



NSW TAXI COUNCIL

This submission is provided in response to the IPART Review of Taxi Fares in NSW and Taxi Licences outside Sydney discussion paper.

NSW Taxi Council Submission

**IPART Review of Taxi Fares in NSW
and Taxi Licences outside Sydney**

13 October 2017

Contents

Contents

1	EXECUTIVE SUMMARY	3
2	INTRODUCTION.....	4
3	BACKGROUND TO SUBMISSIONS.....	6
4	RESPONSE TO IPART DISCUSSION PAPER	7
1.61	Level of Competition in the market	
1.62	Maximum Fare Regulation	
1.63	Release of Taxi Licences	
5	CONCLUSION	16

EXECUTIVE SUMMARY

The NSW Taxi Council appreciates the opportunity to review and respond to the discussion paper released by IPART on “the review of Taxi Fares in NSW and Taxi Licences outside Sydney from July 2018.”

While the NSW Taxi Council acknowledges the changes in the competitive set within the Point to Point Transport sector, we are reasonably concerned about the detrimental impacts some aspects of the discussion paper will have on long standing taxi organisations, if some of these considerations eventuated.

Moreover, the impact will be felt more significantly by those taxi organisations operating in smaller towns across country and regional NSW. These Businesses are already struggling and finding difficulty in matching pace, following the Point to Point Taskforce Review, and announcement by the NSW Government on Point to Point Transport Reforms.

The NSW Taxi Council has expressed its concerns regarding the consideration by the NSW Government to release new taxi licences, whilst removing the restrictions on the area of operations. This concern has been raised with the Minister for Transport and Infrastructure, as well as the Point to Point Transport Commission. Removing the restriction on the area of operation on taxi licences outside of Sydney will have detrimental effect on the value of taxi licences, as well as resulting in a number of taxi organisations ceasing to exist.

The key areas of concern for the NSW Taxi Council in relation to this review are as follows:

- Removing the restriction on the area of operation for taxi licences outside of Sydney
- Releasing new taxi licences whilst there are currently licences on hold

These issues are addressed in detail in our submission below.

INTRODUCTION

The NSW Taxi Council is the peak body for the NSW Taxi Industry. It represents taxi networks, owners and operators, and it also advocates for better outcomes for NSW taxi drivers.

In NSW there are over 4,000 licence owners, in excess of 100 taxi networks, over 6,000 taxi operators and more than 28,000 authorised drivers. Therefore the industry is the livelihood of over 38,000 people and their families.

The NSW Taxi Industry is a major contributor to the state's public transport system. It provides approximately 170 million passenger journeys each year and it meets customer travel needs right across NSW. It functions as a door to door transport service that operates 24 hours a day 7 days a week. The NSW Taxi Industry also provides services at times when other forms of public transport either significantly reduce service levels or cease operations altogether. Taxis are often the only form of public transport for some members of the community, and they provide essential transport services to some of the most disadvantaged people in the state. The NSW Taxi Industry was the first private transport provider to offer transport services for passengers travelling in a wheelchair. In fact, our history goes as far back as 1980 when the first wheelchair accessible taxi was established.

The NSW Taxi Industry is also a significant contributor to the state's economy, providing employment opportunities for tens of thousands of drivers, operators, and network management staff as well as for other industries which rely on economic activity that the NSW Taxi Industry generates. The taxi industry contributes to the economic generation of the state by connecting people efficiently and effectively for business, education, tourism and essential lifestyle activities. International accounting firm Deloitte Access Economics has undertaken an independent assessment of the economic contribution of the NSW Taxi Industry and has estimated the annual contribution of the industry to the NSW economy to be in the order of \$1.15 billion per annum.

The NSW Taxi Industry is made up of a complex array of providers, ranging from the licence owners (the licence being the principal legal instrument to provide a taxi service), through to operators and drivers. A licence owner may own, operate and drive a taxi, but a licence owner may also lease the taxi licence to a separate taxi operator. Authorised taxi networks are the principal means through which taxi services are coordinated. They provide direct booking services to the public and a range of safety and other services to operators and drivers.

Authorised taxi networks do not have a direct commercial relationship with taxi drivers. The members of taxi networks are taxi operators who pay networks a fee for use of the network's services (including its booking services).

Taxi drivers bail taxis from taxi operators and pay a bailment fee to the operator (either a set "pay-in" or a share of the takings from a shift bailing a taxi). It is the taxi driver and not the network or the operator who collects the fare from the passenger.

