

**Review of the Taxi Cab and Hire
Car Industries**

Issues Paper

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

**Review of the Taxi Cab and Hire
Car Industries**

Issues Paper

Submissions

Public involvement is an important element of the Tribunal's processes. The Tribunal therefore invites submissions from interested parties to all of its investigations.

Submissions should have regard to the specific issues that have been raised. There is no standard format for preparation of submissions but reference should be made to relevant issues papers and interim reports. Submissions should be made in writing and, if they exceed 15 pages in length, should also be provided on computer disk in word processor, PDF or spreadsheet format.

Confidentiality

Special reference must be made to any issues in submissions for which confidential treatment is sought and all confidential parts of submissions must be clearly marked. *However, it is important to note that confidentiality cannot be guaranteed as the Freedom of Information Act and section 22A of the Independent Pricing and Regulatory Tribunal Act provide measures for possible public access to certain documents.*

Public access to submissions

All submissions that are not subject to confidentiality will be made available for public inspection at the Tribunal's offices immediately after registration by the Tribunal and also via the Tribunal's website. Transcriptions of public hearings will also be available.

Public information about the Tribunal's activities

A range of information about the role and current activities of the Tribunal, including copies of latest reports and submissions can be found on the Tribunal's website at www.ipart.nsw.gov.au.

Submissions on the issues raised in this paper should be received no later than 13 November 1998.

Comments or inquiries regarding this review should be directed to:

Alex McMillan ☎02-9290 8405 or Julian Carter ☎02-9290 8461

Independent Pricing and Regulatory Tribunal of New South Wales

Level 2, 44 Market Street, Sydney. Tel: 02-9290 8400, Fax: 02-9290 2061.

E-mail ipart@ipart.nsw.gov.au

All correspondence to: PO Box Q290, QVB Post Office, Sydney NSW 1230

Table of Contents

| | | |
|----------|--------------------------------------------------------------------|-----------|
| 1 | INTRODUCTION | 1 |
| 1.1 | Competition policy reviews of legislation | 1 |
| 1.2 | Investigation process | 2 |
| 1.3 | Purpose of this issues paper | 3 |
| 2 | INDUSTRY STRUCTURE | 3 |
| 2.1 | Government agencies | 3 |
| 2.2 | The NSW taxi cab industry | 4 |
| 2.2.1 | Customers | 6 |
| 2.2.2 | Taxis and the service provided to people with a disability | 7 |
| 2.2.3 | Licence owners | 8 |
| 2.2.4 | Taxi networks | 10 |
| 2.2.5 | Taxi operators | 10 |
| 2.2.6 | Taxi companies and co-operatives | 11 |
| 2.2.7 | Drivers | 12 |
| 2.3 | The NSW private hire vehicle industry | 13 |
| 3 | THE OBJECTIVES OF REGULATION | 15 |
| 4 | THE COSTS AND BENEFITS OF RESTRICTIONS ON COMPETITION | 17 |
| 4.1 | Market entry controls and the supply of taxi services | 19 |
| 4.1.1 | The taxi industry | 19 |
| 4.1.2 | The hire car industry | 21 |
| 4.2 | Price controls | 22 |
| 4.3 | Performance standards | 22 |
| 4.3.1 | The taxi industry | 22 |
| 4.3.2 | The hire car industry | 24 |
| 4.4 | Compliance | 24 |
| 4.5 | Administrative arrangements | 25 |
| 5 | OPTIONS FOR REFORM | 25 |
| 5.1 | Liberalisation of plate licensing | 26 |
| 5.2 | Alternative approaches to accreditation of operators | 26 |
| 5.3 | Driver accreditation and alternatives to prescriptive regulation | 27 |
| 6 | HOW TO MAKE SUBMISSIONS | 28 |
| | APPENDIX A: TERMS OF REFERENCE | 29 |
| | APPENDIX B: COMPARISON OF REGULATION OF TAXI INDUSTRIES | 31 |
| | APPENDIX C: COMPARISON OF REGULATION OF HIRE CAR INDUSTRIES | 39 |

1 INTRODUCTION

The Premier has asked the Independent Pricing and Regulatory Tribunal (the Tribunal) to review regulation of the taxi cab and hire car industries under the *Passenger Transport Act 1990* (NSW). The review is to be carried out under Section 12A of the *Independent Pricing and Regulatory Tribunal Act 1992*, and is part of the NSW government's commitment to review prior to 2001, all of its legislation that restricts competition.¹

The Premier's terms of reference ask the Tribunal to recommend any changes to the management of the industries which might increase the levels of service and competition by considering the restrictions imposed by:

- The Passenger Transport Act.
- Policies of the Department of Transport.
- Industry practices.

The terms of reference for the review are contained in Appendix A of this Issues Paper.

1.1 Competition policy reviews of legislation

Where governments choose to restrict competition and regulate markets they may do so because of concerns about safety, equity, certainty, quality or other objectives. There may be political reasons for restrictions or there may be situations where government departments just do not wish to loosen controls. Often, these objectives have been lost in the wording of legislation through the passage of time. However, restrictions on competition can change the pattern of economic development and how resources are used, which may impose costs on the community. For example, regulation may lead to high fares and longer waiting times during peak periods.

At a meeting of the Council of Australian Governments in April 1995, the Heads of Government signed an agreement to implement the National Competition Policy reform package. The purpose of the reforms was to establish a national competition policy framework for an open, integrated domestic market for goods and services by removing unnecessary barriers to trade and competition. The package included a commitment from all governments to review all legislation which might contain restrictions on competition.

Behind the commitment to review anti-competitive legislation, is a belief that at least some of the original objectives have become obsolete and are no longer justified. Alternatively, core objectives may be achieved in a way which allows more competition and lessens the costs imposed on the community.

Previously beneficial restrictions may, with changes in industry structures, become counter productive. Industry participants may, for example, use the restrictions to achieve market power.

¹ In April 1995 all Australian governments signed a package of three agreements committing to implement a microeconomic reform agenda and establish common competition laws. The *Competition Principles Agreement* establishes the microeconomic reform agenda, the *Conduct Code Agreement* establishes a cooperative legal scheme that extends the Commonwealth *Trade Practices Act 1974* to State, Territory and local government businesses, and the *Agreement to Implement Related Reform* establishes three tranches of payments by the Commonwealth to the States and Territories conditional upon implementation of the other two agreements.

Alternatively, while a benefit may still be achieved, it may come at an unjustifiable cost by reducing businesses' incentives to improve their performance, innovate or respond to changing circumstances.

Broader competition legislation, such as the *Trade Practices Act 1974* (Commonwealth) or the *Fair Trading Amendment Act 1998* (NSW) may now achieve some of the objectives, making the specific restrictions redundant.

The *Passenger Transport Act 1990* regulates and defines how the taxi and hire car industries will operate and in doing so places restrictions on competition. The NSW government has agreed under the Competition Principles Agreement to review the Act according to the following general principle:

The guiding principle is that legislation (including Acts, enactments, Ordinances or regulations) should not restrict competition unless it can be demonstrated that:

- a) the benefits of the restriction to the community as a whole outweigh the costs; and
- b) the objectives of the legislation can only be achieved by restricting competition.

Importantly, this principle places the onus on governments to justify retention of restrictions by demonstrating that there is a net benefit to the community and there is no other, less restrictive, way to achieve the objectives of the legislation.

The *Competition Principles Agreement* requires that the following steps be included in the review:

Without limiting the terms of reference of a review, a review should:

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

1.2 Investigation process

This review will cover the taxi cab and hire car industries in NSW. Attention will be paid to differences between the metropolitan, rural and regional industries. The review will also canvass how regulation of these industries affects other related transport markets such as wedding cars, mourning vehicles² and tourist vehicles.³

² Provide transport for funeral services.

³ Provide sight seeing and other transport services for tourists.

The timetable for this review is:

| Actions | Time frame |
|-----------------------------------|------------------------------------------------------------------------------------|
| Submissions due | 13 November 1998 |
| Public Hearing | 25 & 26 November 1998 IPART Offices Level 2, 44 Market St Sydney NSW 2000 |
| Interim Report | April 1999 |
| Submissions due on Interim Report | May 1999 |
| Final Report | July 1999 |

1.3 Purpose of this issues paper

This issues paper explains how the review will be undertaken, provides background to the industries, highlights the issues that will be covered in the review and calls for submissions from interested persons.

The issues discussed in this paper are those the Tribunal considers are relevant for assessing the effectiveness of the current regulatory system for taxis and hire cars. It identifies areas where the Tribunal seeks input and public comment. However, the Tribunal welcomes submissions on other issues that interested persons feel should be addressed in answering the terms of reference.

This issues paper gives industry participants and all interested parties an initial opportunity to provide input to the review. As noted in the timetable for the review, there will be a further opportunity to provide submissions based on the interim report which has a planned release date of April 1999.

All submissions should reach the Tribunal by Friday 13 November 1998.

2 INDUSTRY STRUCTURE

2.1 Government agencies

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

- issuing licenses
- monitoring service delivery
- setting standards for customer service
- driver authorisation
- operator accreditation

- networks authorisation
- investigating complaints about drivers and operators
- condition of vehicle, eg cleanliness, presentation and driver safety issues.

The RTA is responsible for:

- vehicle safety standards
- monitoring Authorised Taxi Inspection Stations
- issuing driving licences and registering vehicles.

The introduction of the *Passenger Transport Act* in 1990 was accompanied by an increased emphasis on industry co-regulation between DoT and industry groups of the taxi cab and hire car industries. These groups now play important roles in policy, customer complaints handling and enforcement of standards set by the DoT.

The NSW Taxi Council is the peak representative body of the taxi cab industry and the taxi networks play the key role in co-regulation with the DoT. Private hire car drivers, operators and licence holders are represented by various groups such as the Hire Car Division of the Motor Traders Association, the Chauffeured Limousine Association of NSW and the Vintage and Classic Car Hirers Association.

2.2 The NSW taxi cab industry

The NSW taxi industry has a long history of regulation which is summarised in Table 1.

