increase to 550 or 12 per cent of the current taxi fleet.

The DoT has imposed conditions on the holders of WAT licences:

- taxi companies and co-operatives are accountable for the actions of their drivers
- WATs must be on the road and connected to the network for at least 20 hours per day
- shift changeover must not occur between midday and 5pm
- priority must be given to radio network jobs
- customers are to be advised of the estimated time of arrival for all booked taxis
- monthly performance reports on each WAT are to be submitted to the DoT.

Some of the new WAT licences have been issued to taxi companies and co-operatives, which have organised vehicles, insurance and other operating requirements for the licences, and have offered the WAT vehicles for weekly rental by drivers. Premier Cabs recently reduced its weekly rental for a WAT from \$900 per week to \$780 per week after negotiating reductions in insurance costs.

⁵⁹ See Disability Council of NSW *Taxis and People with a Disability Issues for Government and Industry*, 1998.

⁶⁰ Submission by Disability Council of NSW, p 10.

⁶¹ Submission by the DoT, p 3.

Drivers have been reluctant to take up the weekly rental, in part because the licence requires them to operate the WAT for a minimum 20 hours per day. This is not possible without taking on a bailee driver for some of the shifts. As with those operators running one normal taxi, these driver-operators are reluctant to take on the additional risk of a bailee driver for the limited additional revenue generated.

The take up rate of these WAT licences may be improved if the mandatory hours of operation are reduced to the maximum possible with one driver. The current restriction is unlikely to be effective as drivers will be available for hire only when they anticipate receiving sufficient fares to justify being on the road.

Other possible reasons for the slow take-up rate on WAT licences in Sydney include:

- the high cost of purchasing a WAT which has the capacity for 2 wheelchairs
- the current lease fee of \$6,000 per annum
- the difficulty of finding a qualified driver to work a second shift to meet the minimum 20 hours of operation licence condition
- fewer jobs can be carried out during a shift due to increased loading and waiting times.

As with all taxi drivers, WAT drivers have an incentive to accept the next hiring which is closest to their location as this will involve the minimum dead running time. The further the distance to travel without a passenger, the higher the cost for the driver. This results in longer waiting times for passengers who can access only WAT vehicles.

In an attempt to encourage drivers to undertake WAT work, other jurisdictions have implemented various mechanisms. Tasmania allows WATs to charge a higher flag fall of \$3.70 instead of \$2.40 and a standard distance rate of \$1.132/km compared to \$0.997/km. The Tasmanian WAT subsidy scheme provides for a 60 per cent discount on the metered fare, which helps to cover these higher charges. The Northern Territory provides a minimum subsidy of \$10 which especially helps WAT drivers to provide short trip services. In Western Australia, the driver may start the meter once the taxi has arrived at the pick up location, thus covering boarding time.

The NSW Disability Council disagrees with allowing additional fees to provide incentives for drivers to pick up passengers with a disability. They take this stance on two grounds: equity and because a special allowance gives legitimacy to the view that WAT drivers need to be rewarded for doing what is ostensibly their job.⁶² However, the additional fee can be borne by the Government through the Taxi Transport Subsidy Scheme (TTSS). This will avoid an increase in costs to people with disabilities. The Tribunal also notes that providing taxi services to disabled passengers often requires more time and effort on the behalf of drivers. As such, there is an incentive to service able bodied customers at the expense of those who have disabilities. The objective of paying an additional fee being paid to drivers who provide taxi services to the disabled is to counteract this incentive and increase service levels to passengers with disabilities.

⁶² Submission by NSW disability Council, p 4.

The lack of take up of WAT licences, suggests that WATs are an unattractive economic proposition at the current lease fee of \$6000 per annum. The Tribunal recommends that in order to encourage the take up of WAT licence plates, the lease fee for these vehicles be reduced to \$1000.

Recommendation 3

The Tribunal recommends that the annual lease fee for a metropolitan wheelchair accessible taxi licence be reduced to \$1000, the minimum operating hours be reduced to 10 hours per day, and the Taxi Transport Subsidy Scheme be adjusted to pay drivers an additional \$5 collection fee for each hiring..

In Sydney, an alternative to private, individually operated WATs would be for the Government to provide all WAT services or to make each taxi company or co-operative responsible for the service standards provided to passengers with disabilities. The method used to achieve agreed levels of service would then be left to the discretion of the private taxi company or co-operative entirely or in part. For instance, the company or co-operative may choose to combine a mixture of current WAT operators with some fully employed drivers to ensure outer suburban areas are covered. The Tribunal believes that the best way of ensuring adequate service standards to passengers with a disability is to require taxi networks to be responsible for the standard of service these passengers receive. The DoT role would be to monitor and enforce the standards.

Recommendation 4

The Tribunal recommends that the Department of Transport amend taxi network standards to require Sydney taxi networks to be responsible for the service standards provided to passengers with disabilities and that the Department of Transport monitor and enforce these standards. Sydney taxi networks should be required to have 10 per cent of their fleets as wheelchair accessible vehicles.

In rural and regional areas WAT licences have often been provided to the taxi co-operatives, sometimes as a 'nexus plate' issued with a normal licence. The normal licence is issued free on condition that profits from this licence are used to subsidise provision of a WAT taxi. Generally, if the plate is owned by the network, a driver will be employed to carry out WAT work and any profits or losses will be shared by all members of the network.

The Disability Council of NSW notes that:

... in some areas with populations of 10,000 there are four or five taxis, but none are wheelchair accessible, so it means that [WAT users] cannot go from that town to a major town for hospital services and they have to arrange community transport, which is very unreliable.⁶³

Due to the high capital costs of establishing a WAT service, the Government may need to consider providing a specific subsidy to encourage regional operators to undertake these services.

⁶³ Mr Ben Folino, Policy Officer, Disability Council of NSW, transcript of public hearing, 25 November 1998, p 43.

5.10 Costs and benefits of regulations

5.10.1 Customer service and vehicle standards

The reason for regulating regarding customer service and vehicles is to ensure that a minimum quality standard is maintained. Current regulation of driver standards and vehicle quality appears to deliver a level of service which meets the expectations of the majority of taxi passengers.⁶⁴

Regulating minimum standards creates benefits for taxi passengers in that they need not inspect the quality of a taxi before hiring it. It also benefits drivers by preventing poorer quality vehicles from reducing the overall demand for taxi services. Where regulation is successful in maintaining a high quality taxi fleet, this also benefits Sydney's business and tourist community.

The Tribunal considers that it is necessary to regulate customer service and vehicle standards for the hail and rank taxi market. Hence, the Tribunal supports continued regulation and monitoring of customer service and vehicle standards.

5.10.2 Maximum fare regulation

Regulating maximum taxi fares has the benefit of guaranteeing passengers a known fare scale and protects customers from price gouging. However, regulating prices eliminates one of the key options which businesses use to differentiate their services and meet changing demands.

Fares, along with conditions of employment, determine taxi availability. Too low a fare increases waiting time by decreasing the number of taxis willing to remain on the road. The balance between flag fall and distance rates may also shape a driver's preference for shorter or longer trips.

Regulated fares can limit the ability of taxi companies and co-operatives to develop new products. For example, some customers may be willing to pay more for shorter waiting times or higher quality of service, while others accept a cheaper, no frills service which has longer or less certain waiting times. London has standard taxis and mini-cabs, offering a high quality and budget service respectively.

There is scope for differentiating taxi services within the existing fare scale by offering better quality services in return for intangible benefits and higher tips. Some taxi companies offer luxury taxi services aimed at business clients where the intangible benefits include a known and well behaved clientele, less risk of damage to the vehicle, the organisational benefits of pre-booked and longer average journeys. Luxury cab drivers offer ongoing access to clients who pay above average tips.

⁶⁴ Transport Data Centre, op cit. Figure 1, p 2.

On balance, the Tribunal supports continued regulation of maximum fares, at least at this stage. However, in setting regulated fares, the DoT must consider the trade off between fares and taxi availability. Passengers' preferences for price versus waiting time should be considered in setting appropriate fares.

The opening of entry to the hire car industry will also allow further service differentiation in the market for telephone bookings.

5.10.3 Restrictions on vehicle numbers

As outlined in the interim report, the Tribunal sees little benefit in terms of passenger service in restricting the number of taxi licences provided that quality standards and maximum fares are regulated. However, the NSW Taxi Industry Association argues restricting licence numbers can be beneficial. This issue is addressed in detail in chapter 9.

5.10.4 Arrangements for complaints handling and enforcement

Current arrangements for recording and resolving customer complaints are unsatisfactory. The DoT expends limited resources in recording customer complaints. Taxi companies and co-operatives do not keep records of customer complaints.

Most passengers apparently feel that registering their complaints is of little value. Those who do register a complaint are rarely satisfied with the result. Satisfactory mechanisms to resolve complaints will significantly enhance public perceptions of the Sydney taxi industry.

The current practice of referring many complaints to taxi companies and co-operatives may be appropriate for those issues that relate to telephone bookings. However, the DoT must retain supervision of complaints and ensure they are dealt with.

One way of improving complainants handling is to introduce a system similar to that used in New York where taxi drivers issue passengers with a docket which prints out the driver identification number and the complaint hot line number.

Recommendation 5

The Tribunal supports continued regulation of complaints handling, but recommends that the Department of Transport take a more active role in investigating complaints, taking disciplinary action where warranted, and reporting back to passengers.

6 TAXI DRIVERS

Approximately 20,100 drivers are authorised to drive taxis in Sydney. An additional 4,900 taxi drivers are authorised in regional centres. A significant proportion of drivers own the taxi they drive and the taxi licence for that vehicle. Others are bailee drivers, who rent a vehicle for a shift. Many taxis operate with four or more drivers. Two regular drivers work five to six day or evening shifts per week, while two or more other drivers work weekend day or evening shifts.

Drivers and operators may have long term arrangements, particularly where experienced drivers work day shifts for the same operator over a long period. Conversely, some taxi business operators use a pool of casual drivers, providing flexible entry to the industry for drivers using taxi driving as a second job or to provide income while studying. The industry structure creates a flexible supply of drivers to meet the variation in demand for taxi services over each day, week and month.

Drivers' remuneration is directly affected by the maximum fares set by the DoT and maximum 'pay-in' rates set by the Industrial Commission for the rent of a taxi for a shift. Other factors affecting drivers' conditions in the industry include the attitude of customers, crime perpetrated against drivers, tenure of employment, and prospects for advancement within the industry.

6.1 Summary of regulations

The main regulations affecting drivers are:

- requirements for driver training
- the obligation for taxi business operators to provide driver safety measures
- control of maximum pay-in rates and industrial conditions
- prohibition of inappropriate behaviour at ranks or while driving.

6.2 Costs and benefits of regulations

6.2.1 Driver training

To be accredited to drive a taxi in Sydney, Newcastle and Wollongong applicants must hold a class 1A driver's licence, have 12 months' driving experience in any Australian state, pass an English language test, have no criminal record, and pass a taxi driving course including a multiple choice test. Some authorised drivers are not active in the industry, merely renewing their licence at three yearly intervals in case they wish to return to driving. As there are no ongoing experience requirements, licensed drivers may return to the industry after a long absence without retraining.

The two authorised taxi driver training schools⁶⁵ in Sydney enrol approximately two thousand trainee drivers each year. There is also a school in Wollongong and another in Newcastle. Elsewhere in NSW regional drivers are exempt from the formal training requirements.

⁶⁵ The Least Cost Taxi Centre and Fleet Taxi Training Centre.

Prior to commencing taxi driver training, applicants for licences must pass a spoken and written English test administered by the Adult Migrant Education Service (AMES). Until late 1998, applicants had to pass a very basic English test. This level of English tested their ability to communicate in a social context such as shopping or giving personal details such as their name and address. The standard has now been raised to the minimum required for most hospitality related jobs.

About 60 per cent of the trainees in Sydney graduate and qualify as drivers.⁶⁶ However, approximately 75 per cent of new drivers do not renew their licence after the first year. The costs trainees incur to qualify include the time taken to complete the course which takes 10 to 16 weeks, the RTA licence fee, and the training course, which costs approximately \$800.

The high turnover rate of drivers is a problem for the industry. Submissions from experienced drivers suggest that it takes up to two years to become a competent driver providing the level of service which passengers require.⁶⁷

The DoT requires the two taxi training schools in Sydney to teach taxi drivers from a syllabus created by the NSW Taxi Council. Covering operational, safety and customer service issues, the syllabus is examined within the training schools. The DoT does not examine applicants on this material.

A separate locality test is administered by the DoT, but it is a multiple choice exam which drivers may take any number of times. The taxi training schools have a selection of the questions and answers available for trainees to practise prior to the exam. It has been suggested that some new drivers leave the taxi training schools with little practical knowledge of how to successfully operate a taxi service, deliver quality customer service, or navigate around Sydney.⁶⁸

The Tribunal considers that the DoT should review driver training requirements and the method of testing licence applicants, and audit the quality of training.

Little benefit is gained by restricting the organisations which may train taxi drivers. The DoT should establish criteria for drivers' entry to the taxi industry, but not restrict the way in which applicants may prepare themselves for these requirements. The current system focuses excessively on procedures the trainee must complete, without sufficient testing their understanding of the information taught.

Recommendation 6

The Tribunal recommends that the Department of Transport review the effectiveness of the current taxi driver training syllabus and testing procedures. The Department of Transport should set the curriculum and examine applicants on the course material. Accreditation with the Department of Transport should not be a pre-requisite for teaching the taxi driving course. Applicants should be permitted to sit the examination after completing a self study course if they choose not to attend a school.

⁶⁶ In 1998 a total of 911 from 1,497 trainees passed at the Least Cost Taxi Centre, while 297 passed from the 440 trainees enrolled with the Fleet Taxi Training Centre.

⁶⁷ Submission by anonymous taxi driver, Anonymous S 2968, p 5.

⁶⁸ Submission by anonymous taxi driver, Anonymous S 3045.

6.2.2 Driver safety

Features of taxi services which are valued by passengers, such as flexibility, 24 hour availability and personalised service, also create inherent dangers for drivers. It is relatively easy for would-be robbers or assailants to direct drivers to isolated locations. Assaults are also common, particularly on weekend evenings when some passengers use taxis because they have been drinking.

In 1995, the DoT commissioned Keatsdale Pty Ltd to report into taxi driver safety.⁶⁹ A survey of drivers reveals that the incidence of workplace violence against taxi drivers is far higher than is recorded in police and WorkCover records. The report estimates there are 2,200 assaults and 1,600 robberies of taxi drivers each year, 90 per cent of which are not reported to the authorities. On average, two taxi drivers are murdered each year in Sydney. Fare evasion is a problem with 70 per cent of drivers reporting at least one fare evader in the 12 months prior to the survey.

