



Independent Pricing and Regulatory Tribunal
New South Wales

Review of taxi fares in NSW and taxi licences outside Sydney from 1 July 2018

Final Report
Transport

March 2018

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1 Executive Summary

Since 1 November 2017, the taxi industry in NSW has been regulated under a new framework that covers all point to point transport service providers. Vehicles covered by the framework are either taxis or 'hire vehicles'. Hire vehicles include vehicles used for ridesharing, as well as those previously regulated as 'hire cars' or 'tourist vehicles'.

Under this framework, both taxis and hire vehicles can provide booked trips anywhere in the state, and the fares they charge for these trips are not subject to regulated maximums. But only taxis can provide rank and hail services, and they can only provide these services in the operating area specified on their licence. Maximum fares for these services continue to be regulated.

In the context of this framework, the Government asked IPART to review and make recommendations on:

1. The number of new annual taxi licences to be released **outside Sydney** from July 2018.¹
2. The maximum fares for rank and hail services throughout **NSW** from July 2018.

To inform our decision-making, we assessed competition for rank and hail services and for broader point to point transport services to consider whether it is sufficient to move to a less prescriptive approach to fare regulation. We also gathered information, conducted analysis, and considered stakeholder submissions and feedback from public forums.

This report sets out our recommendations, discusses the findings and analysis that support these recommendations, and highlights where they differ from what we proposed in our Draft Report.

1.1 Key recommendations

In our view, the most effective way to encourage the efficient supply of taxi services, improve services for customers and enhance the sustainability and viability of the taxi industry is through competition.

For many years, the taxi industry was the predominant provider in NSW of point to point transport services, and the level of competition was quite low. Taxi fares and the supply of taxi licences were both tightly regulated.

Recent technological and regulatory changes have increased the potential for competition, as well as increasing opportunities for the taxi industry to respond to that competition. But

¹ The Government has previously announced that it will not issue any new "growth" annual taxi licences in Sydney in 2018-19, although it may issue replacements. (NSW Government, *Point to point transport – The NSW Government response to the taskforce report*, p 2).

there has been a lot of change for the taxi industry to deal with and time to adjust to those changes is appropriate.

Therefore, we have made recommendations for the year commencing 1 July 2018, and also made recommendations for fares and licences outside Sydney from 1 July 2020 to provide up to a two year transition period. The market has fundamentally changed and restricting taxi licence numbers and retaining prescriptive controls on rank and hail fares will hinder rather than help the taxi industry.

On new taxi licences outside Sydney, we are recommending that:

- ▼ To better meet passenger needs and to enhance the viability of the taxi industry, from 1 July 2020 Transport for NSW (TfNSW) issue on request, for an administration fee, annual taxi licences to operate anywhere in NSW outside Sydney, and
- ▼ For the year commencing 1 July 2018, TfNSW issue by tender new annual taxi licences to operate anywhere in NSW outside Sydney in three tranches of 12 licences each.

On maximum fares for rank and hail services, we are recommending that:

- ▼ from 1 July 2020, or earlier if possible, in areas where the Country Fare Schedule currently applies, there be no regulated maximum fares, and
- ▼ from 1 July 2018 in the Country Fare Area, and in Sydney and other areas where the Urban Fare Schedule currently applies,² there be no change in the current regulated maximum fares in nominal terms.

Our recommendations on new licences outside Sydney and fares for rank and hail services in the Country Fare Area differ from those in our Draft Report, based on revisions to our findings on the level of competition for rank and hail services and broader point to point transport services (discussed below).

Our recommendations on fares for rank and hail services in the Urban Fare Area have not changed since the Draft Report. The recommended maximum fare components are shown in Table 1.1.

² The Urban Fare Schedule applies in Sydney, the Blue Mountains, Newcastle and surrounds, the Central Coast, and the Illawarra. The Country Fare Schedule applies everywhere else except in 6 towns near the Victorian border, which are exempt from fare regulation. See the Glossary for a more detailed description of the fare areas.

Table 1.1 Recommended maximum rank and hail fares from 1 July 2018

Fare component	Urban Fare Schedule	Country Fare Schedule
Hiring charge	\$3.60	\$4.10
Peak time hiring charge payable in addition to the hiring charge ^a	\$2.50	n/a
Distance rate	\$2.19/km	\$2.26/km for the first 12km and \$3.13/km thereafter
Night distance rate ^b (and holiday distance rate ^c country areas)	\$2.63/km	\$2.71/km for the first 12km and \$3.75/km thereafter
Waiting time charge	94.4c/minute	96.0c/minute
Waiting time threshold speed	26km/h	26km/h
Passenger service levy	\$1.10	\$1.10
Maxi-taxi surcharge ^d	150% max fare	150% max 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.

^d The maxi taxi surcharge may only be charged if a maxi-cab is requested upon booking (regardless of the number of passengers) or if it is hired from a taxi zone or street hail to carry 5 or more adult passengers.

1.2 Issue taxi licences on request, for an administration fee, outside Sydney from 1 July 2020

We found that, to facilitate improved services for customers and to enable the taxi industry to compete more effectively with other forms of point to point transport, the supply of taxi licences should be deregulated. This would allow taxi service providers to operate more flexibly in response to changing demand and lower their licence lease costs, and encourage more people to catch taxis through more competitive pricing, increased availability and lower waiting times.

It is not practical for this deregulation to occur immediately, as it requires legislative change. Immediate deregulation would also quickly reduce the value of existing licences outside Sydney towards zero (as there would no longer be any scarcity value attached to them), with no time for the taxi industry to transition to the deregulated environment.

Therefore, we are recommending that deregulation take place from 1 July 2020. From this date, licences to provide rank and hail services anywhere outside Sydney should be available on demand, for an administration fee.

This is a new recommendation, as in our Draft Report we focused just on the number of licences to be released during the year commencing 1 July 2018. We have modified the finding from the Draft Report that taxi service providers continued to have dominant positions in point to point transport markets outside Sydney. We had observed very high taxi licence values in many operating areas. These high licence prices create barriers, both to new taxi service providers entering the market, and to incumbent taxi service providers wanting to expand their fleets to compete more effectively with other providers. We concluded therefore that competition is not sufficiently effective in most areas outside Sydney to move towards fare deregulation at this time.

However, most submissions to the Draft Report and stakeholder comments at our public forums disagreed with our draft findings. We received feedback that the taxi industry is experiencing tougher business conditions due to increased competition from the growth of alternative point to point transport operators such as community transport, courtesy transport (and rideshare in larger areas). Such competition appears to have increased more quickly than our finding in the Draft Report suggested, and we consider that continuing to restrict the supply of taxi licences limits the ability of taxis to respond to this competition.

We recognise that, while taxi industry stakeholders agree they are facing more competition, they consider that the number of licences should remain restricted, or that licence owners should be allowed to trade or lease 'on hold' licences to other operating areas. Our recommendation for fares to be deregulated in the Country Fare Area could provide incentives for licence holders to operate licences currently 'on hold'. Alternatively, our recommendation to increase the supply of licences would allow new licences to enter areas where licences are currently 'on hold'.

We also recognise that industry participants who have benefited from previous low levels of competition may experience negative impacts from increased competition and deregulation. In particular, licence owners who gain income from leasing licences to taxi service providers or who are looking to sell their licences to fund their retirement, are likely to receive lower income and/or lower sale prices. We note that the Government has established an industry assistance package to mitigate these impacts.

It is important to remember that the viability and sustainability of individual industry participants is different from the viability and sustainability of the industry as a whole. As the market becomes more competitive, we would expect entry and exit as a normal and healthy aspect of market operation. Fare and licence deregulation help make the industry sustainable as a whole. As stakeholders have identified, increased competition from alternative point to point transport service providers already exists and attempting to retain prescriptive regulatory controls over taxi services to limit one type of competition would only harm the taxi industry.

1.3 Release a small number of new annual taxi licences outside Sydney from 1 July 2018

Pending deregulation, we are recommending TfNSW release 36 new annual licences outside Sydney in three tranches over the year from 1 July 2018. We consider these licences should be released by tender, with the fee determined by the amount bid. This is consistent with the way annual licences have been released in Sydney since 2009.

These new licences should also be able to provide rank and hail services in any part of NSW other than Sydney. This would allow them to move to wherever there is high demand for rank and hail services. It is also consistent with the arrangements for newly issued Wheelchair Accessible Taxi (WAT) licences which can operate anywhere in NSW excluding the Metropolitan Transport District (Sydney). Booked services in taxis and hire vehicles can be provided anywhere in NSW.

This gradual release of a small number of new annual licences would help to address a shortage of taxi licences and improve taxi services in the short term, while giving the taxi industry time to transition to deregulated supply.

Our recommended number of new annual licences is much less than we proposed to recommend in our Draft Report. We consider that three tranches of 12 annual licences each would provide for additional taxis in areas where there is high demand for taxi services. Releasing the licences in three tranches would provide information on their market value for subsequent rounds.

1.4 Remove maximum fare regulation in country areas from 1 July 2020, or earlier

We found that competition for rank and hail services is sufficient to remove maximum fare regulation in country NSW, but it would be prudent to require alternative consumer protection measures and monitor deregulated fares to ensure the outcomes for passengers are as would be expected. Also, competition would be further improved if licence supply were deregulated, as we have recommended from 1 July 2020. Accordingly, we are recommending that all operating areas where the Country Fare Schedule currently applies no longer have maximum fare regulation from 1 July 2020 or earlier if possible.

If our recommendation is adopted, it would mean taxi service providers can set their own fares, including the tariff components and the non-tariff components. We are recommending that they be required to notify the Point to Point Transport Commissioner of their fare schedule whenever it changes. We are also recommending that the Point to Point Transport Commissioner publish the fare schedules, and that IPART or another suitable body monitor and report on the performance and competitiveness of the market annually for three years.

1.5 Freeze maximum rank and hail fares in nominal terms in urban and country areas from 1 July 2018

We consider that maximum rank and hail fares should be frozen in nominal terms in the Urban Fare Area from 1 July 2018. They should also be frozen for the same period in the Country Fare Area, pending maximum fare deregulation there.

1.5.1 Freeze maximum rank and hail fares in nominal terms in urban areas from 1 July 2018

In Sydney and other areas where the Urban Fare Schedule applies, we found that the level of competition is not yet sufficient to remove maximum fare regulation for rank and hail services, in line with our draft finding.

After considering stakeholder feedback to our Draft Report, and re-examining our analysis of competition, we maintain our view that taxi service providers and licence holders could have the ability to raise prices above efficient costs, and/or reduce supply or service quality in these areas, compared to outcomes in a workably efficient market. This is due to the:

- ▼ high value of taxi licences in these areas (such as around \$170,000 in Sydney and over \$250,000 on the Central Coast),³
- ▼ freeze on issuing new annual licences for growth in Sydney which restricts competition for rank and hail services, and
- ▼ high proportion of rank and hail trips in the Urban Fare Area.

In addition, our analysis indicates that current maximum fares are above the efficient cost of providing taxi services in Sydney and other urban areas. This is evident by the high prices of licences in these areas.

Therefore, we are recommending that maximum fares for rank and hail services in the areas where the Urban Fare Schedule applies remain the same in nominal terms. This includes all tariff and non-tariff components, including the Passenger Service Levy⁴ that came into effect on 1 February 2018.

1.5.2 Freeze maximum rank and hail fares in nominal terms in country areas from 1 July 2018

In the transition period to maximum fare deregulation in country NSW, we are recommending that maximum fares for rank and hail services in the areas where the Country Fare Schedule applies remain the same in nominal terms. This includes all tariff and non-tariff components, including the Passenger Service Levy⁵ that came into effect on 1 February 2018.

This differs from our draft recommendation, which was that selected towns and localities in what we defined as the Exempt Zone be exempt from maximum fare regulation from 1 July 2018. It reflects the revised findings of our assessment of competition for rank and hail services and broader point to point transport services outside Sydney, discussed above.

1.6 Other recommendations

Along with technology change, the recent regulatory change in NSW has lowered the barriers to entry into the point to point transport market and increased the capacity for different types of services to compete with taxis. Therefore, competition is likely to develop quite quickly.

³ For Sydney, see Point to Point Transport Commissioner, Taxi Licence Transfer Prices, <https://www.pointtopoint.nsw.gov.au/taxi-licence-transfer-prices>, accessed 2 March 2018; for Central Coast, IPART analysis of RMS data and Point to Point Transport Commissioner data provided by TfNSW (see Figure 4.1).

⁴ Taxi service providers and booking service providers must pay a Passenger Service Levy of \$1 per passenger service transaction for up to 5 years to fund the Government's industry assistance package. It can be passed on to customers, and if so, it is subject to GST.

⁵ Taxi service providers and booking service providers must pay a Passenger Service Levy of \$1 per passenger service transaction for up to 5 years to fund the Government's industry assistance package. It can be passed on to customers, and if so, it is subject to GST.

We consider it would be useful to collect information to monitor the development and impact of competition. This data would better inform any future decisions and recommendations regarding fares and licences. The data could be collected annually for three years.

The *Point to Point Transport (Taxis and Hire Vehicles) Act 2016* (Point to Point Transport Act) already requires both authorised taxi service providers and authorised booked service providers to collect and keep a range of trip and network data. We are recommending that the Point to Point Transport Commissioner annually collect trip data from taxis and hire vehicles with more than 100,000 passenger service transactions per year for three years (from 1 July 2018 to 30 June 2021).

1.7 Consultation and data analysis during our review

In undertaking this review, we conducted consultation as well as detailed data analysis. We:

- ▼ Released an Issues Paper on 12 September 2017 outlining our proposed approach to the review and invited comment.
- ▼ Requested data from TfNSW and industry stakeholders.
- ▼ Met with industry stakeholders, and consulted with industry regulators from NSW, Victoria, WA and NZ.
- ▼ Undertook a survey of NSW residents on their point to point transport use.
- ▼ Commissioned a consultant to analyse bank electronic transaction records to estimate market share and size for taxis and rideshare.
- ▼ Commissioned a consultant to estimate the efficient costs of providing rank and hail taxi services.
- ▼ Released a Draft Report on 12 December 2017 after considering all submissions to our Issues Paper, and analysing data received from TfNSW, the passenger survey and the electronic transaction data.
- ▼ Held public forums in Sydney on 30 January 2018, Coffs Harbour on 1 February 2018 and Dubbo on 6 February 2018.
- ▼ Requested and received confidential data submissions from taxi businesses.
- ▼ Requested and received further data from TfNSW.
- ▼ In finalising our recommendations, we considered submissions, comments at public forums, and analysis of all data received during the review.

We would like to thank everyone who participated in the review, particularly stakeholders who took time to come to public forums, prepare submissions and submit confidential business data.

1.8 The structure of this report

The rest of this report explains our recommendations and findings in more detail:

- ▼ Chapter 2 outlines key contextual information relevant to our review of taxi fares and licences including the new regulatory framework, current licensing arrangements for taxis, how regulated maximum fares work, and other relevant reviews.
- ▼ Chapter 3 explains the approach we used to develop our recommendations for this review, including our objectives and the issues we considered.
- ▼ Chapter 4 discusses our findings and recommendations on competition.
- ▼ Chapter 5 presents our recommendations on the number of new licences needed in different parts of the state.
- ▼ Chapter 6 presents our recommendations on maximum rank and hail taxi fares.

1.9 List of all findings and recommendations

Findings

- | | | |
|---|---|----|
| 1 | Competition in the Country Fare Area is sufficient to remove maximum fare regulation for rank and hail services. Releasing more taxi licences would support further development of competition. | 29 |
| 2 | Competition in the Urban Fare Area is not yet sufficient to remove maximum fare regulation for rank and hail fares. Competition is developing quickly and fare regulation and licences restrictions may not be required for much longer. Releasing more taxi licences would help competition develop. | 32 |

Recommendations

Data

- | | | |
|---|--|----|
| 1 | The Point to Point Transport Commissioner collect trip data for taxis and hire vehicles, annually for three years, from 1 July 2018 to 30 June 2021 from all taxi and booking service providers with over 100,000 passenger service transactions per year. | 33 |
|---|--|----|

Licences

- | | | |
|---|--|----|
| 2 | To better meet passenger needs and to enhance the viability of the taxi industry, from 1 July 2020 annual taxi licences to operate anywhere in NSW outside Sydney be available on request for an administration fee. | 44 |
| | – For the year commencing 1 July 2018, new annual taxi licences be issued by tender in three tranches of 12 licences each to operate anywhere in NSW outside Sydney. | 44 |

Fares

- | | | |
|---|--|----|
| 3 | Maximum fares and charges for rank and hail taxi services remain unchanged in nominal terms for taxis in the Urban Fare Area from 1 July 2018. | 51 |
|---|--|----|

-
- 4 Maximum fares and charges for rank and hail services in the Country Fare Area are deregulated from 1 July 2020, or earlier if possible. 54
- Until then, as a transitional measure, maximum fares and charges for rank and hail services in the Country Fare Area remain unchanged in nominal terms. 54

Fare monitoring in the Country Fare Area

- 5 From 1 July 2020 to 30 June 2023, (or three years from the date of deregulation of maximum fares and charges for rank and hail services in the Country Fare Area): 54
- taxi service providers in the Country Fare Area are required to notify the Point to Point Transport Commissioner of changes in their rank and hail fare schedule 54
 - the Point to Point Transport Commissioner publish on its website the fare schedules of all taxi service providers in the deregulated area, and 54
 - IPART, or another suitable body, annually monitor and publicly report on rank and hail fares in the Country Fare Area. 54

2 Context

On 1 November 2017, a new regulatory framework came into effect for point to point transport service providers in NSW, including taxis. The new framework builds on earlier reforms and responds to the increasing competition in the point to point transport industry.

The new framework is provided by the *Point to Point Transport (Taxis and Hire Vehicles) Act 2016* (Point to Point Transport Act) and the *Point to Point Transport (Taxis and Hire Vehicles) Regulation 2017* (Point to Point Regulation). Among other things, the new framework affects how taxi fares are regulated across NSW and the way that taxi licences are issued outside Sydney.

The sections below outline the current regulatory arrangements, how they differ from previous arrangements, and sets out some information about other reviews of aspects of point to point transport that may be relevant to this review.

2.1 The Point to Point Transport Act changed the regulatory framework for taxis

Under the Point to Point Transport Act there are:

- ▼ two types of point to point transport vehicles, and
- ▼ two types of passenger service providers.