Table 1 History of regulation of the NSW taxi industry

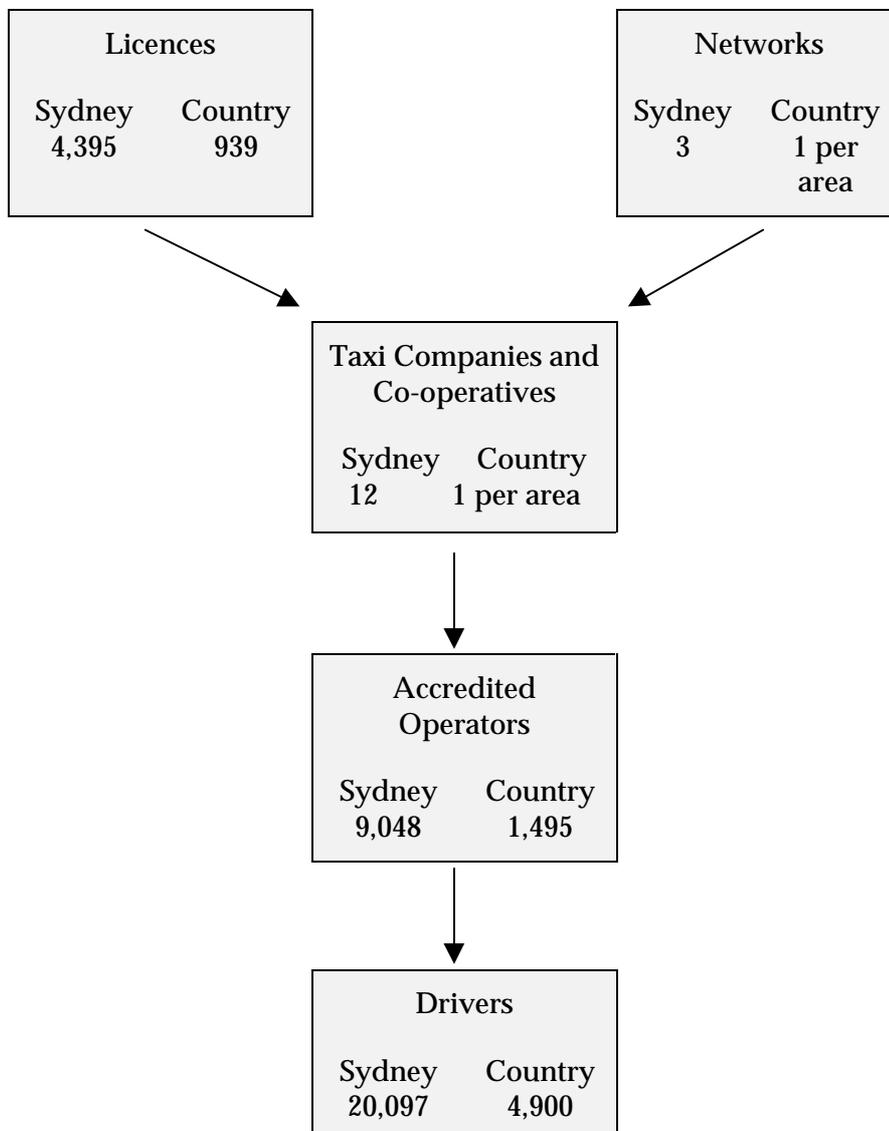
| | |
|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------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

Source: NSW Dept of Transport.

The taxi cab industry has five main industry participants:

1. **Licence owners:** approximately half are owner/drivers and half lease their plates to operators of taxi businesses.
2. **Networks:** provide telephone booking, dispatch and safety services (Global Positioning Systems [GPS] and M13 emergency silent alarms).
3. **Taxi companies and cooperatives:** groups of taxi operators which sell bundled services (such as insurance, repairs and car detailing) to other operators. They are not required to be accredited by the DoT. Taxi companies and cooperatives also manage licence plates and may provide network services.
4. **Operators:** run taxi businesses by coordinating the licences, cars, drivers and network services.
5. **Drivers:** hold authorisation and contract with operators.

Figure 1 NSW taxi cab industry structure



Source : NSW Department of Transport.

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

2.2.1 Customers

Under the Competition Principles Agreement, legislation reviews need to show that the retention of current restrictions produces tangible benefits in excess of those without the restrictions. If this cannot be done then the restrictions should be removed. Customer satisfaction with service and value for money is essential for the industry’s success. Hence the Tribunal will pursue better service and value for customers as the primary objective in considering proposed regulatory reforms. Any reforms to the method of regulation must produce tangible benefits to customers.

The DoT engaged a market research company AC Nielsen, to conduct a Sydney Taxi Customer Survey in March 1998⁴ to determine the level of customer satisfaction with taxi services. The survey comprised a telephone survey of Sydney residents who had used taxi services over the previous 12 months and an airport intercept survey of visitors at both the domestic and international terminals. It should be noted that this is just one survey and may not be definitive.

The reasons that people use taxi services vary greatly and range from work travel to social and recreational travel. The following table shows the purpose of the most recent taxi trip taken by the respondents in the survey:

Table 2 Purposes of taxi journeys – most recent trip

| Purpose of journey | Residents (percent) | Visitors (percent) |
|-----------------------------|--------------------------------|-------------------------------|
| Go home/accommodation | 35.1 | 43.5 |
| Go to work | 7.8 | 1.0 |
| Other business/work related | 12.0 | 18.6 |
| Visit friends/relatives | 4.8 | 10.2 |
| Social/recreation | 22.7 | 7.2 |
| General holiday travel | 4.2 | 14.0 |
| Shopping | 4.1 | 1.2 |
| Medical | 3.8 | 1.4 |
| Pick up/get back to car | 1.6 | 0.2 |
| Go to airport | 1.4 | 0.8 |
| Other or don't recall | 2.5 | 2.0 |
| Total | 100.0 | 100.0 |

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

The survey revealed that 40.9 percent of residents and 9.4 percent of visitors had used taxi services more than 10 times in the past 12 months. The methods used to obtain a taxi were as follows:

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

Table 3 How taxi was obtained – most recent trip

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

Source : Transport Data Centre Sydney Taxi Customer Survey Report No 98/4

The above table shows that about 60 percent of hirings are *not* obtained through the taxi radio networks. However, this ratio varies considerably within Sydney based on the propensity of taxis to pass through a locality. In regional centres a far greater proportion of trips originate from telephone bookings.

The Tribunal has conducted some initial meetings with industry and customer groups in preparing this issues paper. Customer service issues cited during these meetings include:

- Infrastructure problems, such as the traffic flows at Sydney Airport and congestion on Sydney roads during peak periods. The DoT is currently negotiating with Sydney Airports Corporation to address some of these problems.
- Excessive waiting times for shorter, less profitable trips especially in peak demand periods.
- Lack of available taxis during shift changeover times around 3am and 3pm. The issue of a number of taxi licences with restricted operating hours may alleviate some of this problem during the afternoon shift changeover.

In the taxi industry the maximum fares are set by the DoT. The flagfall charge of \$2 was increased to \$3 for the period 1 July 96 to 31 July 98 in part to fund the implementation of customer quality enhancement programmes such as air conditioning, driver uniforms and child restraints.

Vehicle standards that cover road worthiness and cleanliness are designed to provide passengers with a minimum level of safety and comfort.

The Tribunal seeks views on the level of quality of customer service in the NSW taxi industry. What other measures of service quality are available for Sydney and regional districts? The Tribunal needs assessments on how quality is affected by current regulatory arrangements. Does regulation lead to fares which are too high for the quality of service provided?

2.2.2 Taxis and the service provided to people with a disability

The provision of taxi services is particularly important for people with a disability who often rely on taxis as their principal means of transportation. The majority of taxis are obtained by the booking system and therefore incur the booking fee. Many groups representing the interests of people with disabilities believe that people with a disability do not receive the same level of service enjoyed by the rest of the community. The Disability Council of NSW expressed some of the following concerns:

- Waiting times for wheelchair accessible taxis (WATs) are, on average, longer than for other taxis.
- The lack of a standardised call back service from the radio networks informing the customer when the taxi is approaching.
- The need for a taxi fare meter system which announces fares to assist people who are blind or vision impaired.
- The level of assistance offered by drivers to people with a disability needs to be specialised.
- There are a number of types of vehicles available which might be used as WATs. However, disability groups feel that there could be greater consultation with regard to the type of vehicle used for WATs.

The additional 400 WAT licences progressively being issued by the DoT will help reduce the long waiting times currently being experienced by people with a disability. The licences will be 6 year non-transferable with an annual fee of \$6,000 payable to the DoT. Some licences will be issued to the networks which will be required to oversee the use of these licences. Some licences will be issued to existing drivers with an excellent record and over 5 years experience in the industry. The drivers will be specially trained to operate these taxis.

The Tribunal seeks comments on whether the existing regulations provide adequate customer service to people with a disability, and how further improvements can be achieved.

2.2.3 Licence owners

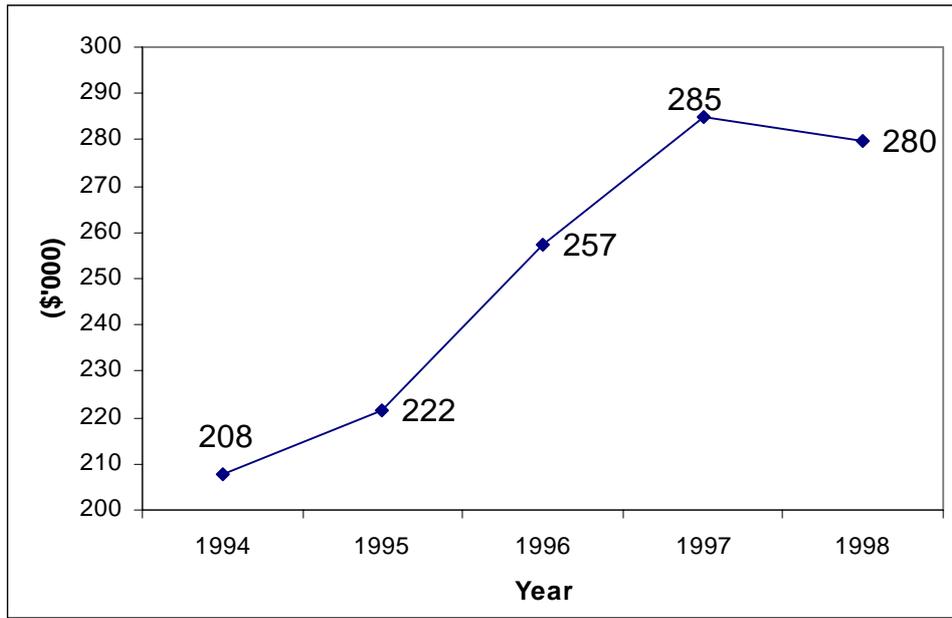
Taxi licences (commonly referred to as 'plates') are generally issued in perpetuity, although annual licences can be issued under the *Passenger Transport Act 1990*. Approximately 50 percent of licences are owned by persons driving and operating taxi businesses. However, most owner drivers also employ a casual driver to maximise earnings. Remaining plates are leased, either directly to operators or through taxi companies or cooperatives. Licence owners, who are not operators or drivers, have few outgoings or obligations beyond a requirement to notify DoT of the details of any lessee operator.