Drivers' experience and perceptions of danger affects whether they are willing to work at night, prepared to pick up dangerous looking persons or prepared to pick up passengers in known trouble spots. Driver safety is the principal reason fewer drivers are willing to work at night. This contributes to passengers' experiences of being refused by a taxi. The DoT customer survey suggests most refusals are because the driver does not wish to go to the desired destination. However, anecdotal evidence suggests that some drivers use this as a non-confrontational way of refusing passengers considered dangerous, drunk or potential fare evaders.

The Keatsdale report⁷⁰ notes that drivers are particularly wary of picking up persons affected by drugs or alcohol, particularly young males. Drivers are also wary of picking up passengers at night in locations such as Kings Cross and other inner Sydney suburbs.

The main strategies nominated by drivers for dealing with difficult passengers include 'avoiding arguments' and 'talking passengers round'.⁷¹ Poor communication skills appear to hinder drivers' efforts to diffuse confrontation. Rates of assault against drivers of South East Asian background are seven times higher than for those of English speaking background. Assaults against drivers of Indian background are six times higher.

A survey conducted across Victoria in 1997 reveals that violence against taxi drivers is also common there.⁷² Of those drivers responding to the survey, 33 per cent had experienced physical assault at some time in their driving career. Those driving either Friday or Saturday nights experienced a higher assault rate of 41 per cent. A total of 74 per cent of drivers surveyed had been verbally abused by customers with the rate for night drivers at 84 per cent. Robbery was lower than expected at 14 per cent of drivers, but 87 per cent had experienced fare evasion.⁷³

⁶⁹ Keatsdale Pty Ltd, *Taxi Driver Safety: A Report to the NSW Department of Transport*, December 1995.

⁷⁰ Keatsdale, op cit.

⁷¹ Keatsdale, op cit., p iv.

⁷² Dr F Haines of the Criminology Department, University of Melbourne *Taxi Driver Survey - Victoria* prepared for the Victorian Taxi Driver Safety Committee, August 1997.

⁷³ Dr F Haines of the Criminology Department, University of Melbourne *Taxi Driver Survey - Victoria*, op cit pp 15-22.

Only about half these events were reported by the victims. Reasons given for not reporting the incidents include “no one could or would do anything” (59 per cent), “the incident was too trivial” (21 per cent) or “reporting would take too long” (14 per cent).

A common feature of the Sydney and Victorian surveys is that drivers do not regard duress alarms as effective in preventing crime. In both studies, drivers' highest preference was for video cameras to be installed and for the driver to be able to control all door locks to prevent entry. In Victoria, one fifth of all drivers carried some type of weapon such as commonly used car tools for self protection. Clearly, there is a high level of fear prevalent in the industry.

The Keatsdale report⁷⁴ notes that driver safety could be improved by:

- installing GPS equipment for tracking vehicles under duress (now installed in all vehicles)
- installing surveillance cameras in all vehicles (a trial is currently underway)
- installing screens behind the driver’s head in all vehicles (now installed in many vehicles)
- requiring councils, State Government, police and local communities to improve safety for drivers and waiting passengers at dangerous locations
- relocating some taxi ranks
- improving street lighting and traffic management
- using security patrols
- installing surveillance cameras and other security measures for patrons outside clubs, pubs, and hotels.

Three hundred Sydney taxis are participating in a trial of surveillance cameras which provide a record of events occurring within the cab.

Western Australia has introduced surveillance cameras in taxis to assist police in identifying people who are assaulting or robbing drivers. The WA Government provided the funding to install the cameras and has imposed a levy on fares to recoup the costs. Crime rates against taxi drivers have apparently dropped by 50 per cent.⁷⁵

Effective safety regulation provides benefits to the public and taxi drivers. The public benefits as more taxi drivers are willing to work at night and in higher risk locations. Drivers benefit by reducing the likelihood of being assaulted and the consequent loss of income, medical expenses and psychological impact.

Taxi operators bear the costs of safety regulation through the costs of installing and maintaining the equipment. For example, the driver protection screens cost approximately \$1400 to install. However, maximum pay-in rates were increased and an additional \$1 flag fall was added to maximum fares to recover the initial costs from drivers and in turn passengers.

⁷⁴ Keatsdale, op cit.

⁷⁵ Personal communication with the Western Australian Department of Transport.

Installation of GPS involves the taxi companies and co-operatives investing in specialised technology. The cost is passed on to taxi operators through increased network communication charges.

Recommendation 7

The Tribunal recommends that driver safety be a key objective of regulation of the taxi industry. Enhanced driver safety will be of direct benefit to drivers and passengers as it will improve drivers' working conditions and should increase the availability and quality of taxi services.

All non-owner drivers are required to have workers compensation insurance cover at \$7.20 per shift. This is payable annually by the taxi business operator based on the estimated number of shifts during the year.

WorkCover has provided information on total industry premiums paid for each year from 1987 to 1997. Although accident rates have not fluctuated significantly since 1990, WorkCover premiums have doubled, partly due to the increasing number of claims and higher weekly benefits.

In other industries WorkCover premiums have served as an incentive, encouraging better risk management. Established by the DoT to review this issue, the Taxi Insurance Committee identified the need for a higher level of driver training for new and existing drivers to achieve reductions in premiums.

The Victorian survey notes that only 13 per cent of those injured reported their injury to WorkCover. Of that group, 46 per cent stated they were unaware that they could claim, or that they were not covered. An education campaign for operators incorporating penalties for WorkCover non-compliance may be warranted to improve driver safety.

Recommendation 8

The Tribunal recommends that the Department of Transport audit operators' compliance with insurance requirements and educate drivers and operators about insurance and WorkCover requirements.

6.2.3 Drivers' industrial conditions

By law, taxi drivers in NSW are regarded as independent contractors rather than as employees of taxi operators. However, the terms and minimum conditions of drivers are specified by an agreement⁷⁶ issued by the NSW Industrial Relations Commission. Major features of the agreement are:

- Permanent drivers have entitlements to annual leave, sick leave, and long service leave (only a small proportion of drivers are permanent; most are employed on a casual basis).
- All drivers have the option of paying their taxi operator a 50 per cent commission on all fares taken or a set maximum pay-in amount, beyond which the driver retains all fares. Pay-in starts at \$97 for all day shifts, rising to \$148 for Friday and Saturday nights.

⁷⁶ Taxi Industry (Contract Drivers) Contract Determination, Consolidation Award 1984.

In practice, it appears that few Sydney taxi drivers are paid these entitlements and most operators in Sydney prefer to receive fixed pay-ins. Outside Sydney, the commission based system is used almost exclusively.

The strong preference of operators in Sydney for fixed pay-in rates appears to be due to a range of factors including:

- casual drivers are a larger part of the Sydney industry, particularly for night shifts
- the pay-in amount is a risk free income stream to operators which is higher than the Tribunal's estimate of what an average bailee driver takes home from each shift
- experienced drivers favour fixed pay-ins because they retain all fare revenue after they have earned sufficient to cover the pay-in amount.

The Tribunal's issues paper notes anecdotal information that experienced drivers can make up to \$150 per shift, but that many new drivers often work six 12 hour shifts for as little as \$350 per week, or around \$5 per hour.⁷⁷ Some submissions from drivers suggest these estimates are too low.⁷⁸

Direct consultations with other drivers confirm that experienced drivers can earn in excess of \$150 per shift. On the basis of information from the taxi companies and co-operatives, the Tribunal estimates average earnings for a bailee driver per shift, net of fuel costs and pay-in rate, are around \$60 to \$100.⁷⁹

The existing structure of the taxi industry attracts new drivers who are generally unskilled and are often without current employment. Also, a large number of skilled people of non-English speaking background find flexible employment in the industry while completing further studies to meet Australian requirements for employment within their trade or profession. The annual number of new drivers has been declining from 4,129 in 1992 but there are still approximately 1,200 new entrants each year.

The large supply of new drivers puts all drivers in a weak bargaining position when negotiating pay-in rates with operators. Thus, most pay-in rates are at the maximum allowable. Anecdotal evidence suggests that some drivers are purchasing the buy in for amounts above the rates set in the contract award determination, especially for a Friday or Saturday night. Some operators offer their vehicle only to drivers who will rent the vehicle for an entire week's shifts.

Permanent drivers working at least four shifts per week are entitled to annual leave payments of \$2,655 with four weeks' leave and five sick days in their first year and then eight sick days thereafter. However, anecdotal information suggests that many drivers do not receive these benefits, receiving a reduction in their pay-in rate instead.

⁷⁷ IPART, op cit. p 13.

⁷⁸ See, for example the submission by an anonymous taxi driver, Anonymous 2968, p 2.

⁷⁹ An average 85 telephone bookings per vehicle per week are despatched. The average fare for all hirings is \$13.00. Telephone bookings are estimated to constitute about half of all hirings (the Transport Data Centre survey of passengers suggests that telephone bookings constitute 44 per cent of all hirings. Information from Premier Taxi network and the Taxis Combined Services network suggest a figure of 50 per cent). Average weekly earnings per vehicle are thus approximately \$2,210. Average revenue per shift depends on how many shifts are worked by the 'average' taxis. Assuming a range of 10 to 12 shifts gives an average shift revenue of \$185 to \$220. From this amount all drivers must pay fuel costs (assumed to be \$25) and a bailee driver must pay for rental of the vehicle at \$97 for a weekday and \$148 for a weekend.

One submission from a taxi driver states that the fixed pay-in system insulates operators from poor quality drivers.⁸⁰ Operators are guaranteed to receive the pay-in amount for the shift, regardless of the quality of the drivers. If a driver cannot make sufficient money to remain in the industry, the operator is easily able to find a replacement casual driver. The submission argues that Government should force operators to accept a commission based pay-in. This would create incentives for operators to seek out and retain experienced drivers, thereby improving customer service. On the other hand, experienced drivers would find this system less attractive.

In rural and regional areas there are fewer complaints about the quality of taxi services. This may be partly due to the use of a commission system. Alternatively, it may be a result of better rates of retention of experienced drivers as there are fewer alternate employment opportunities. The navigational skills required by taxi drivers in rural and regional areas are also less demanding and complex.

Mandating a commission based system in Sydney would mark a significant change to established industry practice. The nearly uniform use of fixed pay-ins in Sydney and commission based pay-ins in rural and regional areas indicates strong preferences for these systems. The fact that other driver entitlements are seldom paid shows that it is difficult to regulate these aspects of the industry.

There are some benefits from the fixed pay-in system. Depending on the level of the pay-in, some experienced drivers prefer a fixed fee as they will retain all the benefit of their ability to find work.

Fixed pay-ins may also increase the number of drivers willing to stay on the road at quiet times. A fixed pay-in made at the start of the shift is dead money. This encourages the driver to stay on the road at least until he has his pay-in money back. Once he/she has made the pay-in, he/she gets the full fare for each hiring. A driver who is on commission must give half of each fare to the operator. If the commission based driver wants to earn the same hourly rate to justify being on the road, he/she needs twice the number of hirings to justify staying on the road.

The Tribunal believes a mandatory commission based system would be difficult to enforce, is likely to disadvantage experienced drivers, and may reduce taxi availability at night.

6.2.4 Regulation of driver behaviour at ranks and while driving

Driver conduct and obligations are governed by a series of regulations contained within the *Passenger Transport (Taxi-Cab Services) Regulation, 1995*. The regulations require drivers to:

- keep records of shift details including times of meal breaks
- ensure the taxi is clean and tidy at all times
- not smoke in the taxi
- not solicit for passengers
- not cause danger to passengers or the public by inappropriately moving the taxi
- wear the uniform of the appropriate network

⁸⁰ Submission by anonymous taxi driver, Anonymous S 2968.

- comply with all reasonable requests from passengers
- not leave the taxi without good reason
- park the taxi at the first available space on the taxi rank
- comply with any direction given by an authorised officer in respect of rank management
- comply with all reasonable requests of the network in relation to public passenger services
- not refuse a hiring, except in limited circumstances.⁸¹

Some of the regulations appear to be overly prescriptive, such as the need to record meal times. The requirement that drivers stay in the taxi at all times is an indirect way of avoiding touting. Often taxi drivers can be seen standing at ranks with one foot in the vehicle. It may be possible to avoid touting by prohibiting it directly and allow drivers more personal freedom.

The DoT has 12 enforcement officers for the whole of NSW. Enforcement of driver regulations is also carried out by the police, CHUBB Security at the airport, and part-time Taxi Council officers at the major ranks. An average of 350 infringement notices are issued to drivers each year.

Passengers are the main beneficiaries of effective regulation. The tourism and business conference industries also benefit because many visitors' first and last impressions of Sydney are their taxi from and to the airport.

6.3 Prospects for advancement: owner drivers

Another important factor which impacts on overall customer service levels is the prospect of advancement for taxi drivers within the industry. This might involve establishing a taxi business, plate ownership, or the desire to upgrade to a premium taxi service such as Silver Service taxis.

Some commentators argue that owner drivers provide better levels of service.⁸² The current quantity restrictions on licences have raised plate values to around \$280,000, making it very difficult for a new entrant to become an owner driver.

The most famous example of a taxi industry founded on owner drivers is the London black cabs. London taxi drivers and taxi vehicles are subject to very strict quality controls. Detailed vehicle specifications make it a requirement to operate a purpose built vehicle. Drivers must pass the knowledge locality test which takes most applicants two years' study. Whilst the number of taxis is unlimited, quality standards pose significant impediments to entry to the industry.

⁸¹ Many other less significant regulations exist, which are too numerous to list.

⁸² See a three article series by B Schaller and G Gilbert, "Villain or Bogeyman: New York's Taxi Medallion System" *Transportation Quarterly*, Vol. 49, No. 4, Fall 1995. "Factors of Production in a Regulated Industry: New York Taxi Drivers and the Price for Better Service," *Transportation Quarterly*, Vol. 50, No. 1, Winter 1996 and "Fixing New York City Taxi Service," *Transportation Quarterly*, Vol. 50, No. 2, Spring 1996. See also, I Radbone. The leasing of taxi licences: a discussion paper, Transport Systems Centre, University of South Australia, 1998.

London taxis are regulated to make it unprofitable to operate a taxi business other than as an owner driver. Whilst leasing of a vehicle is allowed, the lessee driver must also hold a taxi licence in his/her own right (and hence must pass the knowledge test). In effect, this creates an incentive for the lessee to become an owner driver who can make more money driving their own vehicle. Taxi licences must be renewed annually, and vehicle condition is a precondition of reissue. Licences are not transferable, other than to next of kin who must then meet the ongoing requirements of a licence owner.

Strong quality regulation of drivers and vehicles allows London black cabs to maintain a very high standard and reputation. Most drivers make taxi driving a career, given the long training time.

However, London taxi fares are also very expensive as shown in Figure 5.2 in Section 5.3. Vehicle costs are high and drivers require sufficient revenue as an incentive to pass the entry requirements and to keep vehicles on the road after normal business hours. Consequently, the London taxi business serves the business and tourist trade in the centre of London, but is too expensive to serve the more general transport demands of residents in the greater London area.