2.1.1 The regulatory framework differentiates between taxis and hire vehicles

Under the Point to Point Transport Act:

- ▼ A **taxi** is a vehicle used to provide a taxi service. A taxi service is a rank and hail service or a booked service provided in a vehicle that is authorised to provide rank and hail services.
- ▼ A **hire vehicle** is any vehicle used to provide a point to point transport service that is not a taxi service.

Both taxis and hire vehicles can provide booked point to point transport services, but only taxis can provide rank and hail services. Taxis have additional regulatory requirements related to identification of drivers and vehicles, security and rank and hail fares that reflect the ability to provide rank and hail services.

2.1.2 The regulatory framework creates two types of passenger service providers

Under the Point to Point Transport Act:

- ▼ a business that provides a passenger service in a taxi is known as a **taxi service provider**. Taxi service providers must either be **authorised** by the Point to Point Transport Commissioner (authorised taxi service providers) or **affiliated** with an authorised taxi service provider (affiliated taxi service providers), and
- ▼ a business that takes bookings for taxis or hire vehicles is a **booking service provider**. Booking service providers must be **authorised** by the Point to Point Transport Commissioner.

On 1 November 2017, most taxi operators who were authorised under the *Passenger Transport Act 1990* automatically transitioned to the new regulatory system as **affiliated** taxi service providers. **Taxi networks** that were authorised under the *Passenger Transport Act 1990* automatically transitioned to being authorised taxi service providers **and** authorised booking service providers.⁶

2.1.3 Taxis and hire vehicles compete with community and courtesy transport

Taxi and booking service providers often compete with similar services that are not covered by the Point to Point Transport Act regulatory framework. The two main types of competing services are community and courtesy transport:

- ▼ **Community transport.** Transport for NSW (TfNSW) provides funding to community transport operators to support provision of transport services for older people who are frail, people with disabilities and their carers, and other transport-disadvantaged groups.⁷
- ▼ **Courtesy transport.** Courtesy transport services are provided by pubs, clubs and other venues for a range of reasons. For example, they may be provided as part of an undertaking to reduce a licensed venue's community impacts, or when it is profitable to a venue to provide free transport to encourage more spending at the venue.

2.1.4 Taxi service providers are not required to provide a 24-hour taxi service

Networks and operators, under the *Passenger Transport Act 1990*, typically provided a 24-hour taxi service within the operating area of their affiliated taxis. In submissions and at our public forums, we heard from stakeholders that releasing additional licences could make it difficult for taxi service providers to continue to offer a 24/7 service.

There is no requirement under the Point to Point Transport Act for taxi service providers to make services available on a 24-hour basis. Taxi businesses can decide when to operate and not to operate if it is uneconomic to do so. Fare deregulation and lower licence costs would assist taxi service providers to recover the costs of providing services and better meet the needs of their local communities.

⁶ Point to Point Transport Commissioner, *Taxi service providers fact sheet*, August 2017, p 2; *Affiliated taxi service providers fact sheet*, August 2017, p 1; and *Booking service providers fact sheet*, August 2017, p 3.

⁷ TfNSW, *Community Transport*, see <https://transportnsw.info/travel-info/ways-to-get-around/community-transport>, accessed 8 March 2018.

2.2 Taxis must be licensed in NSW

In NSW every taxi must have a taxi licence to provide a taxi service. The Government controls the number of taxi licences that are available (except WAT licences, which are available on request).

All new taxi licences are issued as annual licences, renewable for up to 10 years. The annual fee for the licence is determined by a tender process (except for WAT licences, which are free), although TfNSW has the power to determine the fee differently.⁸ This process has been used in Sydney since 2009, and is yet to be used for unrestricted licences outside of the Metropolitan Transport District.

The NSW Government has asked IPART to recommend how many new annual licences, other than WAT licences, should be released in NSW outside of Sydney in 2018-19.

2.2.1 Taxi licences specify where the holder can offer rank and hail services

Taxi licences can specify an operating area that restricts where in NSW taxis can provide rank and hail services.⁹ All currently existing taxi licences have area restrictions.

There are around 170 operating areas specified in existing licences, though many overlap. The operating areas with the most licences are the Metropolitan Transport District (Sydney), Newcastle Transport District, Wollongong Transport District, and the Central Coast Council and Wyee operating area.

The NSW Government has asked IPART to consider whether new annual licences should specify the operating area to be anything other than outside the Metropolitan Transport District. Non-Metropolitan WAT licences are now issued on this basis. We discuss this further in Chapter 5.

2.2.2 Some taxi licences are subject to additional restrictions

Some taxi licences place conditions on how a taxi can be operated. Examples include:

- ▼ *Peak Availability Licences (PALs)* – are licences that can only be operated between 12 noon and 5 am, and are typically driven for a single shift per day.
- ▼ Wheelchair Accessible Taxi (WAT) licences that are required to give preference to transporting wheelchair users.¹⁰

The NSW Government has asked IPART to consider whether there should be any restrictions placed on any of the taxi licences to be issued.

⁸ *Point to Point Transport (Taxis and Hire Vehicles) Act 2016*, Divisions 1 and 2.

⁹ *Point to Point Transport Act* s56. A taxi may be used to provide a taxi service anywhere in New South Wales if no area of operation is specified in the taxi licence. The Point to Point Transport Commissioner may amend a licence or a class of licence to vary the operating area of that licence or class of licence.

¹⁰ *Point to Point Regulation*, cl 65.

2.3 Transport for NSW regulates maximum fares for passenger services

The Point to Point Transport Act gives TfNSW the power to set maximum fares for any point to point transport service using a fares order. Since 1 November 2017, TfNSW has only regulated rank and hail taxi fares.¹¹ There is no requirement within the Point to Point Transport Act for TfNSW to set maximum fares for any point to point transport service. Where a maximum fare is set by TfNSW, passenger service fares must not exceed the maximum.¹²

The NSW Government has asked IPART to recommend maximum rank and hail fares to apply in NSW from 1 July 2018.

2.3.1 There are no longer maximum fares for booked trips

Since 1 November 2017, fares for all booked services, including those in taxis, are not subject to maximum fare regulation. All Point to Point Transport (Fares) Orders have specified that the maximum fares in the order do not apply to booked passenger services.¹³ The Point to Point Transport Act requires that prospective passengers must be provided with a fare estimate before commencing a booked trip.¹⁴

Although booked taxi fares are not subject to maximum fare regulation they may charge metered rank and hail fares for booked trips if they choose to. We also note that, for Taxi Transport Subsidy Scheme bookings,¹⁵ fares must be calculated using the fare calculation device as if the trip were a rank or hail service.¹⁶

2.3.2 Authorised taxi service providers set their maximum rank and hail fare schedule, constrained by any maximum fare specified in a fares order

Authorised taxi service providers must determine a fare schedule for their rank and hail services.¹⁷ The fare components in the fare schedule must not exceed any applicable fares order issued by TfNSW. If there are no maximum fares in a fares order, the authorised taxi service provider must still determine a fare schedule.

Authorised taxi service providers are required to provide information about their fare schedule on their website (if they have one) and make it available to potential passengers on request.¹⁸

¹¹ Point to Point Transport (Fares) Order 2017, cl 2 and Point to Point Transport (Fares) Order 2018, cl 2.

¹² Point to Point Transport Act, s76. An exception applies for rank and hail taxi fares that begin in a taxi's area of operations and take the passenger outside the taxi's area of operations (Point to Point Regulation, cl 57).

¹³ The maximum non-cash payment surcharge applies to booked service provided in a taxi.

¹⁴ Point to Point Transport Act s 79.

¹⁵ The Taxi Transport Subsidy Scheme (TTSS) provides support for NSW residents who are unable to use public transport because of a disability. The subsidy covers 50 per cent of the total fare with a maximum subsidy of \$60 per journey and is claimed using travel dockets. See TfNSW, 2017, *Taxi Transport Subsidy Scheme*, at, <https://www.transport.nsw.gov.au/community/concessions-and-schemes/taxi-transport-subsidy-scheme>, accessed on 29 August 2017.

¹⁶ Point to Point Regulation, cl 81(2).

¹⁷ Point to Point Regulation, cl 53(1).

¹⁸ Point to Point Regulation, cl 54.

Taxi service providers must ensure the taxi's fare calculation device (meter) accurately calculates the fares determined by the authorised taxi service provider.¹⁹ Drivers may charge less than the calculated fare but cannot charge more.

2.3.3 The fares order creates taxi fare areas in NSW

Two fare schedules apply in NSW: the Urban Fare Schedule and the Country Fare Schedule. The townships of Moama, Barham, Tocumwal, Mulwala, Barooga and Deniliquin are exempt from maximum rank and hail fare regulation (the 'Exempt Fare Area'). The Urban Fare Schedule applies in Sydney, Newcastle and surrounds, the Illawarra, the Central Coast and the Blue Mountains.²⁰

The Country Fare Area is all areas in NSW excluding the Urban and Exempt Fare Areas.

The towns in the Exempt Fare Area can set fares at any level, but must not charge more than 5% surcharge for non-cash fare payments.

Maximum taxi fares currently include a hiring charge, distance rate and waiting time rate. Current urban and country fare schedules are set out in Table 2.1.

Table 2.1 Maximum taxi fares from 1 February 2018

Fare component	Urban	Country
Hiring charge	\$3.60	\$4.10
Peak time hiring charge payable in addition to the hiring charge ^a	\$2.50	n/a
Distance rate	\$2.19/km	\$2.26/km for the first 12km and \$3.13/km thereafter
Night distance rate ^b (and holiday distance rate ^c country areas)	\$2.63/km	\$2.71/km for the first 12km and \$3.75/km thereafter
Waiting time charge	94.4c/minute	96.0c/minute
Passenger service levy	\$1.10	\$1.10
Waiting time threshold speed	26km/h	26km/h
Maxi-taxi surcharge ^d	150% max fare	150% max 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 the Country Fare Area, the holiday distance rate applies between 6am and 10pm on Sundays and public holidays.

^d The maxi taxi surcharge may only be charged if a maxi-cab is requested upon booking (regardless of the number of passengers) or if it is hired from a taxi zone or street hail to carry 5 or more adult passengers.

Source: Point to Point Transport (Fares) Order 2018.

The NSW Government has asked IPART to consider whether TfNSW should continue to determine the components of the maximum fare.

¹⁹ Point to Point Regulation, Cl 14(6)

²⁰ Point to Point Transport (Fares) Order 2018; see the Glossary of this report for a more detailed description of the fare areas.

2.4 Reviews of other aspects of point to point transport are relevant for our review of fares and licences

The Point to Point Transport Act has recently introduced significant changes to the regulatory framework for the point to point transport industry. Other aspects of point to point transport, including subsidies, insurance and industrial arrangements, have also been reviewed or are currently being reviewed.

2.4.1 The Taxi Transport Subsidy Scheme is currently under review

The Taxi Transport Subsidy Scheme (TTSS) provides support to disabled NSW residents. It covers up to 50% of the total taxi fare up to a maximum of \$60 subsidy per journey.

TfNSW is reviewing incentives and subsidies for disability transport. The review will make recommendations on the future operation of the TTSS and the incentives provided to WAT operators and drivers to provide services to customers with a disability. It will assess the feasibility of moving to a service provider-neutral subsidy scheme, allowing customers more choice through booked service providers other than taxis.²¹

2.4.2 CTP insurance reform will change how taxi premiums are applied

Taxis previously paid much higher Compulsory Third Party (CTP) insurance premiums than hire vehicles and private use vehicles. We heard from taxi service providers that the CTP premiums are a significant cost to their businesses and they are not on a level playing field with hire vehicles.²²

From 1 December 2017, the NSW Government has changed the way insurers set CTP premiums, including those for taxis and hire vehicles. Under the reforms, premiums paid by taxis and hire vehicles will be based on usage. This means that CTP premiums will reflect the distance travelled while providing point to point transport. This will support greater flexibility in the operation of taxis and hire vehicles because they will be charged on the basis of how many kilometres they travel rather than a fixed amount for a year.²³

2.4.3 Taxi driver bailment continues to be regulated

Many drivers enter into contracts with holders of taxi licences and are referred to as 'bailee drivers'.

Under Chapter 6 of the *Industrial Relations Act 1996* (NSW), the NSW Industrial Relations Commission (IRC) is empowered to make contract determinations for drivers under a bailment in respect of driver remuneration, annual, sick and long service leave, the

²¹ TfNSW, *Disability subsidy scheme to be more efficient and effective*, 11 April 2017, at, <https://www.transport.nsw.gov.au/newsroom-and-events/media-releases/disability-subsidy-scheme-to-be-more-efficient-and-effective>, accessed on 30 August 2017. See also TfNSW, *Transport disability incentives and subsidies review discussion paper*, September 2017.

²² Kiama Cabs and Hire Cars submission to IPART Draft Report, 1 February 2018, p 2.

²³ State Insurance Regulatory Authority, *What the new CTP scheme means for taxis and ridesharing*, <https://www.sira.nsw.gov.au/fraud-and-regulation/reforms/ctp-green-slip-reforms/what-the-new-ctp-scheme-means-for-taxis-and-ride-sharing-services> accessed 23 February 2018.

minimum and maximum number of bailment hours and other matters it considers necessary.

The *Taxi Industry (Contract Drivers) Contract Determination 1984* regulates driver bailment arrangements for the Sydney Metropolitan Transport District, including the maximum 'pay-in' that drivers make to 'bail' the taxi from the licence holder for a shift. However, it does not apply to drivers outside the Sydney region, and so in regional and rural areas taxi operators are not obliged to provide annual, sick and long service leave to their permanent bailees.

The Parliamentary Standing Committee on Transport and Infrastructure completed an investigation on industrial relations across the point to point transport industry in October 2016. It recommended that the NSW Government consider amending the *Industrial Relations Act 1996* (NSW) to remove contracts of bailment from the jurisdiction of the IRC.

In response, the Government said that it "will continue to monitor developments in the point to point transport industry to determine whether changes to Chapter 6 of the *Industrial Relations Act 1996* are required at a later time."²⁴

²⁴ NSW Government response to the Legislative Assembly Committee on Transport and Infrastructure, *Workplace Arrangements in the Point to Point Transport Industry*, 19 April 2017, p 1, at <https://www.parliament.nsw.gov.au/committees/DBAssets/InquiryReport/GovernmentResponse/6081/Government%20Response%20to%20LA%20Transport%20and%20Infrastructure%20Comm%20Report%201-56.pdf>, accessed on 11 September 2017.

3 Our approach to this review

IPART's tasks for this review were to recommend:

- ▼ the number of new annual taxi licences to be released **outside Sydney** from July 2018,²⁵ and
- ▼ the maximum fares for rank and hail services in **Sydney and other urban areas** and in **country areas** from July 2018.

In completing these tasks, we were required to consider a long list of matters. We synthesised this list to develop our objectives for the review. The sections below outline these matters and our objectives, then explain the approach we used to develop our draft and then final findings and recommendations.

3.1 Matters we were required to consider

In making our recommendations, we were required to consider each of the matters listed in the relevant statutory provisions, as well as additional matters specified in our terms of reference from the Government. The tables below list these matters, and indicate the chapter in which our consideration of each matter is discussed.

Table 3.1 Matters IPART is required to consider in making licence recommendations

Matters we are required to consider in making taxi licence recommendations	Where considered
Likely passenger demand and latent demand for taxi services	Chapters 4 and 5
The performance of existing taxi services	Chapter 5
The demand for new taxi licences	Chapter 5
The viability and sustainability of the taxi industry	Chapter 5
Any other matters we consider relevant, having regard to the objective of ensuring improved taxi services.	
<i>Additional matters specified by Government in the terms of arrangement for the review</i>	
The Point to Point Transport Taskforce Report and the NSW Government's response to this report	Chapter 5
Whether there should be any restrictions placed on any of the taxi licences to be issued	Chapter 5
Whether the taxi licences to be issued should specify the operating area to be anything other than outside the Metropolitan transport district	Chapter 5

²⁵ The Government has previously announced that it will not issue any new "growth" annual taxi licences in Sydney in 2018-19, although it may issue replacements. (NSW Government, *Point to point transport – The NSW Government response to the taskforce report*, p 2).

Table 3.2 Matters IPART is required to consider in making rank and hail fare recommendations

Matters we are required to consider for fare recommendations	Where considered
The cost of providing the services	Chapters 4 and 6
The need for greater efficiency in their supply so as to reduce costs for the benefit of consumers and taxpayers	Chapters 4 and 6
The protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standards of service	Chapters 4 and 6
The social impact of the recommendation	Chapter 6
The impact on the use of the public passenger transport network and the need to increase the proportion of travel undertaken by sustainable modes such as public transport	Chapter 6
Standards of quality, reliability and safety of the services concerned	Chapters 4 and 6
Any matter specified in our referrals	
Any other matters we consider relevant	
<i>Additional matters specified by Government in the terms of reference for the review</i>	
The Point to Point Transport Taskforce Report and the NSW Government's response to this report	Chapter 6
Whether TfNSW should continue to determine the components of the maximum fare including flagfall, distance rate and waiting time rate	Chapter 6

The full terms of arrangement for our review of licences and terms of reference for our review of fares are provided in Appendix A and Appendix B respectively.

3.2 Our objectives for this review

In recommending new licence numbers and maximum taxi fares, our objective is to help to improve taxi services so that:

- ▼ Passengers can catch taxis at a rank or by hailing when they want them, with waiting times that aren't too long.
- ▼ Fares for rank and hail services are affordable for passengers and passengers understand what fares they will be charged.
- ▼ Taxi service providers can cover the efficient costs of providing rank and hail services, including their own labour.
- ▼ Prospective taxi service providers can enter markets outside Sydney without prohibitive set-up or operating costs.

We consider that these objectives reflect and summarise the objectives implied in the matters we are required to consider.

3.3 Our approach to this review

Although we have been recommending taxi fares since 2001, and annual taxi licences for Sydney since 2013, the rapid changes in the point to point transport industry required us to develop a new approach for this review.

In our view, the most effective way to encourage the efficient supply of taxi services and protect customers from abuses of monopoly power is through competition. In workably competitive markets, businesses cannot sustain prices above the efficient costs of supply without losing customers to their competitors or new entrants. The level of competition also influences the type of fare and licence regulation that is necessary.

Therefore, the first step in our approach was to assess the current level of competition in the point to point transport market across NSW. The findings of this assessment guided our next steps.

3.3.1 Approach for draft findings and recommendations

To assess competition, we developed a framework and applied it to information about the point to point transport market, including:

- ▼ the number and type of service providers in the market,
- ▼ the market share of different types of service providers,
- ▼ the nature and level of demand for different types of service, and
- ▼ current taxi licence values.