There has not been any unrestricted licences issued since 1990, although there is a secondary market for the trading of existing licences. Figure 2 shows the traded values of licences over the previous five years in the Sydney metropolitan transport district. Since 1990, the number of licences traded per year in Sydney has been less than 1 percent of the licences on issue, while in country centres the average annual proportion of licences traded is between 1 percent and 2 percent.

Since 1990, 146 new licences have been issued to taxi networks and are required to be used to run wheelchair accessible taxis. Five hundred new licences will be issued during 1998 and 1999:

- 400 will be wheelchair accessible taxis and
- 100 will be used to operate vehicles that will be required to be on the road during the hours of midday and 5pm in an attempt to alleviate availability problems during shift changeover.

Figure 2 Change in Sydney taxi licence values over time

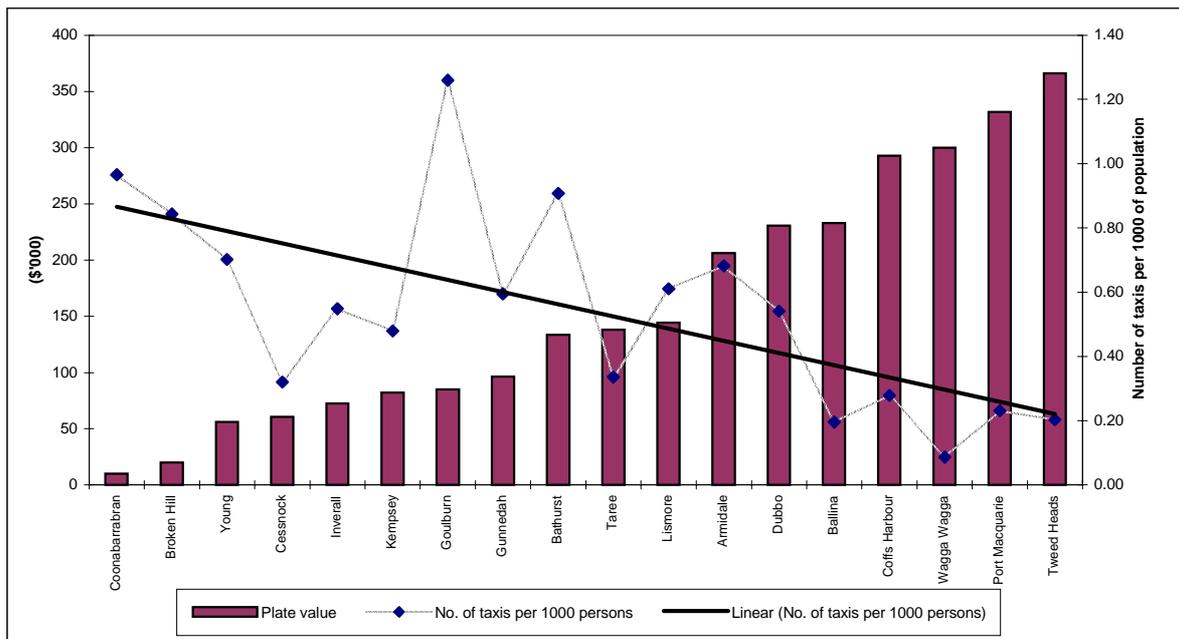


Source : NSW Department of Transport.

Plate values for unrestricted licences have risen by approximately 34.5 percent over the last 4 years but values appear to have stabilised over the past year. There have not been any new unrestricted licences issued over this period but the announcement of 400 additional WAT licences in June 1998 may have had an influence on plate values.

Figure 3 shows DoT's assessment of licence values in 18 other regional transport districts where there have been recent sales of licences.

Figure 3 Taxi licence value in regional centres (1997)



This sample of regional districts shows an enormous disparity in values. Generally, larger towns and areas on the coast with tourist activity have higher values. The trend line shows the expected inverse relationship between the number of taxis per thousand of population and plate value. The actual number of taxis per population data does show significant deviations around the trend line. This may be because taxi licences are traded infrequently and hence values may be significantly affected by other factors and local considerations affecting each town.

2.2.4 Taxi networks

All taxis must operate as part of an authorised taxi network. There are three authorised taxi networks in the Sydney transport district: Taxis Combined Services, Premier Cabs and Legion Cabs. Taxis Combined Services dominates the taxi market and provides network services to eight taxi companies or cooperatives, covering 71 percent of Sydney taxi cabs (ie 3,153 cabs). Premier Cabs services three companies or cooperatives, covering 17 percent (ie 763 cabs) of Sydney's taxi cabs. Legion Cabs covers the remaining 12 percent (ie 530 cabs), providing its own in-house network services.

Networks charge network fees to operators which vary between networks, but average around \$500 per month.

In country areas there is one radio network in each city or town, typically operated by a taxi cooperative. The requirement to operate as part of the radio network means country operators must be members of their local taxi cooperative.

Some drivers also operate informal networks using mobile telephones, taking and dispatching bookings without the involvement of the major networks. These drivers are still required to operate as part of the major networks and pay network fees.

The Tribunal seeks submissions on the role played by networks in regulation of the taxi industry and the effect of the requirement to belong to a network on the opportunities for competition in the industry. What would be the optimal number of networks to efficiently provide services?

2.2.5 Taxi operators

Taxi operators are responsible for meeting a majority of DoT's regulatory requirements. DoT sets conditions for accreditation as an operator which mandate certain driver and passenger safety standards and customer service obligations. These include requirements that cars must:

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

Those operators who lease a taxi licence typically do so on a 2 year lease, paying between \$360 to \$400 per week. Lease rates are market based (unregulated) and the current market rate is approximately \$360 per week (Oct '98). The lease rate has declined from about \$400 over the last 6 to 12 months.

The NSW Taxi Council estimates that the cost of running a single taxi business is between \$50,000 and \$60,000 per annum.

The following table shows the approximate breakdown of these costs:

Table 4 The approximate profit and loss for an operator running a single taxi

| Item | Owner/Driver | Owner Driver & one permanent driver | Two permanent drivers |
|----------------------------------------------------------|---------------------|-------------------------------------|-----------------------|
| Revenue (approximate) | 84,000 ¹ | 104,000 ² | 82,000 ³ |
| Less vacancy rate (say approximately 5 percent) | 4,000 | 5,200 | 4,000 |
| Net Revenue | 80,000 | 98,800 | 78,000 |
| Vehicle cost (Lease \$25,000 spread over 3 years) | 8,500 | 8,500 | 8,500 |
| Insurance | 14,000 | 14,000 | 14,000 |
| Network fees | 6,000 | 6,000 | 6,000 |
| Repairs & maintenance | 15,000 | 18,000 | 20,000 |
| Fuel and car washing | 8,600 | 4,300 | - |
| Office expenses and other | 3,400 | 3,100 | 2,300 |
| Uniforms, workers compensation & industrial entitlements | 500 | 6,500 | 11,500 |
| Net Expenses | 56,000 | 60,400 | 62,300 |
| Net Profit (per annum) | 24,000 | 38,400 | 15,700 |

Source: details on expenses have been aggregated from information supplied by the NSW Taxi Council.

Notes:

1. 7 nights at \$250 on average for 48 weeks (owner driver).
2. 5 days at \$200 for 48 weeks (owner driver) plus 2 days at \$100 for 52 weeks (bailee driver) plus 7 nights at \$125 for 52 weeks.
3. 7 days at \$100 and 7 nights at \$125 (2 bailee drivers).

In addition, if the plate is leased, then the revenues collected by the operator from drivers must cover the lease payments of approximately \$18,700 per annum.

A taxi operator running more than one taxi will most likely be able to reduce his overall average costs and therefore achieve a better net profit on a per taxi basis.

2.2.6 Taxi companies and co-operatives

There are 12 taxi companies or cooperatives in the Sydney metropolitan district which provide services to their customers or members. Three of these organisations provide radio network services as described in section 2.2.4 of this paper.

The taxi industry is changing to become more centralised on the networks. Many of the companies and co-operatives have close associations with the networks since all taxis must be connected to a network services provider. Table 5 provides a comparison of the taxi companies/cooperatives and is indicative of the range of services offered.

Table 5 Services provided by taxi companies and cooperatives

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

Source : obtained directly from the networks or taxi co-operatives and companies.

Most of these organisations provide broadly similar services to their taxi operators. As previously mentioned, only three provide the radio network and GPS services.

2.2.7 Drivers

There are approximately 20,100 drivers who are authorised to drive taxis in Sydney and an additional 4,900 in regional centres. They need only hold a class 1A drivers licence and have 12 months driving experience in any Australian State. Taxis commonly operate with 4 or more drivers. Two regular drivers work 5 to 6 day or evening shifts per week and 2 or more other drivers work weekend day or evening shifts.

The two authorised taxi driver training schools⁵ in Sydney enrol approximately 2000 trainee drivers each year. There is one school in Wollongong and another in Newcastle. All other regional drivers are exempted from the formal training requirements. About 50 percent of the trainees go on to graduate and qualify as drivers. However, approximately 75 percent of new drivers do not renew their licence after the first year. The cost for trainees of becoming qualified includes the time taken to complete the course which takes between 10 to 16 weeks, the RTA licence fee and the training course which costs approximately \$800.