The NSW Government does not, unlike other forms of public transport, procure taxi services from the NSW Taxi Industry. Whilst some financial support is provided to assist disadvantaged members of the community to access taxi services, on the whole the taxi transport system has been created and continues to operate as a consequence of the many people and organisations that have committed capital to invest in the industry. The NSW Taxi Industry also generates revenue for the NSW Government through the sale of licences and stamp duty on third party licence sales. It also generates other revenue through authorisation fees and indirect taxes.

The Point to Point Transport sector consists of a wide range of service providers including the taxi industry, the hire car industry and ridesharing (collectively known as hire vehicles under the *Point to Point Transport (Taxis and Hire Vehicles) Act 2016 (Act)*), tourist vehicles and the community and courtesy transport sector.

Ridesharing operations operated illegally in NSW from approximately April 2014 until December 2015, when the NSW Government accepted 56 of 57 recommendations made by the Point to Point Transport Taskforce, which had been established to review the passenger transport industry. At this time, a significant number of regulations contained within the *Passenger Transport Regulation 2007* were removed and ridesharing operations were effectively legalised.

The Act passed parliament in June 2016 and the Point to Point Transport Regulation was released on 18 August, 2017, and will commence from the 1st November, 2017.

Accordingly, the NSW Taxi Council supports the introduction of detailed regulations and welcomes such parts of the Regulation which result in competitive neutrality and regulatory fairness amongst point to point participants. The NSW Taxi Council also supports a focus on safety standards because the taxi industry is committed to providing safe services for customers and industry participants. The NSW Taxi Council also acknowledges the adjustment assistance provisions for taxi licence owners.

However, within the IPART discussion paper, there are a number of concerns which are likely to have (perhaps unintended) significant detrimental consequences on Taxi Businesses.

This submission addresses those matters.

BACKGROUND TO SUBMISSION

The NSW Taxi Industry is going through a period of unprecedented change. The NSW Government's Point to Point Transport reforms have introduced a new approach to the regulation of the NSW Taxi Industry as an integral part of the Point to Point Transport sector and the industry is transitioning to a markedly different regulatory environment as a consequence.

While the Act was introduced almost 12 months ago, the Regulation, in its final form, was only released on 18 August 2017.

While the NSW Taxi Council welcomes the new Point to Point Transport Regulations, and that we believe this a step towards a more levelling of the playing field, we are not in full agreeance on all of the Point to Point Taskforce recommendations. We believe that more is required to ensure competitor neutrality, as well as a review on the impacts these have had on existing taxi organisations and other stakeholder's livelihoods within the NSW Taxi Industry.

Accordingly, the NSW Taxi Council appreciates the consultative and collaborative approach by IPART. We are seeking further opportunity to consult with Government on the review. We consider that these submissions begin those consultations but it is hoped that there is an opportunity to make additional representation and further submissions, in working with Government for better outcomes for customers and businesses whilst looking to address our concerns.

1.6.1 We are seeking comments on the level of competition in the market

1) What is your view on the level and nature of competition in the rank and hail market? Does it vary by region of NSW or by time of day?

NSW Taxi Council view on the level of competition in the Rank and Hail market

Sydney Metropolitan Area

With an estimated rate of 70% of Taxi Fares coming from rank and hail services in the Sydney metropolitan districts, the level of competitive activity in this space is quite high. Since the introduction of rideshare operators into the Sydney market, this has eroded the share of the booked fares for taxis in this market, and therefore forced taxis to rely more on the rank and hail fares. Taxis have also seen a reduction in rank and hail work, as these jobs have moved into the booked services market. As a consequence of this, we have seen a significant increase in the number of taxis resorting more and more towards the use of taxi ranks. The offset of this is that this has created congestion and traffic issues in certain areas where there seems to be higher patronage from customers. This issue is more prevalent in the Sydney CBD precinct. It is evident that this issue occurs during both the day, and evening throughout the entire week.

This impact flows on to the traditional peak period of a Friday and Saturday night. These two nights now equate to lower taxi patronage than a typical weeknight. We believe that this is attributed from rideshare drivers cherry picking which nights they may choose to drive, typically reverting to the traditionally busier nights of a Friday and Saturday. This is further supported on the understanding that a significant number of rideshare drivers do so as a secondary form of employment/work.