A thriving minicab industry has developed to serve the demand for transport services below the black cab market. Minicabs are in effect hire cars, since they are limited to telephone bookings. Minicab vehicle and driver quality were totally unregulated until 1998. Since then, some limited locality testing and vetting of drivers has been introduced following attacks on passengers. Minicabs provide a diverse range of budget priced hire car services. Vehicle standards and driver quality vary tremendously, allowing significant flexibility to meet the demand for a range of combinations of price, quality and waiting times.

In summary, the regulation of taxis in London creates a high quality, but expensive service based on a fleet of owner drivers and strict driver quality standards. Cheaper transportation are provided by the large minicab industry.

Altering regulations to favour owner drivers in Sydney may well improve the quality of taxi drivers if this encourages experienced drivers to stay in the industry. However, an owner driver fleet is likely to be difficult to sustain over time as licences have a tradeable value. Owner drivers are likely to sell out when they perceive licence values to have peaked, or when they wish to retire from the industry.

Only by prohibiting the leasing of licences and requiring all new licence buyers to be owner drivers can the numbers of owner drivers be maintained. This approach is being taken in Western Australia, but licences are tendered for a fixed period of time consistent with the maximum age limit of the vehicle. This approach has some benefits, as it encourages a taxi industry based on owner drivers without creating the problems associated with issuing perpetual licences.

However, the adoption of such an approach would prevent retired owners from earning income from their licences and would suppress licence values by restricting the pool of potential purchasers. Inevitably, political pressure would mount to lift the leasing and

purchaser restrictions. Exactly this scenario preceded the Linklater report in 1984,⁸³ which recommended allowing leasing and investor owners.

Ultimately, improved driver quality will come only from encouraging experienced drivers to remain in the industry. Focusing on improved driver safety and remuneration levels is likely to be a more successful strategy.

⁸³ Dr D. Linklater, *Review of Policies and Practices in Regulating the Taxi and Hire Car Industries in New South Wales*, 1984.

7 TAXI OPERATORS

There are 3,645 taxi business operators in NSW. Many are owner drivers, running one or two vehicles, perhaps in partnership with another owner driver. Others run larger fleets which are closely associated with one of the Sydney taxi companies or co-operatives.

Some taxi companies and co-operatives run taxis themselves and hold an operator accreditation for these vehicles. This is particularly common for WATs owned by taxi co-operatives in rural and regional areas. Table 7.1 shows the range of fleet sizes operated by taxi businesses in NSW. The larger fleets are all run by Sydney based taxi companies or co-operatives.

Table 7.1 Concentration of operation of taxi fleets

No. of taxis in fleet	Frequency
40 to 63	6
16 to 39	23
6 to 15	63
3 to 5	170
1 to 2	3383

Notes:

1. Data is for all NSW taxi businesses.
2. There are 3,645 taxi operators in NSW.
3. Frequency = number of times this range of fleet size occurs.

7.1 Summary of regulations

Conditions of operators' accreditations are the main mechanism used by the DoT to impose quality standards. Regulation of operators includes requirements to:

- pass the taxi operator accreditation course
- verify their financial standing and good reputation
- prove their ability to meet safety and vehicle standards
- provide driver uniforms
- provide a maintenance plan for the vehicle(s)
- provide a vehicle cleaning program
- provide a vehicle which meets the age and size criteria
- limit the size of advertising and have the content approved by the DoT
- provide driver safety screens, M13 silent alarms and GPS vehicle tracking
- connect each vehicle to an authorised taxi network.

7.2 Costs and revenues of running a taxi business

An operator's objectives are to maximise his/her revenue from pay-in rates and advertising, minimise the time the taxi is off the road, and find a reliable driver who will look after the vehicle. In addition, operators have the other normal business objective of minimising operating costs. Sufficient revenue must be earned to cover vehicle depreciation, repairs and maintenance, network fees, insurance, the operator's own effort and licence lease fee or a return on capital if the licence is owned by the operator. Lease fees depend on pay-in rates and total operating expenses.

Operators who lease a taxi licence typically do so on a two year lease. Lease rates are market based (unregulated) and the current rate is \$360 per week (Oct 1998).

7.2.1 Operators running single taxis

The NSW Taxi Council estimates the cost of running a single taxi business to be \$50,000 to \$60,000 per annum. The table below shows the approximate breakdown of these costs as provided by Premier Cabs. Also shown are total operating costs estimated by the NSW Taxi Industry Association. These are 1-3 per cent higher than the Premier Cabs estimate.

Table 7.2 Operating costs of running a single taxi

Item	Operator driver	Operator driver & one bailee driver	Two bailee drivers
Premier Cabs estimates			
Operating expenses			
Vehicle cost (lease \$25,000 over 3 years)	8,900	8,900	8,900
Insurances			
Compulsory third party	4,456	4,456	4,456
Third party property damage	5,448	5,448	5,448
Vehicle and camera/screen	4,870	4,870	4,870
Vehicle registration	400	400	400
Repairs and maintenance	11,000	13,500	13,500
Fuel and car washing	7,000	6,500	1,000
Network fees	5,850	5,850	5,850
Office expenses and other	2,000	2,800	2,800
Uniforms, workers compensation and industrial entitlements	300	6,200	11,800
Total operating expenses	50,224	58,924	59,024
NSW Taxi Industry Association estimates			
Total operating expenses	51,100	60,578	60,045

Source: Premier Cabs and NSW Taxi Industry Association.

Table 7.3 provides estimates of the returns to labour earned by single taxi operators. From these estimates it appears that returns to non-driving operators running a single taxi business in which a licence is leased are not sufficient for operators to earn a return to their labour unless they can reduce some of the expenses in Table 7.2 or gain above normal revenues. This supports anecdotal evidence that some small operators are cancelling insurance policies to claim refunds, running down vehicles to avoid maintenance, and hiring casual drivers to avoid paying leave entitlements.

Discussions with operator drivers indicate that many are unwilling to allow a bailee driver to hire their vehicle. They argue that the damage and additional maintenance required are not worth the small additional profit that can be generated. Further, if the vehicle must be off the road for repairs, they lose the income they would have generated driving those shifts themselves. Anecdotal comments to the Tribunal by taxi operators suggest that bailee drivers have higher accident rates and many operators are unwilling to risk losing their no claim bonuses.

The estimates shown in Table 7.3 indicate that operator drivers earn a return on their labour in the order of \$16,000 - \$26,000 per annum and operator drivers with one bailee earn a return on their labour in the order of \$17,000 - \$32,000 per annum. The Industrial Commission's pay rate for a taxi driver is \$531 per week or \$27,612 per annum. From this it can be seen that, on average, operator drivers earn a return that barely covers their labour for driving their taxi.

Table 7.3 Operating revenue and return to labour from a single taxi

Item	Operator driver	Operator driver & one bailee driver	Two bailee drivers
Premier Cabs estimates¹			
<u>Revenue</u>			
Operator driver revenue	95,000	74,880	0
Pay-in revenue from bailee drivers	0	34,400	72,500
Total revenue	95,000	109,300	72,500
<u>Total operating expenses</u>			
Plate lease cost	18,700	18,700	18,700
Return to labour (before tax)	26,076	31,676	-5,224
NSW Taxi Industry Association estimates²			
<u>Revenue</u>			
Operator driver revenue	85,966	64,474	0
Pay-in revenue from bailee drivers	0	32,237	64,474
Total revenue	85,966	96,712	64,474
<u>Total operating expenses</u>			
Plate lease cost	18,700	18,700	18,700
Return to labour (before tax)	16,166	17,254	-14,271

Notes:

1. Premier Cab estimates based on:

Owner driver works 60 hours per week at \$330 per 10 hour shift for 48 weeks.

Owner driver & 1 bailee driver. Owner works 60 hours per week at \$260 per day shift for 48 weeks. Pay-ins estimated as 7 night shifts per week at average scheduled pay-in less 10 per cent off-road time.

Bailee drivers. 14 shifts per week on scheduled pay-in basis less 10 per cent off road time.

2. NSW Taxi Industry Association estimates based on:

Day shift driver's pays in is \$97/day, and afternoon shift driver's pay-in is \$869 with 20 per cent downtime.

An owner driver works 12 hours per day for the available 80 per cent of the year, and total income is the sum of the annual day and afternoon shifts pro-rated back from an 18 hour day's operation to a 12-hour day.

Income for an owner driver with a bailee driver the average the income earned by owner drivers who work day and afternoon shifts.

7.2.2 Operators running larger fleets

Based on information provided to the Tribunal by fleet operators the following table gives some indication of the profitability of running larger fleets. An operator running more than one taxi can reduce their average operating costs per taxi, primarily by doing their own vehicle repairs and maintenance, and avoiding insuring their own vehicles. Typically, such an operator would operate a garage and be authorised as a Taxi Inspection Station.

Table 7.3 Approximate profit and loss from running a fleet of taxis

Item	4 taxis and 1 stand-by vehicle ¹	12 taxis and no stand-by taxi	27 taxis and 1 stand-by vehicle
Revenue (pay-in from drivers)	287,170	731,300	1,853,280
Vehicle cost (lease or depreciation and registration)	46,660	71,050	178,930
Security screen or camera ²	2,250	5,520	10,800
Insurance	34,580	73,820	320,060
Network fees	24,610	58,320	156,200
Repairs and maintenance	51,040	122,320	140,400
Fuel and car washing	9,290	26,210	58,970
Office expenses and other	7,780	5,900	68,580
Uniforms, workers compensation and industrial entitlements	35,480	90,170	254,560
Net expenses	211,690	453,310	1,188,500
Net profit (before plate costs)	75,480	277,990	664,780
Plate lease cost	74,800	215,120	547,560
Net profit (after plate costs)	680	62,870	117,220
Net profit per taxi	170	5,240	4,340

Source: Details on revenues and expenses have been aggregated from information provided by a number of taxi operators.

Note:

1. Operator of 4 taxis owns all plates and hence a notional charge of \$18,700 per taxi has been levied for ease of comparison with the other operators.
2. The costs of installing security screens have been spread across three years.

Total insurance and vehicle registration charges in NSW are significantly higher than those in Victoria.⁸⁴ An owner driver with a maximum 60 per cent no-claim bonus has to pay around \$13,506 in registration, third party insurance, mutual aid coverage and WorkCover premiums. This is almost twice as much as in Victoria, where total costs for the same package of insurance would be \$7,303. The costs for less experienced operator/drivers without a no-claim bonus rises to approximately \$19,600 for NSW and \$8,800 for Victoria.⁸⁵

⁸⁴ The cost of compulsory third party insurance (CTP green slips) is higher in NSW than in Victoria. Victoria has imposed a cap on premiums, reputedly resulting in some insurance liabilities remaining unfunded. The Motor Accidents Authority assigns a rating to each industry, depending on its risk assessment. The taxi industry has had its rating increased from 6.5 in 1991 to 9.5 in 1998.

⁸⁵ Submission by Premier Cabs, 15 January 1999, p 7.

7.2.3 Operators running wheelchair accessible taxis

Table 7.4 provides an estimate of the costs and revenue these operators will face in driving a wheelchair accessible taxi.

Table 7.4 Revenue, costs and return to labour: single WAT taxi

Item	Operator driver of WAT ¹	Operator driver of WAT plus one bailee driver ²
Revenue		
Gross takings ³	85,550	67,400
Pay-in from drivers	0	40,650
Total revenue	85,550	108,050
Operating expenses		
Vehicle cost (Lease \$73,000 over 5 years)	15,230	15,230
Safety screen or camera ⁴	400	400
Vehicle registration	450	450
Insurance	12,900	12,900
Network fees	7,670	7,670
Repairs & maintenance	12,000	14,500
Fuel and car washing	9,500	7,000
Office expenses and other	2,000	2,800
Uniforms, workers compensation & industrial entitlements	400	6,200
Total operating expenses	60,550	67,150
Plate lease cost	6,000	6,000
Return to labour	19,000	34,900

Notes:

1. Expenses are Tribunal estimates based on data provided by Premier Cabs.
2. The costs of installing security screens have been spread across three years.
3. Operator driver works 60 hours per week at \$313.50 per 10 hour shift for 48 weeks.
4. Operator driver & 1 bailee driver. Operator works 48-60 hour weeks at \$247 per shift. Pay-ins estimated as 7 night shifts per week at average scheduled pay-in less 10 per cent off-road time.
5. Gross takings for WAT vehicles have been estimated assuming 90 per cent of the takings of a standard taxi due to longer empty running between hirings and longer loading times.

The main additional costs incurred in operating a WAT are the costs of the vehicle. There are currently a limited number of options for a WAT vehicle which meets the Government's specification for two wheelchairs. Premier Cabs has "sourced a Mercedes Benz vehicle with customised fitout capable of accommodating two wheelchairs or 11 passengers. This vehicle will cost in excess of \$70,000 before registration and insurance."⁸⁶ Therefore the cost of a WAT is likely to be more than twice that of a Ford Falcon at around \$30,000. The current Toyota vehicle comes with a manual transmission only which industry participants consider is unsuitable for taxi work in Sydney's traffic.

When WAT vehicles are not conducting booked jobs, they seek hire at ranks or by cruising the streets like any other taxi. However, there appears to be some community resistance to

⁸⁶ Submission by Premier Cabs, 15 January 1999, p 4.

hiring a WAT. This reduces the overall demand for a WAT taxi, thereby limiting the driver's ability to generate additional fare revenue.

Drivers of the larger WAT vehicles, such as the Maxitaxi, have greater seating capacity and are able to compete more effectively with minibuses, deregulated "tourist vehicles", and other hire cars for work at Sydney Airport. Western Australia allows higher flag fall and distance charges if a WAT carries more than five people. This would encourage WATs to attend rank at airports where they are more likely to pick up this many passengers. When WATs target work at the airport, fewer of these special taxis are available to undertake general work from the centralised booking service.

7.3 Costs and benefits of regulations

7.3.1 Restrictions on supply of licences

From the data available it appears that the taxi operating business is one in which the average taxi operator makes a return that at best covers the value of their labour. This is supported by anecdotal evidence and submissions from the NSW Taxi Industry's Association and Premier Cabs.

This is not to say, however, that Taxi operators benefit from restrictions on the number of licences. The restriction on the number of licences result in a scarcity value being attached to a taxi licence. This increases the costs of operating a taxi business which leases its licences as the lease payments must be covered. For a taxi operator who wishes to buy a licence a return on the licence value must be earned to cover the cost of the capital expended to buy the licence. Currently, lease payments on a licence worth \$280,000 add \$18,700 per annum to the costs of running a taxi business.

As has been shown elsewhere in this report, taxi licence values rose by over 30 per cent between 1994 and 1998. For a taxi operator to buy a taxi licence now requires \$72 000 in additional capital compared to 1994, a return on which must be earned.

It is, of course, true that any reduction in the value of a licence will be a cost to the owner of the licence plate. Taxi operators who own licences would also bear the cost of a reduction in licence values.