Drivers are regarded as independent contractors at law rather than as employees of taxi operators. The terms and minimum conditions of drivers are specified by an award-like agreement issued by the NSW Industrial Relations Commission, the major features of which are:

- permanent drivers have entitlements to annual leave, sick leave and long service leave (only a small proportion of drivers are permanent with most employed on a casual basis)
- all drivers have the option of paying their taxi operator a 50 percent commission on all fares taken or a set pay-in amount, beyond which the driver retains all fares.

⁵ The Least Cost Taxi Centre and Fleet Taxi Training Centre.

In practice, however, it appears that few drivers are paid these entitlements and most operators prefer to receive fixed pay-ins. Typically, pay-ins start at \$97 for all day shifts, rising to \$148 for Friday and Saturday nights. Market forces operate to determine the pay-in but maximum pay-ins are set by the NSW Industrial Relations Commission in the *Taxi Industry (Contract Drivers) Contract Determination, Consolidation Award 1984* as amended.

Anecdotal information suggests that experienced drivers can make up to \$150 per shift, but that many new drivers often work six, 12 hour shifts for as little as \$350 per week, or around \$5 per hour. Subsequently, approximately 75 percent of first year drivers do not continue in the industry.

The Tribunal seeks submissions as to why such a high proportion of trainee taxi drivers do not remain in the industry after their first year and the consequences of this for levels of customer service.

2.3 The NSW private hire vehicle industry

Private hire vehicles are luxury chauffeur driven vehicles which provide a passenger service through private arrangements. They differ from taxi cabs in that they are unable to obtain hirings from the street or wait at taxi ranks. Private hire vehicles do not have to accept a booking, unlike taxis, and typically provide a higher quality service to business executives and first class travellers.

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

Private hire vehicle licences under the *Passenger Transport Act (1990)* can be either perpetual unrestricted licences which can do all types of hire car work, or short term restricted licences which can only conduct certain classes of work, such as wedding cars, mourning vehicles and tourist services.

The NSW private hire vehicle industry also has a long history of regulation which is summarised in Table 6.

Table 6 History of regulation in the NSW private hire vehicle industry

| | |
|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1930 – 1965 | Legislation provides for hire car licences and sets operating conditions. Hire cars permitted to stand at ranks at train stations. 430 licences issued without charge. Mourning coaches allowed to carry passengers without holding a hire car licence. |
| 1945 to 1976 | 200 licences converted from hire cars to taxi cabs, reducing the number of hire car licences to 230. Not allowed to stand at ranks. |
| 1970 – 1980 | Existing hire cars unable to meet demand for wedding cars. Additional wedding cars permitted to operate provided they were booked through existing licence owners. |
| 1980 to 1990 | Annual permits issued allowing wedding cars to operate without booking through existing licence owners. Several hundred permits issued annually. |
| 1989 | Mourning coaches exempted from requirement for a short term licence, provided they are owned and operated by a bona fide funeral director. |
| 1990 | Annual wedding car permits converted to short term licences and extended to permit vintage cars. Short term licenses using vintage cars permitted to do 10 non-wedding hirings per year. |
| 1990 | Additional 10 restricted licences converted to perpetual, unrestricted licences. |
| 1998 | 20 new unrestricted licences to be auctioned. |

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

An additional 20 unrestricted licences will be auctioned this year. The first 5 licences auctioned in September 1998 sold for between \$142,000 and \$152,000. The recent auction results value the current stock of perpetual licences approximately at between \$34.8 – 37.2 million.

The industry's two main groups are:

1. the perpetual unrestricted licence owners
2. the 400 short-term licences which are restricted to servicing specific markets such as wedding services.

A number of groups such as the Motor Traders Association – Hire Car Division, Vintage & Classic Car Hirers Association and the Chauffeured Limousine Association of NSW represent the interests of licence holders, operators and drivers.

The Tribunal seeks comments on the current levels of customer service in the hire car industries. What are the impacts of regulation on the levels of employment in the hire car industries?

3 THE OBJECTIVES OF REGULATION

The Competition Principles Agreement is based on the principle that active competition enhances consumer choice and puts pressure on suppliers to improve their services, control costs and develop new products. Regulation is necessary where some market failure would cause an unregulated market to deliver an unsatisfactory result.

The taxi cab and hire car industries are heavily regulated compared to many retail service providers. However, it is not clear that regulations are based on any recent and thorough analysis of the market failures that might exist.

The objects of the *Passenger Transport Act 1990* relating to taxi cabs and hire cars are:

- (a) to require the accreditation, by the Director-General, of the operators and drivers involved in public passenger service; and
- (b) & (c) [relate to bus services only],
- (d) to consolidate and re-enact, with certain modifications, those provisions of the Transport Licensing Act 1931 that relate to the regulation of taxi-cabs and private hire vehicles and (without substantial alteration) the provisions of the Transfer of Public Vehicles (Taxation) Act 1969, and
- (e) to encourage public passenger services that meet the reasonable expectations of the community for safe, reliable and efficient passenger transport services, and
- (f) to encourage coordination of public transport services.⁶

While these objectives are relatively broad, more specific objectives can be discerned by reading other parts of the legislation, regulations made under the Act and the actions of the Department of Transport and industry participants.

The restrictions on the number of licences may have been used originally to manage the number of unemployed persons entering the industry during the Great Depression of the 1930's. Restrictions introduced in the late 1960's which were effected through to the mid 1980's appear to have eventuated from the industry's desire to obtain a form of superannuation for long serving participants in the taxi industry. With the introduction of the *Passenger Transport Act 1990* there seems not to be a clearly stated public interest objective for the continued restriction on the quantity of licences.

The transfer tax on licence plates is a continuing source of revenue for the government. However, this need for revenue may influence the effectiveness of the DoT's regulatory role and limit their ability to implement reforms.

The Tribunal invites submissions as to what public interest is served by restricting the supply of taxis.

Table 7 summarises the possible objectives of regulation of the taxi cab industry.

⁶ *Passenger Transport Act 1990*, section 4.

Table 7 Objectives of regulation of the NSW taxi cab industry

| Regulatory objective | Supporting observation or rules to achieve objective |
|-----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Universal access to taxi services at a known tariff rate | <p>Maximum fares are set and mandatory meters provide consumer protection.</p> <p>All street hails must be accepted, regardless of destination if within the transport district.</p> <p>Drivers must keep daily work sheet.</p> <p>All taxis must be connected to a network.</p> |
| Quality of service | <p>Operators, drivers and networks must be accredited/authorised.</p> <p>Accreditation/authorisation is judged on capacity to meet conditions.</p> <p>For drivers and operators, character is important.</p> <p>Conditions for accreditation/authorisation can be set by regulation or published by the Director-General. These can be altered.</p> <p>Minimum standards of passenger comfort (air conditioning, no smoking & driver uniforms).</p> <p>Maximum age of car, etc.</p> <p>Passenger rights and obligations must be displayed in taxis.</p> <p>Licence conditions can be imposed on new or existing licence owners.</p> <p>Complaints hotline.</p> |
| Safety of drivers and passengers | <p>All taxis must have GPS locations systems in Sydney transport district, M13 (emergency) silent alarms and safety screens or be involved in the trial of surveillance cameras.</p> <p>Babies must be carried in a baby capsule – 10 percent of taxis must have these capsules.</p> |
| Coordination of taxi availability with other transport services | <p>Taxis ranks provided at all terminuses and at significant locations as required.</p> <p>CHUBB security manage taxi flow at airport.</p> |
| Cater for passengers with special needs | <p>Licence conditions requiring vehicles to be wheel chair accessible vehicles.</p> |
| Manage supply of available taxis | <p>Offence to carry on a taxi business without a licence or lease of a licence.</p> <p>Provision to issue short-term, non-transferable licences.</p> |
| Encourage voluntary compliance | <p>Requirements for operators or drivers to be personally approved by DoT in addition to meeting formal criteria for accreditation or authorisation.</p> <p>Director General cannot refuse to transfer a licence if the transferee is an accredited operator.</p> <p>Obligation on Director-General to obtain full market value in return for any new licences.</p> |
| Revenue source for govt. | <p>Transfer tax on taxi licences of 2.5 percent of sale price.</p> |

The objectives of regulating the private hire vehicle industry are more difficult to determine because emphasis has not been placed on regulating the safety or quality of services to passengers, limiting fares or coordinating services with other public transport.

The Tribunal seeks submissions on the purpose of regulating the taxi cab and hire car industries. In particular, the Tribunal seeks comments on the likely standards of service and fare levels if these were not regulated.

The Tribunal invites submission on:

- ***what services do consumers want from the taxi and hire car industries***
- ***the objectives of the Passenger Transport Act 1990 and regulation of the taxi cab and private hire vehicle industries***
- ***the extent to which the current system of regulation and licensing achieves those objectives and fulfils the needs of customers***
- ***any suggestions on alternative means of achieving customer requirements***
- ***whether the co-ordination of taxi services with other modes of public transport can be achieved with less or different regulations?***

4 THE COSTS AND BENEFITS OF RESTRICTIONS ON COMPETITION

The mechanisms DoT has used to attempt to achieve its objectives in the taxi cab and hire car industry have created a range of rules and restrictions on competition. This section identifies these restrictions and calls for submissions on the costs and benefits arising from them.

Table 8 and 9 summarise the restrictions on competition in the taxi cab and hire car industries respectively.

