

THE NSW TAXI INDUSTRY

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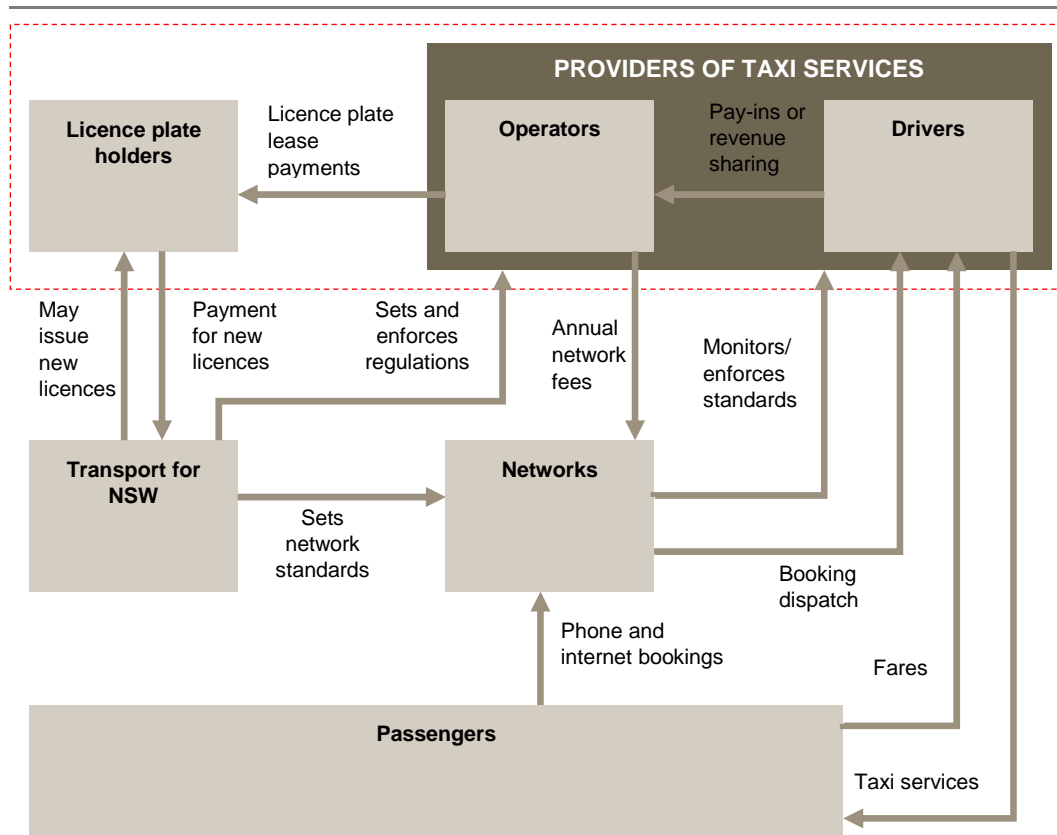
This document is a guide to the NSW taxi industry. It sets out the structure of the industry in NSW, including the key participants, their roles and responsibilities and the regulatory environment in which they operate.

It also describes the 2 elements of the industry, taxi licences and taxi fares, where IPART has a role in making recommendations to Government.

1 Participants in the NSW taxi industry

An overview of the NSW taxi industry and its participants is illustrated in Figure 1.1.

Figure 1.1 Overview of the taxi industry in NSW



Source: CIE, *Reweightings of the taxi cost index*, April 2012, p 14.

1.1 Regulators

Taxi services are regulated by government to ensure they meet acceptable safety and quality standards.

In NSW, the main regulator of the taxi industry is Transport for NSW. Specifically, the *Passenger Transport Act 1990* gives Transport for NSW the authority to:

- ▼ enforce and set¹ taxi service standards for networks, vehicles, operators and drivers
- ▼ set maximum taxi fares
- ▼ set the number of new taxi licences to be released each year.

In addition, the *Passenger Transport Act 1990* gives Roads and Maritime Services the authority to:

- ▼ issue taxi driver authorities
- ▼ issue taxi operator accreditations
- ▼ issue taxi licences
- ▼ authorise taxi networks.

IPART assists Transport for NSW by reviewing and recommending:

- ▼ changes to taxi fares
- ▼ the number of new annual Sydney taxi licences to be issued each year.

These recommendations are considered by Transport for NSW, who make the final decisions on fares and licences.

1.2 Taxi operators

Taxi operators are responsible for the day-to-day management of one or more taxis. Operators may be an individual or a corporation. An operator must be accredited by Transport for NSW and must hold a taxi licence for each vehicle they operate.

Operators must also be affiliated with an authorised network and are required to fit out their vehicle(s) with their network's livery and install the network's communications equipment. Operators also have to organise drivers and insure and maintain the vehicle.

¹ Most standards are enshrined in the *Passenger Transport Regulations 2007* and the *Passenger Transport Act 1990*. However, the *Passenger Transport Act 1990* also gives TfNSW the power to determine standards from "time to time".