To gather additional information, we engaged consultants to conduct surveys of NSW residents about their point to point transport use, and to analyse electronic transaction data from taxi and rideshare payments (see Box 3.1)

Our draft finding, that competition in most areas of NSW is not yet sufficient to remove maximum fare regulation, then guided:

- ▼ Our analysis of the appropriate number of new taxi licences to be released outside Sydney. Releasing additional licences is one way to encourage competition.
- ▼ Our draft decision not to move to a less prescriptive approach to regulating fares for rank and hail services, but to recommend:
 - a nominal fare freeze, and
 - an exemption from maximum fare regulation for selected areas of country NSW only.

Box 3.1 Information we obtained to help our analysis for this review

Survey of point to point transport use

Since 2012, we have regularly engaged consultants to survey residents of Sydney, other urban areas and other parts of NSW on their use of point to point transport. These surveys provide a valuable time series showing how use of point to point transport is changing. This year we engaged Orima to update the survey in light of the regulatory changes that have occurred. We also engaged Taverner Research to undertake a short calibration survey using the previous methodology to assist in understanding trends in the use of point to point transport.

Use of ridesharing and taxi services in NSW

We engaged HoustonKemp to analyse banking transaction data sourced from Data Republic to identify the amount spent on, and number of transactions involving, taxi and ridesharing services by those customers using electronic payment methods. HoustonKemp used the data to examine how both the number of transactions and the amount spent on these services has changed since 1 July 2015.

For our analysis, we adjusted the data to reflect the fact that it only captured electronic transactions on personal accounts, and not business account transactions, Cabcharge account transactions or cash transactions.

Efficient cost estimates of rank and hail taxi services

Our Issues Paper canvassed a range of options for developing recommendations for maximum fares, including estimating the efficient marginal cost of providing rank and hail services. We engaged the CIE to estimate the efficient unit costs of providing rank and hail services in different regions of NSW as an input to that approach. However, after assessing the current state of competition and the potential for future competition, we decided that relying on competition to drive fares closer to efficient costs was preferable to IPART trying to estimate efficient fares using a marginal cost approach. Therefore, we did not use the CIE findings.

These reports are published on the IPART website.

3.4 Approach for finalising findings and recommendations

Most submissions and comments from stakeholders at our public forums disagreed with our draft findings on competition. In response to this feedback, we reviewed our draft assessment of competition. We reviewed our data inputs and our analysis in light of stakeholder feedback. We also considered updated data, additional data and new analysis. As a result, we revised our findings on competition, and which in turn led us to revise some of our recommendations.

4 Competition for NSW rank and hail services

As section 3.3 discussed, the first step in our approach for this review was to assess the current level of competition for rank and hail services in NSW. With a competitive rank and hail market, there should be no need for government to regulate maximum fares or the supply of taxi licences. Competitive pressures should drive prices and supply to efficient levels.

To conduct this assessment, we developed and applied a framework based on the ACCC's merger guidelines but modified to reflect the purpose of this review.²⁶ In our assessment we looked at indicators of the effectiveness of competition in the taxi and point to point transport markets. These indicators include:

- ▼ **Licence values.** Taxi licences do not have any intrinsic productive value, but instead any value reflects the scarcity value of the licence. That is, a licence's value is based on expected additional profits the owner expects to make because supply is restricted through regulation. High licence values indicate a scarcity of taxi services. Licence values are not the value of a taxi business.
- ▼ **Rank and hail trips as a proportion of all point to point trips.** Taxis retain an exclusive right to provide rank and hail services. If rank and hail services make up a high proportion of all taxi trips it may indicate that there is a premium attached to rank and hail services, and it may indicate the degree of difficulty for competitors to compete with taxi service providers.
- ▼ **Competitive pressures from hire vehicles and other sources.** Technology, regulatory and other changes have enabled the development of ridesharing and increased the availability of community transport and other point to point transport alternatives. These alternatives create competitive pressures on taxi service providers, which may restrict taxi service providers' ability to sustain prices above efficient costs and reduce service standards.
- ▼ **Changes in point to point transport market size and demand for taxi services.** Competition can affect demand for a service and the revenues of market participants. Falling demand and market share indicates taxi service providers are facing greater competition.

The sections below summarise our findings and recommendations of our competition assessment, and then discuss them in more detail. As Chapter 3 discussed, our findings have been revised since the Draft Report based on our consideration of stakeholder feedback and updated data and analysis.

²⁶ For more detail on this framework, see Appendix D of IPART, *Review of taxi fares in NSW and taxi licences outside Sydney from 1 July 2018*, Draft Report, December 2017.

4.1 Summary of findings and recommendations

We consider that effective competition would provide the best outcomes for customers, and would create new opportunities for industry participants.

Our assessment of the current level of competition for the NSW rank and hail market and broader point to point transport market found that:

- ▼ In country NSW, competition is sufficient to deregulate maximum fares for rank and hail services, with alternative consumer protections in the form of fare notification and price monitoring for the three years to 30 June 2023. Pending deregulation, increasing the supply of taxi licences would support the further development of competition.
- ▼ In Sydney and other urban areas, competition is not yet sufficient to deregulate maximum fares. However, it is developing quickly, and the current regulation of maximum fares and licence supply may not be required much longer. Releasing more taxi licences would support this development.

We also found that to facilitate future monitoring and assessment of competition, relevant data needs to be collected. We are recommending the Point to Point Transport Commissioner collect taxi and hire vehicle trip data annually for three years, to 2021, from all taxi and booking service providers with more than 100,000 passenger service transactions per year.

In our Draft Report, we found that, without fare regulation, taxi service providers and licence holders would have an ability to profitably raise prices, and/or reduce supply or service quality in most parts of NSW. We found that more could be done to facilitate the growth of effective competition, including releasing more taxi licences.

4.2 Competition benefits customers and expands opportunities for industry participants

In markets where competition is effective, firms compete with each other to provide services to customers. If firms set prices too high, competitors (both existing and new entrants) can provide the services for lower prices. If firms do not offer the services that customers want, competitors can win customers by providing those services. This competition is the best form of customer protection, and reduces the need for government intervention and regulation.

In a competitive market for point to point transport services, removing regulation of licence supply and maximum fares would create opportunities for existing taxi service providers and new entrants to better supply the needs and wants of customers and potential customers. This could include offering different price and quality combinations.

Competition can also create greater growth and revenue opportunities for businesses and individuals that seek out these opportunities. We are already seeing industry participants taking advantage of competitive opportunities – for example:

- ▼ taxi drivers in Sydney using Uber or other ridesharing networks for booked trips to supplement authorised taxi service provider booked trips, and rank and hail trips²⁷

²⁷ R Walters, Transcript of Public Forum, Sydney, 30 January 2018, p 71.

- ▼ taxi service providers operating hire vehicles as well as taxis to service excess demand for booked trips²⁸
- ▼ taxi drivers providing fixed fare trips using booking service providers such as ingogo,²⁹
- ▼ booking service providers, both taxi networks and new entrants like Uber, innovating in the provision of booking and payment services
- ▼ booking service providers offering different pricing structures including demand-driven pricing to better balance supply and demand (such as surge prices)
- ▼ booking service providers, such as Taxify, growing the market for point to point transport as customers respond to varied price and quality options and lower waiting times, and
- ▼ authorised taxi service providers providing superior service to customers.³⁰

Some changes have already improved taxi service providers' ability to compete, such as the removal of maximum fare regulation and operating area restrictions for booked trips. However, taxi service providers have been restricted by regulation from fully responding to competition. Further deregulation of fares and licences would create more opportunities for taxi drivers and taxi service providers. These include opportunities to:

- ▼ increase demand for taxis by offering better and/or cheaper taxi services
- ▼ develop fare schedules that ensure taxis recover costs in all shifts, including labour
- ▼ operate more taxis, instead of adding hire vehicles to their fleets, to service excess demand with both booked and rank and hail trips
- ▼ provide differentiated services at different price levels
- ▼ enter the market as owner/drivers, and
- ▼ vary the supply of taxis at different times (eg, some taxis may choose to work in peak demand, while others may work 24/7 if there is sufficient demand).

4.3 Competition in country NSW is sufficient to deregulate fares

In the Country Fare Area, there is mixed evidence on competition. Licence values remain high in many parts of the Country Fare Area suggesting there are areas where there is a shortage of taxis. However, the growing number of alternatives to taxis, importance of transport contracts, suggestions of declining demand and evidence from fare deregulation in Victoria suggest taxis have limited ability to generate economic rents. On balance, we found that competition for rank and hail services is sufficient to deregulate maximum fares in all areas where the Country Fare Schedule currently applies, with alternative consumer protections such as fare notification and monitoring.

²⁸ M Jools, Transcript of Public Forum, Sydney, 30 January 2018, p 15, and B Wilkins, Transcript of Public Forum, Sydney, 30 January 2018, p 39.

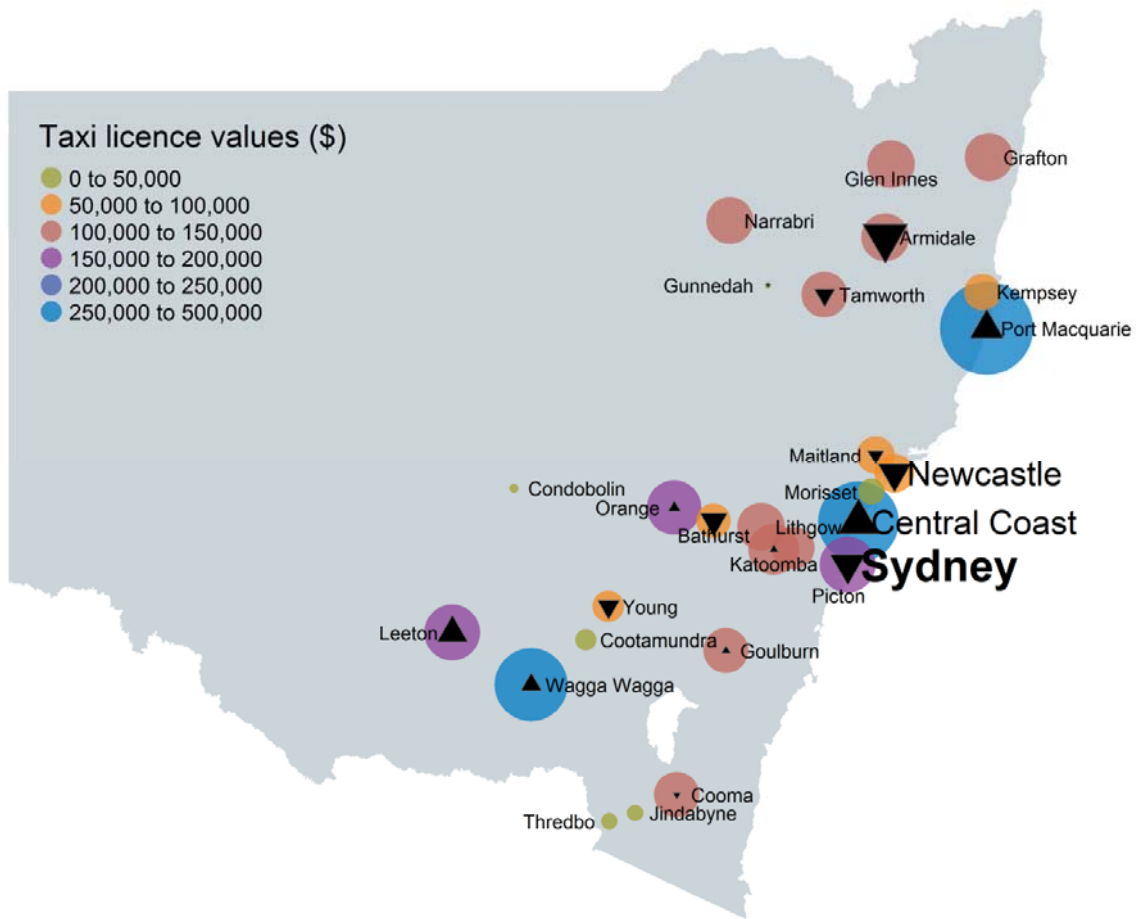
²⁹ <https://www.ingogo.com.au/> accessed on 7 March 2018.

³⁰ M Choubassi, Transcript of Public Forum, Sydney, 30 January 2018, pp 53-54.

4.3.1 High licence values suggest competition may be less effective in some areas

In most parts of the Country Fare Area there is typically one authorised taxi service provider able to set prices for rank and hail services, and the supply of new taxi licences (other than for wheelchair accessible taxis) is constrained by regulation. Figure 4.1 shows that licence values in many areas remain well above their productive value. (In response to stakeholder feedback,³¹ the circles in this figure now show the price of the **last** taxi licence transfer.)³²

Figure 4.1 Taxi licence values in NSW



Note: Circles represent the price of the last licence transferred in the named operating area, where that transfer occurred in the 12 months to February 2018. The triangles represent the change in price from the 3-year average to August 2017 we used in our Draft Report. The circles and triangles use the same scale. For example, a triangle representing a \$100,000 change in licence value would fit exactly in a circle representing a \$100,000 taxi licence. No triangle means no change in price or the previous transaction was more than 3 years ago.

Data source: IPART analysis of RMS data and Point to Point Transport Commissioner data provided by TfNSW.

Stakeholders argued that in our Draft Report we placed too much emphasis on taxi licence values. Stakeholders noted concerns that:

- ▼ there are not many transfers, particularly outside Sydney, so the data may only reflect outliers³³

³¹ For example, D Curran, Transcript of Public Forum, Dubbo, 6 February 2018, p 34.

³² In our Draft Report, this figure showed the average transfer prices over the three years to August 2017.

³³ For example, J Collins, Transcript of Public Forum, Sydney, 30 January 2018, pp 46-47.

- ▼ the price of a taxi licence in some cases has nothing to do with the business's profitability but the lifestyle available in that area,³⁴
- ▼ the period of taxi licence transfers we considered for the Draft Report, three years to August 2017, was too long and licence values have fallen since then (which we found to be incorrect in a number of cities and towns),³⁵ and
- ▼ there are taxi licences for sale, for less than the price of the last taxi licence transfer, unable to find a buyer.³⁶

In light of these concerns, particularly the low number of licence transfers, in our revised assessment we have placed less weight on licence values. In addition, three-quarters of taxi trips in country NSW are booked,³⁷ and more could shift from rank and hail to booked in the future.³⁸ This suggests that taxis do not have a significant advantage over hire vehicles in these areas, and increasing competition would inevitably continue to reduce taxi licence values, as it removes opportunities for economic rent. This is why licence values are not the only factor we consider as an indicator of the state of competition. Our analysis of competition is also informed by the analysis discussed in the following sections.

Continued decline in taxi licence values, while positive for passengers and the industry as a whole, is not a positive for the people who currently own licences. We understand that this could create hardship for some owners, who may have expected their taxi licence to fund their retirement or went into debt to purchase a taxi licence. As we discuss in Chapter 5, the Government has set up a hardship assistance package for people experiencing hardship as a result of changes to the regulatory framework for taxis and hire vehicles.

It is in passengers' and industry's interest for the point to point transport market to become more competitive, with less Government interference in fares and supply of taxis and hire vehicles. Reduced regulation allows the industry to be flexible and innovative.

4.3.2 Taxis face competition from alternatives in the Country Fare Area

At our public forums and in submissions to our Draft Report, taxi industry stakeholders³⁹ reported that in addition to the growth of rideshare in some operating areas, they are seeing increasing competition from a range of other sources in country NSW, including community transport and courtesy transport.

Without access to these alternative transport options, some of their users may use a taxi service instead (provided they could afford it). The availability of subsidies and alternatives to taxis limits the ability of taxi service providers to sustain fares above efficient costs. However, in relation to community transport services, we note that in many parts of NSW, subsidised community transport already incorporates taxi services, either through taxi

³⁴ For example, P West, Transcript of Public Forum, Coffs Harbour, 1 February 2018, p 7.

³⁵ For example, D Curran, Transcript of Public Forum, Dubbo, 6 February 2018, p 24.

³⁶ For example, R Angelopoulos, Transcript of Public Forum, Sydney, 30 January 2018, p 28.

³⁷ Confidential data submissions from stakeholders in the Country Fare Area found rank and hail trips were up to a maximum of two-thirds of all trips.

³⁸ Anecdotally we heard that many rank trips in towns in the Country Fare Area are a return journey, for example a booked trip is used to take somebody to the local shopping centre from their home but the passenger takes a taxi home from the rank. In most cases, this return trip could be booked with the journey to the shopping centre or from the shopping centre.

³⁹ For example, L Stewart, Transcript of Public Forum, Sydney, 30 January 2018, pp 25-26.

companies tendering for contracts to provide these services or through taxi voucher schemes.

Stakeholders suggested that growing rates of car ownership represent the largest threat to the taxi industry in the Country Fare Area. For example, one stakeholder stated in “Wagga we have two rideshare services up and running, but our biggest competitor is the second car”.⁴⁰ The view that there has been a change in customer preferences towards higher vehicle ownership is supported by the notable increase in the number of cars per person in the Country Fare Area.⁴¹

4.3.3 Government contracts and subsidies are increasingly competitive

At our public forums, stakeholders noted that government transport contracts are an important source of income for taxi service providers. These include NSW Government contracts, through the Department of Education and Communities, and Commonwealth Government contracts, through the Department of Veterans Affairs.⁴²

In addition, taxis are the only point to point transport providers with access to the Taxi Transport Subsidy Scheme (TTSS). The TTSS provides support for NSW residents with disabilities. It covers up to 50% of the total fare up to a maximum of \$60 subsidy per journey for eligible recipients.

Governments are increasingly using competitive tendering to award contracts for point to point transport services, and the TTSS is currently being reviewed with a view to moving towards a provider-neutral subsidy.⁴³ Therefore, the taxi industry faces more potential competition for contracts and subsidies than previously.

4.3.4 Some evidence suggests taxi demand and revenues are declining

In our Draft Report, we found that competition from ridesharing services had not reduced demand for taxi services. This was based on analysis of bank electronic transaction data, which showed that the number of taxi trips taken in NSW had stayed relatively stable following the entry of rideshare services. Together with the evidence outlined in the section above, we considered that this suggested ridesharing services had grown the market for point to point transport, rather than reducing the number of trips taken by taxi.⁴⁴

However, in submissions and at public forums, industry stakeholders argued that growing competition has led to declining demand and revenues for the taxi industry.⁴⁵

In response to this feedback, we re-examined our analysis of the bank electronic transaction data. In particular, we tested how sensitive the results of our analysis were to a change in the proportion of payments made by electronic methods. In the Country Fare Area, a very large increase in the proportion of payments made by electronic methods had to be assumed

⁴⁰ J Collins, Transcript of Public Forum, Dubbo, 6 February 2018, p 8.