Table 8 Elements of taxi cab regulation

| Regulation | | Features |
|-----------------------|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Market entry controls | Quantity controls | Number of taxi licence plates controlled Defined metropolitan and regional operating areas |
| | Quality controls | Licence owners must be of good repute and cannot be bankrupt. Operators: whether licence owners or lessees must be accredited. Accreditation is determined by the financial standing of the applicant and the ability to meet safety and vehicle standards. Persons must also be of good repute. Drivers: authorisation is granted to applicants with absence of criminal record and acceptable driving history, English language skills and completion of a taxi driving course including a written examination. Persons must be of good repute. Training schools must be accredited by the DoT. |
| Price controls | Maximum fares Additional tariffs | Set by the DoT |
| Performance standards | Licence conditions | Some licences have minimum operating hours and requirements to provide wheelchair accessible taxis |
| | Network standards | Average response time to booking inquiries Average response time to arrival of taxi |
| | Vehicle standards | Passenger comfort and taxi presentation/cleanliness Age and maintenance Connection to radio network Advertising on limited area of taxi |
| | Customer service | Driver uniforms Passengers' rights and obligations displayed in cabin Complaint handling by networks |
| | Driver safety | Driver protection screens or trial of surveillance cameras M13 silent alarms GPS location systems in metropolitan area |
| Compliance | Compliance systems | Network endorsed Authorised Taxi Inspection Stations |
| | Auditing | DoT officers carry out this function |

Table 9 Elements of hire car regulation

| Regulation | | Features |
|-----------------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Market entry controls | Quantity controls | Number of hire car licence plates controlled. Defined metropolitan and regional operating areas. Vintage cars older than 25 years may only conduct 10 non-wedding journeys per year. |
| | Quality controls | Licence owners: must be of good repute and cannot be bankrupt. Operators: whether licence owners or lessees must be accredited. Accreditation is determined by the financial standing of the applicant and. Persons must also be of good repute. Drivers: authorisation is granted to applicants with absence of criminal record and acceptable driving history. |
| Price controls | Unregulated | |
| Performance standards | Vehicle standards | Hire car operators can only use certain types of vehicles. |
| Compliance | Auditing | DoT officers carry out this function. |

4.1 Market entry controls and the supply of taxi services

4.1.1 The taxi industry

A new entrant to the taxi industry must either purchase (approximately \$280,000 in Sydney) or lease (\$360 per week) a licence. The requirement to own or lease a licence would appear to be a significant barrier to entry and a cost to the community since fewer taxis are on the roads than would otherwise be the case. The cost of licences in regional areas can range anywhere from \$5,000 to approximately \$360,000 depending on the market conditions in each area.

The value of a licence is largely due to the restrictions on the quantity of licences being available in the taxi industry. The same is likely to be true for hire car licences.

The purchase of a taxi licence for an investor is similar to the purchase of a financial security such as a blue-chip share that pays regular dividends. The rate of return received by the investor is approximately 6.7 percent based on a purchase price of \$280,000 and monthly lease receipts of \$1,560. This is equivalent to a price earnings ratio of 15 years which equates favourably with blue chip industrial stocks at about 18 years. That is, the taxi licence investor is able to recoup their initial investment over 15 years if lease payments were to remain constant. A licence owner is subject to regulatory risk which could be one of the reasons why the rate of return is relatively high.

The supply of taxi services is also effected by DoT polices and industry practices governing multi-hiring. The current DoT policy allows a taxi to accept a second simultaneous hiring only if the first passenger agrees. Multi-hiring may help reduce waiting times for taxis but there is no current policy on how the driver may charge each passenger. At present, drivers may charge each passenger the full reading on the fare meter. Networks do not appear to

offer multi-hirings as an alternative service for customers who do not mind sharing the use of a cab at a possibly reduced cost.

The Tribunal seeks submissions on the significance of the limitation on plate numbers as a barrier to entry to the taxi industry and the cost to the community of this barrier to entry. The Tribunal invites comments on the current multi-hiring practice of the industry and any suggestions for improvement.

A driver's objective is to maximise fare revenue to recoup the buy-in and fuel as they retain the surplus funds from the shift. This limits the extent of vacant time a driver can afford during a shift and their willingness to provide services during off-peak times. The buy-in rate depends on driver demand based on expected fares per shift with the maximum buy-in being set by the NSW Industrial Relations Commission. As previously mentioned, few drivers work under the alternative commission scheme with no buy-in.

An operator's objective is to maximise the buy-in rate and minimise the time that the taxi is off the road. In addition, they have the other normal business objective of minimising operating costs. Sufficient revenue must be earned to cover vehicle depreciation, repairs and maintenance, network fees, insurance, effort and licence lease fee or a return on capital if licence is owned by the operator. Lease fees depend on the buy-in rates and total operating expenses.

The Tribunal seeks views on whether buy-ins and lease rates should be regulated to share the returns to industry participants more fairly and what the consequences might be of any such regulation.

The restriction on the number of licences also serves to maintain taxi licence values and allow owners to charge higher lease rates than would otherwise be possible. These private benefits accrue to the owners of plates. Removal of the requirement to hold a licence would undermine the value of licences, currently between a total of \$1.2 - \$1.3 billion for all unrestricted licences issued in the Sydney metropolitan district.

Some licence owners have invested in their licence on the assumption that plate numbers would always be restricted. However, most owners are aware the government can alter the regulations and therefore have sought and received compensation for the exposure to regulatory risk via an above market yield.

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

The Tribunal seeks submissions on how the private benefits arising from restrictions on taxi licences should be considered when assessing the net public benefit of restricting entry to the industry.

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

The Tribunal seeks submissions on whether entry needs to be restricted to achieve the licence conditions imposed by the DoT.

NSW is divided into transport districts which limits the area that taxis may operate. Taxis may drop a passenger outside of their district, but cannot collect a return fare. In regional districts this can lead to long peak period waiting times and high off-peak vacancy rates where the supply of taxi licences does not match passenger demand.

While a shortage of supply of taxi licences may generate private benefits to licence owners, there are clear costs to the community from the mismatch of supply and demand.

The Tribunal seeks submissions on how to resolve over-and under-cabbing in regional transport districts. What evidence is there that certain regions have excess supply or demand of taxi services?

Taxis are generally unrestricted as to where and when they may operate within a district. However, 25 licences in Sydney are limited to working in suburban and city fringe areas⁷ and 100 additional licences to be balloted in 1998 will be required to be on the road and connected to a network during the hours of midday and 5pm. Another 400 licences to be balloted in 1998 will be required to operate WATs.

The Tribunal seeks submissions on the effectiveness, costs and benefits of issuing restricted licences in an attempt to alleviate service deficiencies.

4.1.2 The hire car industry

Previous reports in 1983⁸ and 1996⁹ have argued that the constraint on supply of licences in the private hire car industry has stifled innovation and the development of new markets for hire cars. For example, restrictions on the type of vehicle prevent the use of convertibles as hire cars. However, the DoT reports that they receive very few complaints about the standard and availability of private hire vehicles.

There is a clear problem with enforcement of the present restriction of 10 non-wedding trips¹⁰ for vintage cars given the obvious difficulty in identifying when operators have exceeded the total. The cost of compliance monitoring by the DoT must be considered against benefits, if any, obtained from the restricting of entry into the hire car market.

The Tribunal invites submissions to consider the scope for improving competition in the private hire vehicle industry. Additionally, the Tribunal is interested in views on any limitations on the development of new products caused by the current regulatory arrangements

⁷ There are approximately 5 restricted fringe areas that include Camden, Emu Plains, Berrilee, Windsor/Richmond and Hornsby. An annual fee is paid to the DoT during the contract period which comes up for renewal in 1999.

⁸ December 1983 Dept. of Motor Transport NSW, *Review of policies and practises in regulating the taxi and hire car industries in NSW*.

⁹ December 1996 Dept of Transport, *Review of the private hire vehicle industry in NSW*, RJ Cotton.

¹⁰ From January 1999, the DoT will require notification of the 10 trips.

4.2 Price controls

Maximum taxi fares are regulated and have recently been standardised across all NSW transport districts, ie a standard multi-tier tariff structure for all regional districts and a standard two part tariff structure for the Sydney district which includes Wollongong, Central Coast and Newcastle. This has the benefit of guaranteeing passengers a known fare scale and protects customers from exorbitant peak period pricing thus avoiding the need to negotiate fares. However, fixed prices also limit one of the key options businesses use to differentiate their services and meet changing demands.

Regulated fares prevents taxi companies or operators from developing new products. For example, some customers may be willing to pay more for shorter waiting times or higher quality of service, while others may be happy with a cheaper, no frills service which has longer or less certain waiting times. For example, London has standard taxis and mini-cabs offering a high quality and budget service respectively.

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

The setting of a maximum fare for all time periods during the day reduces the supply of taxis during the early hours of the morning. If the pay-in for night work has reached the maximum rate determined by the Industrial Relations Commission, then allowing a higher fare to be charged after midnight may cut waiting times and generally provide a more demand responsive service. However, the additional costs faced by some consumer groups such as shift workers would need to be considered in any proposed change to maximum tariff structures.

The ACT currently has a 2 tier fare structure with a 15 percent premium applying between 9pm to 6am Monday to Friday and all day Saturday, Sunday and public holidays.

The Tribunal seeks comments on the costs and benefits of maximum fare controls. In particular, whether fare controls significantly restrict the ability to diversify taxi services and develop new transport products.

Hire car fares are not regulated by the DoT but are determined by the market for these services.

4.3 Performance standards

4.3.1 The taxi industry

Taxi networks, operators and drivers are subject to extensive performance standards. While these have the benefit of assuring passengers of minimum service standards, they also limit industry participants ability to develop new products and meet the changing needs of customers.

The recent issue of 'peak availability' licences which place restrictions on the hours of operation will increase the level of service available to those customers seeking taxi services

during the selected time period. Such restrictions imply a requirement to monitor compliance which is a costly activity for the DoT and the radio networks that play a role in monitoring taxi activity.

The issue of additional WATs licences is intended to provide a better taxi service to people with a disability. However, if drivers are able to find more profitable work such as privately arranged hirings and multiple hirings at Sydney airport then the actual improvement in service levels may be limited. The gradual implementation of a universal WAT across the whole taxi fleet has been suggested as an alternative and possibly more effective means of achieving the desired outcome.

The Tribunal invites views on the effectiveness of providing special licences with certain operating restrictions which are designed to improve taxi services. Do the benefits from these restrictions outweigh the costs of monitoring and enforcement? Could there be alternative and better methods of achieving the desired outcome?

The imposition of performance standards on taxi networks are designed to speed up the delivery of a taxi when a customer makes a phone booking. The benefits for the consumer are quicker response times and a single contact point should there be any problems with the service, ie computer records are kept of booking details and the taxi that accepted the call.

Taxi networks claim that they do not have any control over the operators who purchase communication access from them, or the drivers who are essentially contractors to operators. A driver cannot be forced to accept a call so the networks are placed in a difficult position. A possible solution is to enforce the DoT standard of non disclosure of destination. This would be equivalent to the existing situation arising from street hails, where the driver can only refuse a passenger if they are travelling to a destination outside of their transport district.