7.3.2 Operator training course

Costing \$870 the training course for operators is run by the NSW Taxi Industry Association. The course is mandatory, but applicants are not examined by the DoT on the course material. Potential operators are the main beneficiaries of the course as its purpose is to explain the activities, risks and responsibilities involved in running a taxi business.

Drivers and passengers will benefit if the course succeeds in helping new operators understand the regulations affecting their business. Many of the regulations affecting the taxi industry are imposed via conditions on operators' accreditations. Consequently, it is important that operators fully understand their responsibilities before entering the industry.

However, it is unlikely that these wider benefits justify making the course mandatory. Given the benefits of the course to potential operators, they will take this or some other

course to help them establish the business if they need help. If the DoT is concerned about the preparedness of new applicants, it could examine applicants on this material.

7.3.3 Financial standing and good reputation

The purpose of verifying the financial standing of persons applying to operate a taxi is to keep out those persons who are unlikely to succeed. The success of this policy is difficult to verify as the DoT does not record the numbers of taxi business operators entering and leaving the industry. These regulations make it more difficult to enter the taxi industry and they increase the administrative costs of the DoT.

By contrast, the requirement that a taxi operator must have no criminal convictions may improve public confidence in the industry and is therefore of some benefit.

7.3.4 Vehicle and driver presentation

Some operators have complained that the mandatory provision of driver uniforms in the taxi industry imposes additional costs. Often the cost is subsidised through the network, which provides staff to handle the administration of the scheme. The benefit to the public should be in having a well presented workforce with which they feel greater confidence.

Vehicle standards are designed to provide passengers with a minimum level of safety and comfort. Standards include requirements that cars must:

- be less than 6 years and 6 months old and properly maintained
- be painted in the livery of their taxi company or co-operative and have standard roof signage
- display authorised advertising only
- be fitted with security screens around the driver (or more recently, a trial of closed circuit cameras as an alternative) and M13 silent alarms
- display information on fares, passengers' rights and obligations
- be connected to an authorised network.

Some disability groups have called for the introduction of a universal WAT. This would increase overall costs for the taxi operator because of the significant additional cost involved in purchasing a WAT.

The requirement for vehicles to be less than 6 ½ years old may not be appropriate for rural and regional taxis which usually travel shorter total distances each year. Rural and regional taxis in Victoria and Tasmania have a maximum age usage of 7 ½ years and 7 years respectively, whilst Western Australia allows all taxis to operate until they are 8 years old. Increasing the age restriction to 8 years for NSW rural and regional taxis may lower the costs faced by rural and regional taxi operators.

Recommendation 9

The Tribunal supports the continued regulation of vehicle standards, but recommends that the maximum age of taxis operating in rural and regional areas be increased to 8 years.

All taxis must be inspected by an Authorised Taxi Inspection Station (ATIS) every four months for vehicle safety and passenger comfort. The taxi companies and co-operatives are responsible for ensuring that taxis under their control are inspected at the required intervals.

General operation of an ATIS requires accreditation by the NSW Roads and Traffic Authority (RTA) and the DoT. Typically, an ATIS will be inspected by the RTA regional Vehicle Regulation Unit twice yearly. Approximately 10 per cent of ATISs are audited annually. Additional audits are undertaken when a vehicle is identified as being unroadworthy.

Taxis in the three metropolitan districts that are found to have a serious or dangerous defect are excluded from the ATIS scheme for a period of 12 months if it is considered that the defect was the result of poor maintenance. These vehicles are inspected by the Heavy Vehicle Inspection Stations every two months for 12 months and must pass every test before being allowed back to the ATIS scheme. The cost of each such inspection is \$49, so the financial penalty for not properly maintaining vehicles is very small.

Taxi operators accredited as an ATIS are permitted to inspect their own vehicles. This allows those operators running larger fleets to reduce their costs by maintaining and inspecting their own vehicles. However, it highlights the importance of holding the ATIS responsible for the quality of its inspections. The current system contains very little risk to those running an ATIS if they fail to properly inspect vehicles.

Recommendation 10

The Tribunal recommends that the Department of Transport institute a system to penalise authorised taxi inspection stations if they fail to inspect taxi vehicles properly.

7.3.5 Driver safety measures: screens, M 13 alarms and GPS tracking

Driver safety is one of the most important issues facing those working in the industry. Improvements in driver safety are of direct benefit to drivers, but may also benefit passengers as more drivers will be willing to work at night, increasing the supply of taxis.

However, the cost of driver safety equipment is also considerable. Screens cost approximately \$1,400 and have an estimated life of three years. Network fees would be lower in the absence of requirements to provide silent alarms and GPS vehicle tracking.

The fitting of driver protection screens has resulted in discontent among some drivers. They complain that the screens restrict driver visibility and increase the danger of being trapped if an accident occurred. Some drivers have argued that it is difficult to communicate with passengers and there may have been a fall in customer service levels.

The requirement for security screens in vehicles has also attracted strong criticisms from representatives of the tourism industry.^{87 88} The primary argument is of the detrimental effect that the screens have on Sydney's image as a safe and friendly destination.

In the interim report the Tribunal notes that the recently commenced trial of security cameras may provide an alternative to those dissatisfied with the screen. However, the Tourism Task Force argues that this will not relieve the situation in the immediate future, as owners who have already installed the screen will be unlikely to remove it and install a camera, given the expense involved. The Tourism Task suggest that owners upgrading from screens to cameras should be able to have their next registration charge reduced by the

⁸⁷ Submission by Tourism New South Wales, p 5.

⁸⁸ Submission by The Tourism Task Force Ltd, p 3.

original cost of the screen. While this may speed up the process of the taxi fleet's changing from screens to cameras, it will not be cheap. Given that the screens last for around three years, the change over could occur when it is necessary to replace the screens.

The Tribunal sees that a move to cameras as a positive step in addressing the problems raised by the Tourism Task Force and Tourism NSW. However, it is not convinced of the need for the Government to subsidise the installation of cameras and believes the decision concerning whether to replace an old screen with a new one or with a camera should be left to operators.

7.3.6 Compulsory connection to an authorised taxi network

The compulsory connection to a communication network adds a further \$5,850 to the operator's annual bill per taxi. All three taxi companies or co-operatives running communications networks in Sydney charge similar rates. The WA Government has set the maximum charge payable at \$85 per week or \$4,420 pa for each taxi. Regulation of the communication charge may be appropriate, given that membership is compulsory and there is a limited choice of service providers. However, if the rate is set artificially low, this may impede investment in new communications technology to the detriment of the industry.

Membership of a taxi company or co-operative is probably essential if more competition is to be encouraged between taxi fleets. Connection to a communications network is probably essential to ensure driver safety via GPS vehicle tracking and communications.

8 TAXI COMPANIES, CO-OPERATIVES AND NETWORKS

In the Sydney metropolitan district there are 12 taxi companies or co-operatives. The range of services offered to their customers or members is shown in Table 8.1.

In rural and regional areas there is one taxi co-operative in each location. The requirement to operate as part of the radio network means rural and regional operators must be members of their local taxi co-operative.

Co-operatives are the traditional business structure by which taxi business operators group together to average the costs of two way radio communications and other operating costs. When licences were first allowed to be leased, this was managed by the co-operatives. Many are still active in managing licences or operating taxi businesses.

The Linklater report recommended requiring all taxis to belong to a taxi company or co-operative which would be required to provide a 24 hour network service and meet certain performance standards. Each taxi company or co-operative would be required to be authorised by the DoT as a taxi network. These recommendations have been implemented, however, some companies and co-operatives choose to contract out provision of these services. Other companies have joined together to form companies to provide these services.

The three taxi companies or co-operatives which actually operate taxi communications networks in the Sydney transport district are Legion Cabs, Premier Cabs and Taxis Combined Services.

Legion is a co-operative which provides network services for its members. Premier Cabs is a company which provides network services to taxis which are members of the Cumberland Cab Company and two co-operatives, Northern Districts Cabs and Western Districts Cabs. Taxis Combined Services is a company which provides network services to taxis which are members of six independently run taxi companies or co-operatives.

Table 8.1 Services provided by taxi companies and co-operatives

Company or Co-operative	Taxis	Manage licences	Cabcharge cashing	Packaged insurance	Vehicle services	Vehicle inspection	Network services
Legion Cabs	550						
Premier Cabs	n/a						
Cumberland Cab Co	615						
Northern Districts Cabs	48						
Western Districts Cabs	100						
Taxis Combined Services	2100						
Deluxe Cab Co	n/a						
ABC Taxi Fleet Management	180						
Manly Warringah	193						
RSL Ex-Servicemen's Cabs	350	✓	✓	✓	✓	✓	
St George Cab Co	205	✓	✓	✓		✓	
Sth Western Districts	105	✓	✓				

Source : Sydney taxi co-operatives and companies.

8.1 Co-regulation and the role of taxi companies/co-operatives

The taxi industry is currently managed through a system that is often referred to as co-regulation. The DoT prescribes standards, which are implemented through various accreditations and monitoring of performance. The taxi companies and co-operatives employ taxi inspection staff who are empowered to issue infringement notices to operators and drivers. They are also empowered to require a driver to repeat some or all of the training modules currently offered by the training schools.

The taxi companies and co-operatives handle the vast majority of complaints received from the public. Where appropriate, the DoT investigates some complaints. Auditing and monitoring the taxi and car industries for compliance with the prescribed regulations is carried out by the DoT.

Co-regulation reduces the cost of regulation and has attendant benefits such as greater industry consultation prior to the implementation of changes. However, it is well recognised in other industries that there is a danger that the regulator may be captured by the industry. This may lead to participants' focus being diverted from the customer, with the result that service levels fall. Co-regulation provides greater opportunity for non-compliance, with performance standards being overlooked and the audit function being ineffective.

8.2 Economies of scope in the provision of network services

The key network services provided to taxis are the supply and management of telephone-sourced hirings, and driver safety mechanisms such as silent alarms and GPS vehicle tracking. Taxis Combined Services (TCS) provides network services to 71 per cent of Sydney taxis (ie 3,153 cabs). Premier Cabs services 17 per cent (ie 763 cabs) of Sydney's taxis. Legion Cabs covers the remaining 12 per cent (ie 530 cabs), providing its own in-house network services.

The Premier Cabs network is operated as a single business unit, with all telephone operators identifying themselves as the Premier Cabs network.

The TCS network is operated as a 'bureau service' where taxi companies and co-operatives retain their separate management and contract with TCS for the provision of network services. Each of the individual fleets operates within the wider communications umbrella of the TCS network. TCS operators answer calls in the name of the taxi company or co-operative which the passenger has called. Work is dispatched to the fleet selected by the passenger, although it may be offered to other fleets using the bureau service if it is not accepted within a certain time.

From a passenger's point of view, it is possible to select a particular taxi company or co-operative, although for some journeys a taxi from a different fleet may arrive. However, by subscribing to the bureau service, individual taxi companies and co-operatives have severely limited the management options available to them to promote their fleets.

Some drivers also operate informal networks using mobile telephones and pagers or two way 'trunk' radios. These informal networks take and dispatch bookings without the involvement of the three major networks. These drivers are still required to operate as part of the major networks and to pay network fees.

Seven informal trunk networks now operate in Sydney with an estimated membership of 250 to 300 vehicles. However, discussions with drivers indicate that access to telephone bookings from the authorised networks is still required to supplement work from the informal networks, particularly when travelling in outer suburbs.

Members of these networks tend to be experienced drivers who provide high quality service. Cards are given out to favoured regular customers who call the driver directly whenever they want a taxi. The hiring may be off-loaded to another taxi on the informal network.

Some passengers and drivers favour these networks because they are small enough for self enforcement of service quality. They also allow drivers to select safe passengers. This is especially valuable at night as it allows drivers to minimise the risks to their safety by avoiding street hails.

This industry structure is significantly more concentrated than that prevailing prior to the Linklater report in 1984. A key question for the Tribunal is whether this concentration is being driven by natural economies of scale or scope in the provision of network services, and whether current network and driver safety regulations are reinforcing this trend.

The Tribunal estimates that the cost of establishing a network service for a fleet of 300 taxis would be in the order of \$1.9m (\$6300 per taxi) in the first year, with ongoing operating cost of \$900m per annum (\$3000 per taxi). The existing networks charge approximately \$6000 per annum. This suggests that the capital costs of establishing a network, including driver safety measures such as GPS vehicle tracking, do not force taxi companies and co-operatives to subscribe to a larger fleet. It also indicates that individual taxi fleets value the economies of scope that come from being part of a larger network. Presumably this is because they can access radio work when outside the natural catchment area of their taxi fleet's brand name. The regulation of minimum pick-up times reinforces this decision.

8.3 Summary of regulations

The use of modern dispatch technology and GPS has increased the role taxi companies and co-operatives play in delivering taxi services to passengers. The DoT has recognised this importance by creating interim network performance standards in 1993. These standards require taxi companies and co-operatives to:

- demonstrate that their directors are fit and proper persons
- demonstrate sufficient financial capacity to provide network services
- obtain a radio network licence issued by the Federal Department of Transport and Communications
- produce a certificate from an engineer affirming that their communications equipment is reliable and has sufficient coverage for the relevant area of authorisation
- demonstrate appropriate maintenance schedules and contingency plans
- demonstrate managerial capabilities and procedures for operation of the network

- provide a radio booking service 24 hours a day, seven days a week
- meet minimum standards for answering telephone calls:
 - 90 per cent of calls to be connected to the booking service immediately
 - 70 per cent of connected calls to be answered within 1 minute
 - 90 per cent of connected calls to be answered within 2 minutes
- meet minimum standards for pick-up times:
 - 85 per cent arrival within 15 minutes of booking being made
 - 98 per cent arrival within 30 minutes of booking being made
 - 100 per cent arrival within 60 minutes of booking being made
- provide facilities to handle customer queries and lost property
- provide quarterly reports to the DoT on:
 - number of taxis operating on the network
 - number of telephone bookings requested
 - number of bookings for which no car was available (NCAs)
 - full details of NCAs including time and location of the pick- up point
 - total averages for telephone answering standards
 - total average delivery standards
 - full details of delays in excess of 30 minutes
 - full details of taxis transferring into and out of the communications network.
- provide annual audited financial statements.

8.4 Costs and benefits of regulations

8.4.1 Entry requirements

The entry requirements to become an authorised taxi network require the applicant to demonstrate they have the managerial, financial and technical ability to operate a taxi communications network. These requirements do not appear to have prevented pre-existing taxi co-operatives or new taxi companies (for example Premier Cabs) from achieving accreditation. The Tribunal has not received any submissions arguing that the entry requirements are too onerous.

8.4.2 Performance standards

Apart from the number of taxis on the street and connected to the network at any time, waiting times to obtain a phone booked taxi depend on the efficiency of services provided by the communication networks. Major processes influencing service quality are:

- phone answering times
- ability to offer the job to the closest available cab
- time taken to off-load excess work to another company or co-operative within the same network, or to another network
- time taken for pick-up
- hours of operation (eg 24 hr service)
- effectiveness of network enforcement officers

- effectiveness of complaints handling mechanisms.