⁴¹ IPART analysis of Australian Bureau of Statistics data available at <http://stat.data.abs.gov.au>

⁴² G McClure, Transcript of Public Forum, Sydney, 30 January 2018, pp 17 and 54.

⁴³ TfNSW, Transport Disability Incentives and Subsidies Review, Discussion Paper, September 2017, p 11.

⁴⁴ IPART, *Review of taxi fares in NSW and taxi licences outside Sydney from 1 July 2018*, Draft Report, p 28.

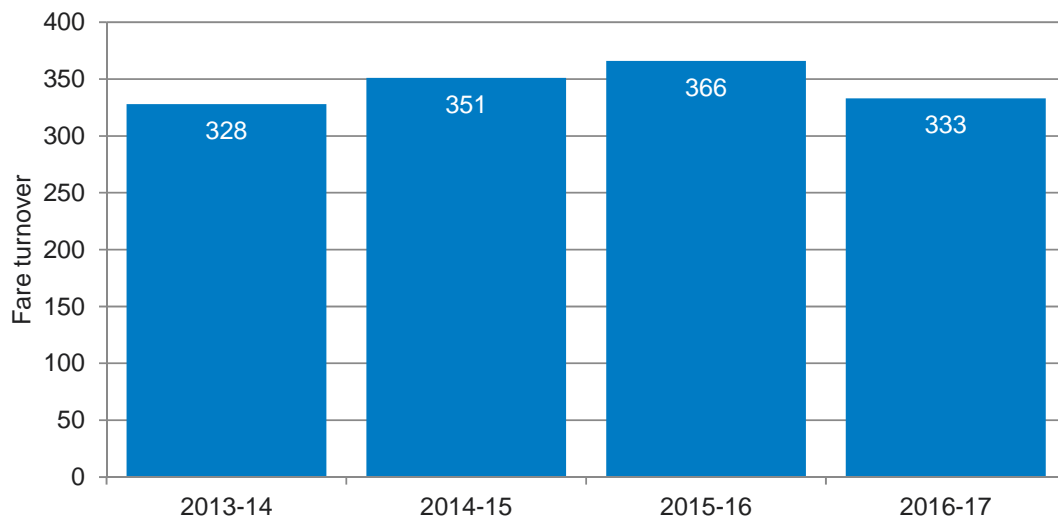
⁴⁵ For example, N McKenzie, Transcript of Public Forum, Coffs Harbour, 1 February 2018, pp 11-12.

to find declining taxi demand. However, we note that this data is based on Westpac personal credit and debit card transactions and may not be representative of demand for taxi services in the Country Fare Area.

In addition, we examined 14 confidential data submissions in response to our Draft Report. Six of these submissions, mostly from the Country Fare Area, included time series data that we used to estimate how demand for taxi services has been changing. The data presented a range of results – from an average annual decline in demand of 17% to an average annual growth in demand of 2%. The results diverged significantly depending on whether they were based on fleet data (an average annual decline of 0.3%) or taxi owner data (an average annual decline of 12.6%).

We also looked at Cabcharge’s results, sourced from its presentations to shareholders. We found that although Cabcharge’s taxi fare turnover in NSW has varied year-to-year over the last four years, the trend in demand is relatively stable (see Figure 4.2). In its February update to shareholders, Cabcharge noted its national fare turnover grew by 1% in the second half of 2017.⁴⁶

Figure 4.2 Cabcharge’s fare turnover in NSW



Data source: Cabcharge, *Results Presentation Year Ended 30 June 2017*, pp 24-25, Cabcharge, *Results Presentation Year Ended 30 June 2016*, p 11,0 and Cabcharge, *Results Presentation Year Ended 30 June 2015*, p 15.

If taxi demand is declining in the Country Fare Area, this could be due to a number of factors, including:

- ▼ increasing competition from courtesy and community transport, but no additional trips,
- ▼ increasing competition from ridesharing,
- ▼ increasing use of private vehicles,
- ▼ decreasing population, and/or

⁴⁶ The Business, Taxi company Cabcharge tries to lure back rideshare users, 1m 11s to 2m 19s, at <http://www.abc.net.au/news/programs/the-business/2018-02-27/taxi-company-cabcharge-tries-to-lure-back/9490916>, 27 February 2018, accessed on 7 March 2018.

- ▼ worsening conditions in the general economy of the area.

In general, an industry with declining demand⁴⁷ from a loss of customers is unlikely to be able to raise its prices significantly without losing more customers.

4.3.5 Minimal fare increases followed deregulation in country Victoria

We have also found that following fare deregulation in 2014, there have been minimal fare increases in regional and country Victoria.⁴⁸ As of June 2017, Victorian regional and country operators of:

- ▼ 57% of taxis had not increased fares at all,
- ▼ 4% of taxis had increased fares by less than 10%, and
- ▼ 39% of taxis had increased fares by 10% or more.⁴⁹

Victorian regional and country fares are typically lower than fares in the NSW Country Fare Area, as shown in Table 4.1 below. We note that there is likely to be more threat of competition in Victoria where there are fewer restrictions on supply and operating areas, allowing taxis to more easily enter and compete where an incumbent has raised its fare.⁵⁰ Additionally, fare deregulation in Victoria was accompanied by fare notification requirements and monitoring by the Essential Services Commission.

Table 4.1 Comparison of taxi fares in NSW Country Fare Area and country Victoria

	NSW Country Fare Area		Victoria (base)		Crown Cabs Victoria ^a	
	Standard	Peak	Standard	Peak	Standard	Peak
Hiring charge	\$4.10	\$4.10	\$3.70	\$7.10	\$3.70	\$5.90
Distance rate	\$2.26/\$3.13 ^b	\$2.71/\$3.75 ^b	\$1.879	\$1.879	\$2.29 ^c	\$2.29 ^c
Waiting time	\$0.96	\$0.96	\$0.658	\$0.658	\$0.697	\$0.697

^a Crown Cabs is the largest operator of taxis in Victoria that has increased its fares since June 2014. According to the Essential Services Commission of Victoria Crown Cabs has increased its fares 12% (in nominal terms) over this period.

^b In the NSW Country Fare Area a higher distance rate is applied after the first 12km. The second number reflects the higher distance rate.

^c This includes Crown Cabs fuel levy for sedans.

Source: Point to Point Transport (Fares) Order 2018, Taxi Services Commission, *Victorian Taxi Fares*

http://taxi.vic.gov.au/_data/assets/pdf_file/0014/21920/VictoriasTaxiFaresFlyer.pdf, accessed 21 February 2018, and Taxi Services Commission, *Taxi Fares – Search results*, <http://taxi.vic.gov.au/passengers/notified-fares>, accessed 21 February 2018

4.3.6 On balance we found competition sufficient for deregulation

After weighing the evidence outlined above, we found that, on balance, competition is sufficient to deregulate maximum rank and hail fares in country NSW. Releasing more taxi

⁴⁷ In this instance we are referring to effective demand. Effective demand is the demand that is being satisfied; it is the opposite of latent demand.

⁴⁸ All of Victoria except Melbourne, Geelong, Ballarat and Bendigo (all of these cities are larger than any city in the NSW Country Fare Area based on Australian Bureau of Statistics, *3218.0 Regional Population Growth, Australia*, 28 July 2017).

⁴⁹ Essential Services Commission, *Taxi Fare Monitoring Annual Report 2016-17*, 11 December 2017, p 5.

⁵⁰ Taxi Services Commission (Victoria), *Taxi Zones*, at <http://taxi.vic.gov.au/about-us/overview/taxi-zones>, accessed on 28 February 2018.

licences would help the taxi industry adjust to developing competition for rank and hail services. Without deregulating the supply of taxi licences, it would be prudent to require alternative consumer protections, through fare notification and monitoring. This would create disincentives for taxi service providers to engage in anti-competitive conduct, with minimal constraints on how taxi service providers can respond to growing competition and local issues.

IPART finding

- 1 Competition in the Country Fare Area is sufficient to remove maximum fare regulation for rank and hail services. Releasing more taxi licences would support further development of competition.

4.4 Competition in Urban NSW is developing quickly

In Sydney and other urban areas, several indicators suggest that competition for rank and hail services is not yet effective enough to deregulate rank and hail taxi fares. These include high licence values, the high proportion of rank and hail trips and relatively stable demand for taxi services. On the other hand, there is evidence to suggest taxi services face growing competition from ridesharing, thus reducing taxi service providers' market share and ability to sustain prices above efficient costs. On balance, we found competition is not yet sufficient to deregulate maximum fares in the Urban Fare Area.

4.4.1 High licence values suggest competition is not yet effective

In Sydney and other urban areas, licence values remain well above their productive value. Recent licence transfer prices suggest current licence values are:

- ▼ \$170,000 in Sydney (based on a February 2018 transfer),^{51, 52}
- ▼ \$85,000 in Newcastle (based on a July 2017 transfer),⁵³
- ▼ over \$250,000 on the Central Coast (based on a transfer since March 2017),⁵⁴ and
- ▼ over \$100,000 in Katoomba (based on a transfer since March 2017).⁵⁵

There has not been a sale in Wollongong since March 2017, so we are unable to identify a current licence price in that area.⁵⁶

⁵¹ Point to Point Transport Commissioner, *Taxi licence transfer prices*, at <https://www.pointtopoint.nsw.gov.au/taxi-licence-transfer-prices>, accessed on 7 March 2018.

⁵² We note that the results of the November 2017 tender of 32 annual Sydney taxi licences resulted in annual prices of \$12,584 to \$18,720. This supports evidence that the price of a taxi licence remains above its productive value. Source: Point to Point Transport Commissioner, *2017/18 Annual Taxi Licence Tender: 32 Unrestricted Taxi Licences – Sydney Metropolitan Transport District*, <https://www.pointtopoint.nsw.gov.au/files/taxi-licence-tender-29-nov-2017.pdf>, accessed 23 February 2018.

⁵³ Point to Point Transport Commissioner, *Taxi licence transfer prices*, at <https://www.pointtopoint.nsw.gov.au/taxi-licence-transfer-prices>, accessed on 7 March 2018.

⁵⁴ IPART analysis of RMS data and Point to Point Transport Commissioner data provided by TfNSW (see Figure 4.1).

⁵⁵ IPART analysis of RMS data and Point to Point Transport Commissioner data provided by TfNSW (see Figure 4.1).

⁵⁶ At the Sydney Public Forum we heard from a stakeholder that he currently has a taxi licence listed for \$80,000 in Wollongong but is unable to find a buyer. Source: M Choubassi, Transcript of Public Forum, Sydney, 30 January 2018, p 20.

We also note that taxi licence transfer values only relate to the price of the taxi licence; they do not include the taxi business or its goodwill, which may also have value.⁵⁷

4.4.2 High proportion of rank and hail trips suggests hire vehicles are less competitive in the Urban Fare Area

Our stakeholder survey found that rank and hail services make up a high proportion of all taxi trips in urban areas. They make up:

- ▼ 56% of taxi trips in Sydney, and
- ▼ 38% of taxi trips in other urban areas.

This is higher than in the Country Fare Area, where rank and hail services make up 25% of trips.⁵⁸ When combined with the taxis' exclusive right to provide rank and hail trips, it suggests that it may be more difficult for customers to substitute hire vehicles for taxis in urban areas.

In submissions to our Draft Report, some taxi industry stakeholders disputed our survey findings, suggesting that rank and hail represents a small proportion of their trips. Some also argued that the exclusive right to provide rank and hail does not represent a significant competitive advantage.⁵⁹ However, confidential data in submissions from taxi networks supports the findings of our survey.

4.4.3 Competition has reduced taxis' market share

Ridesharing has grown significantly in large urban areas, with Uber entering the point to point transport market in Sydney, Newcastle,⁶⁰ the Central Coast, Wollongong, and the Blue Mountains. However, as Figure 4.3 shows, this growth has increased the overall size of point to point transport market, with a relatively small impact on total demand for taxi services. Taxis continue to maintain a significant market share in the Urban Fare Area.

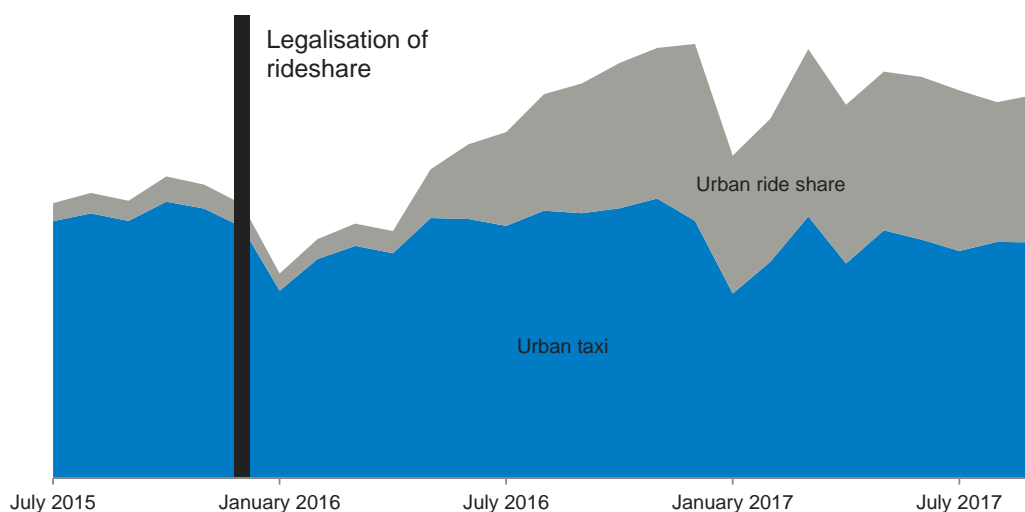
⁵⁷ We note that, under section 35 of the *Duties Act 1997*, goodwill does not incur stamp duty, and as such there is no reason it would be included in a taxi licence transfer price to which a 2.5% transfer levy is applied.

⁵⁸ Orima Research, *Point-to-Point Transport Survey Report*, 30 November 2017, p 53.

⁵⁹ For example, B Wilkins, Transcript of Public Forum, Sydney, 30 January 2018, pp 9-10.

⁶⁰ Including Maitland and Western Lake Macquarie outside the Newcastle Transport District.

Figure 4.3 Growth in the point to point transport market in the Urban Fare Area



Note: This graph shows growth in number of transactions. It is based on debit and credit card transactions, and as such does not take into account whether this represents an increasing proportion of taxi trips.

Data source: HoustonKemp, *Use of ridesharing and taxi services in New South Wales*, November 2017 data sourced from Data Republic and adjusted based on Taverner Research, *Comparing Surveys of Point to Point Transport Use, November 2014 to February 2017*, May 2017.



The electronic transaction data, assuming a 10% annual increase in the proportion of electronic payments for taxi trips, shows that demand for point to point transport in the Urban Fare Area increased by 45% between 2015-16 and 2016-17.⁶¹ Over this period the market share of taxi service providers fell from around 90% to 60%, with relatively stable demand. If the proportion of electronic payments for taxi trips has increased by more than 10% year-on-year, this would mean a larger reduction in taxi service providers' market share.

We also note that most taxis in each operating area of the Urban Fare Area continue to work under a single authorised taxi service provider. This suggests that without maximum fare regulation, one authorised taxi service provider in each operating area may have some ability to set fares above efficient costs for rank and hail services.

4.4.4 On balance we found competition not yet sufficient for deregulation

After considering the evidence outlined above, we found that, on balance, there is an ongoing need to regulate rank and hail fares in Sydney and other urban areas for the purpose of protecting customers. This finding is based on the current taxi licence values, high proportions of rank and hail trips and dominant authorised taxi service providers.

⁶¹ We have adjusted HoustonKemp's data sourced from Data Republic based on the findings of Taverner Research, *Survey of Point to Point Transport Use*, February 2017, p 89. We increased card transactions by 162% in Sydney, 220% in Newcastle, Wollongong and the Central Coast for November 2016. We have applied a growth in card transactions of 10% per year to reflect growth of electronic transactions as a share of taxi payments.

However, the rapid increase in the size of the point to point transport market following the legalisation of rideshare suggests competition is developing quickly. Releasing more taxi licences would help competition develop within the taxi industry and allow the NSW Government to remove fare regulation.⁶²

IPART finding

- 2 Competition in the Urban Fare Area is not yet sufficient to remove maximum fare regulation for rank and hail fares. Competition is developing quickly and fare regulation and licence restrictions may not be required for much longer. Releasing more taxi licences would help competition develop.

4.5 Data collection would help Government assess competition

We consider that data should be collected routinely for three years to provide IPART and the Government with the best possible information to understand how the market is developing while minimising costs. This data would inform any future decisions and recommendations regarding fares and licences. The data could be collected annually for three years. We consider that the Point to Point Transport Commissioner should:

- ▼ collect data on both taxis and hire vehicles
- ▼ collect data from large service providers only, and
- ▼ only collect data it already requires service providers to record.

4.5.1 Collect data on taxis and hire vehicles for three years

Data from authorised taxi service providers **and** authorised booking service providers needs to be collected to provide information on both taxis and hire vehicles. This would help the NSW Government assess the effectiveness of deregulation of the hire vehicle industry in developing competition with the taxi industry and within the point to point transport industry. This data should be collected for three years, until 30 June 2021.

4.5.2 Collect data only from large service providers

Data should only be collected from large service providers to avoid imposing a cost burden on small taxi and hire vehicle businesses that may not have electronic record keeping systems. In our Draft Report we suggested that large service providers should be defined as those with revenue over \$1 million. However, we understand that the Point to Point Transport Commissioner does not have access to information on providers' revenue. Therefore, we are recommending data be collected from authorised taxi service providers and authorised booking service providers with more than 100,000 passenger service transactions (ie, providers that are required to pay more than the two lowest authorisation fees).

⁶² In this review we are only able to recommend releasing NSW taxi licences outside of Sydney. Our statement holds that releasing more taxi licences would help competition outside and within Sydney, but our recommendations only consider releasing taxi licences outside of Sydney.

The only additional costs to taxi service providers would be the transmission of the data to the Point to Point Transport Commissioner.