The Tribunal seeks submissions on whether the performance standards imposed on taxi networks are sufficient to achieve the desired outcome of shorter response times to customer bookings. Are there other matters which need to be considered when regulating the operations of the taxi networks? The Tribunal seeks views on impacts of networks utilising a system of non-disclosure of destination?

Vehicle standards are designed to provide passengers with a minimum level of safety and comfort.

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

Does the compulsory provision of uniforms enhance the level of customer service. What other mechanisms could be put in place to encourage higher levels of service?

Driver safety is one of the most important issues facing those working within the industry. The fitting of driver protection screens has resulted in some discontent among drivers who believe that screens restrict driver visibility and increase the danger of being trapped should an accident occur. Some drivers have argued that it is difficult to communicate with passengers and there may have been a fall in customer service levels.

The government has recently announced a trial of closed circuit cameras as an alternative or addition to screens.

4.3.2 The hire car industry

Restrictions on the type of vehicle allowed to be used by a private hire car operator may prevent that industry from developing new and innovative services to meet client expectations and needs. Other performance standards are not set by the DoT because of the type of industry. However, the regular RTA vehicle standards do apply.

Do the benefits from the restrictions outweigh the costs of monitoring and enforcement in the hire car industry? What is the desired outcome from restricting the types of vehicles which can be used to provide hire car services?

4.4 Compliance

Current regulatory arrangements in the NSW taxi industry are complex and prescriptive. Operators and/or drivers must meet strictly defined standards requiring expenditure to upgrade vehicles, maintenance, networks and other equipment.

The industry is currently managed through a system that is often referred to as co-regulation. The DoT sets the prescribed standards and these are implemented through the various accreditations and network monitoring of performance. The taxi networks employ taxi inspection staff who have the ability to issue infringement notices to operators and drivers. They also have the ability to force a driver to repeat some or all of the training modules currently offered by the training schools.

The taxi networks also handle the vast majority of the complaints received from the public and some are investigated by the DoT where considered appropriate. The DoT carries out the functions of auditing and monitoring both the taxi and hire car industries for compliance with the prescribed regulations.

Co-regulation brings a number of benefits such as greater industry consultation prior to the implementation of changes and is a cheaper method of regulation. However, it is well recognised in other industries that there can be the danger of the regulator being captured by the industry. This may be particularly so where the network owns or operates taxis. This may lead to a diversion of the participants focus away from the customer and subsequently service levels are diminished. There is greater opportunity for non-compliance with performance standards to be overlooked and for the audit function to be ineffective.

The DoT has tightened controls and accountability of drivers, operators and more recently networks in an effort to improve customer service and safety for passengers and drivers. While the quality of service has increased by requirements to improve vehicle quality and safety, increased regulation comes at a cost in terms of the need for DoT or the networks to enforce compliance with regulations. Prescriptive regulations also limits the ability of operators to innovate and find alternate ways of achieving the safety and customer service standards demanded by customers.

The Tribunal calls for submissions on the costs and benefits of the current mechanisms to encourage compliance. What are the costs and benefits of this co-regulatory approach? The Tribunal is interested in whether this might be achieved through other, less prescriptive ways.

4.5 Administrative arrangements

The Taxi Compliance Unit of the DoT employs 10 inspectors in Sydney and Parramatta to check driver authorities, safety features/roadworthiness of vehicles and investigate complaints. The direct costs of these activities are approximately \$575,000 per annum, which does not include overhead costs.

Within the regional and Sydney offices of the DoT there are 95 staff employed in Service Operations & Performance, which cover taxis, hire cars, buses, and ferries. The DoT does not allocate its costs between the various industries because the work is often seasonal and cyclical. For example, when the 3 year driver authorities come up for renewal then there is a greater focus by all relevant staff on this activity. The following table covers the direct costs of the DoT except for head office policy staff:

Table 9 Costs in regulating the taxi, hire car, bus and ferry industries

| | |
|--------------------------------|----------------|
| Issue/renew driver authorities | 1.80m |
| On road enforcement | 1.40m |
| Operator Accreditation | 1.90m |
| Taxi Compliance Unit | 0.57m |
| Total | \$5.67m |

Source : NSW Department of Transport.

The exact cost attributable to regulating the taxi and hire industries is unobtainable. However, it is apparent from the above table that the overall DoT costs of regulating taxis, hire cars, buses, and ferries appear to be quite significant.

The Tribunal invites submission on the following issues:

- ***Has the Tribunal correctly identified the restrictions on competition in the Passenger Transport Act 1990 as it relates to the taxi cab and hire car industries?***
- ***Are these restrictions the appropriate mechanism to implement the objectives of the Passenger Transport Act 1990?***
- ***Are there any other restrictions on competition in the taxi cab or hire car industries which should be addressed in the Tribunal's review?***

5 OPTIONS FOR REFORM

Previous sections of this paper have canvassed issues to be addressed in reviewing the regulation of the taxi cab and hire cars industries. After considering matters raised in submissions and public hearings, the Tribunal will propose options for the reform of current regulation in its interim report, due in April 1999.

To assist those making submissions, the following section considers some options for reform of taxi licenses, operator accreditation and driver authorisation. The options raised are not exhaustive. The Tribunal welcomes submissions identifying other options for reform, particularly those drawing on experience in other Australian states and overseas.

5.1 Liberalisation of plate licensing

The limit on the number of taxi cab and hire car licences is the most significant restriction on competition in these industries. The rationale for these restrictions has changed over time and the Tribunal's review must establish whether these restrictions still provide net benefits to the community. Additionally, the Tribunal must establish whether there is any less restrictive way in which these benefits can be achieved.

Options for reform of licensing range from full deregulation of entry to the industry to a continued freeze on unrestricted licences, but use of short-term licences to meet areas of emerging demand for new licences. Within this range, different mechanisms could be used to increase the supply of taxis over time, while managing the impact on existing licence owners. Additionally, the conditions imposed on licence holders could be altered to change licence owners' rights and responsibilities within the industry where this is warranted. Any change to the supply of licences or licence conditions is likely to affect the value of tradeable licences in some way. Full deregulation would have very significant consequences for the value of existing licences.

The Tribunal seeks submissions on options for reform of the licensing of taxi cabs and hire cars. Any options for reform should consider transitional mechanism to ensure reforms are implemented fairly.

Even in the absence of changes to licences, competitive pressures from peripheral markets will erode the protected market of existing licence holders. For example, in the hire car industry a number of unrestricted niche markets such as minibus "tourist vehicles", airport shuttle services and motorcycle tours compete with hire cars. Minor easing of the restrictions on wedding car operators has allowed them to complete 10 non-wedding trips each year.

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

The Tribunal seeks submission on the impact of market forces on the continued viability of restrictions on entry to the taxi cab and hire car industries.

5.2 Alternative approaches to accreditation of operators

Licensing schemes which affect entry to an industry have sometimes been implemented because of perceived problems with the way markets have operated. Licensing generally aims to reduce the incidence of problems by preventing undesirable operators from gaining access to, or continuing in the industry.

There are often situations where alternative approaches will improve the operation of the market. The following are some examples:

- Highlighting the existence of problems which suppliers of taxi services need to correct to avoid regulatory intervention.
- Developing strategies to provide education and better information to enhance customer buying skills.

- Helping industry associations, subject to the Trade Practices Act, to better regulate their activities.
- Working with industry (co-regulation) to develop non-legislative solutions to dealing with problems.

In addition, there are less restrictive methods of regulation which could be applied to our current system. They include:

- **Registration:** a move to a system where operators must be listed with the DoT which incorporates a greater emphasis on performance based standards that indicate expected outcomes, rather than prescriptive standards, that specify how outcomes are to be achieved.
- **Negative licensing:** implementation of a system where the reliance is placed on removing industry operators who persistently fail to adopt acceptable practices.

The benefits from less restrictive regulation will be seen in the industries' ability to implement new ideas and embrace change to meet the needs of customers. This will also lower the cost of regulation. The possible cost could be a less certain environment initially where the industries will take time to adjust to the competitive forces and customers slowly adapt to the changes.

Once again, the outcome from these possible options might be different depending on whether there are changes to the restrictions on the quantity of licences.

The Tribunal seeks submissions on the appropriateness of the current accreditation of operators. Is the existing system of co-regulation achieving the objectives of the Passenger Transport Act 1990? Are there any alternative methods of co-regulation or self regulation which could be successfully applied to the taxi and/or hire car industries in NSW.

5.3 Driver accreditation and alternatives to prescriptive regulation

The current system of accreditation for both drivers of taxis and hire cars is a form of *positive licensing*¹¹ which allows only licence holders to supply services. A common argument in support of strict entry requirements is that the quality of service would decline if deregulation occurred. Some disadvantages of positive licensing are the costly regulatory framework of training, and the monitoring and auditing by an authority such as the DoT or the networks.

Towards the other end of the regulatory continuum there could be a system that is commonly referred to as *certification*, which would require the driver to inform the DoT about such matters as: name, address, educational/training experience in the industry without specifying 'minimum standards'. Operators would then have a wider choice for employing certified or uncertified drivers. Other benefits include a lower cost of entry to the market for drivers and lower costs of DoT regulation. Where the market is well informed, poor performing drivers would not be tolerated for very long in a competitive market. However, due to the absence of the operator from the workplace, it is likely that operators

¹¹ Positive licensing applies a set of rules or procedures to the licence holder and they must demonstrate a sufficient level of competence prior to obtaining the licence. The converse is negative licensing where drivers are not screened before commencing work but are only prohibited from driving if major shortcomings in their abilities are identified.

will be less informed about bad drivers and hence the overall level of service experienced by customers could decline.

The outcomes from this possible option might be different depending on whether quantity restrictions on the number of plate licences were to continue. Perhaps there would be a move towards drivers working directly with networks with less involvement of separate operators.

The objective of reform should be the freeing up of the market to achieve higher levels of customer service. Positive licensing allows the DoT to predetermine the suitability of all drivers. However, prescriptive rules can limit the flexibility in meeting regulatory objectives and can retard innovation, whereas minimum standards maintain the opportunity for innovation.