Telephone response times

Telephone answering standards depend on staffing levels at the call centre. The appendix to the submission by the NSW Taxi Industry Association shows that for the quarter ending 31 March 1998 85 per cent of calls were answered within one minute and the average time taken to answer was 27 seconds.

The three companies or co-operatives operating taxi call centres in Sydney have tailored the scale of their investment in communications equipment to meet current telephone answering standards. In this sense the regulations appear to be effective in delivering a standard of service which may not be achieved in the absence of regulation. The Tribunal has not received any submissions from passengers or industry regarding current standards for telephone answering times.

Pick-up times

The imposition of performance standards on taxi companies and co-operatives is designed to speed up the delivery of a taxi when a customer makes a telephone booking. The benefits for the consumer are quicker response times and a single contact point if there are any problems with the service (computer records are kept of the booking details and the taxi which accepted the call).

A taxi company or co-operative will off-load work if it does not have any taxis available or if the time to allocate the job will exceed the organisation's predetermined time period, say 15 minutes. The taxi companies and co-operatives have an incentive to off-load work after a certain time so that their average performance statistics are not affected adversely.

There are a number of bookings for which the taxi companies and co-operatives are not able to provide a taxi (NCAs or 'no car available'). These bookings must be reported to the DoT. Current statistics show that fewer than 0.30 per cent (or 42,000 from a total bookings of around 14 million) cannot be filled. This information contradicts anecdotal responses made to the Tribunal regarding short fare refusals and long waiting times.

A series of factors may distort the number of NCAs. For example, when a booking is off-loaded to another network it is taken off the originating network's booking system. A job which is particularly hard to fill may be returned to the original network without being filled. Timing of the booking starts again each time the job is off-loaded. This artificially reduces the number of NCAs. However, some bookings are refused by drivers because the pick up point is in a busy traffic area in which the passenger is likely to hail a taxi before the despatched taxi can get to the pick up point. These bookings are rarely cancelled and can artificially inflate the statistics.

Taxi companies and co-operatives claim that they do not have any control over the operators who purchase network communication services from them or the drivers. A driver cannot be forced to accept a telephone booking. Premier Cabs uses the GPS system to offer jobs to the nearest available taxi. TCS uses a priority rank system for taxis within a certain area located around the booking address. The Premier system results in marginally quicker pick up times, but TCS believes its system to be fairer to those drivers who have been waiting the longest for work.

Taxi companies in Western Australia do not communicate job destinations when dispatching a booking. However, just as drivers do not comply with regulations requiring them to accept all fares from the rank and hail markets, except in specific circumstances, regulations for bookings are not always followed. Drivers may not always service passengers in particular areas or circumstances. Trials conducted in NSW have met with only limited success.⁸⁹

In the interim report, the Tribunal sought comments on whether customer service would be improved if taxi companies and co-operatives were prohibited from broadcasting destinations for all bookings. Submissions on this matter state that the primary concern is that a ban on broadcasting destinations would cause drivers to refuse telephone bookings during changeover times^{90 91}. Other concerns raised are that drivers would not be able to plan their route on the way to the job, and that such an arrangement would encourage drivers to concentrate on the rank and hail markets and avoid phone bookings except when work was very short. This would be of particularly true in areas where there are problems with regard to driver safety and fare evasion^{92, 93}. While expressing an open mind on the issue, the NSW Taxi Industry Association notes that trials have met with limited success.⁹⁴

The Tribunal believes that the purpose of not broadcasting destination would be to ensure minimum service standards were met. As with the introduction of any new regulation there are likely to be outcomes other than those the regulator is endeavouring to achieve. The Tribunal is of the view that the best way of ensuring that minimum service standards are met is to monitor and enforce these standards, while allowing individual networks to determine how they can best be met. For this reason, the Tribunal does not recommend that networks be prohibited from broadcasting destinations to drivers.

8.4.3 Reporting requirements

Taxi companies and co-operatives are required to provide quarterly reports to the DoT covering all aspects of the operation of their fleets. These reports are provided by the three networks on behalf of the taxi companies and co-operatives whose taxis they service. This information provides a very useful resource, but it is not used to evaluate the success of current policy settings. The DoT does not appear to audit the quality of the information, review the reliability of the information systems which generate it, or take any enforcement action against non-complying networks.

The Tribunal believes current network standards would be more effective if the DoT produced a public report every six months comparing the performance of each taxi company and co-operative against the network standards. Benchmarking taxi companies and co-operatives would give them an incentive to improve their performance in the hope of attracting more passengers and taxi operators to their fleets.

The current system requires the DoT to determine an acceptable standard for pick-up times. It also requires taxi companies and co-operatives to send a taxi from another fleet where they are unable to pick up a job within the time limit. This undermines the independence of each

⁸⁹ Submission by NSW Taxi Industry Association, p 52.

⁹⁰ Submission by Premier Cabs, p 6.

⁹¹ Submission by B. Stewart, p 3.

⁹² Submission by B. Stewart, p 3.

⁹³ Submission by anonymous, p 4.

⁹⁴ Submission by NSW Taxi Industry Association, p 52.

taxi company or co-operative and delivers a product different from that selected by the passenger.

Passengers may value a taxi company or co-operative which specialises in a particular geographic area, but which cannot meet minimum pick-up times across all areas. Accordingly, the Tribunal believes that current performance standards should be treated as targets rather than binding standards. Meeting the standards should not be a condition of holding the authorisation. This will allow smaller taxi companies and co-operatives to remain viable if passengers value aspects of their service other than merely average pick-up times.

Recommendation 11

The Tribunal recommends that current network performance standards be regarded as benchmarks and that the Department of Transport prepare a public report every six months comparing the performance of each Sydney taxi company and co-operative against these benchmarks.

8.5 Should network standards be expanded?

The Tribunal believes responsibility for service delivery is fragmented by current regulatory arrangements. When it was in force, the DoT's owner driver policy made operators the natural focus of regulation. Co-operatives formed to allow operators to combine their purchasing power, but did not develop managerial roles for organising taxi service delivery. Direct regulation of driver behaviour reflects the fact that drivers are not employees of taxi operators. Drivers are independent contractors. This limits the control operators can exact over drivers' behaviour.

Each level of the industry is directly responsible to the DoT. The DoT must enforce driver behaviour against drivers, vehicle standards against operators, and pick-up times against taxi companies and co-operatives. The resources required to enforce each of these aspects of service delivery are well beyond the resources of the DoT. In practice, the DoT relies upon taxi companies and co-operatives to enforce many of the driver and operator regulations.

In the interim report the Tribunal expresses interest in exploring whether regulation of driver and vehicle standards may be more effective if taxi companies and co-operatives were made directly responsible for these aspect of service provision.

The communications technology used by the three Sydney networks does allow them some control over the operation of their fleets. The Premier Cabs and Legion networks allocate jobs to taxis based on their GPS location. The TCS network operates a queuing system that effectively allows it to direct taxis to areas of high demand. Each network can track individual vehicles and record the work being completed.

However, it is unlikely that taxi companies and co-operatives can increase the supply of taxis on the road. The Tribunal's analysis indicates that general number of taxis on the road can be increased only by improving the returns to drivers, either by increasing fares or decreasing the costs of running a taxi business (and pay-in rates).

One area in which taxi companies and co-operatives may be able to improve their service delivery is the provision of WAT services. Victoria has introduced a system whereby each WAT vehicle must complete a certain quota of WAT work each shift. Compliance with this

quota can be verified relatively easily by the taxi company or co-operative through its GPS network.

The Tribunal sought comments on this issue in its interim report. The NSW Taxi Industry Association supported this proposition, arguing that taxi companies and co-operatives are in a more advantageous position to observe operator performance than the DoT. Moreover, they have a vested interest in maintaining customer service levels⁹⁵. Premier Cabs considers itself responsible now for cabs which operate under its name and welcomes the proposal to enforce WAT service quality via the network⁹⁶. The Disability Council of NSW also supports making licences holders responsible for industry standards, asserting this is critical to the performance of the industry.⁹⁷

The Tribunal is of the opinion that regulation of driver and vehicle standards will be more effective if taxi companies and co-operatives were made directly responsible for these aspects of service provision. To do this will require resources to monitor the standard of service provided by the networks and to enforce the regulations relating to these standards. The DoT currently has the power to fine networks for breaches of network standards. Monitoring could be conducted by the DoT or contracted out. If monitoring was contracted out the DoTs role would be restricted to enforcing penalties for breaches of service standards.

Recommendation 12

The Tribunal recommends that taxi companies and co-operatives be made directly responsible for driver performance and vehicle standards.

⁹⁵ Submission by NSW Taxi Industry Association, p 52.

⁹⁶ Submission by Premier Cabs, p 6.

⁹⁷ Submission by Disability Council of NSW p 5.

9 LICENCE OWNERS

Taxi licences are generally issued in perpetuity. However, although the Act provides for the issue of annual licences. Approximately 50 per cent of licences are owned by persons driving and operating taxi businesses. However, to maximise earnings, many owner drivers also employ a casual driver. The other 50 per cent of plates are leased, either directly to operators or through taxi companies or co-operatives. Licence owners who are not operators or drivers have few outgoings or obligations beyond a requirement to notify the DoT of the details of any lessee operator.

Table 9.1 Concentration of licence ownership

No. of licences	Frequency	Owner (Company, co-op or individual)
169	1	Deluxe
55	1	Legion
40	1	Cumberland
32	1	St George
20	2	Premier & RSL
18	1	Western
17	1	Individuals
15	1	Manly
13	1	Individuals
12	1	Individuals
10	3	ABC, TCS & one group of individuals
6 to 10	19	Individuals
3 to 5	141	Individuals
1 to 2	3028	Individuals

Notes:

1. Data is for the 4,458 licences in the Sydney metropolitan district.
2. There are an estimated 3,202 individuals or group owners.

Table 9.2 Concentration of licence ownership, by network control

No. of licences	Frequency	Owner (Taxi network or individuals)
256	1	Taxis Combined Services
84	1	Premier Cabs
55	1	Legion
17	1	Individuals
13	1	Individuals
12	1	Individuals
10	1	Individuals
6 to 10	18	Individuals
3 to 5	141	Individuals
1 to 2	3028	Individuals

Notes:

1. Data is for the 4,458 licences in the Sydney metropolitan district.
2. Licences owned by cab companies have been grouped by affiliated network to show effective concentration of ownership.

9.1 Summary of regulations

Licence holders are subject to limited scrutiny of their character and status as fit and proper persons. The main regulation affecting licence holders is the constraint on the total number of licences.

9.2 Costs and benefits of regulation

9.2.1 Restriction on the number of licences

There is a large amount of theoretical and empirical literature addressing the regulation of the taxi industry. The Tribunal acknowledges the range of opinions expressed in this literature as to the costs and benefits of restricting licence numbers. However, it is not the Tribunal's role to resolve this dispute. However, the Tribunal must determine whether the benefits of taxi licence number restrictions in NSW outweigh the associated costs. In doing so, it must take into account the presence of other regulations in force in the industry. As outlined elsewhere in this report the Tribunal supports the continuation and, in some cases, strengthening of regulations in relation to minimum vehicle and driver standards and maximum fare regulations. The question is whether restriction of numbers is also justified when these other regulations are in place. If not, what are the consequences of removing these restrictions in the short term and how best can any adverse outcomes be dealt with.

A submission by the NSW Taxi Industry Association argues that there is justification for restricting the number of licences issued, given the nature of the taxi market.⁹⁸ In summary, the argument is that as operators do not take account of their decisions on fellow operators the cost they bear in putting another taxi on the road is less than the social costs of doing so. The social cost being equal to the costs incurred by the operator plus the resulting increase in vacancy time experienced by the remainder of the taxi fleet. This results in the capacity on offer to be in excess of that which is socially optimal. Given this, in an ideal world, the regulator would control fares, the number of taxis and the number of licences, however, it is only feasible to control the fares and number of licences. The NSW Taxi Industry Association contends:

Cairns & Liston-Heyes (1996) show that such a strategy can make society better off, but it is possible this will lead to above-normal profits and positive licence values. However, this is not regarded as a necessary sign that regulations have failed or that the regulator is artificially inflating costs for no good purpose. Rather, the positive licence value is the result of a solution to achieve the socially optimal combination of fares and waiting times. Furthermore, the licence value can play a positive role. The enforcement of licence conditions can be difficult in the taxi business, but by treating the licence as a form of a bond the regulator can minimize administrative costs.

They then conclude that:

It is counterproductive to devise policies from a position that licence values should be eliminated. Tullock (1975) pointed out that even if positive licence values simply reflected profits earned as a result of the regulations, the beneficiaries of this "transitional gain" are just as likely to have left the industry a long time ago. Policies designed to eliminate licence values for current owners can cause genuine hardship

⁹⁸ Submission by NSW Taxi Industry Association, p 19.

without delivering real benefits to consumers deregulation usually results in low productivity, poor service and no reduction in fares.

The argument mounted by NSW Taxi Industry Association's for the continuation of restrictions on licence numbers has some validity. However, it is also the case that operators do not take into account the benefits of their decisions to all taxi users in reducing waiting time. As result the fleet size will be less than that which is socially optimal. Hence, there is an argument to promote entry rather than restrict it.⁹⁹

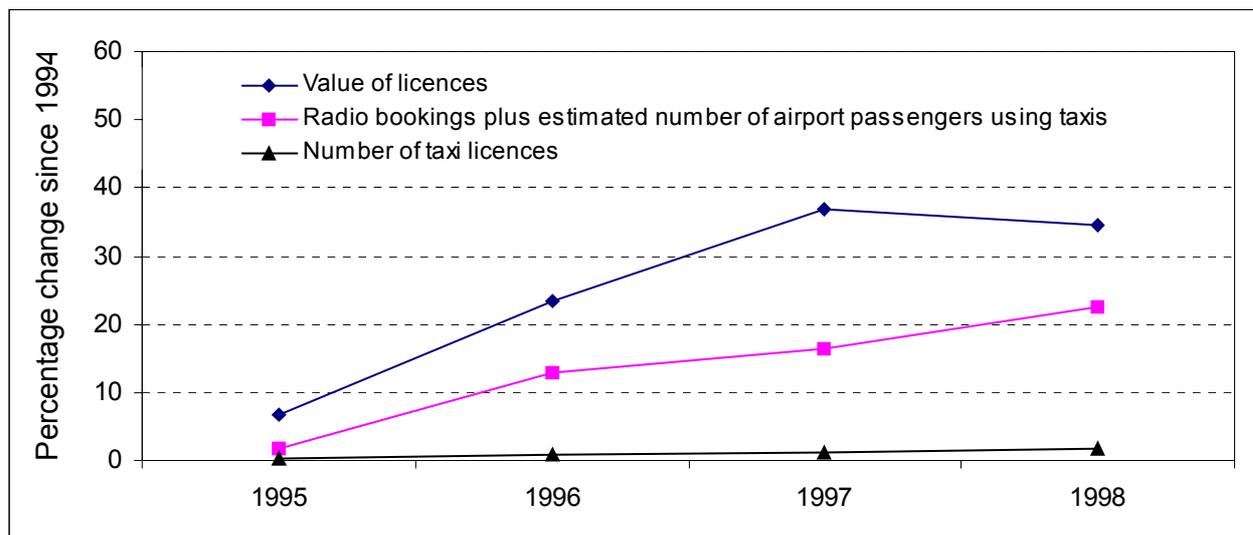
When a limit is placed on the number of taxis, the regulator must decide on the optimal number of taxis. This will depend on the demand for taxi services, fare levels, the costs of running a taxi business, and the impact of additional taxis on vacancy rates and passenger waiting times. An increase in fares may lead to an increase in taxi availability if the increase allows drivers to make sufficient revenue with greater vacancy time. However, any increase in availability may be offset if licence values (and hence licence lease costs) rise, pushing up the costs of running a taxi business. Similarly, if demand increases, but taxi numbers, fares and quality standards remain the same, this may lead to an increase in the number of taxis on the roads because vacancy time will fall. However, any demand increase is likely to lead to a corresponding increase in the licence values.