Currently, around 60% of urban taxi operators lease their taxi licences; the rest either own a licence or hold the annual licences that Transport for NSW has issued since 2010.²

As at 1 July 2013, there were 2,551 active accredited operators in Sydney, and 3,315 in total in NSW. Most operators operate just one taxi.³

Operators may drive their own taxis or they may arrange for other drivers to drive their taxis for some or all of the shifts the taxi is on the road. In Sydney, most operators arrange for other drivers to drive their taxis by charging the driver a fixed fee to take out ('bail') the taxi.⁴ Outside Sydney, the arrangement between operators and drivers is more likely to be one in which fare revenue is shared.

The maximum fee that a Sydney operator can charge a driver is set per shift by the Industrial Relations Commission, and currently ranges from \$266.55 for a Friday or Saturday night shift, down to \$175 for all day shifts.⁵

1.3 Taxi drivers

A taxi driver must be licensed to drive in NSW and must be authorised by Transport for NSW. Drivers must wear the approved uniform of the network to which their vehicle is affiliated, and be logged in to that network while the taxi is available for hire. Sydney drivers are responsible for paying for fuel and car washing under bailment Method 2 (fixed pay-in).

As at 1 July 2013, there were 24,113 authorised drivers in NSW, although not all were active.⁶

² The CIE, *Reweighting of the taxi cost index – final report*, April 2012, p 44.

³ Information provided by Transport for NSW.

⁴ This arrangement is permitted by the Industrial Relations Commission through the Taxi Industry (Contract Drivers) Contract Determination 1984. The fixed fee arrangement is known as "Method 2." From time to time the Industrial Relations Commission sets a maximum fee that operators can charge drivers. Alternatively, operator and driver can agree to divide the taxi fares collected on the shift – usually 50/50 ("Method 1"). While a shared fare revenue arrangement is common elsewhere in Australia, it is rarely used in Sydney.

⁵ See www.industrialrelations.nsw.gov.au/biz_res/oirwww/pdfs/Awards/Award_0103.pdf.

⁶ Information provided by Transport for NSW.

1.4 Taxi networks

All taxis in NSW must be affiliated to an authorised taxi network.⁷ In return, taxi networks must provide a radio booking service, as well as security monitoring services for drivers and taxi passengers.⁸

In some cases, networks also provide additional services to operators and drivers, such as training, leasing or sub-leasing taxi licences, insurance broking, and repairs and maintenance. In addition, they monitor and enforce service standards for operators, drivers and vehicles. Networks must be authorised by Transport for NSW.

There are 12 networks operating in Sydney, although some are linked in their business structures.⁹ In addition, there is a booking service, Zero200, which provides a radio booking service solely for wheelchair accessible taxis.

Outside Sydney, a further 53 networks operate.

1.5 Licence owners

Although a taxi operator must hold a licence (either by owning or leasing it) in order to conduct a taxi business, there is no requirement for a taxi licence owner in NSW to play any part in providing taxi services – and many do not. This means that taxi licences are comparable to other financial assets. The expected profits of owning a licence are determined by how profitable it is to either operate a taxi now and into the future, or how profitable it is to lease the licence to another party.

There are currently 5,667 licences in the Sydney taxi market (as at 28 August 2013).¹⁰ Most of these licences are owned by individuals, and more than half are owned by individuals with only 1 licence each. The taxi networks own 493 licences between them.¹¹ The taxi networks also manage licences for individual owners by organising to lease or sub-lease them to operators.

Transport for NSW advises that about 79% of taxi licences are operated by someone other than the licence owner.¹²

⁷ *Passenger Transport Act 1990*, S 30(1).

⁸ *Passenger Transport Regulation 2007*, sections 174 and 175.

⁹ Information provided by Transport for NSW.

¹⁰ Information provided by Transport for NSW. Transport for NSW has advised that 89 of the licences are 'on hold' – that is, the licence is in force, but a taxi is not currently being operated using the licence.

¹¹ Information provided by Transport for NSW.

¹² Information provided by Transport for NSW. This includes operators who are registered under a different name to the entity registered as their licence owner (eg, their own superannuation fund, family trust or company) despite the fact that the operator is the beneficial owner of the licence. (NSW Taxi Council submission to IPART draft report: Annual taxi licence release for Sydney 2013/14.)

2 Taxi licences

A taxi licence authorises its holder to use a motor vehicle as a taxi; that is, they can supply a public passenger service and procure hires on the street. In NSW, every taxi must have a taxi licence in order to operate.

A range of different types of taxi licence are currently valid in NSW. Licences can be defined by the conditions on when, where and how they can be operated, as well as by how long they are valid for and whether or not they can be sold or leased.

2.1 Taxi licence conditions

All taxi licences are only valid in a particular geographical area – for example, the Sydney Metropolitan Transport District. If there are no other conditions on their operation then licences are known as unrestricted licences.