4.5.3 Collect only the data that is already required to be recorded

Based on the record keeping requirements in the *Point to Point Transport (Taxis and Hire Vehicles) Regulation 2017* we consider the Point to Point Transport Commissioner should collect the data listed in Table 4.2. Authorised taxi and booking service providers are already required to record all of this information.⁶³

Table 4.2 Recommended data to be collected for competition monitoring

Booking service providers (hire vehicles)	Taxi service providers (taxis)
▼ Date and time of booking	▼ Date and time of journey (start and end)
▼ Date and time of journey (start and end)	▼ Location of journey (start and end)
▼ Location of journey (start and end)	▼ Name of driver
▼ Name of driver	▼ Vehicle registration number of taxi
▼ Vehicle registration of vehicle	▼ Fare

We consider it would be useful to collect information to monitor the development and impact of the policy changes from the Point to Point Transport Act and our recommendations. It would better inform any future decisions and recommendations. This data would provide IPART and the Government with the ability to analyse:

- ▼ market shares of taxi service providers and booking service providers by operating area
- ▼ market concentration of taxi service providers and booking service providers
- ▼ levels of supply-side substitution by drivers and vehicles working for different taxi service providers and booking service providers
- ▼ changes in total demand for taxis and point to point transport
- ▼ the impacts of changes to regulated fares on typical customers and taxi drivers and operators
- ▼ waiting time for booking service providers and taxi service providers, and
- ▼ the impact of price changes (through fare notification) on point to point transport demand (eg, for a price and cross-price elasticity study where fares change).

Recommendation

- 1 The Point to Point Transport Commissioner collect trip data for taxis and hire vehicles, annually for three years, from 1 July 2018 to 30 June 2021 from all taxi and booking service providers with over 100,000 passenger service transactions per year.

⁶³ As we discuss in Chapter 6, following deregulation of maximum fares for rank and hail services, the Point to Point Transport Commissioner should also collect rank and hail fare schedules each time they are changed.

5 New annual taxi licences outside Sydney

As Chapter 2 discussed, from 1 July 2018 Transport for NSW (TfNSW) will use the same approach as it uses in Sydney to issue new taxi licences outside Sydney. That is, it will decide, by 1 July, how many new annual licences it will release outside Sydney in the coming year. It will offer these licences from 1 July using a competitive tender process. The successful tenderers will be able to renew these annual licences up to nine times.

To assist TfNSW in implementing this approach, IPART has been asked to review and recommend:

- ▼ how many taxi licences (other than WAT licences)⁶⁴ should be issued to operate in areas outside Sydney in the year starting 1 July 2018, and
- ▼ whether there should be any restrictions on these new licences, including a specified operating area (other than outside the Metropolitan Transport District (Sydney)).

In making our recommendations we have considered the *Point to Point Transport Taskforce: Report to Minister for Transport and Infrastructure* (November 2015) and the NSW Government's response.

In our Draft Report we found there was a shortage of taxi licences in areas of NSW outside Sydney and recommended an increase of 10% of existing licences outside Sydney.

Industry stakeholders disagreed with the need for additional licences in submissions and at our public forums. They considered that the release of additional licences into country NSW would damage the viability of existing taxi businesses, which are already facing challenges competing in the new regulatory environment.

We considered this feedback, and modified our recommendations for the release of new annual taxi licences outside Sydney. While we are recommending a much lower number of licences be released in the year from 1 July 2018, we consider that deregulating the supply of taxi licences is the best way forward for the taxi industry.

The sections below summarise our final recommendations for new annual taxi licences outside Sydney and then discuss them in more detail.

5.1 Summary of recommendations on new annual taxi licences

Industry stakeholders in submissions and at our public forums said that the taxi industry outside Sydney is experiencing difficult business conditions and declining demand due to

⁶⁴ WAT licences are excluded from our review because they are available on application to from the Point to Point Transport Commissioner and are not subject to licence fees or application or renewal fees. See <https://www.pointtopoint.nsw.gov.au/taxi-licences-tender-lease-renew-and-transfer#licence> conditions, accessed 8 March 2018.

increased competition from the growth of alternative point to point transport operators such as community transport (and rideshare in larger areas).

Rather than responding to this increased competition by imposing restrictions on competition or continuing to regulate the supply of taxi licences, to give the taxi industry the flexibility necessary to compete we are recommending that from 1 July 2020 annual taxi licences for outside Sydney should be available on demand for an administration fee. We are recommending that these licences be able to provide rank and hail services anywhere in NSW outside Sydney. This would effectively deregulate the supply of taxi licences outside Sydney.

This would give taxi service providers opportunities to operate more flexibly, lower their licence lease costs, encourage more people to catch taxis through more competitive pricing, respond to increasing demand, and compete more effectively with other providers of point to point transport.

However, deregulating the supply of taxi licences would require legislative change and as a transition to allow the taxi industry to adjust to the new point to point transport regulatory regime, we are recommending that TfNSW issue a small number of licences in three tranches of 12 each during the year from 1 July 2018.

We are also recommending that new licences be able to provide rank and hail services anywhere in NSW outside Sydney. This would increase the efficiency of the rank and hail market, by removing restrictions on where taxis can pick up passengers. Although most industry stakeholders do not support the removal of operating area restrictions for new licences, such restrictions no longer exist for booked work in taxis and there are no operating area restrictions for other hire vehicles or newly issued WAT licences.

As recommended by the Point to Point Transport Taskforce, the NSW Government has stated it will consider the scope for rationalisation of area boundaries for existing licences outside Sydney.⁶⁵ We support this review.

5.2 Taxi industry stakeholders oppose the release of new taxi licences outside Sydney

In our Draft Report we found there is a shortage of taxi licences in areas of NSW outside Sydney. We made this finding after observing:

- ▼ high licence transfer values in a number of areas
- ▼ the population across NSW had grown faster than the number of taxi licences
- ▼ growing demand for point to point transport services with the majority of this demand being met by alternatives in point to point transport market (such as rideshare), and
- ▼ survey results indicating that taxis were harder to obtain than other hire vehicles.

Based on this finding, we recommended an increase in taxi licences equal to 10% of existing licences outside Sydney. This recommendation was a moderate approach after considering a very large increase equivalent to a deregulated market, and a small increase in licences to

⁶⁵ NSW Government, *Response to the Taskforce Recommendations*, December 2015, Recommendation 42.

match population growth. We considered that a 10% increase in taxi licences would help the taxi industry to transition and compete in the new point to point transport regulatory environment.

However, industry stakeholders disagreed with the need for additional licences in submissions and at our public forums. They considered that the release of additional licences into country NSW would damage the viability of existing taxi businesses, and taxi licence plate owners are concerned that licence values would (continue to) fall if new licences were released.⁶⁶

Many taxi business owners and operators consider that there is not a shortage of taxis outside Sydney, rather they have experienced falling demand for taxi services.⁶⁷ Stakeholders have said that many areas have licences on hold (or are not rostering as many cars) because there is not enough work.⁶⁸ We heard that some of those wanting to sell their licences are unable to get buyers.⁶⁹

Taxi operators and drivers also disputed the findings of our passenger surveys, stating that passenger waiting times were lower than reported in surveys.⁷⁰

We heard that in many regional areas taxis faced increased competition from community and courtesy transport (and buses in some cases), and households owning a second vehicle.⁷¹ Also, that taxis face higher costs than competitors such as rideshare, particularly for CTP.⁷²

On the basis that they have experienced declining demand due to competition from other transport providers, many in the taxi industry argue that no new licences should be issued whilst there are licence plates on hold.⁷³

5.3 Deregulating the supply of taxi licences would help the industry to remain viable and compete

We acknowledge the challenges facing the taxi industry in NSW as raised by industry stakeholders and discussed above. The impacts they have described have occurred in an environment with very little change in the number of licences.

⁶⁶ See for example, T Mullins submission to IPART Draft Report, 31 January 2018, pp 3-4; Anonymous submission to IPART Draft Report, 5 February 2018, pp 1-2; and R Stapleton, Transcript of Public Forum, Dubbo, 6 February 2018, p 9.

⁶⁷ See for example, Wagga Taxis Co-Operative Society Limited submission to IPART Draft Report, 25 January 2018, p 1; N McKenzie, Transcript of Public Forum, Coffs Harbour, 1 February 2018, p 11; and Kiama Cabs and Hire Cars submission to IPART Draft Report, 1 February 2018, p 1.

⁶⁸ Kiama Cabs and Hire Cars submission to IPART Draft Report, 1 February 2018, p 5; P Brasher submission to IPART Draft Report, 9 February 2018, p 1.

⁶⁹ J Faulkner, Transcript of Public Forum, Dubbo, 6 February 2018, p 39.

⁷⁰ See for example, Kiama Cabs and Hire Cars submission to IPART Draft Report, 1 February 2018, p 3; and North Coast Taxi Council submission to IPART Draft Report, 9 February 2018, p 1.

⁷¹ P West, Transcript of Public Forum, Coffs Harbour, 1 February 2018, p 7; Taxi Cabs Bathurst Co-Operative Society Ltd submission to IPART Draft Report, 9 February 2018, p 5.

⁷² See for example, Kiama Cabs and Hire Cars submission to IPART Draft Report, 1 February 2018, p 2; and Regional Taxi Lines Pty Ltd - G. Ferris submission to IPART Draft Report, 8 February 2018, p 2.

⁷³ See for example, P. Brasher submission to IPART Draft Report, 8 February 2018, p 1; D Ward submission to IPART Draft Report, 18 January 2018, p 1; and NSW Taxi Council submission to IPART Draft Report, 9 February 2018, pp 5-6.

As we have stated in previous reviews, and in the Draft Report, we do not consider that there is any economic justification for the NSW Government to restrict the supply of taxis, or other point to point transport services.⁷⁴ However, licensing arrangements over the years have served to restrict the number of taxi licences released and increase the price of those licences. In doing so, while not contributing to the productive value of the taxi, the price of the licence increases the costs of providing taxi services. This has meant alternative providers have been able to grow their share of the point to point transport market, at the expense of the taxi industry. Without new licences and the flexibility to respond, taxis will continue to lose market share. Therefore, rather than continuing to restrict the supply of taxi licences, we consider the best way forward for the taxi industry is for the supply of taxi licences to be deregulated. This would allow the industry to compete more effectively and help ensure the long term viability of the taxi industry.

5.3.1 From 1 July 2020 licences should be available on demand

As discussed above, we have heard the taxi industry is experiencing tougher business conditions due to increased competition from the growth of alternative point to point transport operators (such as community transport, courtesy transport and rideshare in larger areas). Stakeholders in the taxi industry consider the appropriate response is to restrict this competition and maintain restrictions on the supply of taxis.⁷⁵

Competition from alternative point to point transport providers appears to have increased more quickly than we found in the Draft Report and we consider that continuing to restrict the supply of taxi licences limits the ability of taxis to respond to this competition.

In addition, increasing the supply of taxi licences provides opportunities for the taxi industry to realise latent demand; that is, demand from passengers who would like to use point to point transport but don't currently. For example, potential passengers might previously have considered taxi travel was too expensive, the waiting time too long or the taxi might not turn up, and so made alternative arrangements, such as driving their own car, catching public transport, or booking a hire vehicle instead. Alternatively, they might have decided not to travel at all. Deregulating the supply of licences would allow taxi service providers to operate more flexibly (putting more vehicles on the road at periods of peak demand and fewer when demand is low) and lower their costs. This would allow taxis to compete more effectively with other providers of point to point transport in responding to, and encouraging more people to catch taxis through competitive pricing.

The regulatory changes in the point to point transport market mean this is a time of great change and transition for the taxi industry. These changes, particularly the legalisation of rideshare but also the removal of operating area restrictions and maximum fare regulation for booked trips in taxis, mean that the taxi industry has to adjust to a new way of operating. If it does not, it will no longer be a viable player in the point to point transport market.

To assist the taxi industry to make this adjustment, and to compete with other point to point transport providers in an increasingly competitive market, we are recommending that from

⁷⁴ See for example, IPART, *Submission on Point to Point Transport Taskforce Discussion Paper*, September 2015, p 14.

⁷⁵ See for example, D Ward submission to IPART Draft Report, 18 January 2018, p 1; Kiama Cabs and Hire Cars submission to IPART Draft Report, 1 February 2018, pp 2-3, and NSW Taxi Drivers Association submission to IPART Draft Report, 9 February 2018, p 5.

1 July 2020 annual taxi licences for outside Sydney should be available on demand, for an administration fee. This would effectively deregulate the supply of taxi licences outside Sydney, similar to recent reforms in Victoria.

In a deregulated system we would expect taxis to enter the market up to the point where they can continue to cover their costs, at the same time putting downward pressure on fares, increasing availability and reducing waiting times for passengers. Licence values would also decrease.

We note that in recent years and particularly since the deregulation of booked services, licence values have fallen in many areas despite the restriction on the supply of taxis, and we have heard that those wanting to sell their licences have been unable to do so (at the price they are willing to sell).⁷⁶ Deregulating the supply of licences by making them available on demand would accelerate this trend causing the value of current licences to fall towards zero. Taxi businesses would still have a business value based on goodwill, customer base, brand recognition, any service contracts where they exist, however there would no longer be any scarcity value attached to a licence. We recognise the impact this could have on current licence holders, many of whom lease out their licence or plan to sell it to fund their retirement.⁷⁷

In recognition of this impact the NSW Government has established an industry assistance package worth up to \$250 million (funded by the Passenger Service Levy) to help people like eligible taxi and hire car licence holders adjust to the changes to the industry. This package includes:

- ▼ up to \$98 million for transitional assistance for eligible taxi licence holders,
- ▼ up to \$142 million in additional assistance for industry participants facing financial hardship as a result of the changes, and
- ▼ up to \$10 million for an additional assistance scheme for eligible hire car licence holders.

The package is discussed further in Box 5.1.

⁷⁶ R Angelopoulos, Transcript of Public Forum, Sydney, 30 January 2018, p 28.

⁷⁷ J Faulkner, Transcript of Public Forum, Dubbo, 6 February 2018, p 39.

Box 5.1 Point to Point Transport – Industry adjustment assistance package

Transitional Assistance

The first stage was the transitional assistance for taxi licence holders who held a licence before 1 July 2015 – and continued to hold that licence up until payment of the transitional assistance. The scheme consisted of a \$20,000 payment per eligible ordinary transferable licence, for up to two licences.

The scheme distributed over \$92 million to eligible taxi licence holders, representing 99 per cent of possible applicants – around 4,000 eligible licence holders. This stage of the assistance package is now closed.

Additional assistance for hire cars

Up to \$10 million has been allocated to an additional assistance scheme for eligible hire car licence holders, in recognition that hire car licences are no longer required. This scheme provides a minimum of \$30,000 for country hire car licences and \$80,000 for Sydney hire car licences, plus additional amounts up to the amount actually paid for the licence (indexed by CPI). Applications for assistance under this package are open until Friday, 13 April 2018.

Industry additional assistance

The industry adjustment assistance package includes up to \$142 million in additional assistance for persons who are or were involved in or connected with the taxi or passenger hire vehicle industry and who are detrimentally affected by the point to point transport reforms, particularly those in financial hardship.

More information is soon to be made available to industry on how to apply for additional assistance.

The Taxi and Hire Vehicle Industries Assistance Panel has oversight of these three funds.

Source: Transport for NSW – Point to Point – Industry Assistance at <https://www.transport.nsw.gov.au/projects/programs/point-to-point-transport/point-to-point-industry-assistance> accessed 1 March 2018.

In Victoria, taxi licences have been available for an annual administration fee of \$52.90 since the *Commercial Passenger Vehicle Industry Act 2017* came into force on 9 October 2017.⁷⁸ Since then there has been a 50% increase in taxi licences. The largest increases in conventional licences (ie, non-WAT) have been in the Metro and Urban zones (58% and 59% respectively). In the Regional zone, there has been a 10% increase in conventional taxi licences, while in the Country zone there has been a 7% increase.⁷⁹ This indicates there is demand for taxi licences.

⁷⁸ Taxi Services Commission, *Fees and charges* at <http://taxi.vic.gov.au/owners-and-operators/fees-and-charges>, accessed 28 February 2018.

⁷⁹ Taxi Services Commission, *Taxi and hire car statistics* at <http://taxi.vic.gov.au/about-us/overview/industry-statistics>, accessed 28 February 2018.

5.3.2 In the year commencing 1 July 2018 a small number of annual licences should be released in three tranches

The new regulatory framework allows for the release outside Sydney of non-transferable annual licences, renewable for up to 10 years, similar to arrangements that have been in place in Sydney since 2009. No new ordinary licences will be issued.

As discussed above, we are recommending that from 1 July 2020 annual taxi licences be available on demand, for an administration fee. This would require legislative change. Therefore, as a transition and to allow the taxi industry to adjust to the new point to point transport regulatory regime, we are recommending that TfNSW issue a small number of annual licences in three tranches of 12 each during the year from 1 July 2018. This would allow the taxi industry to adjust to a more flexible supply of licences.

We consider that three tranches of 12 annual licences each would provide for additional taxis in areas where there is high demand for taxi services. Releasing the licences in three tranches would provide information on their market value for subsequent rounds.

5.3.3 Moving licences ‘on hold’ is not an alternative to issuing new licences

Currently, a taxi licence owner is able (by notifying RMS) to put a T or TC⁸⁰ registration plate ‘on hold’ – that is, to maintain ownership of the licence but not have the licence attached to a vehicle which is operating as a taxi.⁸¹ As at 1 September 2017 there were 78 T and TC registration plates on hold outside Sydney (73 in country areas and five in Newcastle).⁸² This represents 7% and 3% of existing licences in these areas respectively.

Owners of T and TC registration plates may put a licence plate ‘on hold’ due to their assessment that there is insufficient demand at current fares, or because the licence holder doesn’t want to operate all their taxis but wants to retain the licence rather than selling it. We have observed that there are T or TC registration plates on hold in operating areas where there have been high value transfers recently. While the supply of taxi licences remains regulated, the ability of licence owners to put T and TC registration plates on hold further distorts the market including the value of taxi licences.

In its submission to our Issues Paper, the NSW Taxi Council proposed that licences on hold must be the priority before releasing new licences and that “the release of any new licences must not occur, at least until a review of all current licences on hold takes place.” Part of the Taxi Council’s proposed review would consider changing the area of operation for a licence on hold to an area where it is needed.⁸³ The Taxi Council has continued to address licences on hold in our public forums and in its submission to our Draft Report.⁸⁴

⁸⁰ Taxis in the Metropolitan Transport District, Newcastle Transport District and Wollongong Transport District have T registration plates. Taxis in the rest of NSW have TC registration plates.