In Figure 9.1 the percentage change since 1994 of the number and value of licence plates, and the number of radio bookings and the estimated number of airport taxi customers is provided. Licence values increased over the period in line with the increase in demand for taxis in the telephone booking market and at Sydney airport. Meanwhile, the number of taxi licences increasing only marginally. Licence values fell in 1998. This may have been influenced by the announcement of 500 additional WAT and peak availability licences in June 1998. This suggests that the benefit of increased demand over this period was primarily captured by licence holders through an increase in plate values. Little benefit was derived by taxi operators, drivers and passengers.

The Tribunal sees little point continuing the restrictions on licence numbers in the long term. It is extremely difficult for the regulator to determine the optimal number of taxi licence. Any restrictions in place at a given time are likely to result in an increase in the value of licences as demand for taxis grows. The removal of the restriction on the number of licences is likely to lead to a reduction in licence values and lease fees over time. At the same time the number of taxis on the road is likely to increase, given maximum fare and quality standards regulations.

⁹⁹ Findlay and Round, op cit.

Figure 9.1 Changes to taxi licence values, number of taxi licences and estimated demand for taxis from radio bookings and airport passengers since 1994



Source: Value of licence and number of licences: Department of Transport,
 Radio bookings: Premier Cabs, Legion and TCS
 Airport passengers: Tribunal estimates based on data provided in the Kinhill Environmental Impact Statement on the New Southern Railway

9.2.2 Equity and the value of existing licences

Restricting the number of licences maintains taxi licence values and allows owners to charge higher lease rates than would otherwise be possible. These private benefits accrue to the owners of plates. Removal of the requirement to hold a licence would undermine the value of licences. The current value of all unrestricted licences issued in the Sydney metropolitan district is \$1.2 - \$1.3 billion.

Some licence owners have invested in their licence on the assumption that plate numbers will always be restricted. However, most owners are aware the Government can alter the regulations.

Other owners have received their licences under the ballot or seniority systems or have inherited licences obtained in these ways. These licences were awarded in recognition of military service or 10 years' service as taxi drivers. The restriction on the issue of licences serves to maintain the value of this recognition.

Restricting the number of licences may be justified as a means of providing licence owners with sufficient returns to meet the DoT's regulatory requirements. However, it is possible to impose licence conditions on industry participants without closing entry to that industry.

Aware that sudden changes to the industry may result in adverse outcomes, the Tribunal wishes to ensure a sensible strategy is adopted in relaxing restrictions on the number of taxi licences. The Sydney taxi industry currently operates in a very restricted environment. Regulation covers all aspects of the industry from drivers' behaviour to the management of taxi companies and the provision of network communications services. Taxi industry participants are closely involved in policy issues, and the DoT is closely involved in decisions which directly affect how operators and taxi companies manage their businesses.

In the Tribunal's view, both industry participants and the DoT should have the experience of operating in a less restrictive environment before the complete removal of licence number restrictions is considered. The Tribunal's recommendation to open entry to the hire car industry will increase competition and transport options at the upper end of the transport market. Accordingly, the Tribunal supports a phased increase in the number of taxi licences so that industry, passengers and the DoT can adjust to a more open environment.

The Tribunal recommends that the number of taxi licences in Sydney be increased by 5 per cent per annum for a period of five years from 2000 to 2005. This increase is recommended in the light of the increase in the number of radio bookings of around 5 per cent on average per annum between 1994 and 1998, and the increase in the number of passenger movements at Sydney Airport during this period.

The Tribunal also recommends that a focused review be conducted in 2003 to evaluate passenger service outcomes and the impact on those working in the industries of any reforms and measures arising from this review. As part of that review, an assessment of whether to continue issuing new taxi licences should be conducted and other options to further liberalise entry restrictions assessed.

Recommendation 13

The Tribunal recommends that the number of taxi licences in Sydney be increased by 5 per cent per annum between 2000 and 2005, and that in 2003 the Government review outcomes of these and other measures arising from the Tribunal's recommendations.

9.2.3 Methods of issuing new licences

The simplest way to increase the supply of licences would be for the DoT to auction an additional 5 per cent of licences each year. However, this might dilute the value of existing licences.

One alternative means of increasing the number of taxis while limiting the impact on existing licences would be to issue all new licences free to existing licence owners. Each year, some share of a new licence could be issued to each licence holder. These shares of licences could then be traded to allow new entrants to aggregate sufficient shares to put a new vehicle on the road. Existing licence holders who did not wish to increase the size of their fleet would receive compensation from the operator purchasing their shares. However, this method is complicated, requiring licence holders to trade in shares of licences, and the DoT to administer the issue, trading and consolidation of licence shares.

An option favoured by the NSW Taxi Council is to strictly limit the number of unrestricted licences, but to issue six-yearly, non-transferable licences to meet areas of emerging demand. This mechanism would allow the supply of licences to be increased or decreased, while limiting the direct impact on the capital value of existing unrestricted licences. There is likely to still be some impact on capital values if the demand for taxi services does not increase and average returns per taxi are reduced. In effect, this is the option being used by the DoT to increase the number of WAT taxi licences.

A possible benefit of this option is that the short term licence value can be set low enough to create taxi businesses with lower than average costs of operation. Presumably, these operators will be willing to keep their taxis on the road for longer hours.

This option would create a significant group of licences which had to be renewed every six years. This is unlikely to restrict investment in the industry by operators running single taxis as cars must be replaced every six years. However, it might prevent some operators from running larger fleets as these operators typically operate a maintenance and repair shop. Being unable to trade their taxi licences would also prevent taxi operators from selling out during the six year period. This problem can be offset by allowing licence holders to pay for a licence in annual payments.

Ultimately, it is likely to be difficult to maintain a distinction between unrestricted and short term licences when operators holding 'short term' licences have been reissued with those licences after the first six year period.

On balance, the Tribunal supports the continued issue of six-yearly, non-transferable licences in the interests of limiting the impact of new licences on existing licence holders. However, the Tribunal suggests that the practicality of these licence restrictions be reviewed after the initial six year period.

Recommendation 14

The Tribunal recommends that all new licences issued in Sydney between 2000 and 2005 be six yearly, non-transferable licences.

The Tribunal notes that the DoT successfully issued 100 six-yearly, non-transferable licences for normal taxis in 1998 at an annual licence fee of \$6000. There are several ways in which short term licences could be issued in the future.

Further licences could be offered at the same \$6000 fee, with the fee reduced if insufficient licences are taken up. However, the Tribunal is concerned that there is no clear rationing mechanism if more taxi operators wish to enter the industry than the number of licences available. One possible rationing mechanism is a ballot system. Another is for licences to be issued to operators in order of the lodgement of a request. A transparent process is essential to the success of any rationing mechanism.

An alternative approach would be to offer the licences for sale, allowing annual licence fees to be set at a level which increases the supply of licences by the intended 5 per cent per annum. However, the appropriate fee level is difficult to determine in the absence of a tender process or other public sale.

The NSW Taxi Industry Association propose that licences be issued only when they are justified by additional demand and that the fee should be set marginally below the ruling lease rate. "The current rate lies in the range \$370 to \$400 and a rate of between \$300 and \$320 would be appropriate for the new licences. Adjustment to the rates should be made with reference to movements in the Consumer Price Index"¹⁰⁰.

The Tribunal sees merit in the NSW Taxi Industry Association's proposal that a rate 20 per cent below the current rate should be charged for the any new licences that are to be issued in the short term. However, the Tribunal does not believe that maintaining the rate at any arbitrary level over time is justified in terms of passenger service. There is also no data on the number of taxi licences that would be demanded under such a licence fee.

¹⁰⁰ Submission by the NSW Taxi Industry Association, p 60.

The Tribunal recommends that a tender process be used to determine the price of any additional taxi licences.

Recommendation 15

The Tribunal recommends that any additional licences to be issued be leased via a transparent tendering process.

9.2.4 Area based operating restrictions on licence conditions

Limiting the area in which a taxi may operate, NSW is divided into transport districts. A taxi may drop a passenger outside its district, but may not pick up a return fare. In regional districts this can lead to long peak period waiting times and high off peak vacancy rates where the supply of taxi licences does not match passenger demand. Whilst a shortage of taxi licences may generate private benefits to licence owners, there are clear costs to the community from the mismatch of supply and demand.

Taxis are generally unrestricted as to where and when they may operate within a district. However, 25 licences in Sydney are limited to working in suburban and city fringe areas.¹⁰¹ These restrictions are anachronisms, providing no benefit to passengers, and unlikely to be enforced. They should be removed.

A submission by Premier Cabs, notes that one of its shareholders, Cumberland Cabs, has a fringe area contract in Camden which obliges it to ensure certain service performance standards are met in the area. As part of this contract it was issued with five additional unrestricted licences. It is not a requirement of the tender that these licences be restricted to the Camden area.

The Tribunal views fringe area contracts entered into by companies as a legitimate provision of service by a commercial enterprise and this should not be restricted in any way. However, it does view regulation of where a given taxi can work as unnecessary.

Recommendation 16

The Tribunal recommends that area-based operating restrictions be removed from the 25 licences in Sydney which are limited to operating in suburban and city fringe areas.

9.2.5 Peak availability licences

The issue of what to do about the lack of taxis at changeover times has been raised in submissions to the Tribunal. In the interim report the Tribunal recommends that peak availability licences be removed as improvements at peak times are best addressed by increasing the number of taxi licences, improving driver safety, and increasing fares at night. Whilst the Tribunal maintains this position with regard to peaks outside of changeover times there are some limitations on the application of this approach during changeover times. This problem is due to the factors that drive all operators to changeover at the same time. The Tribunal understands this occurs for historical reasons, the operational convenience of being able to assemble all vehicles at one location at one time and to ensure parity of driver income between the two shifts.

¹⁰¹ There are approximately five restricted fringe areas: Camden, Emu Plains, Berrilee, Windsor/Richmond and Hornsby. An annual fee is paid to the DoT during the contract period. This comes up for renewal in 1999.

Three taxi drivers offer suggestions with regard to this problem.

- That taxis be coloured coded into three groups with each colour working staggered shifts changing over at 1, 3 and 5pm respectively.¹⁰² This would required an adjustment in pay-in rates to reflect differences in earnings between shifts.
- That any new licences should be 17 hour peak availability licences. The recently issued peak availability licence is improving the supply of taxis during the 3 pm shortage and shortages on Friday and Saturday nights.¹⁰³
- That there be a requirement that every fleet owner with more than three taxis start 1/3 of the fleet at staggered intervals, check compliance through driver worksheets, and enforce this by imposing penalties on the operators.¹⁰⁴

In Table 9.3 a breakdown of the number of licences held by operators is provided. It can be seen that around 70 per cent of the fleet is operated by operators with no more than three taxis. From this it appears that the use of staggered changeover times for operators with more than three taxis will be of limited value. Requiring the whole fleet to change over at different times may be more successful in addressing the problems associated with changeover. However, this will require an adjustment to pay-in rates to reflect differences in earnings between shifts. Six different pay-in rates would need to be determined. It will also be necessary for DoT to monitor such a system.

Table 9.3 Percentage of total taxi fleet by size of operator

Number of taxis run by operator	Percentage of total taxi fleet
1	52
2	10
3	7
4 or 5	3
6 to 10	7
11 to 20	7
21+	15

Another other option is to issue more peak availability licences. Currently, these licences restrict the time at which a taxi can be on the road. Given the objective of the licence is to improve taxi availability during peaks such as changeover, the Tribunal believes that all new licences should be issued with the requirement that the taxi be on the road each weekday between 2 and 4 pm. The DoT must monitor and strictly enforce this requirement.

Recommendation 17

The Tribunal recommends that all new licences issued between 2000 and 2005 require that the licensed taxi be on the road between 2 and 4 pm each weekday.

9.2.6 Under- and over-supply of taxis in rural and regional locations

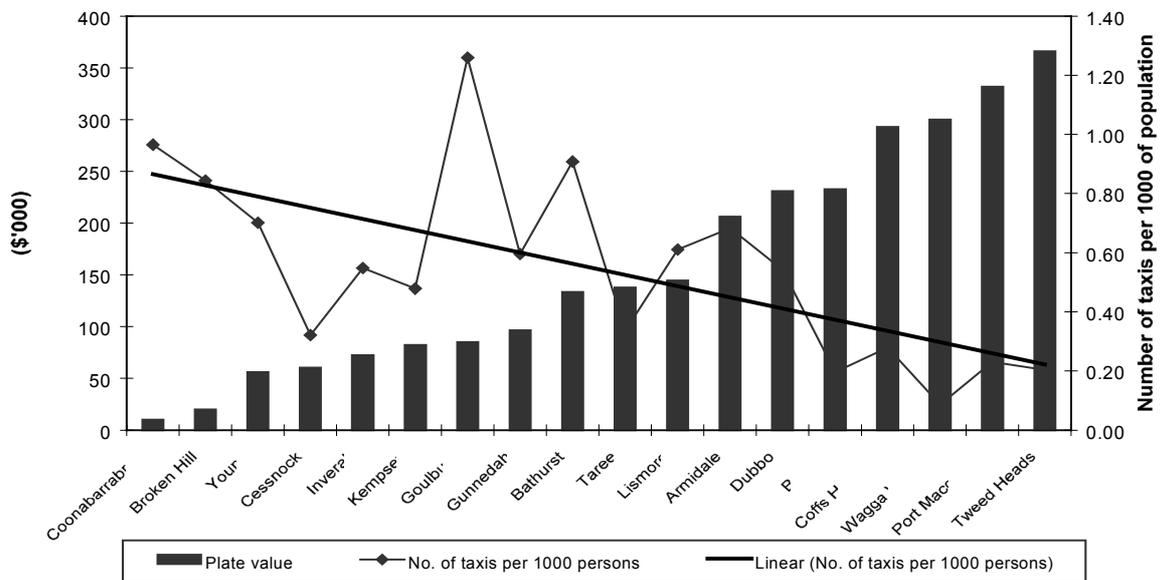
The cost of licences in rural and regional areas can range anywhere from \$5000 to approximately \$360,000 depending on market conditions in each area. Figure 9.2 shows the DoT's assessment of licence values in 18 other rural and regional areas where recent sales of licences have occurred

¹⁰² Submission by Raid Ibrahim, p 6.