Since the introduction of rideshare, there have been a significant number of cases reported regarding rideshare drivers picking up passengers at taxi ranks and zones in areas across NSW. Apart from this activity being illegal, this is also unsafe and dangerous. A large number of complaints including vehicle details and photos have been submitted to Roads and Maritime Services for investigations, with very little or no prosecutions eventuating.

The Rank and Hail sector for Taxis has also seen significant threat and impact from other transport providers across NSW. These include;

- Community Transport Operators
- Free Shuttle Buses
- Courtesy Buses by local Clubs and Community Organisations
- Health Share Transport
- Cross Border Transport Providers, operating outside of their restricted area of Operation.
- Rideshare Operators
- Hire Car Operators

Although most of these services have been operating for some time, the reforms introduced following the Point to Point Task Force have enabled many of these providers to be more active with their service offerings, without necessarily complying with the new regulatory requirements, in essence, flying under the radar.

Whilst the rank and hail share of total Taxi work in country and regional areas across NSW, is much lower than that in the Sydney Metropolitan area (5-10%), the major driver of impact on Taxi fares and competition in general has been the operation of other Transport Providers, including;

- Community Transport Operators
- Free Shuttle Buses
- Courtesy Buses by local Clubs and Community Organisations
- Health Share Transport
- Cross Border Transport Providers, operating outside of their restricted area of Operation.
- Rideshare Operators
- Hire Car Operators

The rank and hail market in Country Towns is very small, with customers utilizing Taxi Ranks in the very few cases of obtaining a Taxi – typically late night patrons leaving Hotels/Venues, as well as a small prevalence of Taxi rank use at nearby shopping centre's during the day.

2) How do you think the new regulatory framework for point to point transport will affect competition in the rank and hail market in the future?

The new regulatory framework for Point to Point Transport will affect both internal and external competition for the taxi industry. From an internal perspective, the new regulatory framework will force more taxis to rely on rank and hail.

Furthermore, we are seeing more rank and hail fares lost to Booked Services.

It is of our strong belief that the knock on effect of the new regulatory framework will place added pressure on taxi lease rates, resulting in stress and concern on the livelihoods of families trying to earn a living.

1.6.2 We are seeking comments on maximum fare regulation

3) Do you agree with the principles we have established to guide our approach to assessing the structure of fares for rank and hail services? What other factors should we consider?

The NSW Taxi Council does not object to the principles established to assess the structure of fares for rank and hail services.

While we agree with choice and flexibility, the challenge exists in ensuring effective communication with the public to avoid confusion and negative experiences. Ideally what a customer needs is consistency and certainty.

4) Should TfNSW's fares order continue to specify rank and hail tariff components, or is there merit in an alternative for regulating maximum fares, such as flat maximum fares per distance travelled?

We believe that rank and hail tariff components should continue. Consumers have built credibility and faith in a regulated fare structure. This is important for rank and hail fares.

5) If TfNSW's fares order continues to specify rank and hail tariff components:

– What should those components be? (Currently they are hiring charge, distance rate and waiting rate).

We suggest that the tariff components for country should remain as is.

In relation to the Sydney Metropolitan Districts, we suggest to move to option 2 pg. 30 of IPART Issues Paper (alternative tariff components) i.e Hiring Charge, Distance rate, and duration rate.

Option 1 (current tariff components)		Option 2 (alternative tariff components)	
Hiring charge	\$ per trip	Hiring charge	\$ per trip
Distance rate	\$ per km (when travelling above a certain speed)	Distance rate	\$ per km (applies to total trip distance, regardless of how fast vehicle is travelling)
Waiting rate	\$ per minute (when travelling below a certain speed)	Duration rate	\$ per minute (applies to total trip duration, regardless of how fast vehicle is travelling)

– Should they include a minimum fare? (Currently there is no minimum fare).

We do not support a minimum fare as part of this review. We do request for consideration for minimum fare to be given with future fare reviews.

– Should they include a higher distance rate for longer trips? (Currently a higher distance rate applies for each km travelled over 12km in country areas only)

We would suggest that the higher distance rate is maintained for Country fares. i.e keep as is.

In relation to City fares, we would recommend maintaining the current out of area travel policy. We do not suggest a higher km rate for longer distance travel within the Sydney Metropolitan district e.g. City to Penrith should be a consistent rate.

6) Should TfNSW's fares order specify the time period when peak tariffs may apply, restrict the number of hours peak tariffs may apply, or not restrict the time or number of hours when peak tariffs may apply?