The Tribunal seeks submissions on the effectiveness of the current driver accreditation system for the achievement of regulatory goals and adequate levels of customer service. The Tribunal is interested in exploring other methods of driver regulation that perform well elsewhere in Australia or overseas.

Appendix B contains a comparison of the differences between regulation in NSW with Victoria, Western Australia and Queensland.

Appendix C contains a comparison of the regulatory arrangements for the private hire car industries' in various states.

6 HOW TO MAKE SUBMISSIONS

Submissions should be sent to:

The Chairman
Independent Pricing and Regulatory Tribunal of New South Wales
PO Box Q290
QVB Post Office
Sydney NSW 1230

Tel: 02-9290 8400, Fax: 02-9290 2061

IPART's street address is Level 2, 44 Market Street, Sydney NSW 2000. IPART may also be contacted by email at ipart@ipart.nsw.gov.au

Submissions on the Issues Paper should reach IPART by Friday 13 November 1998.

Questions about the review should be directed to Mr Alex McMillan on (02) 9290 8405 or Mr Julian Carter on (02) 9290 8461.

APPENDIX A: TERMS OF REFERENCE

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

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

In conducting this investigation, the Tribunal should consider:

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

APPENDIX B: COMPARISON OF REGULATION OF TAXI INDUSTRIES (OCTOBER 1997)

| NSW | VIC | WA | QLD |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CUSTOMERS | | | |
| <ol style="list-style-type: none"> 1. Central complaints hotline 2. Statistical data is available regarding complaints from anywhere in NSW | <ol style="list-style-type: none"> 1. Central comments line advertised on stickers in every taxi. | <ol style="list-style-type: none"> 1. No central complaint line 2. Some statistical data on complaints is available. 3. Currently developing a public awareness campaign 4. Taxi Industry Fund provides funds for research and development 5. User surveys conducted in 1996/97 | <ol style="list-style-type: none"> 1. No central complaint hotline 2. No statistical data on complaints is available 3. User surveys conducted every 2 years 4. Publishes user information booklet |
| DRIVER TRAINING COURSES | | | |
| <ol style="list-style-type: none"> 1. Two driver training schools, one is run by Taxi Plus and one is an independent school 2. Communication competency assessment (AMES) 3. Locality test (DOT) 4. On road test of 1 in 3 applicants (DOT) | <ol style="list-style-type: none"> 1. Two preliminary tests: <ul style="list-style-type: none"> - literacy and numeracy test - knowledge of Melbourne test 2. TAFE course | <ol style="list-style-type: none"> 1. New training course includes: <ul style="list-style-type: none"> - 3hr psychological assessment (includes numeracy and literacy test) - 1 day advanced driver training course - 5 day training program (geography, rules and Regulations, customer service, safety, equipment, OH&S etc) | <ol style="list-style-type: none"> 1. English test performed by taxi networks 2. Taxi network drivers TaxiCare and TaxiPlus training courses (fees are up to the network) 3. Driving skills and locality knowledge is a matter for the network, if at all |

COMPARISON OF REGULATION OF TAXI INDUSTRIES (OCTOBER 1997)

| NSW | VIC | WA | QLD |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DRIVER AUTHORITY REQUIREMENTS | | | |
| <ol style="list-style-type: none"> 1. Training requirements outlined above 2. Medically fit (supply medical certificate) 3. Satisfactory driving and criminal record 4. Must have held an unrestricted driver's licence for 12 months out of the last 2 years <p>Fee for DA is a \$100 one-off fee Total training costs = \$850 - \$950 DA is valid for 3 years</p> | <p>Fee for DA is \$22.50 one-off fee Total training costs = \$650 DA is valid for 3 years</p> | <ol style="list-style-type: none"> 1. "T" class driver's licence <p>DOT does not charge a fee for the ID Card Total training costs = \$850 approx</p> | <ol style="list-style-type: none"> 1. Must have held a licence for a minimum of 3 years (overseas tenure counts) 2. Undergo driving history check <p>Fee for a DA is \$42 pa Total training costs = not known DA is valid for up to 5 years</p> |
| RENEWAL OF DRIVER AUTHORITY | | | |
| <ol style="list-style-type: none"> 1. No retraining requirements 2. Fee of \$45 applies 3. Must supply medical certificate 4. Must undergo criminal and driving history checks | <ol style="list-style-type: none"> 1. VTD may introduce driver refresher courses at or before renewal 2. \$22.50 for renewal | <ol style="list-style-type: none"> 1. DOT intend to introduce retraining for existing drivers by exception only, ie. as a substitute for or in addition to fines | |
| DRIVER SAFETY | | | |
| <ol style="list-style-type: none"> 1. Mandatory installation of security screens or surveillance cameras(Metro) 2. Mandatory installation of GPS (Metro) 3. Taxi cabs must be fitted with a security device (duress alarm) declared by the Director General (can be part of GPS) 4. Boot compartments must be fitted with a lock release device | <ol style="list-style-type: none"> 1. Taxi driver incident reports (allows analysis of nature of incidents) 2. Surveyed taxi drivers asking them about safety screens and cameras 3. TACSI-police initiative whereby safe ranks are sited at 24hr convenience stores and garages etc | <ol style="list-style-type: none"> 1. Compulsory installation of surveillance equipment in taxis by December 1997 (onus placed on licence holder) 2. Training course includes component on dealing with difficult customers 3. Provision of secure taxi ranks (ie security personnel and surveillance) 4. Monitoring NSW's progress with security screens | <ol style="list-style-type: none"> 1. Operators must fit screens on request by driver |

COMPARISON OF REGULATION OF TAXI INDUSTRIES (OCTOBER 1997)

| NSW | VIC | WA | QLD |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| REGULATION OF DRIVER BEHAVIOUR | | | |
| <ol style="list-style-type: none"> 1. Drivers required to display DA 2. Act/Regs provide extensive number of offences by drivers 3. Drivers must comply with DA standards and Taxi Industry Code of Conduct | <ol style="list-style-type: none"> 1. Drivers are required to display DA 2. The Act provide limited number of offences by drivers | <ol style="list-style-type: none"> 1. Act/Regs provide limited number of offences by drivers | <ol style="list-style-type: none"> 1. Drivers don't display DA 2. Act/Regs provide limited number of offences by drivers. QT's view is that driver behaviour and dress is primarily the responsibility of the networks |
| LICENCE ISSUE | | | |
| <ol style="list-style-type: none"> 1. A person may apply to the DOT for a licence and the Director General may issue a licence to that person 2. The DOT has not issued a licence (other than short term licences) since 1990 | <ol style="list-style-type: none"> 1. Issued by tender 2. VTD have not issued a licence since 1987 3. VTD is undertaking a survey to determine if there are enough licences to meet demand | <ol style="list-style-type: none"> 1. Issued by tender 2. Since 1994, the DOT has issued 50 peak period licences and 25 MPT's 3. DOT has conducted a survey to determine whether there are enough licences to meet demand | <ol style="list-style-type: none"> 1. Issued by tender 2. Chief Executive takes into account whether there are enough licences issued to meet demand 3. QT issued 40 licences in the last 2 years and will issue 30 in the next 2 years. |
| LICENCE CATEGORIES | | | |
| <ol style="list-style-type: none"> 1. Unrestricted hours 2. Restricted hours 3. Urban fringe area 4. Wheelchair Accessible Taxis (WAT) 5. Station Wagon only | All licences have the same conditions | <ol style="list-style-type: none"> 1. Unrestricted Hours 2. Maxi Plus Taxis 3. Peak Period (must be able to carry 6 or more and operate only on Friday and Saturday nights) 4. Area Restricted | <ol style="list-style-type: none"> 1. Full taxi service licence is the only category of licence issued. The licence conditions specify whether the licence is for metered or non-metered taxis and/or wheelchair accessible taxis or not |

COMPARISON OF REGULATION OF TAXI INDUSTRIES (OCTOBER 1997)

| NSW | VIC | WA | QLD |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LICENCE TERM AND FEES | | | |
| <ol style="list-style-type: none"> 1. Perpetual <ul style="list-style-type: none"> - no licence fees - transfer tax applies 2. Renewable <ul style="list-style-type: none"> - licence fee on issue of licence - renewable from time to time 3. Short Term <ul style="list-style-type: none"> - any term up to 6 years - licence fee on issue of licence - not transferable | <ol style="list-style-type: none"> 1. All licences are perpetual 2. Annual fee \$423 3. Transfer fees apply | <ol style="list-style-type: none"> 1. Perpetual 2. Annual licence administration fee \$85 3. Transfer fees apply | <ol style="list-style-type: none"> 1. Licences are valid for 5 years and are renewable 2. Annual licence fee \$100 + operator accreditation fee of \$100pa 3. If the licence is transferred to an area where licence values are higher, the transferee must pay the difference to QT. If transferred to an area where licence values are lower, the transferee suffers the loss |
| LICENCE CONDITIONS | | | |
| <ol style="list-style-type: none"> 1. Licences are transferable (except short-term licences) 2. Act provides that the Director General may impose such licence conditions as the Director General sees fit to impose in the circumstances of the case. The Act uses specific duties placed on operators and drivers, rather than licence holders 3. All taxis must be connected to a network, some exemptions apply | <ol style="list-style-type: none"> 1. Licences are transferable 2. All licences have the same conditions and must be operated 24 hours per day on demand 3. The licence conditions require that the vehicle is maintained in a fit and serviceable condition 4. The licence conditions also require compliance with the provisions of any Act or Regs in relation to: <ul style="list-style-type: none"> - the manner in which and the persons by whom the vehicle may be driven - no, of passengers that may be carried - equipment & condition of vehicle | <ol style="list-style-type: none"> 1. Licences are transferable 2. WA use licence conditions to regulate the industry. The licence conditions relate to fares, area and hours of operation, driver qualifications and standards, vehicle standards, insurance, record keeping, complaint resolution and transfer of licences <p>The DOT has the flexibility to choose whether to hold the driver, operators or licensee responsible for difference breaches. The DOT intend to increasingly place responsibility on the licence holder</p> | <ol style="list-style-type: none"> 1. Licences are transferable 2. There are very limited requirements placed on licences. The majority of conditions apply to operators and drivers |