¹⁰³ Submssion by **B Stewart**, p 4.

¹⁰⁴ Submission by **anonymous Sydney taxi driver**.

Figure 9.2 Taxi licence value in rural and regional locations (1997)



This sample of rural and regional locations shows an enormous disparity in values. Generally, larger towns and areas on the coast with tourist activity have higher values. The trend line shows the expected inverse relationship between plate value and number of taxis per thousand population.

The data for actual number of taxis per population shows significant deviations around the trend line. This may be because taxi licences are traded infrequently. Hence, values may be significantly affected by other factors and local considerations affecting each town. In some locations, the estimates of population used may not reflect the demand for taxis because of the presence of other townships nearby, tourist populations or other transport options.

Whilst the Tribunal does not have separate service quality indicators for each rural and regional location, wide disparities in the number of taxis per 1000 population suggests there may be too few taxis in some locations and a surplus in others. A submission by the Country Taxi Operators' Association of NSW argues that there are significant mismatches between the supply of taxis in many locations. The Association believes the Government should resolve the mismatch by transferring licences from areas of over supply to areas of under supply.

The Country Taxi Operators' Association of NSW's submission cites a 1996 plan drawn up between the DoT and the NSW Taxi Council based on the following steps:

1. The DoT and the NSW Taxi Council were to identify those towns in which taxi numbers were to be increased and decreased, and by how many (No criteria were specified for this).
2. Licensees moving to an area where taxis licences have a greater value were to pay the Government the difference in price, less 10 per cent to allow for some decrease in the value of all licences in the destination area.
3. Taxi licence values were to be based on the value of a licence as determined by an independent consultant engaged by the DoT.

4. After consulting local taxi groups and communities, the DoT was to call for expressions of interest to relocate. These would be accepted from licence holders in over-cabbed towns only.
5. An independent authority was to conduct a ballot to select which licence holders could relocate.
6. If licence re-locations were not sufficient to build up the number of taxis in a town to the desired level, the DoT was to address the imbalance by issuing additional non-tradeable licences.
7. This was to have been a once only activity and any future actions to increase the level of supply in any town were to involve issuing non-tradeable licences.

The plan did not proceed and the Tribunal understands that the DoT no longer favours such an approach.

A major area of annoyance for rural and regional taxi licence owners and operators is the imposition of regulations that are primarily designed for taxis operating in Sydney.¹⁰⁵ The nature of the taxi industry and the need for regulation in Sydney is significantly different from the situation in regional and rural NSW. There are also major differences in markets within the regional and country NSW taxi markets.

In rural and regional areas of South Australia local councils regulate taxis. This approach has advantages in that it allows for the regulator to be abreast of local conditions and allows for flexibility across the state.

Recommendation 18

The Tribunal recommends that the Department of Transport in conjunction with industry and local councils, investigate options for delegating the regulation of taxis in NSW rural and regional areas to local councils.

¹⁰⁵ Submission by North Coast Taxi Council.

10 THE HIRE CAR INDUSTRY

Private hire vehicles are luxury chauffeur driven vehicles which provide a passenger service through private arrangements. They differ from taxis in that they are not permitted to obtain hirings from the street or taxi ranks. Hire cars serve a diverse range of markets which are peripheral to core public transport. Many provide specialised services which are allied to other industries and events such as tourism, conference organisation, weddings, school formals, funerals and other niche markets.

10.1 Hire car entry requirements and ongoing regulations

Under the Act, hire cars may have either perpetual unrestricted licences for all types of hire car work (260 vehicles), or short term restricted licences which may conduct only certain classes of work, serving as wedding cars, mourning vehicles, and providing tourist services (around 400 vehicles).

Entry accreditation requirements

The key entry accreditation requirements for an operator of private hire vehicles are:

- two character references from people of defined professions stating that the applicant has been known to them for at least five years and is of good repute
- a statement from the applicant's accountant certifying the financial viability of the applicant and his/her proposed operation
- a reference from the manager of the applicant's principal bank stating the bank's assessment of the applicant's credit worthiness
- third party insurance for a minimum of \$200,000
- not having been bankrupt nor having been convicted of a serious criminal offence.

Operators of more than three vehicles must fulfil additional requirements including:

- off-street parking facilities and vehicle maintenance facilities under cover
- vehicle maintenance, vehicle cleaning, and driver monitoring programs.

Ongoing regulatory restrictions

The key ongoing restrictions for an operator of private hire vehicles are:

- all hirings must be pre-booked and not obtained from street hails or taxi ranks
- all drivers must hold a current authorisation. Authorisation is granted to applicants with no criminal record and an acceptable driving history
- all hire car licence holders must operate one of a limited category of vehicles and conform with requirements for the maximum age of the vehicle.
- restricted hire car licence holders generally service the wedding market and are limited to 10 non-wedding related hirings.

There is a clear problem in enforcing the present restriction to 10 non-wedding trips¹⁰⁶ for restricted hire cars, given the obvious difficulty in identifying when operators have exceeded the total. The cost of compliance monitoring by the DoT must be weighed against the benefits, if any, of restricting entry into the hire car market. Maximum hire car fares are not regulated by the DoT.

10.2 Current service levels

Reports on the hire car industry published in 1983¹⁰⁷ and 1996¹⁰⁸ argue that the constraint on the supply of licences in the private hire car industry has stifled innovation and the development of new markets for hire cars. However, the DoT reports that it receives very few complaints about the standard and availability of private hire vehicles.

The number of perpetual, unrestricted licences in the private hire vehicle industry has remained static at about 240 since 1965. This is despite growth in population and the development of small specialised transport markets. In response to this demand, the DoT has issued short-term licences restricted to the most readily identifiable niche markets.

Several groups, including the Motor Traders Association – Hire Car Division, Vintage & Classic Car Hirers Association (VCCHA) and Chauffeured Limousine Association of NSW, represent the interests of licence holders, operators and drivers.

10.3 Lack of opportunities for business development

Several submissions from restricted hire car licence operators claim that existing regulations prevent them from satisfying passenger demand which is currently not being met by unrestricted hire car licence holders. These submissions seek greater flexibility in the regulations to enable them to service emerging new markets without the need to conform with outdated specified vehicle standards. For example, a submission from Australian Dream Weddings expresses interest in being able to offer tours of Sydney in a package including restaurant dining using their existing Cadillac wedding vehicles.¹⁰⁹

Similarly, the VCCHA would like to be able to stand at a separate hire car rank at five star hotels and at a prominent rank at Sydney Airport. The VCCHA believes that some customers at these venues would greatly appreciate the ability to utilise a superior standard of service.

Even in the absence of changes to hire car licences, competitive pressures from peripheral markets will erode the protected market of existing licence holders. For example, in the hire car industry a number of unrestricted niche markets such as minibus 'tourist vehicles', airport shuttle services and motorcycle tours compete with hire cars.

Tourist vehicles are restricted to nine seat vans operating mainly as airport shuttle services or as transport for small groups to specific events. In 1990 restrictions on the number of tourist

¹⁰⁶ From January 1999, the DoT has required notification of the 10 trips.

¹⁰⁷ Dept of Motor Transport NSW, *Review of policies and practices in regulating the taxi and hire car industries in NSW*, December 1983.

¹⁰⁸ RJ Cotton for the Dept of Transport, *Review of the private hire vehicle industry in NSW*, December 1996.

¹⁰⁹ Australian Dream Weddings, submission to IPART, 30 September 1998, p 1.

vehicles were removed and the number of these vehicles has risen from 200 to approximately 2000.

Courtesy buses supplied by hotels and community groups create some competition for taxis, particularly in rural and regional areas. Some competition for hire cars is provided by wheel chair accessible taxis which compete for work carrying larger groups of travellers to and from Sydney Airport.

10.4 Costs and benefits of existing regulations

10.4.1 Restrictions on the number and duration of hire car licences

The hire car industry has remained highly regulated, essentially to protect the demarcation between taxi owners and hire car owners. The Government has pursued deregulation of sectors which do not impact upon taxis or hire cars, such as tourist vehicles and motor bikes. Both these deregulated sectors have operated for several years providing customers with new and innovative services while incurring very few complaints.

It seems inappropriate to pursue the benefits deregulation can offer customers only where there are no objections from industry participants. If deregulation offers the most effective solution to improving service quality, it should be pursued.

Opening entry to the hire car industry would create new business opportunities, particularly for limousines services at the top end of the transport market. Strong demand for these services is initially likely to come from the airport and hotels. However, over time hire car operators are likely to develop a broader range of transport services aimed at tourists and businesses.

Where hire car operators succeed in establishing themselves in markets currently serviced by taxis, this will free up the capacity of taxis. This should result in greater availability of taxi services at peak periods and at locations such as the airport.

Supporting extending the deregulated wedding car model to the remainder of the hire car industry, Mr Vince Porfida, President of Chauffeured Limousines Association of NSW states:

The consumer is quite well represented by the Department of Fair Trading, the vehicle standards by the RTA etcetera, ... I think competition will keep everyone honest. The amount of problems in that (wedding) industry has been, as the Department of Transport said, none at all.¹¹⁰

The Tribunal sees little benefit in maintaining distinctions between unrestricted, perpetual licences and restricted, annual permits. Eligibility to operate a hire car business should be judged by quality-related criteria only. It is a matter for government whether it wishes to review this eligibility annually by issuing annual permits, or at longer intervals by issuing long term, or perpetual licences.

Recommendation 19

¹¹⁰ 26 November 1998, IPART Hearing, Transcript p 163.

The Tribunal recommends that the current restriction on the number of hire car licences be removed. Hire car licences should be issued to any person who can satisfy the quality-based entry requirements. All hire car businesses should operate under the same licence conditions.

As with taxis, hire car licence conditions allow vehicles to operate within defined local government areas. As Sydney has expanded, these operating areas have not altered to reflect changing travel patterns and the expansion of residential areas.

Recommendation 20

The Tribunal recommends that area-based restrictions on hire car licences be removed.

10.4.2 Annual fees for hire car licences

The current short term unrestricted hire car lease fee in Sydney is set by the DoT at \$16,000 pa (\$1330 per month). The perpetual versions of these licences have recorded sales in 1999 averaging \$150,000. Plate owners lease unrestricted licences for approximately \$1000 per month.

The reason for issuing short term hire car licences was to enable the DoT to allow temporary, unsatisfied demand to be met. However, the current rate at which the short term unrestricted hire car lease is set represents a significant barrier to entry for potential hire car operators and appears to underwrite the value of unrestricted permanent hire car plates. A less restrictive mechanism for the short term fee would be to recover only administrative and compliance costs associated with the licence.

The hire car industry outside Sydney is also serviced by a mix of permanent, unrestricted licences, annual, unrestricted licences and annual, restricted licences. As in Sydney, no new perpetual unrestricted licences have been issued for several decades. Unrestricted hire cars are unable to offer satisfactory competition to taxis in the telephone booking market.

Until very recently, the fee for a short term, unrestricted hire car licence was calculated using the 1990 Commonwealth Bond rate and the last sale price of a hire car licence in the area in question.¹¹¹ The minimum short term licence fee of \$3000 per annum imposed a floor to the bond rate calculation. Whilst the bond rate used in the calculation outside of Sydney has now been updated, the calculation is still based on the need to protect the licence value of perpetual licences.

Representing an unattractive commercial proposition, this fee requires restructuring. The Tribunal supports a reform of the annual licence fee to enable operators to acquire these licences for a fee based on the administration, monitoring and compliance costs associated with issuing and regulating licences.

Recommendation 21

The Tribunal recommends that hire car licence fees be reduced to an amount which reflects the administrative and compliance costs associated with the industry.

The taxi market in rural and regional areas of NSW differs from that of Sydney and the major cities of Newcastle and Wollongong in that, a much smaller proportion of taxi business is

¹¹¹ If an unrestricted hire car licence had not been sold in the area, half the value of the most recently traded taxi licence was used as a benchmark value.

derived from the street hail and rank markets. However, for historical reasons taxis in rural and regional areas have been forced to comply with regulations which are designed primarily for the Sydney taxi market. These regulations impose significant costs on rural and regional taxi operators.

The Country Taxi Owners' Association argues that given the cost of meeting taxi licence requirements, low licences fees on hire cars in rural and regional will result in unfair competition and wipe out the rural and regional taxi industry.¹¹² The Tribunal believes this argument has some validity as taxis and hire cars in rural and regional locations are in much closer competition than in Sydney and in the major cities of Wollongong and Newcastle.

Recommendation 22

The Tribunal recommends that the Department of Transport investigate whether hire car regulation should be delegated to local councils in rural and regional areas in conjunction with the regulation of taxis

10.4.3 Driver and operator accreditation

As with taxi operators, persons applying to operate hire car businesses must verify their good character and financial standing, and have no criminal record. These obligations are of benefit to passengers as hire car operators have contact with the general public.

Drivers must hold a current driver's licence, have an acceptable driving history, and no criminal record. These requirements appear sufficient without being onerous.

10.4.4 Hire car business operating requirements

Existing vehicle standards include some regulations designed to ensure hire car operators hold third party insurance, have sufficient parking and maintenance facilities, and have business plans for vehicle maintenance, vehicle cleaning and monitoring of driver quality.

Whilst these regulations may generate some public benefit, they are probably redundant. All vehicles are required to hold third party insurance. Local councils will establish that sufficient parking and business premises are available to prevent hire car operators detracting from the amenity of their local community. A hire car business which does not properly maintain or clean its vehicles, or provides unsatisfactory drivers, is unlikely to generate sufficient return business to remain viable.

Recommendation 23

The Tribunal recommends that regulations governing the management of hire car businesses be removed unless necessary to address specific service quality issues.

10.4.5 Vehicle standards

Current regulations limit the choice and age of vehicle which a hire car operators may use. Operators may run a Ford Fairlane, Ford LTD, or Holden Statesman until the vehicle is six years old. Mercedes, Jaguar, Daimler or Cadillac vehicles may be operated until they are 15 years old. Rolls Royce, Bentley, or vintage vehicles (defined as over 30 years) are the only

¹¹² Submission by the Country Taxi Owners' Association, p 12.

exceptions, having no age limit. Other vehicles may be operated at the discretion of the DoT if they are satisfied with the luxury and appearance of the vehicle.