We would recommend adopting 3 tariffs:

- (i) Peak Rate
- (ii) Off Peak Rate
- (iii) Maxi rate

We recommend that the Government should not prescribe for when the peak or off peak rate is charged. This can be determined by the Taxi Service Provider (TSP).

We strongly recommend removing the night owl rate relating to Friday/Saturday night and night before public holiday surcharge.

7) Should TfNSW's fares order change the relativities between different tariff components, and/or between tariffs at different times of the day or week? Or should the fares order allow taxi service providers the flexibility to make decisions about relativities themselves?

We support maintaining a government prescribed direction on when peak tariffs are to apply, for the time being until as such when a TSP can control and automate when tariffs can change on the fare calculation device.

8) Do you agree that the cost of providing taxi services is stable or declining? If not, what evidence is there that costs are increasing?

We are of the strong belief that following the decision by Government to remove comfort and other standards from the Regulations has not in fact resulted in reduced cost from operating a taxi business. In fact, one may argue that this has added to the cost of operating. For example a vehicle with an older age limit, will require additional repairs and maintenance, and other risks to safety. Furthermore, insurance companies have leveraged on the removal of age limits on Taxis by adding higher premiums on older vehicles.

Furthermore, as a result of the total number of fares per vehicle decreasing, the contribution from each fare to cover the cost of each vehicle goes up.

9) Are current fare levels too low, too high or about right?

We believe that the current fare levels are about right for both Sydney Metro and Country. There has not been a fare increase for over 3 years. This has delivered stability and consistency in the rank and hail market.

10) What are the risks and potential benefits of setting maximum tariff components above the level of efficient costs? Are current fare levels sufficient to allow price and service innovation by taxi industry participants?

We believe that the risk associated with setting maximum tariff components are that driver's may have the propensity to charge customers' the maximum rate.

On the other hand, the benefit of a maximum rate is that this will encourage more competition in the market, providing customers' with more choice.

There are currently restrictions on the ability for taxi industry participants to innovate. The pay in rate an Operator receives from a driver barely covers the cost to operate and maintain the Taxi.

11) What non-tariff charges should be included in TfNSW's fares order? What amount should be charged in the following circumstances:

- a taxi is hired for more than four passengers from a rank or hailed from the street?**

We believe that the Maxi Tariff should apply for both Sydney Metro and Country for journeys carrying more than four passengers.

- a passenger soils a taxi?**

The NSW Taxi Council supports a maximum fee of up to 2 hours waiting time in the case that a passenger soils a taxi. This equates to one hour for drivers down time, and one hour for the cost of cleaning.

12) Should TfNSW's fares order specify that the Passenger Service Levy may be charged directly as a non-tariff charge, or should we take the cost of the levy into account when recommending maximum tariff components?

The NSW Taxi Council believes that the Passenger Service Levy (PSL) should be included and noted on the fares order. We would request that the PSL is added as an extra charge for applicable fares.

We would not support for the PSL to be added to the flag fall, as the PSL is not applicable on all fares e.g. (ASTP), and the Regulations allow for the levy to be passed on to the customer, if the TSP choose to do so.

13) There are currently two fare zones ('urban areas' and 'country areas') in TfNSW's fares order. How many fare zones should there be, and why?

We would support for two fare zones to continue for urban areas and country areas.

Country areas require a different fare zone as it is quite often that a driver travels outside the area of operation. Hence the chance of obtaining a return fare is unlikely.

14) What, if any problems are there with the current arrangements for out-of-area fares? What could be done to address these problems?

The NSW Taxi Council supports the existing policy on out of area fares. The TSP is able to provide support and guidance to drivers requiring assistance in determining out of area fares.

It is critical that a customer is aware and notified before the commencement of a journey that they will be travelling to an out of area zone. Furthermore, the out of area quote must be communicated and agreed to by the passenger prior to the commencement of the journey.

15) Are the fare notification requirements in the Point to Point Transport (Taxis and Hire Vehicles) Regulation 2017 sufficient to facilitate comparison of the fares offered by different rank and hail service providers?

The NSW Taxi Council does not object to the current requirement within the Point to Point Regulations (2017) in relation to the requirements to display fares.

The NSW taxi Council does not support a requirement for taxis to advertise a rate on the outside of the vehicle. This will create confusion and complexities for customers. Furthermore, this will remove the flexibility for TSP's to vary the pricing and tariffs that they want to charge.

1.6.3 We are seeking comments on the release of taxi licences

16) Are there particular characteristics of the rank and hail market that require the supply of licences to continue to be regulated?