COMPARISON OF REGULATION OF TAXI INDUSTRIES (OCTOBER 1997)

| NSW | VIC | WA | QLD |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| NETWORK REGULATION | | | |
| <ol style="list-style-type: none"> 1. Section 41(5) says the Regs may prescribe conditions for the network and the DG may prescribe conditions in relation to maintenance of vehicles, safety of drivers and passengers, training of drivers, and any other aspect of the services 2. Regs may create offences with penalties up to 1,000 penalty units for failure to comply with conditions 3. DG may revoke a network authority or suspend its operation 4. Wide investigative powers | <ol style="list-style-type: none"> 1. Networks are not regulated 2. Networks are not held accountable for poor service delivery 3. No formal requirements for information delivery to the Government | <ol style="list-style-type: none"> 1. Networks are required to be registered with the DOT. The DOT can place conditions on networks in relation to fares, customer service standards, administration and infrastructure standards, record keeping, and complaint resolution 2. No requirements for information delivery to the DOT 3. Designing a computer program which will download data from networks' computers to Department 4. DOT intend to introduce some additional requirements on networks, eg a guaranteed booking service | <ol style="list-style-type: none"> 1. Phased introduction of Performance Contracts with networks that specify: <ul style="list-style-type: none"> - minimum service levels - development of marking and business plans 2. A market research company is contract to provide feedback on taxi services 3. Networks are not yet audited as the Performance Contracts are relatively new |
| OPERATOR ACCREDITATION | | | |
| <ol style="list-style-type: none"> 1. Operators must be accredited 2. Operators bear the major responsibility for performance of the requirements of the Act | <ol style="list-style-type: none"> 1. No requirements for operators to be accredited 2. Lessee stands in the shoes of the lessor. The lessee must show they are fit and proper and the lease agreement must be approved by the VTD | <ol style="list-style-type: none"> 1. No requirements for operators to be accredited 2. The existence of operators is acknowledged in s.20 of the Act which makes the operators responsible for various aspects of service delivery | <ol style="list-style-type: none"> 1. Operators must be accredited 2. Operators bear the major responsibilities under the Act |

COMPARISON OF REGULATION OF TAXI INDUSTRIES (OCTOBER 1997)

| NSW | VIC | WA | QLD |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| VEHICLE STANDARDS | | | |
| <ol style="list-style-type: none"> 1. Provided for in the Regulations 2. Operator is responsible for vehicle condition 3. Vehicles are inspected every 4 months in Sydney 4. Maximum vehicle age is 6 years | <ol style="list-style-type: none"> 1. Provided for in the Act and Regulations 2. The VTD may hold the licence holder or vehicle owner responsible for compliance with the standards 3. Vehicles are inspected annually, vehicles over 4 years are inspected bi-annually 4. Maximum vehicle age is 6 years | <ol style="list-style-type: none"> 1. Standards are determined by the DOT and will soon be published in a list provided to operators 2. Vehicles are inspected annually 3. Maximum vehicle age is 6 years 4. Licence holders are held responsible for vehicle conditions | <ol style="list-style-type: none"> 1. Vehicle standards are contained in the Transport Operations (Passenger Transport) Standard 1995 2. Vehicles are inspected every 6 months 3. Maximum vehicle age is 6 years |

COMPARISON OF REGULATION OF TAXI INDUSTRIES (OCTOBER 1997)

| NSW | VIC | WA | QLD |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FARES | | | |
| <ol style="list-style-type: none"> Increases based on CPI increases DoT will allow "one-off" initiatives to be incorporated into a fare increase, eg driver safety initiatives | <ol style="list-style-type: none"> Fare increases based on CPI, granted annually VTD will allow "one-off" initiatives to be incorporated into a fare increase, eg driver safety initiatives | <ol style="list-style-type: none"> New cost model based on a range of inputs Three tariffs apply in Perth | <ol style="list-style-type: none"> fare increases based on a costs model which is produced from a range of costs experienced by the industry Taxi fares changed on 1 November each year Fares may not exceed the maximum fares set by QT |
| SPECIAL PURPOSE VEHICLES | | | |
| <ol style="list-style-type: none"> There are 136 wheelchair accessible taxis in Metropolitan Sydney Maximum subsidy is \$25 (subsidy applies to all taxis that carry TTSS members) | <ol style="list-style-type: none"> There are 70 accessible taxis in Melbourne, all are tied by licence conditions Maximum subsidy is \$25 | <ol style="list-style-type: none"> There are 46 accessible taxis in Perth, all belong to the dedicated booking service Maximum subsidy is \$25 Specific training for drivers MPT Customer Service Committee | <ol style="list-style-type: none"> There are 69 accessible taxis in Brisbane QT's goal is 10 percent of licences issued in a service are must be wheelchair accessible. Where an area has less than 10 percent, any new licence issued for that area will be wheelchair accessible Maximum subsidy is \$25 |
| TAXI TRANS'T SUBSIDY SCHEME | | | |
| <ol style="list-style-type: none"> Number of vouchers: unlimited Subsidy capped per trip:\$25/trip Percentage concession: 50% Permanent disability: Yes | <ol style="list-style-type: none"> Number of vouchers: unlimited Subsidy capped per trip: not capped Percentage concession: 50% Permanent disability: Yes | <ol style="list-style-type: none"> Number of vouchers: unlimited Subsidy capped per trip: \$25 Percentage concession: tiered 50 –75% Permanent disability: can be temporary | <ol style="list-style-type: none"> Number of vouchers: unlimited Subsidy capped per trip: restricted to 40km outside local taxi area. Percentage concession: 50% Permanent disability: can be temporary |

COMPARISON OF REGULATION OF TAXI INDUSTRIES (OCTOBER 1997)

| NSW | VIC | WA | QLD |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ENFORCEMENT | | | |
| <ol style="list-style-type: none"> 1. 10 full-time inspectors in Sydney 2. Inspectors check DA's, comfort and safety features 3. Inspectors can issue fines, unroadworthy certificates 4. Investigate complaints | <ol style="list-style-type: none"> 1. 12 full-time inspectors in Melbourne 2. Inspectors check comfort and safety features, DA's, licences and air-conditioning 3. Inspectors can issue defect notices, fines, or certificate of unroadworthiness 4. Enforcement costs approximately \$1.2Mpa | <ol style="list-style-type: none"> 1. 3 full-time inspectors in Perth 2. Focus on serious complaint investigation. Also conduct on-road enforcement, such as checking comfort and safety features 3. DOT does not have accurate figures on the cost of enforcement activities | <ol style="list-style-type: none"> 1. The Land Transport and Safety Division monitors the compliance of the taxi, bus and truck industries. Approximately 2 officers spend 2 days per week on taxi matters 2. When on the road, inspectors will pick up vehicle defects for buses, taxis and trucks 3. The estimated cost of taxi enforcement activities is \$250,000 |

Source : NSW Department of Transport.

APPENDIX C: COMPARISON OF REGULATION OF HIRE CAR INDUSTRIES

| State | NSW | Victoria | Queensland | Tasmania | ACT | WA | SA |
|--------------------------|--------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|
| Hire Car (HC) conditions | Below 8 passengers + private bookings | Similar to NSW | Similar to NSW | Below 8 passenger seats + prebooking | Similar to NSW | Below 12 passenger seats + prebooking | Below 12 passenger seats + prebooking |
| Numbers | Approx. 243 | 473 | 1200 | 100? | 22 (not Comcars) | Unknown | 340 |
| Plate Cost | Original issue price \$Nil Recent auction sales (Sept 98) = Between \$142,000 to \$152,000 | Application Fee = \$150 Annual Fee = \$120 No upper limit on no. of licences Mkt price = \$20-30K (goodwill) | Issue prices (unlimited no.) = \$47K (SE Qld); \$67K (Cairns); \$20K elsewhere. Mkt price = \$50K (max) | Application fee + other charges = around \$300 (unlimited no.) Goodwill value | Issue price set by the Act (none issued for years) = \$60K Mkt price = \$130K | None Unknown | None Unknown |

COMPARISON OF REGULATION OF HIRE CAR INDUSTRIES

| State | NSW | Victoria | Queensland | Tasmania | ACT | WA | SA |
|-----------|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------------------------------------------------------------------------|---------------|
| Licensing | Perpetual plates The 5 new plates recently auctioned are the first since 1965. | Applicants have to show evidence of demand, and implications gazetted to see if there are any objections. Licences are non-transferable for 4 years from the date of issue. | <i>New Act.</i> Perpetual plates. No limit on number of licences issued + sale of plates by Dept on demand at below old auction rate. | Presently, one vehicle (can be taxi) can hold up to 7 different categories of HC licence. Review of taxi and hire car licences completed last year. Review recommended the market be deregulated, vehicle standards and vehicle inspection programmes by introduced. The review has not been implemented to date. At present the hire car market is restricted and there is no vehicle standards | Co-regulation with perpetual plates. | Short-term plates (5 yr period) with no barriers to entry. Nominal operator fee (\$200 p.a.). | Not available |
| Operators | Accredited | Accredited | Accredited | Accredited | Accredited | Accredited | Accredited |

COMPARISON OF REGULATION OF HIRE CAR INDUSTRIES

| State | NSW | Victoria | Queensland | Tasmania | ACT | WA | SA |
|------------------|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|---------------------------------------------------|
| Drivers | Driver authority | | Accredited | | | Special driver licence category for HC drivers. | Accredited, but this will cease for urban drivers |
| Special vehicles | Age limit on certain makes and models | Age limit, make and model standards exist. | No separate categories. | Prestige, Classic, Courtesy, Recreational (4WD), Community, Motorcycle & Miscellaneous. | One category with special restrictions. <i>Rules are seen as outdated by ACT agency.</i> | One special category. | No separate categories. |
| Vehicle types | Limited range | Similar to NSW | Similar to NSW | | | | |
| Special zones | Sydney metropolitan and regional districts | Metropolitan HC - no restriction on area of operation. Country HC - unrestricted only outside 50Km radius of Melbourne GPO. | HCs may queue at hotel ranks with hotel's permission, and at HC ranks at airports (fare must be 10 percent higher than taxi fare). | Country vehicles can be older than city vehicles. | HCs can queue for business at their own airport rank. | HCs are limited to journeys within, originating or terminating in the Perth metro area. | None. |