⁸¹ *Road Transport (Vehicle Registration) Regulation 2017*, cl 26.

⁸² RMS data from TfNSW, as at 1 September 2017.

⁸³ NSW Taxi Council submission to IPART Issues Paper, October 2017, p 13.

⁸⁴ NSW Taxi Council submission to IPART Draft Report, 9 February 2018, pp 5-6, 8; and NSW Taxi Council - M Rogers, Transcript of Public Forum, Dubbo, 6 February 2018, p 5.

A number of stakeholders also suggested that rather than issuing new licences, taxi licences ‘on hold’ should be bought back by the Government or moved to an area where there is higher demand.⁸⁵

We considered whether changing the operating area for licences ‘on hold’ would be an option to increase the number of taxi licences in operation. Although this alternative could provide more taxi services in areas where there is greater demand, it would also create ‘winners’ and ‘losers’, particularly while rank and hail operating area restrictions apply for existing licences. Those with licences ‘on hold’ in areas with lower licence values could potentially make a windfall gain if allowed to move or sell this licence into a higher value area. Such a process could also disadvantage the holders of other underutilised licences that have not been put ‘on hold’ if these licences were not also able to be transferred to a higher demand operating area.

Our recommendation for fares to be deregulated in the Country Fare Area could provide incentives for licence holders to operate licences currently ‘on hold’. Alternatively, our recommendation to increase the supply of licences would allow new licences to enter areas where licences are currently ‘on hold’.

5.4 New licences should be able to provide rank and hail services anywhere in NSW outside Sydney

As Chapter 2 discussed, operating area restrictions for booked services have been removed as part of the point to point transport reforms.⁸⁶ However, they remain on existing taxi licences for rank and hail taxi services, preventing rank and hail journeys commencing outside that taxi’s operating area.⁸⁷ The Point to Point Transport Taskforce recommended that new licences released outside Sydney be able to provide rank and hail services anywhere in this area. The NSW Government supported this recommendation.⁸⁸

We consider that removing operating area restrictions (for rank and hail services) for new licences would improve the efficiency of the rank and hail market. We consider that new licences should be permitted to provide rank and hail services anywhere outside Sydney, consistent with the new WAT licences issued under the *Point to Point Transport (Taxis and Hire Vehicles) Act 2016*. We are no longer recommending that there be two zones outside Sydney as in our Draft Report.

5.4.1 Separate Designated and Exempt Zones are no longer necessary

In our Draft Report, we recommended the creation of two zones – a Designated Zone and an Exempt Zone – with a separate allocation of new licences and different operating areas for each. We recommended that new licences issued for:

- ▼ the proposed Designated Zone would be able to provide rank and hail services anywhere in NSW outside Sydney, and

⁸⁵ See for example, N. Donaldson submission to IPART Draft Report, 9 February 2018, p 1; Mr Casey and N McKenzie, Transcript of Public Forum, Coffs Harbour, 1 February 2018, pp 17-19.

⁸⁶ Point to Point Transport Act, s 56(5).

⁸⁷ Point to Point Transport Act, s 56(4).

⁸⁸ NSW Government, *Response to the Taskforce Recommendations*, December 2015, Recommendation 39.

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- ▼ the proposed Exempt Zone would be able to provide rank and hail services anywhere in this Exempt Zone, but not in the Designated Zone.

We proposed these two zones to ensure that some new licences would be available in those regional and remote areas that would not otherwise be able to attract a new taxi licence under a competitive tender process with a limited supply of new licences.

Given our recommendation that licences be available on demand from 1 July 2020, we consider it is no longer necessary to allocate a number of new licences to these smaller towns and remote areas. This is because they would not be competing for a limited supply of new licences against areas with higher demand for taxi services. In addition, as these licences would be available for an administration fee it would be easier for a taxi business to acquire a new licence to operate in areas where currently it may not be viable.

5.4.2 Industry stakeholders do not support new licences being able to provide rank and hail services across NSW

Our draft recommendation to classify existing operating areas into a Designated Zone and an Exempt Zone was not the main focus of submissions or in the public forums. Industry stakeholders were more concerned that new licences would be able to provide rank and hail services anywhere, potentially undermining local businesses.

Industry stakeholders were concerned that if new licences were permitted to provide rank and hail services across NSW they would travel around and ‘cherry pick’ festivals and events and take the ‘cream’ of the busy times, undermining the viability of local taxi businesses, which service the community the rest of the year. Many industry stakeholders argued that without these busier times, they would not be able to continue to provide a 24/7 service, which they consider a community service.⁸⁹

We recognise that in some country areas taxi service providers may rely on high demand during seasonal events (such as festivals or shows) to remain viable in other parts of the year when demand may be much lower. In such places, where licence values are low and there is little economic rent in fares, the threat of new licences being able to move around NSW could impact existing businesses, and potentially leave areas without a permanent taxi service.

However, under the new regulation, taxis are already able to provide booked trips anywhere in NSW, and there are no operating area restrictions for other hire vehicles or newly issued WAT licences. Therefore, we consider that removing rank and hail operating area restrictions on new licences should not have as large an impact as industry stakeholders expect, particularly in areas where rank and hail work is a smaller proportion of the point to point transport market. Furthermore, we are recommending that fare regulation for rank and hail services in the Country Fare Area be removed from 1 July 2020 or earlier (see Chapter 6). This, combined with deregulation of the supply taxi licences, could enable taxi service providers to move into towns where previously it has not been profitable to operate.

⁸⁹ See for example, Regional Taxi Lines Pty Ltd - G Ferris submission to IPART Draft Report, 8 February 2018, pp 1-2.

The Taxi Council considers that allowing new licences to operate across the State would create an uneven playing field with current licences.⁹⁰ We considered this issue in our Draft Report, recognising that while existing licences outside Sydney have area-based restrictions for rank and hail services, there is a risk that removing such restrictions for new licences would introduce a two-tier system, putting current, existing licence holders at a competitive disadvantage. However, we consider this is a small risk, given operating restrictions on booked services have been removed. We also consider this risk is outweighed by the benefits of removing operating area restrictions on new licences.

5.4.3 New licences should be able to provide rank and hail services anywhere in NSW outside Sydney

As the Point to Point Transport Taskforce found, some operating areas no longer reflect the urban footprint that existed when licences were first issued for the area. This creates complexities for passengers and drivers.⁹¹ For example, currently taxis that drop passengers at a destination outside their specified operating area cannot pick up a return fare at a rank or in the street, and passengers may be charged the cost of the empty return trip. Restrictions also generally increase compliance costs.

As such, we consider that removing restrictions on where the new licences can provide rank and hail services would improve the efficiency of the rank and hail market. We would expect that the small number of new licences we have recommended TfNSW issue by tender from 1 July 2018 would flow to the areas with the highest unmet demand for taxi services. This would address any shortages of taxi licences and reduce waiting times for passengers in those areas.

We note that newly issued WAT annual licences under the *Point to Point Transport (Taxis and Hire Vehicles) Act 2016* can operate anywhere in NSW outside Sydney. As at February 2018, 64 of these WAT licences were in operation, some of which replaced expiring short-term WAT licences.

Our review is not considering changes to current area-based restrictions for existing taxi licences, as this is the Point to Point Transport Commissioner's role. As recommended by the Point to Point Transport Taskforce, the NSW Government has stated it will consider the scope to rationalise area boundaries for existing licences outside Sydney.⁹² As more new licences are issued and supply becomes less constrained, it will become less likely that removing operating area restrictions would lead to some towns being left without a taxi service. With our recommendation for licences to be available on demand from 1 July 2020, we support the review of operating areas for existing licences.

⁹⁰ NSW Taxi Council submission to IPART Draft Report, 9 February 2018, p 7.

⁹¹ NSW Government Point to Point Transport Taskforce, *Report to the Minister for Transport and Infrastructure*, November 2015, p 93.

⁹² NSW Government, *Response to the Taskforce Recommendations*, December 2015, Recommendation 42.

Recommendation

- 2 To better meet passenger needs and to enhance the viability of the taxi industry, from 1 July 2020 annual taxi licences to operate anywhere in NSW outside Sydney be available on request, for an administration fee.
 - For the year commencing 1 July 2018, new annual taxi licences be issued by tender in three tranches of 12 licences each to operate anywhere in NSW outside Sydney.

5.5 No other restrictions are necessary for new licences

Under our terms of arrangement, we are also to consider whether there should be:

- ▼ restrictions on operating in cross-border areas,
- ▼ any other operating restrictions,
- ▼ a number of new licences issued to persons authorised to provide taxi services, and
- ▼ any restrictions on how many new licences can be granted to the same or related applicants.

In our Draft Report, the only restrictions we recommended were regarding the operation of new licences in Queanbeyan due to the reciprocal arrangements in place between Queanbeyan and the ACT. As advised by the Point to Point Transport Commissioner, a cross-border arrangement is being finalised with the ACT Government, under which this restriction would not be necessary.⁹³ We have therefore removed the draft recommendation.

As we are recommending a smaller number of licences be issued in 2018-19 than in the Draft Report, it is possible that one applicant could purchase a majority (or all) of these new licences. However, we do not expect this small number would allow them to exercise market power. As such, we are not recommending any restrictions on how many new licences can be granted to the same or related applicants, or any other restrictions for the new licences.

⁹³ NSW Point to Point Transport Commissioner, Transcript of Public Forum, Sydney, 30 January 2018, pp 61-62.

6 Maximum fares for rank and hail services

As Chapter 3 discussed, our overarching objective for this review is to help to improve taxi services, both for taxi passengers and for taxi service providers. In recommending maximum fares for rank and hail taxi services across NSW to apply from 1 July 2018, we aim to ensure that authorised taxi service providers can recover the efficient cost of providing the services, and that fares are affordable for passengers and can be understood by them.

We consider the best way to achieve this is through effective competition, rather than prescriptive regulation. We have revised our assessment of competition since the Draft Report, and found competition in the Country Fare Area is sufficient to remove maximum fare regulation for rank and hail fares, and that while competition is developing quickly in the Urban Fare Area it is not yet sufficient to remove maximum rank and hail fare regulation.

The sections below summarise our findings and recommendations on maximum fares for rank and hail taxi services, and then discuss them in more detail.

6.1 Summary of recommendations on maximum fares for rank and hail services

As discussed in Chapter 4, we concluded competition is currently not sufficient in the Urban Fare Area to deregulate rank and hail fares. We found that the current maximum fares for rank and hail services are above the efficient cost of providing the services in Sydney and parts of NSW. Therefore, we are recommending a nominal freeze for rank and hail fares in Sydney and the Urban Fare Area. This would help transition rank and hail fares to an efficient level. We consider that there is no strong case to change the tariff structure or for regulated non-tariff charges to change. Further competition in the point to point transport market could develop quickly in the Urban Fare Area and maximum fare regulation for rank and hail fares may not be required for much longer. Fares for booked services provided in taxis are already not subject to maximum fare regulation, but a customer must be provided with a fare estimate before the journey starts.

We found that competition in country NSW is sufficient to remove maximum fare regulation (see Chapter 4) for rank and hail services, based on the current level of competition from services such as courtesy transport, community transport and, in some areas, buses, hire vehicles and rideshare. The threat of competition from hire vehicles has also increased due to changes to the regulatory framework for point to point transport, and most taxi work is booked in the Country Fare Area and thus already not subject to maximum fare regulation.

Maximum fare deregulation in the Country Fare Area would allow taxi service providers to adjust prices and services for rank and hail business to suit the market. For example, it would provide the possibility of charging different fares at different times of day to suit the specific characteristics of the taxi service provider's area of operation.

Removing maximum rank and hail fare regulation for the Country Fare Area would be a relatively straightforward matter of amending the fares order to remove any references to the Country Fare Area.

The taxi industry is in transition from a highly regulated industry to a less regulated one and deregulating maximum rank and hail fares will provide the taxi industry with more flexibility to adjust to the changes it has been experiencing. We consider it would be prudent in the transition to maximum fare deregulation, for a three year interim period, to implement alternative consumer protection measures and assess outcomes for customers through fare notification and monitoring. This would require regulatory change.

We have also had regard to our recommendations on licences when developing our recommendations for fares. While we assessed competition from hire vehicles and other types of point to point transport providers as sufficiently effective to allow for maximum fare deregulation, deregulation of the supply of taxi licences would further develop competition within the rank and hail market.

In Chapter 5, we recommended that from 1 July 2020 annual taxi licences outside Sydney be made available on demand, for an administration fee. This would require legislative change.

On balance, we consider that rank and hail fares should be deregulated in the Country Fare Area from 1 July 2020 or earlier if possible, at the same time as the supply of licences is deregulated. This would also allow for notification and monitoring arrangements to be put into place. In the meantime, we are recommending a nominal fare freeze for rank and hail trips in the Country Fare area from 1 July 2018.

6.2 A nominal fare freeze for urban and country fares from 1 July 2018

We are recommending no change to the current regulated maximum rank and hail fares and charges in the Urban and, for a transitional period, Country Fare Areas from 1 July 2018.

As discussed in Chapter 4, our analysis of competition found that competition in the Urban Fare Area is not yet sufficient to remove maximum fare regulation for rank and hail fares. In reaching this finding we considered the:

- ▼ high value of taxi licences in this area (such as around \$170,000 in Sydney⁹⁴ and \$250,000 on the Central Coast⁹⁵),
- ▼ freeze on issuing new annual licences for growth in Sydney, and
- ▼ high proportion of rank and hail trips in the Urban Fare Area.

We found that competition in the Country Fare Area is sufficient to remove maximum fare regulation for rank and hail fares, based on:

- ▼ growing competition from alternative point to point transport providers,

⁹⁴ <https://www.pointtopoint.nsw.gov.au/taxi-licence-transfer-prices>, accessed 2 March 2018.

⁹⁵ IPART analysis of RMS data and Point to Point Transport Commissioner data provided by TfNSW (see Figure 4.1).

- ▼ deregulation of fares for booked trips (which are a larger proportion of trips in the Country Fare Area than in the Urban Fare Area), and
- ▼ Victoria’s experience deregulating country and regional taxi fares.

However, we consider that the move away from regulating maximum rank and hail fares should be supported by fare notification and monitoring and these require legislative change. Therefore, we are recommending a nominal fare freeze for the Country Fare Area from 1 July 2018. Section 6.3 sets out our recommendation to not regulate maximum rank and hail fares in the Country Fare Area from 1 July 2020 or earlier if possible.

Our Draft Report recommended a nominal freeze on maximum rank and hail fares in Sydney and a proposed ‘Designated Zone’. The proposed Designated Zone was made up of taxi operating areas outside Sydney that are in, or partly within, Significant Urban Areas or had more than five taxi licences, had recent high value taxi licence transfer values or were adjacent to busy tourist areas. Many of these areas were in the Country Fare Area.

The sections below set out the feedback we received from stakeholders on a nominal freeze on fares, and more detail about the analysis that led to our final recommendations.

6.2.1 Stakeholder feedback on a nominal freeze on fares

Views on our fare recommendations were mixed. Many industry stakeholders did not support a freeze on maximum rank and hail fares on the grounds that:

- ▼ taxi drivers are receiving inadequate remuneration, in some cases making it difficult for operators to find and retain drivers⁹⁶
- ▼ fares have not increased for four to five years and have not kept up with inflation⁹⁷
- ▼ costs have increased and a fare increase is needed for the business to remain viable⁹⁸
- ▼ they preferred the Taxi Cost Index method previously used by IPART⁹⁹
- ▼ the removal of the return harbour crossing toll has meant a reduction in fares and reduced driver income,¹⁰⁰ and
- ▼ passengers will accept a small increase in fares, for example, if it means the taxi service remains in business,¹⁰¹ or because their need for transport is not very flexible.¹⁰²

Other stakeholders said that they should be able to set their own fares¹⁰³ or that fares should not rise as this would result in loss of business.¹⁰⁴ In its submission to the Issues Paper the

⁹⁶ For example, Katoomba Taxis - J Clark submission to IPART Draft Report, 5 February 2018, p 1; T Mullins submission to IPART Draft Report, 8 February 2018, p 5.

⁹⁷ For example R Walters, Transcript of Public Hearing, Sydney, 30 January 2018, p 24; F Lukabyo, Transcript of Public Hearing, Sydney, 30 January 2018, p 14.

⁹⁸ F Lukabyo, Cabcharge, Transcript of Public Hearing, Sydney, 30 January 2018, p 13; NSW Taxi Drivers Association submission to IPART Draft Report, 9 February 2018, p 4; J Spence, Transcript of Public Forum, Dubbo, 6 February 2018, pp 17-18.

⁹⁹ T Bradley, Transcript of Public Hearing, Sydney, 30 January 2018, pp 47-48; NSW Taxi Drivers Association submission to IPART Draft Report, 9 February 2018, p 4.

¹⁰⁰ M Jools, Transcript of Public Hearing, Sydney, 30 January 2018 p 16.

¹⁰¹ D Taylor, Transcript of Public Forum, Dubbo, 6 February 2018, p 18.

¹⁰² M Mahoney, Transcript of Public Forum, Dubbo, 6 February 2018, pp 22-23; D Taylor, Dubbo Public Hearing submission to IPART Draft Report, 6 February 2018, p 18.

¹⁰³ J Berne submission to IPART Draft Report, 5 February 2018, p 1.

NSW Taxi Council submitted that 'taxi fares are about right' for both Sydney Metro and Country. In its submission on the Draft Report the Taxi Council submitted that it would not be seen as reasonable for there to be no increase in drivers' earnings.¹⁰⁵

Stakeholders expressed concern about the viability of the taxi industry in some regional areas,¹⁰⁶ reporting difficulties in finding buyers for taxi licences.¹⁰⁷ One stated

In remote areas and small towns the potential of operating a taxi service even when the licence is given out free of charge is marginal at best.¹⁰⁸

6.2.2 Our response to stakeholder feedback

We are no longer recommending a Designated Zone for new licences (see Chapter 5). Our final recommendations on maximum fares are based on the existing Urban and Country Fare Areas (see Glossary for a description of the fare areas).

Our referrals require us to consider the need for greater efficiency in the supply of taxi services so as to reduce costs for the benefit of consumers and taxpayers. In parts of NSW where licence values are high we consider that fares are above the efficient cost of providing taxi services as fares are sufficient to cover the 'scarcity value' of licences. We do not consider this to be an efficient cost. We consider that a nominal fare freeze would transition fares closer to the efficient costs of providing rank and hail taxi services.