These vehicle standards are designed to ensure hire car operators provide a certain minimum standard of vehicle, but they are poorly targeted. By focusing on vehicle makes and ages, they limit the options that an operator may select to target niche markets or minimise vehicle costs. Hire cars currently service the 'top end' of the public transport vehicle market. Passengers are well equipped to judge the quality of a vehicle, and should be allowed to decide if they will accept an older, well maintained vehicle, or a make of vehicle not currently permitted.

One purpose which may be served by maintaining some level of vehicle standards is to maintain a separation between hire cars and taxis. Without some separation, deregulation of hire cars will effectively deregulate entry to the taxi industry.

The Tribunal is conscious that its recommendations for the reform of hire car regulations must be developed to enhance rather than detract from taxi service quality. The hire car industry currently completes fewer than five per cent of total journeys completed by taxis. The experience in deregulating entry to the hire car market in Adelaide suggests opening entry allows hire cars to win significant amounts of telephone booking business from taxis.

The impact of this change on taxis in Sydney would be significant, as 44 per cent of taxi journeys arise from telephone bookings. Taxis and hire cars already compete to a limited extent for telephone bookings. However, the small number of unrestricted hire cars (260) reduces the potential for telephone market competition.

Entry to the hire car industry in South Australia was opened in 1991. The number of registered hire cars increased from 50 in 1991 to 700 in 1997. However, only 200 of these were new operators. The rest were special purpose vehicles previously operating without authority.¹¹³

A moratorium on new licences was imposed in 1997 because of concerns over service quality. Entry to the hire car industry was reopened in 1998, but some vehicle and driver accreditation standards were imposed to create three new categories of hire car.

1. Metro hire cars, which compete directly with taxis. Defined as accepting fares of less than \$20, driving more than 40,000km per annum, or having a wheelbase under a particular length, these vehicles pay an annual fee of \$1000.
2. Traditional hire cars, which offer standard limousine services. Vehicle standards have been applied to differentiate these vehicles from taxis. The annual fee for these vehicles is \$50.
3. Special purpose vehicles, which provide peripheral services such as four wheel driver outback tours, motorcycles, novelty vehicles and tourist package deals. These vehicles pay an annual fee of \$50.

A baseline study by the University of South Australia¹¹⁴ in 1996 indicates that deregulation of hire cars has resulted in:

¹¹³ Personal communication with the Victorian Passenger Transport Board.

¹¹⁴ Transport Systems Centre, University of South Australia, *Adelaide Taxi Industry Baseline Study 1996*, April 1996.

1. better service for the travelling public, particularly in outer metropolitan areas
2. fewer complaints to the Passenger Transport Board
3. effective competition for the 60 per cent of taxi work which is pre-booked
4. large customers such as major hotels entering into contracts with hire car operators
5. a deterioration in the financial position of taxi drivers
6. maintenance of plate lease rates and a steady increase in the real value of taxi plates.

The market price for taxi plates has increased steadily in real terms over this period and remains high.

A follow up study in 1998¹¹⁵ finds that passengers rarely wait at ranks, and service in busier times has improved further since 1996. The average number of trips per taxi has fallen and the total level of demand has fallen slightly. Overall, South Australian reforms of the hire car industry have been successful in improving service quality and expanding competition.

Western Australia deregulated its hire car industry in 1994. Western Australia has regulated minimum fares and vehicle conditions for hire cars. In effect, this restricts competition between taxis and hire cars. Hire cars must be hired for a minimum of one hour and must charge 30 per cent more than the comparable taxi fare.

In the interim report the Tribunal sought comment on the most appropriate way of achieving a differentiation between taxis and hire cars. Several submissions were made in regard to vehicle standards regulations. These can be divided into two groups. The first group argues that the use of more stringent vehicle standards for hire cars was required to differentiate the markets. The second group argues that vehicle standards above some minimum level should be left to the market to decide.

The Tribunal believes that some form of regulation should be maintained over the next five years to allow the orderly development of a hire car industry, while maintaining the taxi industry as the primary means of public transport by private vehicle.

Whilst the Tribunal wishes to foster an active and dynamic hire car industry, it believes that the process of reducing regulation of the hire car industry must be gradual. It must also take into consideration other regulatory changes in the hire car and taxi industries. For this reason the Tribunal recommends that the current regulation of hire car vehicle standards be maintained.

Recommendation 24

The Tribunal recommends that the current regulation of hire car vehicle standards should be maintained

10.4.6 Prohibition on plying for hire

The prohibition on hire cars plying for hire on streets is a fundamental part of the distinction between taxis and hire cars. Submissions to the Tribunal supported continuing the current prohibition on hire cars plying for hire on streets. This is widely regarded as fundamental to differentiating the taxi and hire car industries. The Tribunal supports this view and, hence, the retention of the prohibition on hire cars plying for hire on streets.

The Tribunal also supports the establishment of hire car desks at airport, hotels and other locations likely to generate hire car work. Passengers should be able to book a hire car at short notice from these desks, improving their access to hire car services. Combined with sufficient parking capacity, hire car desks would significantly improve the efficiency of operation of the hire car industry. The Tribunal notes there is no current prohibition on hire car operators setting up desks at these locations and does not see a role for Government in this matter.

¹¹⁵ Transport Systems Centre, University of South Australia, *Adelaide Taxi Industry Study 1998*, report prepared for the Passenger Transport Board, March 1999.

Recommendation 25

The Tribunal recommends maintaining the prohibition preventing hire cars from plying for hire through street hails and at ranks.

10.5 Hire cars as a transport option for less mobile passengers

The option of allowing hire cars to service the wheelchair and mobility impaired markets also warrants investigation. These markets are similar to traditional hire car business as customers pre-book and prefer to establish a long term relationship with a driver who understands their needs. This option may alleviate some of the delays and long waiting times being experienced by wheelchair and less physically able customers.

In the interim report the Tribunal recommends that “the Taxi Transport Subsidy Scheme be extended to allow hire cars to accept the vouchers. The voucher scheme should be supplemented with a per kilometre subsidy rate as hire cars do not operate meters”.

The Australian Quadriplegic Association, Disability Council of NSW, Equity Transport Group, VCCHA and Newcastle Tour Company support the recommendation. Newcastle Tour Company states it is already providing a service to Department of Veterans Affairs and the Department of Education for less mobile or wheelchair clients. Also it is often asked to assist with transport for other clients. However, Newcastle Tour Company is unable to accept the TTSS voucher. This usually means clients with disabilities go elsewhere.

Chauffeured Limousines Association, Premier Cabs, Country Taxi Operators’ Association and taxi drivers oppose this proposal. Chauffeured Limousines Association believe that the voucher scheme should be restricted to the core transport system only. Premier Cabs and the Country Taxi Operators’ Association object to it on the grounds that it allows hire car companies to ‘cherry pick’ the TTSS work as there is no requirement to make their vehicles wheelchair accessible, nor for them to service the full range of TTSS customers.

The Tribunal considers that the most valid argument against extending the TTSS system to hire cars is that it will place WATs at a disadvantage as they are required to service all disabled customers and meet other community service obligations, whereas hire car companies are not and will be able to refuse hire cars to customers that they do not deem to be profitable to service. For this reason, the Tribunal does not believe the TTSS system should be extended to hire cars.

APPENDIX A TERMS OF REFERENCE

I, Bob Carr, Premier, pursuant to Section 12A of the *Independent Pricing and Regulatory Tribunal Act 1992*, refer to the Independent Pricing and Regulatory Tribunal the following matters for investigation and report:

1. review the *Passenger Transport Act 1990* to establish whether the legislation meets the requirements of the Competition Principles Agreement (1995) and Part IV of the *Trade Practices Act 1974* (Commonwealth) as regard to the taxi cab and private hire car industries
2. examine any restrictions on competition in the taxi cab and private hire car industries arising from the aforementioned legislation and ascertain whether the restrictions are in the public interest and are likely to accord with the authorisation provisions of section 90 of the *Trade Practices Act 1974* (C'th)
3. identify any issues of market failure which are, or should be, addressed by legislation
4. recommend any improvements to the legislation, policies of the Department of Transport or industry practices which would facilitate increased levels of service and competition
5. consider alternative means for achieving the policy objectives of the Act which are consistent with the Competition Principles Agreement and public interest provisions of the *Trade Practices Act 1974* (C'th).

In conducting this investigation, the Tribunal should consider:

- i. all restrictions on competition in, or arising, from the legislation;
- ii. the benefits and costs of the restrictions on competition identified in (i);
- iii. any unreasonable impediments to growth in the industries;
- iv. the importance of regulatory certainty;
- v. standards of quality, reliability and safety of services offered;
- vi. the needs of disabled passengers being catered for, which includes the provision of wheelchair accessible taxis;
- vii. a need for greater opportunities for entry, including entry by owner/operators;
- viii. the cost of providing services;
- ix. the level of efficiency in the supply of services and the consequent effect on the charges faced by consumers;
- x. the social, financial, economic and administrative impacts of any recommendations made; and
- xi. any other matters that the Tribunal considers to be relevant.

APPENDIX B LIST OF SUBMISSIONS

Submissions to the Issues Paper

Organisation	Name
	A'dison, Cheryl
	Ahmed, Faruque
	Anonymous
	Anonymous
	Anonymous
	Birney, Keith
	Bogacki, Adam (2 submissions)
	Bryan, Malcolm
	Davidson, Lorna
	Delander, Steven
	Frangopoulos, Angelos
	Holder, Phil
	Ireland, Robert
	Jennings, Darryl
	Johnston, Adam (3 submissions)
	Kho, Andrew
	Killeen, Greg
	Lipski, David
	Lo Po, Faye
	Morris, Brian
	Murray, John
	Newton, John
	Norcross, JC & IE
	O'Brien, Noel
	Ratcliffe-Simmonds, Sue (2 submissions)
	Wright, Gary
Australia in Style	Reed, Vivien
Australian Quadriplegic Association	Brice, David
Ballina Lennox Head Hire Care Service	Taberner, Grahame
Ballina Taxis	
CD Limousines	Porfida, Vince
Central Coast Taxis	
Chauffeured Limousine Association of NSW	Roppolo, Pina
Combined Districts Radio Cabs Co-op	Ratay, Peter
Disability Council of NSW	Manns, Leonie

Organisation	Name
Ettinger House Inc	Lake, Rob
European Hire Cars Pty Ltd	Galluzzo, John
First National Limousines	Morris, Michael & Lorraine
Forbes Taxi Service Co-op Ltd	Butler, Dennis
Grafton Radio Taxis Co-op Ltd	Morgan, C J
International Hire Cars (Sydney)	Roppolo, Paul & Pina
Lismore City Council Public Transport Advisory Panel	Weatherby, Robert
Lismore Taxis Co-operative Ltd	Joyce, Peter (2 submissions)
Michael Henderson Research	Henderson, Michael
Motor Traders Association	Gibbons, Jim
North Coast Taxi Council	Clark-Smith, Ray
North Coast Taxi Council	Pickering, D
Northern Rivers Social Development Council	Phillips, Shawn
NSW Country Taxi Operators Assoc.	Davis, Fred (2 submissions)
NSW Dept of Transport	Murray, Jock
NSW Disability Discrimination Legal Centre (Inc)	Banks, Robin
NSW Taxi Industry Association	John Bowe
NSW Transport & Distribution ITAB Ltd	Denyer, Adrian
NSW Transport Workers Union	O'Brien, Shane
Orange Taxi Cabs	Mahoney, Michael
People with Disabilities (NSW) Inc	French, Phillip (2 submissions)
Physical Disability Council of NSW Inc	Moxon, John
Premier Cabs Pty Ltd	Hyer, Peter
Sapphire Limousines Services	Dapalia, Rocco
Shoalhaven Limousine Service	Plant, Trevor (2 submissions)
Sydney Airports Corporation	Downy, Chris
Taxi Cabs of Bathurst Co-operative	Sisley, L E
Taxi Industry Services Assoc Inc	Hatrick, Michael
Tourism Council of Australia	Koloff, Mary Lynne
Tourism New South Wales	Buckley, Geoff
Tourism Task Force	Flowers, Karl
VCCHA Inc	Morris, Brian (2 submissions)
Wild Weddings	Zanetti, Paul (2 submissions)

Submissions to the Interim Report

Organisation	Name
	Mr Faruque Ahmed
	Mr & Mrs Santi & Gigliola Alessi
	Anonymous
	Anonymous
	Anonymous
	Anonymous
	Mr Keith Birney
	Mr Peter Boyce
	Mr Geoff Coates
	Mr John Deehan
	Mr David Dickie
	Mr Brian Drewitt Smith
	Mr Adel Eldahaby
	Mr Andrew Fleisher
	Mr Les Gamauf
	Mr Phil Horder (2 submissions)
	Mr Riad Ibrahim
	Mr Ross Mastroianni
	Mr Tony McKavanagh
	Mr Don Morison
	Mr B Morris
	Mr Samir Nagib
	Mr Nabil Rezk
	Mr Russell Smith MP
	Mr Barry Stewart
	Mr J F Tyrrell
	Mr Perry A Whiston
Ansett Australia	Mr Chris Falvey
Australia in Style	Ms Vivien Reed
Australian Quadriplegic Association	Mr David Brice
CD Limousines	Mr Vince John Porfida
Chauffeured Limousine Association of NSW	Ms Pina Roppolo
Commonwealth Department of Veterans'	Ms Janet Anderson
Country Taxi Operators' Association of NSW	Mr Richard Garvey
Disability Council of NSW	Ms Leonie Manns
Equity Transport Group	Mr Glen L Collis
European Hire Cars Pty Ltd	Mr John Galluzzo
First National Limousines	Mr & Mrs Michael & Lorraine Morris
Glazebrook & Associates	Mr Garry Glazebrook
International Hire Cars (Sydney)	Mr & Mrs Paul & Pina Roppolo
Least Cost Taxi Centre	Mr Bruce Wall

Organisation	Name
Legion Hire Cars	
Legion Hire Cars	Mr Harry Battersby
Michael Henderson Research	Dr Michael Henderson
Motor Traders Association	Mr Jim Gibbons
Newcastle Tour Company Pty Limited	Mr Bryen Smith
North Coast Taxi Council	Mr D Pickering
NSW Taxi Industry Association	Mr John Bowe
Premier Cabs Pty Ltd	Mr Peter Hyer
Sapphire Limousines Services	Mr Rocco Roy Papalia
Silver Star Limousines	Mr Robert J Paul
Taxi Industry Services Assn.Inc.	Mr Michael Hatrick (2 submissions)
Tourism New South Wales	Mr Tony Thirlwell
Tourism Task Force	Mr Christopher Brown
Tweed Heads Coolangatta Taxi Service	Ms Irene Young
University of New England	Mr J M Scott
VCCHA Inc	Mr B A Morris
Wild Weddings	Mr Paul Zanetti (2 submissions)