However, some taxi licences do place further restrictions on how a taxi can be operated. These are:

- ▼ *Peak Availability Licences (PALs)* - can only be operated between 12 noon and 5 am, and are typically driven for a single shift per day. There are 283 PALs in Sydney.
- ▼ *Fringe Area Licences* - are authorised for hire only within the area of operation. They can only accept hires that originate outside their area of operation where the hiring has been pre-booked and the person is being taken to a place within the area of operation. There are 12 Fringe Area Licences in Sydney.
- ▼ *Wheelchair Accessible Taxi (WAT) licences* - must be operated to give preference to transporting wheelchair users.

2.2 Tenure and tradability

In addition to the conditions on licences, the Government issues some taxi licences for a certain timeframe or restricts the licences' ability to be traded. The different kinds of licence tenure in NSW are:

- ▼ *Perpetual licences and ordinary licences* - can be freely traded and, in effect, last forever.¹³
- ▼ *Annual licences* - are valid for a year, but are automatically renewable for a term of up to 10 years. The ownership of these licences cannot be transferred; however, the owners may lease them to another operator.

¹³ Ordinary licences have 50-year terms; however, they come with a right of renewal, so they are effectively perpetual. Ordinary licences transfer at prices similar to perpetual licences.

- ▼ *Short term licences* – are valid for a term of up to 6 years. The ownership of these licences cannot be transferred; however, the owners may lease them to another operator. There is only 1 short term licence, a Fringe Area Licence, remaining in Sydney, which will be replaced by an annual licence when it expires.¹⁴

Since December 2009, Transport for NSW has controlled the number of taxis in Sydney through an annual determination of the number of annual licences to be released (other than WAT licences¹⁵). All new annual licences are released through a public tender process.

Outside Sydney, ordinary or short-term licences can be purchased from Transport for NSW at market rates, and existing licences can be traded.

There were 5,645 taxi licences in the Sydney market as at 1 January 2013 compared to 5,231 as at 1 January 2010, an increase of about 8%.

3 Taxi Fares

Transport for NSW sets the maximum fares a driver can charge a passenger. The driver can charge less than the metered fare.

In NSW, taxi fares have the following components:

- ▼ *hiring charge* – the fixed fee charged at the beginning of a taxi trip
- ▼ *peak time hiring charge (urban only)* – the fixed fee charged at the beginning of a taxi trip between 10 pm and 6 am on Friday and Saturday nights
- ▼ *distance rate* - the amount charged per kilometre when travelling more than a threshold speed, currently 26km/h
- ▼ *night distance rate* – the distance rate charged per kilometre between 10pm and 6am, 20% higher than the ordinary distance rate
- ▼ *holiday distance rate (country only)* - the distance rate charged per kilometre between 6am and 10pm on Sundays and public holidays, 20% higher than the ordinary distance rate
- ▼ *waiting time*– the amount charged per minute when travelling less than 26km/h
- ▼ *booking fee* – the fee charged for booking a taxi through a taxi network
- ▼ *maxi taxi¹⁶ surcharge* - a fare charged when a maxi taxi is pre-booked or if a maxi taxi carries 5 or more passengers

¹⁴ Information from Transport for NSW.

¹⁵ Annual WAT licences are available from Transport for NSW on demand for \$1000 a year in Sydney.

¹⁶ A maxi taxi, as opposed to a standard taxi, can take 5 or more passengers.

Drivers may pass on to the passenger any tolls incurred during a passenger trip, including the Sydney airport access fee. Tolls, access fees and any service charge for using electronic payment methods are not regulated by Transport for NSW.

Drivers may also levy a charge on passengers on northbound trips across Sydney Harbour, equivalent to the southbound toll applicable at the time, even though the Harbour toll only applies to southbound vehicles.

Country and urban taxis have different fare schedules. The current fare schedules are set out in Table 3.1.

Table 3.1 Fare Schedules in NSW (from 27 September 2013)

Fare Component	Urban areas	Country areas
Hiring charge	\$3.50	\$4.00
Peak time hiring charge ^a	\$6.00	
Distance rate	\$2.14 per kilometre	\$2.20 per kilometre for the first 12km and \$3.05 per kilometre in excess of 12 km
Night distance rate ^b (and holiday distance rate ^c in country areas only)	\$2.57 per kilometre	\$2.64 per kilometre for the first 12km and \$3.66 per kilometre in excess of 12 km
Waiting time	92.1c per minute	93.7c per minute
Booking fee	\$2.40	\$1.10
Maxi taxi surcharge	150% of the maximum fare	150% of the maximum fare

^a Charged between 10pm and 6am on Friday and Saturday nights and the night before a public holiday.

^b The night distance rate is calculated as a 20% surcharge on the distance rate. It applies between 10pm and 6am.

^c In country areas, the holiday distance rate applies between 6am and 10pm on Sundays and public holidays.

Source: [http://www.transport.nsw.gov.au/content/maximum-taxi-fares-and-charges#Schedule 1](http://www.transport.nsw.gov.au/content/maximum-taxi-fares-and-charges#Schedule%201).