Compared to our draft recommendations, our final recommendation is to retain maximum fare regulation for rank and hail fares across NSW for the year beginning 1 July 2018. We are recommending deregulating rank and hail fares in the Country Fare Area from July 2020 or earlier if possible (see section 6.3).

In some parts of the Country Fare Area the demand for taxi services is currently low, licence values are low or unknown and licence owners report difficulty in finding buyers for licences. The regulated maximum rank and hail fares in these areas may already be at a level reflecting the efficient cost of providing rank and hail services. Taxi industry stakeholders highlighted the breadth and quality of service they provide, meeting the community's needs 24 hours a day, seven days a week,¹⁰⁹ picking up people following domestic violence incidents, or taking people to hospital.¹¹⁰ For example,

We are on call 24 hours a day, seven days a week. We do stuff in early hours in the morning, such as transferring nurses to and from hospitals to keep the ambulances on the road doing what

¹⁰⁴ M Jools, Transcript of Public Hearing, Sydney, 30 January 2018 p 16; M Burrage, Transcript of Public Hearing, Sydney, 30 January 2018, pp 22,57.

¹⁰⁵ NSW Taxi Council submission to Issues Paper 20 October 2017, p 10 and Taxi Council submission to IPART Draft Report, 9 February 2018, p 7.

¹⁰⁶ T Mullins submission to IPART Draft Report, 31 January 2018, pp 1, 5; P Porteous, Transcript of Public Forum, Coffs Harbour, 1 February 2018, p 37.

¹⁰⁷ R Stapleton, Transcript of Public Forum, Dubbo, 6 February 2018, p 9; G Casey, Transcript of Public Forum, Coffs Harbour, 1 February 2018, pp 9-10; R Walters, Transcript of Public Hearing, Sydney, 30 January 2018, p 24; J Faulkner, Transcript of Public Forum, Dubbo, 6 February 2018, p 39; R Angelopoulos, Transcript of Public Hearing, Sydney, 30 January 2018, p 28.

¹⁰⁸ T Mullins submission to IPART Draft Report, 31 January 2018, p 2.

¹⁰⁹ J Collins, Transcript of Public Hearing, Sydney, 30 January 2018, p 57; M Rogers, Transcript of Public Forum, Coffs Harbour, 1 February 2018, p 6.

¹¹⁰ L Stewart, Transcript of Public Hearing, Sydney, 30 January 2018, p 25.

they should be doing. We do little things for a lot of people in the early hours of morning, making sure they get on trains, picking up people from trains, taking them to and from the airport.¹¹¹

We have taken into consideration that setting maximum fares too low could threaten the viability of rank and hail services in some areas. In the Country Fare Area, rank and hail work accounts for a small proportion of taxi work. In some areas the regulated maximum rank and hail fare may not cover the costs of providing a 24 hour a day, seven day a week service. However, the majority of the examples of early morning trips given by stakeholders were booked trips for which fares are not regulated. Taxi service providers are not required to recoup the cost of providing these services via the rank and hail fare, and can set booked fares at a level that does cover costs.

We do not consider that drivers would earn more money if fares increased. The supply of and demand for driver labour determines driver earnings, not the level of fares. This reflects the structure of the taxi industry, where drivers are not employees of a taxi service provider but 'bailees' of a taxi vehicle. (See Box 6.1). Increasing fares is also likely to lead to reduced demand for taxi services and so may have a negative impact on fare revenue.

Box 6.1 Fare increases have not generally resulted in increased driver earnings

Taxis may be driven by the taxi licence holder or the taxi can be bailed to a driver (or both).

Bailee drivers pay the licence holder for the use of the taxi. While the arrangements vary, most Sydney drivers pay a fixed 'pay-in'. Outside Sydney, it is more common for licence holders to enter into a revenue-sharing arrangement with bailee drivers.

In the (Sydney) Metropolitan Transport District the maximum pay-in is determined by the Industrial Relations Commission, although actual pay-ins may be lower than the maximum. The pay-in is likely to vary with supply of and demand for drivers – many drivers willing to drive is likely to push pay-ins higher, while a shortage of drivers would mean pay-ins have to be set lower to get a driver to take a shift.

Outside Sydney, the percentage payment to a driver can be adjusted similarly, again most likely in response to supply of and demand for drivers.

As part of our 2012 and 2015 Sydney taxi reviews, we engaged consultants, The CIE, to carry out surveys of all taxis drivers and operators in NSW. The findings of these surveys indicated that driver earnings are unrelated to fares: CIE found that, with nominal increases in the maximum taxi fare in 2012, 2013 and 2014, total driver earnings per taxi were about the same in nominal terms as they were in 2011 – that is, they were lower in real terms in 2014 than in 2011.

Source: IPART, *Sydney taxi fares to apply and new licences to be released from July 2015*, p 3; The CIE, *2014 Survey of taxi drivers and operators*, February 2015 p 6; *IPART review of taxi fares outside Sydney to apply from July 2015*, June 2015, p 3.

Our referrals require us to consider the social impact of our recommendations. For some people, taxis facilitate access to employment, services and social activities. A nominal fare freeze is a real fare decrease which means that the price customers pay for taxis would not increase, even though the price of other goods and services is, on average, increasing. This would help to ensure that people remain able to access employment, services and social activities. It may also encourage people to use taxis more frequently and improve access to

¹¹¹ A Clark-Smith, Transcript of Public Forum, Coffs Harbour, 1 February 2018, p 16.

employment, services and social activities. Maximum fare deregulation from 1 July 2020, or earlier if possible, would give taxi service providers the flexibility to charge fares to cover costs at times and in places when it would be uneconomic to do so at regulated fare prices. This would have a positive social impact for communities for whom the desired services remain available, while competition and the additional protection of fare notification and monitoring would protect passengers from excessive prices.

We are also required to consider the impact of our recommendations on the use of the public passenger transport network and the need to increase the proportion of travel undertaken by sustainable modes such as public transport. Taxis may be a substitute for public transport in some instances, and a nominal freeze (which is a real decrease) in rank and hail fares may encourage some customers to switch from public transport to taxis. However, we expect that the magnitude of this impact would be very small. We also note that some customers may rely on taxi services to connect them to public transport. For these customers, lower real rank and hail fares would support their use of public transport.

6.2.3 We are not recommending changes to non-tariff charges

The non-tariff components of a rank and hail fare apply only to certain trips. They currently include road tolls, the Sydney airport rank fee, additional charges for hiring a maxi-cab and for multiple hiring, and a cleaning fee. In addition, a surcharge may apply for non-cash payments. Drivers may accept tips or gratuities but cannot demand that they are paid.

Road tolls and the Sydney airport rank fee are passed through to the customer (ie, the customer pays the actual toll or fee incurred by the driver). Prior to 1 November 2017 drivers could charge a return toll when travelling northbound across the Sydney Harbour Bridge or Sydney Harbour Tunnel.¹¹² This is no longer the case.

The 2018 Fares Order sets the maximum amounts for the other non-tariff components. We considered whether the maxi taxi surcharge, the multiple hiring fee or the cleaning fee set out in the fares order should be changed.

One stakeholder submitted that the maxi taxis should be able to charge for luggage¹¹³ and another disagreed with the removal of the return Sydney Harbour crossing toll.¹¹⁴ As we found that competition is developing quickly in urban areas and fare (and licence) regulation may not be required much longer (see Chapter 4), we also consider that it is not appropriate to recommend changes to the non-tariff charges of the Fares Order in the absence of significant evidence for change. Consistent with our Draft Report, we did not find any convincing case for recommending changes to these amounts.

The Passenger Service Levy¹¹⁵ came into effect on 1 February 2018. The 2018 Fares Order states that this levy may be added to the fare for a taxi service. This is consistent with the

¹¹² 2014 Fares Order.

¹¹³ M Khan submission to IPART Draft Report, 15 December 2017.

¹¹⁴ NSW Taxi Drivers Association submission to IPART Draft Report, 9 February 2018, p 4.

¹¹⁵ Taxi service providers and booking service providers must pay a Passenger Service Levy of \$1 per passenger service transaction for up to 5 years to fund the Government's industry assistance package. It can be passed on to customers, and if so, it is subject to GST. It does not apply when the trip starts in another State or Territory, if the authorised taxi service provider carries out fewer than 150 passenger service transactions per year or if the passenger service is carried out in remote and very remote areas of NSW.

recommendation in our Draft Report and enables taxi service providers to pass on the full cost of the levy to customers if they choose to. As this has come into effect we have not made a final recommendation on this.

Recommendation

- 3 Maximum fares and charges for rank and hail taxi services remain unchanged in nominal terms for taxis in the Urban Fare Area from 1 July 2018.

6.3 No maximum fare regulation in the Country Fare Area from 1 July 2020 or earlier if possible

We consider that rank and hail taxi services in the Country Fare Area should not be subject to regulated maximum fares from 1 July 2020, or earlier if possible. The townships of Moama, Barham, Tocumwal, Mulwala, Barooga and Deniliquin are already exempt from maximum rank and hail fare regulation. (See Chapter 2.)

Booked trips in taxis have not been subject to maximum fare regulation since 1 November 2017. Taxi service providers can have different fares for booked and rank and hail trips. The only requirement for booked fares is that the passenger receives a fare estimate before the journey commences.

If rank and hail maximum fare regulation were removed, taxi service providers would still be required to develop a fare schedule, publish it on their website, if they have one, and provide it to passengers on request. However, the fare schedule would not be constrained by a regulated maximum fare.

Our draft recommendation was to deregulate from 1 July 2018 maximum rank and hail fares in an Exempt Zone consisting of currently exempt areas, as well as other parts of the Country Fare Area that were not in, or partly within, Significant Urban Areas, or had fewer than six taxi licences, had no recent high value taxi licence transfer values and were not adjacent to busy tourist areas.¹¹⁶

The sections below set out the feedback we received from stakeholders on deregulating rank and hail fares, and more detail about the analysis that led to our final recommendations.

6.3.1 Stakeholder feedback on deregulation of rank and hail fares

The few specific comments on the draft recommendation to deregulate fares in the proposed Exempt Zone were generally neutral or supportive. The NSW Taxi Council and Regional Taxi Lines raised no objections.¹¹⁷ An individual submitted

... suppression of fare schedules ...should be done away with ... let the market set the price without the irresponsible release of uncontrolled go anywhere licences. ¹¹⁸

¹¹⁶ IPART, Review of taxi fares in NSW and taxi licences outside Sydney from 1 July 2018, Draft Report, December 2017, p 44.

¹¹⁷ NSW Taxi Council submission to IPART Draft Report, p 7; Regional Taxi Lines Pty Ltd - G Ferris submission to IPART Draft Report, 8 February 2018, p 2.

¹¹⁸ T Mullins submission to IPART Draft Report, 31 January 2018, p 5.

However, this submission considered there was inconsistency in our proposal to regulate fares in the proposed Designated Zone but not the Exempt Zone. Another individual submitted that taxi plate holders should be able to set their own fares as competitors have lower costs (such as Green Slips) and community transport is subsidised.¹¹⁹

However, some in the industry favour price regulation. For example, one individual commented

When you want to deregulate, that's great, but don't regulate us as well - it should be one or the other. ... If telling us what to do, gives you control over the taxi industry so that we get quality out there for the customer, that would be great. That is why we pay half a million dollars for a taxi licence, so that we can go out and provide that service, being told what to do, regulated, for the protection of customer and the protection of the driver.¹²⁰

6.3.2 Our response to stakeholder feedback on deregulating rank and hail fares

Deregulating maximum rank and hail fares would give taxi service providers flexibility to structure fares in a way that suits their market and reflects the costs of providing a service at different times. For example with maximum fare deregulation taxi service providers could charge higher rank and hail fares during peak demand and lower fares in off peak times.

Fare regulation is not costless. There is the direct cost of the regulatory process and compliance. There is potentially a more significant cost in the stifling of price and service innovation.

We note that the Victorian Government deregulated fares for all country and regional areas in 2014. The impact of fare deregulation in Victoria is discussed in Chapter 4.

Our final recommendation delays, but extends the area of, proposed deregulation of maximum rank and hail fares to the whole Country Fare Area. This is a larger area than proposed in our Draft Report. As discussed in Chapter 4, we found that competition in the Country Fare Area is sufficient to remove maximum fare regulation for rank and hail fares.

6.3.3 Deregulated rank and hail fares should be notified and monitored initially

We are recommending that, at the same time maximum rank and hail fares are deregulated in the Country Fare Area, a system of price notification and monitoring of rank and hail fare schedules in these areas be introduced. Price notification would provide consumers with information about fares to support a move from a regulated market where consumers can rely on Government-mandated maximum fares to one in which they seek information for themselves and make decisions about what rank and hail taxi to pick. Competition is a dynamic process. Price monitoring would allow the community and Government to understand the performance and competitiveness of the point to point transport market and to identify any areas where competition may not be sufficient to support the expected better consumer outcomes.

¹¹⁹ J Berne submission to IPART Draft Report, 5 February 2018, p 1.

¹²⁰ N McKenzie, Transcript of Public Forum, Coffs Harbour, 1 February 2018, p 12.

Our Draft Report recommended that taxis be required to display their rank and hail fares on the outside of the vehicle to facilitate competition.¹²¹ There was no support in submissions or at public forums for this recommendation. Some saw it as an unfair regulatory burden on taxis. For example, the NSW Taxi Council submitted that this is not required of buses, trains and other point to point transport; would make it difficult to change prices and compete; may create confusion at ranks and at airports; and will endanger safety as a passenger may hail a taxi then decide they want a different one behind.¹²² Cabcharge also submitted it is not required of public transport or road tolls and commented that it was overly prescriptive and will result in a “race to the bottom for fares at a time when taxis are building services and brands”.¹²³ One individual questioned if this “would make it easier for ride share to take hold in country towns”¹²⁴ and another saw it as “stupidity that will not benefit passengers who in practice take the first taxi parked at a rank.”¹²⁵

We have decided not to recommend fare notification on the exterior of taxis and instead are recommending that from 1 July 2018 to 30 June 2020 (three years following deregulation of maximum rank and hail fares) in the Country Fare Area:

- ▼ country taxi service providers be required to notify the Point to Point Transport Commissioner of changes in their rank and hail fare schedule, and
- ▼ the Point to Point Transport Commissioner publish each taxi service provider’s rank and hail fare schedule on its website.

These changes may require the Government to amend the *Point to Point Transport (Taxis and Hire Vehicles) Regulation 2016*. We are also recommending that rank and hail prices are monitored and publicly reported on annually for three years following fare deregulation. We are recommending that monitoring and reporting be undertaken by IPART or another appropriate body.

Taxi service providers are currently required to display fares inside the taxi, provide information about fares and charges on a taxi service provider’s website (if they have one) and provide copies of that information to potential passengers on request.¹²⁶ If a taxi service provider does not have an official website, they are only required to display fares inside the taxi and have copies of information about fares and charges available to potential passengers on request.

We consider our recommendations for publishing and monitoring fares aid both consumer protection and competition by providing:

- ▼ a single point where passengers can access rank and hail fare information, providing transparency about rank and hail fares that can be expected in a town
- ▼ information on trends and regional variations in taxi fares which would aid competition and highlight potential areas of misuse of market power, and

¹²¹ This was to be in addition to the requirement for taxis to display fares and charges inside the taxi. Point to Point Regulation, cl 15.

¹²² Taxi Council submission to IPART Draft Report, 9 February 2018, p 4.

¹²³ F Lukabyo, Cabcharge, Transcript of Sydney Public Hearing, 30 January 2018, p12-13.

¹²⁴ P Brasher submission to IPART Draft Report, 9 February 2018, p 1.

¹²⁵ T Mullins submission to IPART Draft Report, 31 January 2018, p 3.

¹²⁶ Point to Point Regulation, cl. 54.

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- ▼ a disincentive for providers or drivers to price opportunistically and potentially exploit passengers who are unfamiliar with the new arrangements.

A notified rank and hail fare schedule could specify flag fall, distance rates and waiting times at different times of days, or be structured in a way that suits the taxi service provider's operations and market. For example, it could specify a flat fare for trips in town between certain hours and a higher flag fall at specified times.

When the Victorian Government deregulated taxi fares for all country and regional areas in 2014 it replaced maximum fare regulation with a requirement to notify the regulator if fares are set at other than the "default" fare schedule (which is the fare schedule that applied immediately prior to deregulation). The regulator publishes notified fares and the Essential Services Commission monitors and reports on them annually (See Box 6.2). A similar notification model to that used in Victoria could be adapted for use in the deregulated Country Fare Area, with the current country fare schedule taken to be the default fare. However, we consider that customers should have access to information about all providers' fare schedules, including those who have maintained the 'default fare schedule'.

6.3.4 We are not recommending an immediate move to deregulate maximum rank and hail fares in the Country Fare Area

We considered, but are not recommending, immediate deregulation of maximum rank and hail fares in the Country Fare Area even though we found competition sufficient to do so. Our recommended delay recognises that it would take time to set up the legal framework and regulatory systems to put deregulation into effect. Deregulation of fares done as a package with deregulation of the supply of licences, together, and/or with fare notification and monitoring, and would deliver consumer protection. Deregulated supply would facilitate new competitors entering a market if demand was not being met or a taxi service provider was charging above the efficient costs of providing the service, thus placing competitive pressure on prices and services.

Recommendations

- 4 Maximum fares and charges for rank and hail services in the Country Fare Area are deregulated from 1 July 2020, or earlier if possible.
 - Until then, as a transitional measure, maximum fares and charges for rank and hail services in the Country Fare Area remain unchanged in nominal terms.
- 5 From 1 July 2020 to 30 June 2023, (or three years from the date of deregulation of maximum fares and charges for rank and hail services in the Country Fare Area):
 - taxi service providers in the Country Fare Area are required to notify the Point to Point Transport Commissioner of changes in their rank and hail fare schedule
 - the Point to Point Transport Commissioner publish on its website the fare schedules of all taxi service providers in the deregulated area, and
 - IPART, or another suitable body, annually monitor and publicly report on rank and hail fares in the Country Fare Area.

Box 6.2 Fare notification and monitoring in Victoria regional and country zones

Taxi operators in Victorian country and regional zones can set their own fares which may be higher, lower or consistent with standard fares (the former regulated fares).

Taxi operators participating in price notification (ie whose fares differ from the standard fare) need to inform the Taxi Services Commission (TSC) and passengers of their notified fares.

The TSC has an electronic Price Notification System. Operators and booking service providers (on behalf of an operator) can register an account and notify their fares.