We believe that the variability of the market place will allow operators with an unrestricted Taxi Licence to cherry pick when and where they go to operate, including cherry picking key events.

With over 90% of work in country areas coming from booked services, it has been identified that there is sufficient competition from the examples mentioned earlier. These include;

- Community Transport Operators
- Free Shuttle Buses
- Courtesy Buses by local Clubs and Community Organisations
- Health Share Transport
- Cross Border Transport Providers, operating outside of their restricted area of Operation.
- Rideshare Operators
- Hire Car Operators

17) Should all new licences be allowed to operate anywhere outside the Sydney Metropolitan Transport District? Alternatively, should new annual licences only be issued for areas with an identified shortage of rank and hail services? If you think additional operating area restrictions should be applied, what should they be, and why?

The NSW Taxi Council does not support and strongly opposes new licences from being allowed to operate anywhere outside the Sydney Metropolitan Transport District. This will enable operators who “pick the eyes” out of good times/events in rural towns - that have no regard for the business that is developed in towns 52 weeks a year - taxis should have connection with their community - if you allow non locals to come in & take the “cream” of the work in busy times you will find that the local operators who service the community the other 51 weeks will become unviable & leave the industry.

We believe that any new licences that are issued must have a restricted area of operation. Furthermore, the release of any new licences must not occur, at least until a review of all current licences on hold takes place. Licences on hold must be a priority before any new licences are released. Part of the review of licences on hold, is to consider changing the area of operation for a licence on hold to an area where it is needed.

The NSW Taxi Council does not support the idea that the impact on a licence owner should not be taken into consideration. The impact from releasing new licences in many areas could be in some cases detrimental to licence owners and operators of a Taxi business. This may force the Taxi Network to cease operations and suffer severe consequences as a result.

18) Should a large number of new taxi licences be issued to effectively remove supply constraints on the provision of taxi services outside Sydney? If so, should the licences be issued in one release, or gradually over several years?

The NSW Taxi Council believes that no new licences should be released until the current licences on hold are utilized.

19) Should a number of new annual licences be allocated to replace country taxi short-term and short-term fringe licences? If so, should these new annual licences be restricted to operating in the same areas as the current country taxi short-term and short-term fringe licences?

We do not object to new annual licences being allocated to replace country taxi short term and short term fringe licences. These new annual licences should be renewable for 10 years and have a restriction on the area of operation as they were issued originally - the licences were issued to meet a demand in a particular area - this should continue.

20) What are the likely impacts of the different options for issuing new licences on the sustainability of the rank and hail market?

The NSW Taxi Council believes the more licences that are issued means each taxi takes less income - unless there is a “significant untapped” demand this will mean that good long term and

reliable taxi operators will leave the industry. The release of new licences would place added pressure as the financial viability of many of our fragile country taxi networks would leave them detrimentally affected. This would be the result of a reduction in booked fares from increased competition, added by loss of rank and hail share due to the release of additional licences.

21) Should there be any restrictions on:

– The areas of operation for new licences in cross border areas?

The NSW Taxi Council believes that restrictions need to be placed on new licences so that licences are released in areas that have untapped demand that is not being met currently. Furthermore, releasing new licences into an area that is meeting demand will cause good operators to leave the industry. We would not object to maintaining the current arrangements between Queanbeyan and the ACT; however we do not support this for any other area.

– The operation of new licences? If so, what type of restrictions?

We believe that any new licences should continue to have a restriction on the area of operation. We suggest continuing with the existing conditions as they currently stand.

22 Should some new taxi licences be reserved for persons authorised to provide taxi services?

We believe that persons authorized to provide taxi services have been long standing in the industry & operating particularly in rural & regional areas for many years. These people have grown the business & good will with customers. To simply hand licences to people who have just come in without that previous commitment would be unjust and in some cases detrimental.

23) Should there be a limit on the number of taxi licences issued to the same applicant or related applicants?

The NSW Taxi Council believes that whilst we would like to encourage competition, we would also like to see the good Operators provided with the opportunity to obtain a number of licences if required.

We believe that business cases need to be understood and considered when determining applications in some cases.

CONCLUSION

The NSW Taxi Council appreciates the time and consideration given to our submission.

We believe that considerations for addressing the matters of concern which are included in this submission are critical for the future viability of Taxi Organisations, particularly in Country and Rural NSW.

We would be happy to provide any further information if required as part of this review process.

The NSW Taxi Council looks forward to meeting with IPART to discuss any aspects of our submission.