All operators' fares are automatically published on the TSC website within five business days of receipt, once they have been verified by the TSC. Notified fares cannot be charged until this (among other things) has occurred.

There is no limit to how often an operator can change their notified fares.

The Essential Services Commission publishes an annual report on regional and country taxi fares and costs to identify and highlight potential areas of misuse of market power.

Sources: Taxi Services Commission website, <https://taxi.vic.gov.au/taxi-reform/about-taxi-and-hire-car-reforms/price-notification>, accessed 23 February 2018; Essential Services Commission, *Taxi Fare Monitoring Annual Report 2016-17*, December 2017, p 1.

6.4 Our recommendations would not have an impact on the TTSS

The Taxi Transport Subsidy Scheme (TTSS) provides support for NSW residents with a severe and permanent disability. A subsidy covers 50% of the total fare with a maximum subsidy of \$60 per trip. The TTSS participant pays half the fare and tenders a TTSS docket as payment for the other half. The driver claims against the docket. An additional \$15 (ex GST) is paid when the driver is carrying a passenger in a wheelchair to cover the time it takes to load and unload the passenger from the vehicle.¹²⁷

The Physical Disability Council of NSW is concerned about the lack of competition in the point to point transport market in some regions of NSW and how this might impact the cost of booked services, which are no longer regulated.¹²⁸ We note that customers who use the TTSS will only pay the rank and hail fares set by the authorised taxi service providers.¹²⁹

Our recommendation for a nominal fare freeze would mean that fares for TTSS customers do not increase.

We note that the Government is currently reviewing the TTSS and the incentives provided to Wheelchair Accessible Taxi operators and drivers to provide services to customers with disability. It published a discussion paper in September 2017 which raised the option of making passenger subsidies for people with a disability available to other (non-taxi) point to

¹²⁷ TfNSW, *Taxi Transport Subsidy Scheme*, <https://www.transport.nsw.gov.au/community/concessions-and-schemes/taxi-transport-subsidy-scheme>, accessed 7 March 2018.

¹²⁸ Physical Disability Council of NSW (PDCN) submission to IPART Issues Paper, 13 October 2017, p 4.

¹²⁹ Sub-clause 81(2) of the Point to Point Regulation provides that a taxi that is operated as a result of a booking must use the fare calculation device if the fare is subject to payment by TTSS voucher. Clause 14 (6)(c) prescribes that a fare calculation device must be calibrated so that it determines the fare in accordance with the authorised fares. An authorised fare (see (3) (1) – definitions) is the amount chargeable for the hiring in accordance with a fares order.

point transport service providers.¹³⁰ These subsidies could be tied to the existing fare schedule until the TTSS review is completed.

6.5 No changes to out-of-area fare arrangements

A taxi driver can charge a rank and hail fare that exceeds the authorised fare if a passenger is being taken outside the taxi's area of operation, and the fare is agreed with the passenger.¹³¹ This includes trips that cross state borders.

We have not received any information that suggests there are any problems with the current out-of-area fare arrangements. The NSW Taxi Council supports the existing policy on out of area fares and the Australian Taxi Drivers Association said there are no significant issues with the current arrangements.¹³² Therefore, we are not recommending any changes.

We are recommending that new annual licences permit the licence holder to provide rank and hail services anywhere in NSW outside Sydney (see Chapter 5). This means that taxis with this type of licence would only be able to use the out-of-area provisions if they were taking a passenger into Sydney. We do not consider this to be a problem.

¹³⁰ TfNSW, *Transport Disability Incentives and Subsidies Review - Discussion Paper*, September 2017, p 11.

¹³¹ Point to Point Regulation, cl 57.

¹³² NSW Taxi Council submission to IPART Issues Paper, 20 October 2017, p 12; Australian Taxi Drivers Association submission to IPART Issues Paper, 22 October 2017, p 5.

A Terms of Arrangement for taxi licence review

**TERMS OF ARRANGEMENT FOR TAXI LICENCE REVIEW
FOR TAXI SERVICES OUTSIDE SYDNEY UNDER THE *INDEPENDENT PRICING
AND REGULATORY TRIBUNAL ACT 1992 (NSW)***

With the approval of the Hon. Gladys Berejiklian MP, Premier of NSW and Minister administering the *Independent Pricing and Regulatory Tribunal Act 1992* (IPART Act), pursuant to section 9(2) of the IPART Act, the Independent Pricing and Regulatory Tribunal (IPART) will enter into arrangements with Transport for NSW.

The services to be provided by IPART are the conduct of an investigation into, and the preparation of a report containing recommendations concerning the number of taxi licences (other than licences for wheelchair accessible taxis) to be issued to operate in areas outside Sydney during the year commencing 1 July 2018.

For the purpose of this referral outside Sydney means that part of New South Wales other than the Metropolitan transport district (defined under section 108(1) of the *Transport Administration Act 1988*).

In making its recommendations IPART is to consider:

- (a) likely passenger demand and latent demand for taxi services,
- (b) the performance of existing taxi services,
- (c) the demand for new taxi licences,
- (d) the viability and sustainability of the taxi industry,
- (e) any other matters IPART considers relevant, having regard to the objective of ensuring improved taxi services.

IPART may also consider and make recommendations concerning:

- (a) the number and type of taxi licences that are to be issued to persons who are also authorised to provide taxi services or who have applied for an authorisation to do so (under the *Point to Point Transport (Taxis and Hire Vehicles) Act 2016*)
- (b) the number of taxi licences that may be granted to the same applicant or related applicants.

In making its recommendations IPART is to consider the *Point to Point Transport Taskforce: Report to the Minister for Transport and Infrastructure* (November 2015) and the NSW Government's response. In particular, IPART is to consider whether there should be any restrictions placed on any of the taxi licences to be issued, and whether the licence should specify the operating area to be anything other than outside the Metropolitan transport district.

The services to be provided by IPART should include a public consultation process involving the NSW Taxi Council, taxi industry participants and, other stakeholders and the general community.

IPART should publish a draft report containing its preliminary recommendations by no later than 31 December 2017 and consider public submissions in response to these recommendations before making final recommendations.

IPART is to provide the Minister for Transport and Infrastructure with a report containing its final recommendations by no later than 9 March 2018.

Signed.....

The Hon. Andrew Constance MP
Minister for Transport and Infrastructure

Date.....

B Referrals for fare reviews

**FARE REVIEW FOR TAXIS THAT PLY OR STAND FOR HIRE ON A ROAD
OR ROAD RELATED AREA OUTSIDE SYDNEY
REFERRAL UNDER THE PASSENGER TRANSPORT ACT 2014**

I, the Hon. Andrew Constance MP, Minister for Transport and Infrastructure, with the approval of the Hon. Gladys Berejiklian MP, Premier of NSW and Minister administering the *Independent Pricing and Regulatory Tribunal Act 1992*, pursuant to section 123(1) of the *Passenger Transport Act 2014* (NSW) (PT Act 2014), refer taxi services that ply or stand for hire on a road or a road related area (as defined under section 8(1)(a) of the PT Act 2014) outside Sydney to IPART for investigation and preparation of a report containing recommendations regarding the appropriate maximum fares for those services to apply from 1 July 2018.

For the purpose of this referral outside Sydney means that part of New South Wales other than the Metropolitan transport district (defined under section 108(1) of the *Transport Administration Act 1988*).

In making its recommendations IPART is to consider the matters contained in section 124 of the PT Act 2014, including:

- (a) the cost of providing the services,
- (b) the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers,
- (c) the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standards of service,
- (d) the social impact of the recommendation,
- (e) the impact of the recommendation on the use of the public passenger transport network and the need to increase the proportion of travel undertaken by sustainable modes such as public transport,
- (f) standards of quality, reliability and safety of the services (whether those standards are specified by legislation, agreement or otherwise),
- (g) the effect of the recommendation on the level of Government funding,
- (h) any matter specified in the referral to IPART,
- (i) any other matter IPART considers relevant.


In making its recommendations IPART is to consider the *Point to Point Transport Taskforce: Report to the Minister for Transport and Infrastructure* (November 2015) and the NSW Government's response. In particular, IPART is to consider whether Transport for NSW should continue to determine the components of the maximum fare including flagfall, distance rate and waiting time rate.

IPART is to indicate what regard it has had to the matters specified above in its report containing its recommendations.

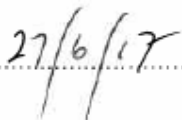
IPART should publish a draft report containing its preliminary recommendations by no later than 31 December 2017 and consider public submissions in response to its recommendations before making final recommendations.

IPART is to report to the Minister for Transport and Infrastructure on its recommendations by no later than 31 March 2018.

Signed


The Hon. Andrew Constance MP
Minister for Transport and Infrastructure

Date.....



**FARE REVIEW FOR TAXIS THAT PLY OR STAND FOR HIRE ON A ROAD
OR ROAD RELATED AREA IN SYDNEY**

REFERRAL UNDER THE PASSENGER TRANSPORT ACT 2014

I, the Hon. Andrew Constance MP, Minister for Transport and Infrastructure, with the approval of the Hon. Gladys Berejiklian MP, Premier of NSW and Minister administering the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), pursuant to section 123(1) of the *Passenger Transport Act 2014* (PT Act 2014), refer taxi services that ply or stand for hire on a road or a road related area (as defined under section 8(1)(a) of the PT Act 2014) in Sydney to IPART for investigation and preparation of a report containing recommendations regarding the appropriate maximum fares for those services to apply from 1 July 2018.

For the purpose of this referral Sydney means the Metropolitan transport district as defined under section 108(1) of the *Transport Administration Act 1988*.

In making its recommendations IPART is to consider the matters contained in section 124 of the PT Act 2014, including:

- (a) the cost of providing the services,
- (b) the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers,
- (c) the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standards of service,
- (d) the social impact of the recommendation,
- (e) the impact of the recommendation on the use of the public passenger transport network and the need to increase the proportion of travel undertaken by sustainable modes such as public transport,
- (f) standards of quality, reliability and safety of the services (whether those standards are specified by legislation, agreement or otherwise),
- (g) the effect of the recommendation on the level of Government funding,
- (h) any matter specified in the referral to IPART,
- (i) any other matter IPART considers relevant.

In making its recommendations IPART is to consider the *Point to Point Transport Taskforce: Report to the Minister for Transport and Infrastructure* (November 2015) and the NSW Government's response. In particular, IPART is to consider whether Transport for NSW should continue to determine the components of the maximum fare including flagfall, distance rate and waiting time rate.

IPART is to indicate what regard it has had to the matters specified above in its report containing its recommendations.

IPART should publish a draft report containing its preliminary recommendations by no later than 31 December 2017 and consider public submissions in response to its recommendations before making final recommendations.

IPART is to report to the Minister for Transport and Infrastructure on its recommendations by no later than 31 March 2018.

Signed 

The Hon. Andrew Constance MP
Minister for Transport and Infrastructure

Date..... 27/6/17

C List of submissions

Table C.1 List of submissions on IPART Issues Paper

Submitter	Date received
Individual – R Smith	14 September 2017
Individual – M Khan	11 October 2017
Individual – Anonymous	11 October 2017
Australian Taxi Drivers Association	22 October 2017
Cabcharge Australia Ltd (Confidential)	23 October 2017
NSW Taxi Council	20 October 2017
Physical Disability Council of NSW	13 October 2017
Tamworth Radio Cabs Cooperative Ltd	13 October 2017

Table C.2 List of submissions on IPART Draft Report

Submitter	Date received
Individual – T Bradley	9 February 2018
Individual – Anonymous	6 February 2018
Individual – Anonymous	6 February 2018
Individual – Anonymous	6 February 2018
Individual – Anonymous	6 February 2018
Individual – F Al Hindi	9 February 2018
Individual – R Curran	9 February 2018
Individual – P Brasher	9 February 2018
Individual – Anonymous	9 February 2018
Individual – Anonymous	9 February 2018
Individual – T Newton (Confidential)	9 February 2018
Individual – N Donaldson	9 February 2018
Individual – Anonymous (Confidential)	9 February 2018
Individual – N Mohamad	9 February 2018
Individual – M Choubassi	9 February 2018
Individual – A Vento	9 February 2018
Individual – P Brasher	8 February 2018
Individual – S McKenzie	8 February 2018
Individual - Anonymous	8 February 2018
Individual – T Mullens	8 February 2018
Individual – Anonymous	7 February 2018
Individual – J Berne	5 February 2018
Individual – Anonymous	5 February 2018
Individual – Anonymous (Confidential)	4 February 2018
Individual – A Olsen	1 February 2018

Individual – T Mullens	31 January 2018
Individual – S Robinson (Confidential)	31 January 2018
Individual – Anonymous	31 January 2018
Individual – Anonymous (Confidential)	31 January 2018
Individual – Anonymous	30 January 2018
Individual – D Ward	18 January 2018
Individual – M Khan	15 December 2017
NSW Taxi Drivers Association	9 February 2018
North Coast Taxi Council	9 February 2018
Cabcharge Australia Ltd (Confidential)	9 February 2018
NSW Taxi Council	9 February 2018
Dubbo Radio Cabs	9 February 2018
Taxi Cabs Bathurst Co Operative Society Ltd	9 February 2018
Griffith Taxis Pty Ltd	9 February 2018
Regional Taxilines Pty Ltd	9 February 2018
Illawarra Taxi Network	9 February 2018
Macksville Taxi Service (Confidential)	7 February 2018
Kiama Transport	6 February 2018
Katoomba Taxis	5 February 2018
Wagga Taxis Co-Operative Society Ltd	29 January 2018
Batemans Bay Taxi Service	2 February 2018
Australian Taxi Drivers Association	26 January 2018
Southern Highlands Taxi Service (Confidential)	28 December 2018

Glossary

Affiliated taxi service provider	<p>Provides a taxi service under the brand of an authorised taxi service provider.</p> <p>Most taxi operators who were accredited under the <i>Passenger Transport Act 1990</i> automatically transitioned to the new regulatory system as affiliated taxi service providers.</p>
Authorised taxi service provider	<p>Provides a taxi service, sets their own fares, has their own branding, and makes their own arrangements for safety and security. They must be authorised by the Point to Point Transport Commissioner.</p> <p>Taxi networks that were authorised under the <i>Passenger Transport Act 1990</i>, and taxi operators accredited under the <i>Passenger Transport Act 1990</i> and not affiliated with an authorised taxi network, automatically transitioned to the new regulatory system as authorised taxi service providers.</p>
Authorised fare	<p>The amount chargeable for hiring a taxi from a rank or on the street in accordance with a fares order, or the fare determined by the authorised taxi service provider if this is less than the fare under the applicable fares order.</p>
Booked service	<p>A point to point transport service in a taxi or hire vehicle that is obtained by making a booking through a booking service provider.</p>
Booking service provider	<p>Takes bookings for taxis and hire vehicles to provide passenger services. They must be authorised by the Point to Point Transport Commissioner.</p> <p>Taxi networks that were authorised under the <i>Passenger Transport Act 1990</i>, and taxi operators accredited under the <i>Passenger Transport Act 1990</i> and not affiliated with an authorised taxi network, automatically transitioned to the new regulatory system as authorised booking service providers.</p>
Community transport	<p>Subsidised point to point transport available for older people who are frail, people with disabilities and their carers, and other transport-disadvantaged groups.</p>
Country Fare Area	<p>All areas in NSW excluding the Urban and Exempt Fare Areas.</p>
Courtesy transport	<p>Free transport provided by a pub, club or other venue to patrons.</p>

Exempt Fare Area	The townships of Moama, Barham, Tocumwal, Mulwala, Barooga and Deniliquin.
Fares order	TfNSW can make a fares order under section 76 of the Point to Point Transport Act. The current fares for rank and hail taxi services commenced 1 February 2018.
Hire vehicle	Under the Point to Point Transport Act, a hire vehicle means a motor vehicle that is used to provide a passenger service that is not a taxi service . Includes vehicles that were previously regulated as hire cars (HC licence plates) or tourist vehicles (TV licence plates) as well as rideshare vehicles.
Operating area	The area of operation specified in a taxi licence in accordance with section 56 of the Point to Point Transport Act.
Passenger Service Levy	Taxi service providers and booking service providers must pay a Passenger Service Levy of \$1 per passenger service transaction for up to five years to fund the Government's industry assistance package. It can be passed on to customers, and if so, it is subject to GST.
Point to Point Transport Act	<i>Point to Point Transport (Taxis and Hire Vehicles) Act 2016</i>
Point to Point Regulation	<i>Point to Point Transport (Taxis and Hire Vehicles) Regulation 2017</i>
Point to Point Transport Commissioner	The industry regulator for taxis and hire vehicles in NSW (since 1 November 2017).
Point to Point Transport Taskforce	An independent taskforce set up in 2015 to examine the future sustainability of taxis, hire cars and other emerging point to point transport providers. Made a final report with recommendations to the Government in November 2015.
Rank and hail taxi service	A service provided by a taxi that is hired at a taxi rank or from the street.
Rideshare	A type of hire vehicle booked service where the passenger travels in a private vehicle driven by its owner for the payment of a fare.
Sydney	The Metropolitan Transport District as defined in the <i>Transport Administration Act 1988</i> .
Taxi service	Under the Point to Point Transport Act, a taxi service means a passenger service where the transport is by a motor vehicle that plies or stands for hire on a road or road related area or is authorised to do so.
TfNSW	Transport for NSW, the NSW Government agency that reforms, legislates and ensures the safety of public transport.

TTSS	<p>The Taxi Transport Subsidy Scheme, which provides support for NSW residents who are unable to use public transport because of a disability. The subsidy covers 50% of the total fare with a maximum subsidy of \$60 per journey and is claimed by the taxi driver using travel docketts provided by the scheme participant in part-payment of the fare.</p>
Urban Fare Area	<p>The Urban Fare Area includes:</p> <ul style="list-style-type: none"> ▼ Metropolitan Transport District (Sydney) ▼ Newcastle Transport District ▼ Wollongong Transport District ▼ Blue Mountains Local Government Area ▼ Central Coast Local Government Area ▼ Shellharbour Local Government Area, and ▼ the townships of Cams Wharf, Fern Bay, Minmi, Toronto, Williamtown, Medowie, Campvale, Ferodale, Raymond Terrace, Fassifern, Hexham, Maitland, Beresfield, Fullerton Cove, Tomago, Camden, Picton, Thirlmere, Tahmoor and Bargo.
WAT	<p>Wheelchair Accessible Taxi. WAT licences are available on request for free from the Point to Point Transport Commissioner. They are not included in this review.</p>